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BEFORE THE COMMODITY FUTURES TRADING COMMISSION

CME Europe Limited

Application for Registration as a Foreign Board of Trade
Pursuant to 17 C.F.R. § 48.5

June 3, 2014

CONFIDENTIAL EXHIBITS AND ATTACHMENTS TO FORM FBOT

June 3, 2014

By Electronic Mail

Assistant Secretary of the Commission for FOIA Matters
U.S. Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Re: CME Europe Limited; FOIA Confidential Treatment Request for:
CME Europe FORM FBOT—EXHIBIT A-1(2)
CME Europe FORM FBOT—EXHIBIT D-1
CME Europe FORM FBOT —EXHIBIT D-2
Terms of Reference of the Risk and Audit Committee
Terms of Reference for the Product Committee
Terms of Reference of the Disciplinary Panel
Globex Services Agreement
Market Regulation Service Level Document
CME Europe Limited Member On-Boarding Procedure
Compliance Flow Chart
Compliance Manual
Anti-Money Laundering Policy
Compliance Guidelines for Individuals

On behalf of our client, CME Europe Limited (“CMEEL”), we hereby request that the attached documents whose titles are listed above and the transmitting e-mail message be afforded confidential treatment in accordance with the Freedom of Information Act (“FOIA”), 5 USC 552 and CFTC rules thereunder, 17 C.F.R. 145.9, for an indefinite period of time due to the sensitive commercial and proprietary nature of the information contained therein, public disclosure of which could be detrimental to CMEEL. As prescribed by 17 C.F.R. 145.9(d)(4), each page of the documents included in this request bears the legend “Confidential Treatment Requested by CME Europe Limited.”

In accordance with the foregoing regulations, kindly notify me at Petal.Walker@wilmerhale.com or 202-663-6677 of any request under FOIA for access to the enclosed documents to enable CMEEL to substantiate the grounds for confidential treatment, or if you have any questions regarding this document.

Thank you very much for your consideration.

Sincerely,



Petal P. Walker

cc: Duane Andresen

Enclosures:

CME Europe FORM FBOT—EXHIBIT A-1(2)
CME Europe FORM FBOT—EXHIBIT D-1
CME Europe FORM FBOT —EXHIBIT D-2
Terms of Reference of the Risk and Audit Committee
Terms of Reference for the Product Committee
Terms of Reference of the Disciplinary Panel
Clearing Services Agreement
Globex Services Agreement
Market Regulation Service Level Document
CME Europe Limited Member On-Boarding Procedure
Compliance Flow Chart
Compliance Manual
Anti-Money Laundering Policy
Compliance Guidelines for Individuals

June 3, 2014

Paul M. Architzel

Vince A. McGonagle
Division of Market Oversight
Commodity Futures Trading Commission
1155 21st St., N.W.
Washington, D.C. 20581

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paul.architzel@wilmerhale.com

Re: Application for Registration of CME Europe Limited as a Foreign Board of Trade
Pursuant to 17 C.F.R. §48.5

Dear Mr. McGonagle:

We are filing the attached Application of CME Europe Limited (“CMEEL” or “Exchange”) for Registration as a Foreign Board of Trade under Commission Rule 48.5 on behalf of our client, CMEEL.

CMEEL is a London-based, FCA-supervised futures exchange. As a wholly-owned subsidiary of CME Group, CMEEL leverages the operations and expertise of the world's largest derivatives marketplace and is designed to meet evolving regional needs and trading practices. CMEEL delivers connectivity and operational efficiencies to customers through CME Globex, as well as the clearing services of CME Clearing Europe, an established London-based clearing house.

* * *

If you have any questions, we would be happy to discuss this application in greater detail.

Best regards,



Paul M. Architzel

COMMODITY FUTURES TRADING COMMISSION

FORM FBOT

FOREIGN BOARD OF TRADE APPLICATION FOR REGISTRATION (IN ORDER TO PERMIT DIRECT ACCESS TO MEMBERS AND OTHER PARTICIPANTS)

CME Europe Limited

Name of applicant as specified in organizational documents

One New Change, Fourth Floor, London EC4M 9AF, United Kingdom

Address of principal executive office

If this Form FBOT is a new application for registration, complete in full and check here.

If this Form FBOT is an amendment to a pending application or to a final application that resulted in the issuance of an Order of Registration, list and/or describe all items that are amended or otherwise updated and check here.

When appropriate, please attach additional page(s) containing a list and explanatory statement of amendment(s) or update(s).

GENERAL INFORMATION

1. Name under which the business of the foreign board of trade will be conducted, if different than name specified above:

2. List of principal office(s) where foreign board of trade activities are/will be conducted (please use multiple entries, when applicable):

Office (name and/or location):	CME Europe Limited
Address:	One New Change Fourth Floor London EC4M 9AF United Kingdom
Phone Number:	+44 20 3379 3700
Fax Number:	+44 20 3379 3888
Website Address:	http://www.cmegroup.com/europe/

3. Contact Information.

3a. Primary Contact for Form FBOT (i.e., the person authorized to receive Commission correspondence in connection with this Form FBOT and to whom questions regarding the submission should be directed):

Name: Paul M. Architzel

Title: Outside Counsel
Email Address: paul.architzel@wilmerhale.com
Mailing Address: 1875 Pennsylvania Ave., N.W.
Washington, D.C. 20006
Phone Number: (202) 663-6240
Fax Number: (202) 663-6363

3b. If different than above, primary contact at the foreign board of trade that is authorized to receive all forms of Commission correspondence:

Name: Evelien Van Den Arend
Title: Director, Legal & Regulatory
Email Address: Evelien.VanDenArend@cmegroup.com
Mailing Address: One New Change
Fourth Floor
London EC4M 9AF
United Kingdom
Phone Number: +44 20 3379 3768
Fax Number: +44 7912 580 862

BUSINESS ORGANIZATION

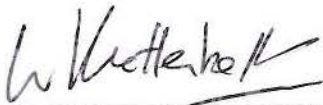
Describe organizational history, including date and, if applicable, location of filing of original organizational documentation, and describe all substantial amendments or changes thereto:

CME Europe Limited, formerly known as CME Rubicon Limited, is a private limited company incorporated in England, with registered number 8189042. The Exchange has been incorporated specifically to act as a Recognised Investment Exchange ("RIE") under the Financial Services and Markets Act 2000. As of this draft filing, the status of the Exchange as a RIE is subject to a pending application to the Financial Conduct Authority.

SIGNATURES

By signing and submitting this Form FBOT, the applicant agrees to and consents that the notice of any proceeding before the Commission in connection with the foreign board of trade's application for registration or registration with the Commission may be given by sending such notice by certified mail or similar secured correspondence to the persons specified in sections 3a and 3b above.

CME Europe Limited has duly caused this Form FBOT to be signed on its behalf by the undersigned, hereunto duly authorized, this 2nd day of June, 2014. CME Europe Limited and the undersigned represent that all information and representations contained herein are true, current, and complete. It is understood that all information, documentation, and exhibits are considered integral parts of this Form FBOT. The submission of any amendment to Form FBOT represents that all items and exhibits not so amended remain true, current, and complete as previously filed.



William Knottenbelt, Chief Executive Officer
CME Europe Limited

FORM FBOT—EXHIBIT A-1

Request:

Attach, as Exhibit A-1, a description of the following for the foreign board of trade:

Location, history, size, ownership and corporate structure, governance and committee structure, current or anticipated presence of offices or staff in the United States, and anticipated volume of business emanating from members and other participants that will be provided direct access to the foreign board of trade’s trading system.

Response:

Location

CME Europe Limited (the “Exchange”) is located in the CME Group London offices, at One New Change, 4th Floor, EC4M 9AF.

History

The Exchange, formerly known as CME Rubicon Limited, is a private limited company incorporated in England, with registered number 8189042. CME Europe is a London-based, FCA-supervised derivatives exchange. As a wholly-owned subsidiary of CME Group, CME Europe leverages the operations and expertise of the world's largest derivatives marketplace and is designed to meet evolving regional needs and trading practices.

As required by Commission rules, the Exchange will update this Application if there are any material changes to this Application while it is pending.

Size

The Exchange is, at the outset, a relatively small company in terms of headcount but it has a sufficient number of experienced and trained staff to run the Exchange (with support from its outsourcing partners described below). The Exchange has ten full time, dedicated employees including two executive directors and the following staff: (a) three CME Europe Market Regulation Team (“CEMRT”) employees; (b) three Operations Team employees; and (c) two Strategic Sales employees. As described below, several services, including Legal, Audit, automated matching, marketing and accounting are provided by the Exchange’s affiliates through outsourcing arrangements.

Ownership and Corporate Structure

The Exchange is a subsidiary, through intermediaries, of CME Inc., which is a listed corporation which was formed and incorporated in Delaware, is publicly traded on the NASDAQ stock exchange, and is one of the largest futures exchanges and clearing houses in the U.S., and in the world. It is registered as a designated contract market and derivatives clearing organization with the Commodity Futures Trading Commission (“Commission”) and has Recognised Overseas Investment Exchange (“ROIE”) status with the FCA. CME Inc. is a wholly owned subsidiary of

CME Group Inc. (“CME Group”). As described below, several of the Exchange’s affiliates are outsource partners. Further information regarding the Exchange’s ownership structure appears in Exhibit A-1(2).

Governance and Committee Structure

Board of Directors

As described further in Exhibit C, the Exchange is governed by an eleven-member Board of Directors, which under the Articles of Association (*see* Exhibit A-2(4)) and applicable company law, is responsible for its day-to-day running.¹ The organization, balance and composition of the Board has been determined in accordance with good corporate governance practice and in accordance with the FCA’s guidance on the suitability of individuals appointed as directors or employees of such bodies. Accordingly, in order to provide for the necessary business expertise, minimize conflicts of interest and provide for a diversity of opinions, the Exchange’s Board is composed of:

- (a) five independent non-executive directors (“INEDs”): (1) Chairman of the Board (Mark Spanbroek), (2) Chairman of the Risk and Audit Committee (Mark Goodliffe), and (3) Chairman of each Disciplinary Panel (Simon Raybould); (4) Hans-Bernd Menzel, and (5) Michael Blair.²
- (b) five executive directors: (1) Chief Executive Officer (“CEO”) (William Knottenbelt), and Chief Operating Officer (“COO”) (David Feltes), (3) Bryan Durkin, (4) Derek Sammann, and (5) Michael O’Connell; and
- (c) one non-executive director (“NED”): James Oliff (Member of CME Group Board of Directors, NED for the Clearing House).

First, the INEDs bring an independent perspective to Board deliberations, thus the Chairmen of the Board, Risk Audit Committee, and Disciplinary Panel must all be INEDs. Second, executive directors are nominated and appointed on the basis of their particular knowledge and experience, with a view to ensuring that the Board as a whole has the competencies and qualifications to carry out its responsibilities as the governing body of the Exchange.

And last, each NED is also employed by at least one other CME Group company. Since, under company law, all of the directors owe duties to the company as a whole, when acting in their capacity as directors of the Board, these directors are obliged to act in accordance with the general legal and fiduciary duties of directors under English company law and also in accordance

¹ Article 9.1 of the Exchange Articles of Association (*see* Exhibit A-2(4)) requires that any decision of the Board is to be either a majority decision at a Board meeting or a unanimous decision taken in accordance with Article 10, i.e., by written resolution. In the event that the number of votes for and against a proposal is equal, the Chairman or other Director chairing the meeting has a casting vote (*see* Article 15).

² Please note that as a new Disciplinary Panel will be convened each time one is needed, this will not be a standing role, but the Chairman of each Disciplinary Panel will be an independent non-executive director.

with the Exchange's internal constitutional and organizational rules, safeguards and procedures, as set out in the Articles of Association of the Exchange and any relevant policies.³

Board Committees

As described in Exhibit C, the Board appoints the following committees:

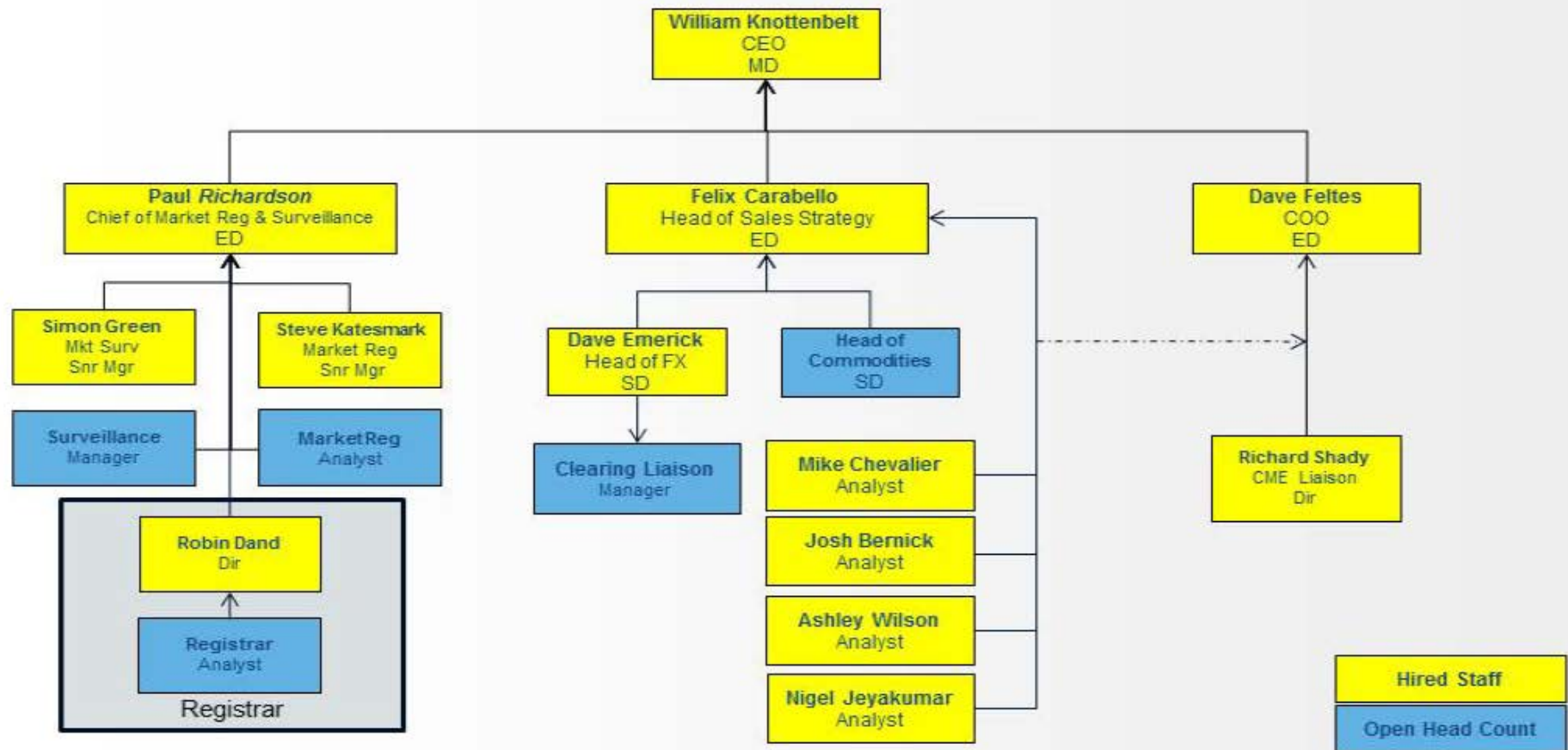
- (a) The Risk and Audit Committee – whose oversight responsibilities include: internal risk controls, internal audit, external audit, financial reporting, and whistleblowing policies;
- (b) Disciplinary Panels – which plays the primary role in any disciplinary proceedings against Members; and
- (c) The Emergency Committee – which can be convened immediately at the CEO's request to consider such issues as whether an Event of Default has occurred and whether to suspend trading on the Exchange
- (d) The Product Committee – which assists the Board in overseeing the review of proposed new product launches on the Exchange, and approving such applications before their submission to the FCA.

Executive Management Team

The Senior Management Team is responsible for the day to day management and operations of the Exchange. The organizational structure of the Exchange allows the Senior Management Team and the Board to have effective oversight and control of the functions of the Exchange. As indicated in the chart below, there are direct reporting lines from each of the functions in the Exchange to a particular member of the Board, or Senior Management Team:

³ Including the Exchange's Conflicts of Interest Policy (*see* Section 18 of Compliance Manual – Exhibit A-6(5)).

CME Europe Organization Structure



The CEO, COO, and Chief Regulatory & Surveillance Officer (“CRSO”) , among others have designated responsibilities:

- (a) The responsibilities of the CEO include: (1) general oversight of the business and operation of the Exchange, (2) marketing, (3) strategy, (4) audit, (5) treasury, (6) insurance and accounts, (7) dealing with defaults and (8) the management and general oversight of risk within the Exchange;
- (b) The responsibilities of the COO include: (1) general oversight of the operations function of the Exchange, (2) onboarding / removal of Members, (3) overseeing the relationship with the Clearing House, (4) preparing the annual budget and accounts in co-ordination with the CMEOL finance department and the Board and (5) product development; and
- (c) The responsibilities of the CRSO include: (1) general oversight of the market regulation and compliance function of the Exchange, (2) setting the parameters for all market monitoring programs, (3) communication with Regulatory Authorities, including the decision to make suspicious activity reports to relevant Regulatory Authorities and Investigations and discipline.

Outsourcing Agreements

The Exchange has several outsourcing agreements with CME Group affiliates, including:

- (a) CME Inc. performs certain core services, which it already performs for various other group entities and joint ventures, under the Globex Services Agreement, including: (1) the operation of the Globex matching system, (2) the provision of IT disaster recovery and other IT facilities and services, (3) assistance with market regulation and monitoring services, and (4) the provision of certain internal audit services to support the Exchange’s Head of Internal Audit;
- (b) CME Operations Limited (“CMEOL”) provides various corporate support services to the Exchange on an outsourced basis under the Corporate Services Agreement, including: (1) Legal, (2) Human Resources, (3) Accounting, (4) Office administration, (5) Leasing, (6) IR/Communications, and (7) Research and Development;
- (c) CME Clearing Europe Limited (“CME Clearing”),⁴ a division of CME Inc. which offers central counterparty clearing and settlement services for both exchange traded and over-the-counter derivatives transactions, provides clearing services, subject to a Clearing Services Agreement (*see* Exhibit A-3(2)); and
- (d) CME Marketing Europe Limited (“CMEME”) provides marketing services subject to a marketing agreement.

⁴ CME Clearing is described in the accompanying Supplement S-1.

The outsourcing arrangements are overseen on a day to day basis by the relevant Exchange staff, which is in frequent contact with their counterparts at the relevant affiliates and receive regular reports on the provision of the services. The Senior Management Team is fully accessible to Exchange staff and is responsible for (in some cases, direct) oversight of the services provided by the outsource partners. Further, the Exchange's Board has ultimate oversight of the service provision through management information.

Current or anticipated presence of offices or staff in the United States

The Exchange has neither offices nor staff in the United States, and expects to leverage the staff in its U.S. affiliates by seconding them to the Exchange for periods of time. The Exchange may also have U.S.-based staff in the future for such purposes as: (a) operating a representative office for purposes of attending industry conferences; (b) educating prospective members on the exchange/clearing house; and (c) assisting local members

Anticipated volume of business emanating from members and other participants that will be provided direct access to the foreign board of trade's trading system.

The Exchange's financial projections anticipate overall average daily volume of trading growing annually by 30% after the initial three years of operations. The Exchange estimates that 5% to 10% of revenues (trading volumes) will emanate from U.S.-based entities. However, the actual amount may vary from this projected estimate.

THE COMPANIES ACT 2006

COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION
OF
CME EUROPE LIMITED

PART 1
PRELIMINARY

1 Defined terms

1.1 In the Articles, unless the context requires otherwise:

Articles means these Articles of Association as originally adopted or altered or varied from time to time (and **Article** means one of these Articles);

authenticated has the meaning given in section 1146 CA 2006;

bankruptcy includes individual insolvency proceedings in a jurisdiction other than England and Wales or Northern Ireland which have an effect similar to that of bankruptcy;

Board means the board of Directors for the time being of the Company or the Directors present or deemed to be present at a duly convened meeting of Directors at which a quorum is present;

Board Meeting means a meeting of the Board as from time to time convened in accordance with these Articles;

CA 2006 means the Companies Act 2006 (to the extent for the time being in force);

call or **call notice** have the meanings given in Article 32;

chairman has the meaning given in Article 15;

chairman of the meeting has the meaning given in Article 57;

clear days in relation to the period of a notice means that period excluding the day when the notice is given or deemed to be given and the day for which it is given or on which it is to take effect;

Company means CME Europe Limited;

Company's lien has the meaning given in Article 30;

a **conflict of interest** includes a conflict of interest and duty and a conflict of duties;

Companies Acts means the Companies Acts (as defined in section 2 CA 2006), in so far as they apply to the Company;

decision-making process includes a Directors' meeting or part of a Directors' meeting;

Director means a director of the Company, and includes any person occupying the position of director, by whatever name called;

distribution recipient has the meaning given in Article 47;

document includes, unless otherwise specified, any document sent or supplied in electronic form;

electronic form has the meaning given in section 1168 CA 2006;

Exchange means the recognised investment exchange operated from time-to-time by the Company in the United Kingdom;

fully paid in relation to a share, means that the nominal value and any premium to be paid to the Company in respect of that share have been paid to the Company;

hard copy form has the meaning given in section 1168 CA 2006;

an **interest** means a direct or an indirect interest and **interested** shall be construed accordingly;

lien enforcement notice has the meaning given in Article 31;

Member means a member of the Company;

Office means the registered office for the time being of the Company;

partly paid in relation to a share, means that part of the nominal value or any premium to be paid to the Company in respect of the share has not been paid to the Company;

paid means paid or credited as paid;

participate, in relation to a directors' meeting, has the meaning given in Article 12;

proxy notice has the meaning given in Article 63;

Rules means the rules, regulations and contract terms and conditions as described in Article 6.1;

Secretary means the secretary (if any) of the Company or any other person (if any) appointed to perform the duties of the secretary of the Company, including a joint, assistant or deputy secretary and references to the Secretary shall only apply for as long as the Company elects to have a secretary;

shareholder means a person who is the holder of a share;

shares means shares in the Company;

special resolution has the meaning given in section 283 CA 2006;

subsidiary has the meaning given in section 1159 CA 2006;

a **transaction or arrangement** means an actual or a proposed transaction or arrangement; and

transmittee means a person entitled to a share by reason of the death or bankruptcy of a shareholder or otherwise by operation of law;

writing means the representation or reproduction of words, symbols or other information in a visible form by any method or combination of methods, whether sent or supplied in electronic form or otherwise; and

United Kingdom means Great Britain and Northern Ireland.

- 1.2 Unless the context otherwise requires, other words or expressions contained in these Articles bear the same meaning as in the CA 2006 as in force on the date when these Articles become binding on the Company.

2 Exclusion of Table A

No regulations contained in Table A in the Schedule to the Companies (Tables A to F) Regulations 1985 (SI 1985 No 805) as amended before the date of incorporation of the Company so far as it relates to private companies limited by shares (such Table being hereinafter called Table A) shall apply to the Company.

3 Limited Liability

The liability of the shareholders is limited to the amount, if any, unpaid on their shares.

PART 2

DIRECTORS

DIRECTORS' POWERS AND RESPONSIBILITIES

4 Directors' general authority

Subject to the Articles, the Directors are responsible for the management of the Company's business, for which purpose they may exercise all the powers of the Company and regulate and decide all matters concerning the Company as are not covered herein or by any Article or any regulation, provided that no such direction shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made or that direction had not been given. The power given by this Article shall not be limited by any special power given to the Directors by these Articles and a meeting of the Directors at which a quorum is present may exercise all powers exercisable by the Directors.

5 Shareholders' reserve power

- 5.1 The shareholders may, by special resolution, direct the Directors to take, or refrain from taking, specified action.
- 5.2 No such special resolution invalidates anything which the Directors have done before the passing of the resolution.

6 Exchange regulations and other matters

- 6.1 Rules, regulations and contract terms and conditions (in these Articles called the **Rules**) may from time to time be adopted by the Company for the purposes of acting as a Recognised Investment Exchange and for regulating the conduct of business of the Company as a Recognised Investment Exchange pursuant to the Financial Services and Markets Act 2000 (as amended or superseded), including provision for issue, suspension, and withdrawal of membership rights and appeals in connection therewith, for the charging of subscriptions, levies and other imposts, for facilitating the conduct of trading on, and guaranteeing or undertaking the carrying out of contracts, for purposes connected with recognition of the Company for the relevant statutory purposes and such other purposes as the Company may think fit. The Rules may be adopted, added to, revoked or amended:
 - 6.1.1 by the Directors (or any committee appointed by them for such purpose) subject to the provisions of these Articles;
 - 6.1.2 by the Directors (or any committee appointed by them for such purpose) pursuant to any express power conferred upon them by the Rules; or

6.1.3 in such other manner as may be expressly provided for in the Rules.

7 Directors may delegate

7.1 Subject to the Articles, the Directors may delegate any of the powers which are conferred on them under the Articles to such person or committee, by such means (including by power of attorney), to such an extent, in relation to such matters or territories and on such terms and conditions as they think fit.

7.2 If the Directors so specify, any such delegation may authorise further delegation of the Directors' powers by any person to whom they are delegated.

7.3 The Directors may revoke any delegation in whole or part, or alter its terms and conditions.

8 Committees

8.1 Committees to which the Directors delegate any of their powers must follow procedures which are based as far as they are applicable on those provisions of the Articles which govern the taking of decisions by Directors.

8.2 The Directors may make rules of procedure for all or any committees, which prevail over provisions derived from the Articles if they are not consistent with them.

DECISION-MAKING BY DIRECTORS

9 Directors to take decisions collectively

9.1 The general rule about decision-making by Directors is that any decision of the Directors must be either a majority decision at a meeting or a decision taken in accordance with Article 10.

9.2 If the Company only has one Director and no provision of the Articles requires it to have more than one Director, the general rule does not apply, and the Director may take decisions without regard to any of the provisions of the Articles relating to Directors' decision-making.

10 Unanimous decisions

10.1 A decision of the Directors is taken in accordance with this Article when all eligible Directors indicate to each other by any means that they share a common view on a matter.

10.2 Such a decision may take the form of a resolution in writing, copies of which have been signed by each eligible Director or to which each eligible Director has otherwise indicated agreement in writing.

- 10.3 References in this Article to eligible Directors are to Directors who would have been entitled to vote on the matter had it been proposed as a resolution at a Directors' meeting and whose vote would have counted in respect of such matter.
- 10.4 A decision may not be taken in accordance with this Article if the eligible Directors would not have formed a quorum at such a meeting.

11 Calling a Directors' meeting

- 11.1 Any Director may call a Directors' meeting by giving notice of the meeting to the Directors or by authorising the Secretary (if any) to give such notice,
- 11.2 Notice of any Directors' meeting must indicate its proposed date and time, where it is to take place and, if it is anticipated that Directors participating in the meeting will not be in the same place, how it is proposed that they should communicate with each other during the meeting.
- 11.3 Notice of a Directors' meeting must be given to each Director, but need not be in writing.
- 11.4 Notice of a Directors' meeting need not be given to Directors who waive their entitlement to notice of that meeting, by giving notice to that effect to the Company not more than seven days after the date on which the meeting is held. Where such notice is given after the meeting has been held, that does not affect the validity of the meeting, or of any business conducted at it.

12 Participation in a Directors' meeting

- 12.1 Subject to the Articles, Directors participate in a Directors' meeting, or part of a Directors' meeting, when the meeting has been called and takes place in accordance with the Articles and the Directors can communicate to the others any information or opinions they have on any particular item of the business of the meeting.
- 12.2 In determining whether Directors are participating in a Directors' meeting, it is irrelevant where any Director is or how they communicate with each other.
- 12.3 If all the Directors participating in a meeting are not in the same place, they may decide that the meeting is to be treated as taking place wherever any of them are.

13 Quorum for a Directors' meeting

- 13.1 At a Directors' meeting, unless a quorum is participating, no proposal is to be voted on, except a proposal to call another meeting.
- 13.2 The quorum for a Directors' meeting may be fixed from time to time by a decision of the Directors, but it must never be less than two, and unless otherwise fixed it is two.

- 13.3 If the total number of Directors for the time being is less than the quorum required, the Directors must not take any decision other than a decision to appoint further Directors or to call a general meeting so as to enable the shareholders to appoint further Directors.

14 Chairing of a Directors' meeting

- 14.1 The Directors may appoint a Director to chair their meetings.
- 14.2 The person so appointed for the time being is known as the chairman.
- 14.3 The Directors may terminate the chairman's appointment at any time.
- 14.4 If the chairman is not participating in a Directors' meeting within ten minutes of the time at which it was to start, the participating Directors must appoint one of themselves to chair it.

15 Casting vote

- 15.1 If the numbers of votes for and against a proposal are equal, the chairman or other Director chairing the meeting has a casting vote.
- 15.2 Article 15.1 does not apply if, in accordance with the Articles, the chairman or other Director is not to be counted as participating in the decision-making process for quorum or voting purposes.

16 Conflicts of Interest

- 16.1 Subject to the provisions of the Companies Acts and to complying with Article 16.2, a Director notwithstanding his office:
- 16.1.1 may be a party to or otherwise be interested in any transaction or arrangement with the Company or in which the Company is otherwise interested or in which any Company which has an interest in the Company is interested;
- 16.1.2 may hold any other office or place of profit under the Company (except that of auditor or of auditor of a subsidiary of the Company) in conjunction with the office of Director and may act by himself or through his firm in a professional capacity for the Company, and in any such case on such terms as to remuneration and otherwise as the Board may arrange, either in addition to or in lieu of any remuneration provided for by any other Article;
- 16.1.3 may be a director or other officer of, or employed by, or a party to any transaction or arrangement with or otherwise interested in, any Company promoted by the Company or in which the Company is otherwise interested or which has an interest in the Company; and
- 16.1.4 shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any office or employment or from any transaction, arrangement or proposal or

from any interest in any body corporate, no such transaction, arrangement or proposal shall be liable to be avoided on the grounds of any such interest or benefit nor shall the receipt of any such profit, remuneration or any other benefit constitute a breach of his duty under the Companies Acts or under the law not to accept benefits from third parties.

- 16.2 Subject to Article 16.3, a Director shall declare the nature and extent of any interest permitted under this Article at a meeting of the Directors, or, in the case of a transaction or arrangement with the Company, in the manner set out in the Companies Acts.
- 16.3 A Director need not declare an interest in the case of a transaction or arrangement with the Company:
- 16.3.1 if, or to the extent that, the other Directors are already aware of the interest (and for this purpose the other Directors will be treated as aware of anything of which they ought reasonably to be aware); or
- 16.3.2 if, or to the extent that, it concerns the terms of his service contract (as defined in section 227 CA 2006) that have been or are to be considered by a meeting of the Directors or by a committee of the Directors appointed for the purpose under these Articles.
- 16.4 Where the existence of a Director's relationship with another person is authorised by the Board pursuant to the Companies Acts (and subject to any limits or conditions imposed by the Board) or if Article 16.1 applies to the relationship, the Director shall not be in breach of the general duties he owes to the Company under the Companies Acts because he:
- 16.4.1 absents himself from meetings of the Board at which any matter relating to the conflict of interest or possible conflict of interest will or may be discussed or from the discussion of any such matter at a meeting or otherwise;
- 16.4.2 makes arrangements not to receive documents and information relating to any matter which gives rise to the conflict of interest or possible conflict of interest sent or supplied by the Company and/or makes arrangements for such documents and information to be received and read by a professional adviser; or
- 16.4.3 fails to disclose to the Board or to any Director or other officer or employee of the Company any information which he obtains otherwise than as a Director and in respect of which he has a duty of confidentiality to another person; and/or
- 16.4.4 fails to use or apply any such information in performing his duties as a Director.
- 16.5 Subject to these Articles, the Board may cause the voting rights conferred by the shares in any other Company held or owned by the Company or any power of appointment to be exercised in such manner in all respects as it thinks fit (including the exercise of voting rights in favour of any

resolution appointing the Directors or any of them as Directors or officers of the other Company or in favour of the payment of remuneration to the Directors or officers of the other Company), and a Director may vote on and be counted in the quorum in relation to any of these matters.

- 16.6 Except as otherwise provided in these Articles a Director is to be counted as participating in the decision-making process for quorum or voting purposes on a proposed decision of the Directors which is concerned with an actual or proposed transaction or arrangement with the Company in which that Director is interested.
- 16.7 A Director who is interested in a transaction or arrangement with the Company in relation to the Director's own appointment to office or employment with the Company, or the variation of the terms thereof, or termination of his appointment or employment, is not to be counted as participating in the decision-making process, and is not entitled to vote on or agree to a proposal relating to it.
- 16.8 The Company may by ordinary resolution disapply the provision of the Articles which would otherwise prevent a Director from being counted as participating in the decision-making process.
- 16.9 For the purposes of this Article, references to proposed decisions and decision-making processes include any Directors' meeting or part of a Directors' meeting.
- 16.10 Subject to Article 16.11, if a question arises at a meeting of Directors or of a committee of Directors as to the right of a Director to participate in the meeting (or part of the meeting) for voting or quorum purposes, the question may, before the conclusion of the meeting, be referred to the chairman whose ruling in relation to any director other than the chairman is to be final and conclusive.
- 16.11 If any question as to the right to participate in the meeting (or part of the meeting) should arise in respect of the chairman, the question is to be decided by a decision of the Directors at that meeting, for which purpose the chairman is not to be counted as participating in the meeting (or that part of the meeting) for voting or quorum purposes.

17 Records of decisions to be kept

The Directors must ensure that the Company keeps a record, in writing, for at least 10 years from the date of the decision recorded, of every unanimous or majority decision taken by the Directors.

18 Directors' discretion to make further rules

Subject to the Articles, the Directors may make any rule which they think fit about how they take decisions, and about how such rules are to be recorded or communicated to Directors.

APPOINTMENT OF DIRECTORS

19 First Directors

The first Directors shall be appointed in writing by completion of the statement required to be delivered for registration by section 12 CA 2006.

20 Methods of appointing Directors

- 20.1 Subject to Article 20.2, any person who is willing to act as a Director and is permitted by law to do so may be appointed to be a Director by an instrument in writing pursuant to Article 21.2 or by a decision of the Directors.
- 20.2 Subject to the Articles, and provided it is satisfied that the appointment of such persons would not prejudice the Company's status (as appropriate) from time to time as a **Recognised Investment Exchange** under the Financial Services and Markets Act 2000 (as amended or superseded) or any other recognition or status granted to or being sought by the Company pursuant to any law or regulation, the Board may appoint such persons as it sees fit and who are willing to act as directors, either to fill a vacancy or as an addition to the Board.
- 20.3 In any case where, as a result of death, the Company has no shareholders and no Directors, the personal representatives of the last shareholder to have died have the right, by notice in writing, to appoint a person to be a Director.
- 20.4 For the purposes of Article 20.3, where two or more shareholders die in circumstances rendering it uncertain who was the last to die, a younger shareholder is deemed to have survived an older shareholder.

21 Termination of Director's appointment

- 21.1 A person ceases to be a Director as soon as:
- 21.1.1 that person ceases to be a Director by virtue of any provision of the CA 2006 or is prohibited from being a director by law;
- 21.1.2 he, or a company trading on the Exchange of which he is a director or an employee, is found guilty of a serious disciplinary offence under the Rules of the Company or under the rules of any other regulatory body;
- 21.1.3 he is found guilty of any criminal offence which or becomes subject to any judgement which, in the opinion of the Board, adversely affects his fitness and propriety to act as a Director of the Company;
- 21.1.4 a bankruptcy order is made against that person;

- 21.1.5 a composition is made with that person's creditors generally in satisfaction of that person's debts;
 - 21.1.6 a registered medical practitioner who is treating that person gives a written opinion to the Company stating that that person has become physically or mentally incapable of acting as a director and may remain so for more than three months;
 - 21.1.7 by reason of that person's mental health, a court makes an order which wholly or partly prevents that person from personally exercising any powers or rights which that person would otherwise have;
 - 21.1.8 he is absent, without the permission of the Board, from Board Meetings for six consecutive times and the Board resolves that his office be vacated;
 - 21.1.9 his co-directors reasonably resolve that as a result of his continuing as a Director, the Company's status or prospective status from time to time as a Recognised Investment Exchange under the Financial Services and Markets Act 2000 (as amended or superseded) or any other recognition or status granted to or being sought by the Company pursuant to any law or regulation could be endangered or materially adversely affected or compromised as a result of his membership of the Board;
 - 21.1.10 his co-directors reasonably resolve that he is no longer a fit and proper person to act as the director of a Recognised Investment Exchange under the Financial Services and Market Act 2000 (as amended or superseded);
 - 21.1.11 notification is received by the Company from the Director that the Director is resigning from office, and such resignation has taken effect in accordance with its terms;
 - 21.1.12 where he has been appointed for a fixed term, the term expires;
 - 21.1.13 he ceases to be eligible for appointment as a Director;
 - 21.1.14 he is removed from office pursuant to Article 21.2.
- 21.2 Without prejudice to the powers of the Company under section 168 CA 2006 to remove a Director by ordinary resolution, a shareholder or shareholders who for the time being hold(s) more than one half of the issued ordinary shares shall have the power from time to time and at any time to appoint any person or persons as a Director or Directors and to remove from office any Director howsoever appointed. Any such appointment or removal shall be effected by an instrument in writing authenticated by the shareholder or shareholders making the same or (in the case of a shareholder being a corporation) authenticated on its behalf by one of its directors or its secretary and shall take effect when received at the Office.

21.3 If the office of a Director is vacated for any reason, he shall cease to be a member of any committee of the Board.

22 Directors' remuneration

22.1 Directors may undertake any services for the Company that the Directors decide.

22.2 Directors are entitled to such remuneration as the Directors determine for their services to the Company as Directors and for any other service which they undertake for the Company.

22.3 Subject to the Articles, a Director's remuneration may take any form and include any arrangements in connection with the payment of a pension, allowance or gratuity, or any death, sickness or disability benefits, to or in respect of that Director.

22.4 Unless the Directors decide otherwise, Directors' remuneration accrues from day to day.

23 Directors' expenses

23.1 The Directors may, subject to the approval of the Board, be paid all travel, hotel and other reasonable expenses properly incurred by them in connection with their attendance at meetings of Directors or committees of Directors or general meetings or separate meetings of the Company or otherwise in connection with the exercise of their powers and the discharge of their duties and responsibilities in relation to the Company.

PART 3

SHARES AND DISTRIBUTIONS

SHARES

24 Share capital

The Directors may exercise any power of the Company to allot shares as if section 561 CA 2006 or section 89(1) CA 1985 (as appropriate) did not apply to the allotment, or to grant rights to subscribe for or to convert any security into shares.

25 Powers to issue different classes of share

25.1 Subject to the Articles, but without prejudice to the rights attached to any existing share, the Company may issue shares with such rights or restrictions as may be determined by ordinary resolution.

- 25.2 The Company may issue shares which are to be redeemed, or are liable to be redeemed at the option of the Company or the shareholder, and the Directors may determine the terms, conditions and manner of redemption of any such shares.

26 Payment of commissions on subscription for shares

- 26.1 The Company may pay any person a commission in consideration for that person subscribing, or agreeing or subscribe, for shares or procuring, or agreeing to procure, subscriptions for shares.
- 26.2 Any such commission may be paid in cash, or in fully paid or partly paid shares or other securities, or partly in one way and partly in the other and in respect of a conditional or an absolute subscription.

27 Company not bound by less than absolute interests

Except as required by law, no person is to be recognised by the Company as holding any share upon any trust, and except as otherwise required by law or the Articles, the Company is not in any way to be bound by or to recognise any interest in a share other than the shareholder's absolute ownership of it and all the rights attaching to it.

28 Share certificates

- 28.1 The Company must issue each shareholder, free of charge, with one or more certificates in respect of the shares which that shareholder holds.
- 28.2 Every certificate must specify in respect of how many shares, and of what class, it is issued, the nominal value of those shares and any distinguishing numbers assigned to them.
- 28.3 No certificate may be issued in respect of shares of more than one class.
- 28.4 If more than one person holds a share, only one certificate may be issued in respect of it.
- 28.5 Certificates must have affixed to them the Company's common seal or be otherwise executed in accordance with the CA 2006.

29 Replacement share certificates

- 29.1 If a certificate issued in respect of a shareholder's shares is damaged or defaced or said to be lost, stolen or destroyed, that shareholder is entitled to be issued with a replacement certificate in respect of the same shares.
- 29.2 A shareholder exercising the right to be issued with such a replacement certificate may at the same time exercise the right to be issued with a single certificate or separate certificates, must return the certificate which is to be replaced to the Company if it is damaged or defaced and must

comply with such conditions as to evidence, indemnity and the payment of a reasonable fee as the Directors decide.

30 The Company's lien over shares

- 30.1 The Company has a lien (the **Company's lien**) over every share (whether or not fully paid) for any indebtedness or other liability to the Company of any shareholder (whether the shareholder is the sole or joint holder of the share), whether payable immediately or at some time in the future and, in the case of a partly paid share, whether or not a call notice has been sent in respect of it.
- 30.2 The Company's lien over a share takes priority over any third party's interest in that share and extends to any dividend or other money payable by the Company in respect of that share and (if the lien is enforced and the share is sold by the Company) the proceeds of sale of that share.
- 30.3 The Directors may at any time decide that a share which is or would otherwise be subject to the Company's lien shall not be subject to it, either wholly or in part.

31 Enforcement of the Company's lien

- 31.1 Subject to the provisions of this Article 31, if a lien enforcement notice has been given in respect of a share and the person to whom the notice was given has failed to comply with it, the Company may sell that share in such manner as the Directors decide.
- 31.2 A lien enforcement notice may only be given in respect of a share which is subject to the Company's lien, must specify the share concerned, must require payment of the sum payable within 14 days of the notice, must be addressed either to the holder of the share or to a person entitled to it by reason of the holder's death, bankruptcy or otherwise and must state the Company's intention to sell the share if the notice is not complied with.
- 31.3 Where shares are sold under this Article, the Directors may authorise any person to execute an instrument of transfer of the shares to the purchaser or a person nominated by the purchaser, the transferee is not bound to see to the application of the consideration and the transferee's title is not affected by any irregularity in or invalidity of the process leading to the sale.
- 31.4 The net proceeds of any such sale (after payment of the costs of sale and any other costs of enforcing the lien) must be applied:
- 31.4.1 first, in payment of so much of the sum for which the lien exists as was payable at the date of the lien enforcement notice,
- 31.4.2 second, to the person entitled to the shares at the date of the sale, but only after the certificate for the shares sold has been surrendered to the Company for cancellation or a suitable indemnity has been given for any lost certificates, and subject to a lien equivalent to

the Company's lien over the shares before the sale for any money payable in respect of the shares after the date of the lien enforcement notice.

- 31.5 A statutory declaration by a Director or the Secretary (if any) that the declarant is a Director or the Secretary and that a share has been sold to satisfy the Company's lien on a specified date is conclusive evidence of the facts stated in it as against all persons claiming to be entitled to the share and, subject to compliance with any other formalities of transfer required by the Articles or by law, constitutes a good title to the share.

32 Call notices

- 32.1 Subject to the Articles and the terms on which shares are allotted, the Directors may send a notice (a **call notice**) to a shareholder requiring the shareholder to pay the Company a specified sum of money (a **call**) which is payable in respect of shares which that shareholder holds at the date when the Directors decide to send the call notice.
- 32.2 A call notice may not require a shareholder to pay a call which exceeds the total sum unpaid on that shareholder's shares (whether as to the share's nominal value or any amount payable to the Company by way of premium), must state when and how any call to which it relates it is to be paid and may permit or require the call to be paid by instalments.
- 32.3 A shareholder must comply with the requirements of a call notice, but no shareholder is obliged to pay any call before 14 days have passed since the notice was sent.
- 32.4 Before the Company has received any call due under a call notice the Directors may, by a further notice in writing to the shareholder in respect of whose shares the call is made, revoke it wholly or in part or specify a later time for payment than is specified in the call notice.

33 Liability to pay calls

- 33.1 Liability to pay a call is not extinguished or transferred by transferring the shares in respect of which it is required to be paid.
- 33.2 Joint holders of a share are jointly and severally liable to pay all calls in respect of that share.
- 33.3 Subject to the terms on which shares are allotted, the Directors may, when issuing shares, provide that call notices sent to the holders of those shares may require them to pay calls which are not the same or to pay calls at different times.

34 Failure to comply with call notice: automatic consequences

- 34.1 If a person is liable to pay a call and fails to do so by the call payment date the Directors may issue a notice of intended forfeiture to that person and, until the call is paid, that person must pay the Company interest on the call from the call payment date at the relevant rate.
- 34.2 For the purposes of this Article:
- 34.2.1 the **call payment date** is the time when the call notice states that a call is payable, unless the Directors give a notice specifying a later date, in which case the call payment date is that later date;
- 34.2.2 the **relevant rate** is:
- (a) the rate fixed by the terms on which the share in respect of which the call is due was allotted;
 - (b) such other rate as was fixed in the call notice which required payment of the call, or has otherwise been determined by the Directors; or
 - (c) if no rate is fixed in either of these ways, the appropriate rate (as defined by CA 2006).
- 34.3 The Directors may waive any obligation to pay interest on a call wholly or in part.

35 When call notice need not be issued

- 35.1 A call notice need not be issued in respect of sums which are specified, in the terms on which a share is issued, as being payable to the Company in respect of that share (whether in respect of nominal value or premium) on allotment, on the occurrence of a particular event or on a date fixed by or in accordance with the terms of issue.
- 35.2 But if the due date for payment of such a sum has passed and it has not been paid, the holder of the share concerned is treated in all respects as having failed to comply with a call notice in respect of that sum, and is liable to the same consequences as regards the payment of interest and forfeiture.

36 Notice of intended forfeiture

A notice of intended forfeiture may be sent in respect of any share in respect of which a call has not been paid as required by a call notice, must be sent to the holder of that share or to a person entitled to it by reason of the holder's death, bankruptcy or otherwise, must require payment of the call and any accrued interest by a date which is not less than 14 days after the date of the notice, must state how the payment is to be made and must state that, if the notice is not complied with, the shares in respect of which the call is payable will be liable to be forfeited.

37 Directors' power to forfeit shares

If a notice of intended forfeiture is not complied with before the date by which payment of the call is required in the notice of intended forfeiture, the Directors may decide that any share in respect of which it was given is forfeited, and the forfeiture is to include all dividends or other moneys payable in respect of the forfeited shares and not paid before the forfeiture.

38 Effect of forfeiture

- 38.1 Subject to the Articles, the forfeiture of a share extinguishes all interests in that share, all claims and demands against the Company in respect of it and all other rights and liabilities incidental to the share as between the person whose share it was prior to the forfeiture and the Company.
- 38.2 Any share which is forfeited in accordance with the Articles is deemed to have been forfeited when the Directors decide that it is forfeited, is deemed to be the property of the Company and may be sold, re-allotted or otherwise disposed of as the Directors think fit.
- 38.3 If a person's shares have been forfeited:
- 38.3.1 the Company must send that person notice that forfeiture has occurred and record it in the register of shareholders;
 - 38.3.2 that person ceases to be a shareholder in respect of those shares;
 - 38.3.3 that person must surrender the certificate for the shares forfeited to the Company for cancellation;
 - 38.3.4 that person remains liable to the Company for all sums payable by that person under the Articles at the date of forfeiture in respect of those shares, including any interest (whether accrued before or after the date of forfeiture); and
 - 38.3.5 the Directors may waive payment of such sums wholly or in part or enforce payment without any allowance for the value of the shares at the time of forfeiture or for any consideration received on their disposal.
- 38.4 At any time before the Company disposes of a forfeited share, the Directors may decide to cancel the forfeiture on payment of all calls and interest due in respect of it and on such other terms as they think fit.

39 Procedure following forfeiture

- 39.1 If a forfeited share is to be disposed of by being transferred, the Company may receive the consideration for the transfer and the Directors may authorise any person to execute the instrument of transfer.

- 39.2 A statutory declaration by a Director or the Secretary (if any) that the declarant is a Director or the Secretary and that a share has been forfeited on a specified date is conclusive evidence of the facts stated in it as against all persons claiming to be entitled to the share and, subject to compliance with any other formalities of transfer required by the Articles or by law, constitutes a good title to the share.
- 39.3 A person to whom a forfeited share is transferred is not bound to see to the application of the consideration (if any) nor is that person's title to the share affected by any irregularity in or invalidity of the process leading to the forfeiture or transfer of the share.
- 39.4 If the Company sells a forfeited share, the person who held it prior to its forfeiture is entitled to receive from the Company the proceeds of such sale, net of any commission and excluding any amount which was, or would have become, payable and had not, when that share was forfeited, been paid by that person in respect of that share, but no interest is payable to such a person in respect of such proceeds and the Company is not required to account for any money earned on them.

40 Share Transfers

- 40.1 Shares may be transferred by means of an instrument of transfer in any usual form or any other form approved by the Directors, which is executed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee.
- 40.2 No fee may be charged for registering any instrument of transfer or other document relating to or affecting the title to any share.
- 40.3 The Company may retain any instrument of transfer which is registered.
- 40.4 The transferor remains the holder of a share until the transferee's name is entered in the register of shareholders as holder of it.
- 40.5 The Directors may refuse to register the transfer of a share and, if they do so, the instrument of transfer must be returned to the transferee with the notice of refusal unless they suspect that the proposed transfer may be fraudulent.

41 Transmission of shares

- 41.1 If title to a share passes to a transferee, the Company may only recognise the transferee as having any title to that share.
- 41.2 Nothing in these Articles releases the estate of a deceased shareholder from any liability in respect of a share solely or jointly held by that shareholder.

41.3 A transmittee who produces such evidence of entitlement to shares as the Directors may properly require may, subject to the Articles, choose either to become the holder of those shares or to have them transferred to another person and, subject to the Articles and pending any transfer of the shares to another person, has the same rights as the holder had.

41.4 But transmittees do not have the right to attend or vote at a general meeting, or agree to a proposed written resolution, in respect of shares to which they are entitled, by reason of the holder's death or bankruptcy or otherwise, unless they become the holders of those shares.

42 Exercise of transmittees' rights

42.1 Transmittees who wish to become the holders of shares to which they have become entitled must notify the Company in writing of that wish.

42.2 If the transmittee wishes to have a share transferred to another person, the transmittee must execute an instrument of transfer in respect of it.

42.3 Any transfer made or executed under this Article is to be treated as if it were made or executed by the person from whom the transmittee has derived rights in respect of the share, and as if the event which gave rise to the transmission had not occurred.

43 Transmittees bound by prior notices

If a notice is given to a shareholder in respect of shares and a transmittee is entitled to those shares, the transmittee is bound by the notice if it was given to the shareholder before the transmittee's name has been entered in the register of shareholders.

44 Procedure for disposing of fractions of shares

44.1 This Article applies where there has been a consolidation or division of shares and, as a result, shareholders are entitled to fractions of shares.

44.2 The Directors may sell the shares representing the fractions to any person including the Company for the best price reasonably obtainable, authorise any person to execute an instrument of transfer of the shares to the purchaser or a person nominated by the purchaser and distribute the net proceeds of sale in due proportion among the holders of the shares.

44.3 Where any holder's entitlement to a portion of the proceeds of sale amounts to less than a minimum figure determined by the Directors, that shareholder's portion may be distributed to an organisation which is a charity for the purposes of the law of England and Wales, Scotland or Northern Ireland.

- 44.4 The person to whom the shares are transferred is not obliged to ensure that any purchase money is received by the person entitled to the relevant fractions.
- 44.5 The transferee's title to the shares is not affected by any irregularity in or invalidity of the process leading to their sale.

DISTRIBUTIONS

45 Procedure for declaring dividends

- 45.1 The Company may by ordinary resolution declare dividends, and the Directors may decide to pay interim dividends.
- 45.2 A dividend must not be declared unless the Directors have made a recommendation as to its amount. Such a dividend must not exceed the amount recommended by the Directors.
- 45.3 No dividend may be declared or paid unless it is in accordance with shareholders' respective rights.
- 45.4 Unless the shareholders' resolution to declare or Directors' decision to pay a dividend, or the terms on which shares are issued, specify otherwise, it must be paid by reference to each shareholder's holding of shares on the date of the resolution or decision to declare or pay it.
- 45.5 If the Company's share capital is divided into different classes, no interim dividend may be paid on shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrear.
- 45.6 The Directors may pay at intervals any dividend payable at a fixed rate if it appears to them that the profits available for distribution justify the payment.
- 45.7 If the Directors act in good faith, they do not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on shares with deferred or non-preferred rights.

46 Calculation of dividends

- 46.1 Except as otherwise provided by the Articles or the rights attached to shares, all dividends must be declared and paid according to the amounts paid up on the shares on which the dividend is paid and apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.
- 46.2 If any share is issued on terms providing that it ranks for dividend as from a particular date, that share ranks for dividend accordingly.

46.3 For the purposes of calculating dividends, no account is to be taken of any amount which has been paid up on a share in advance of the due date for payment of that amount.

47 Payment of dividends and other distributions

47.1 Where a dividend or other sum which is a distribution is payable in respect of a share, it must be paid by one or more of the following means:

47.1.1 transfer to a bank or building society account specified by the distribution recipient either in writing or as the Directors may otherwise decide;

47.1.2 sending a cheque made payable to the distribution recipient by post to the distribution recipient at the distribution recipient's registered address (if the distribution recipient is a holder of the share), or (in any other case) to an address specified by the distribution recipient either in writing or as the Directors may otherwise decide;

47.1.3 sending a cheque made payable to such person by post to such person at such address as the distribution recipient has specified either in writing or as the Directors may otherwise decide; or

47.1.4 any other means of payment as the Directors agree with the distribution recipient either in writing or by such other means as the Directors decide.

47.2 In the Articles, the **distribution recipient** means, in respect of a share in respect of which a dividend or other sum is payable, the holder of the share or, if the share has two or more joint holders, whichever of them is named first in the register of shareholders or, if the holder is no longer entitled to the share by reason of death, bankruptcy or otherwise by operation of law, the transmittee.

48 Deductions from distributions in respect of sums owed to the Company

48.1 If a share is subject to the company's lien, and the Directors are entitled to issue a lien enforcement notice in respect of it, they may, instead of issuing a lien enforcement notice, deduct from any dividend or other sum payable in respect of the share any sum of money which is payable to the Company in respect of that share to the extent that they are entitled to require payment under a lien enforcement notice.

48.2 Money so deducted must be used to pay any of the sums payable in respect of that share.

48.3 The Company must notify the distribution recipient in writing of:

48.3.1 the fact and amount of any such deduction;

48.3.2 any non-payment of a dividend or other sum payable in respect of a share resulting from any such deduction; and

48.3.3 how the money deducted has been applied.

49 No interest on distributions

The Company may not pay interest on any dividend or other sum payable in respect of a share unless otherwise provided by the terms on which the share was issued or the provisions of another agreement between the holder of that share and the Company.

50 Unclaimed distributions

50.1 All dividends or other sums which are payable in respect of shares and unclaimed after having been declared or become payable may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed.

50.2 The payment of any such dividend or other sum into a separate account does not make the Company a trustee in respect of it.

50.3 If twelve years have passed from the date on which a dividend or other sum became due for payment and the distribution recipient has not claimed it, the distribution recipient is no longer entitled to that dividend or other sum and it ceases to remain owing by the Company.

51 Non-cash distributions

51.1 Subject to the terms of issue of the share in question, the Company may, by ordinary resolution on the recommendation of the Directors, decide to pay all or part of a dividend or other distribution payable in respect of a share by transferring non-cash assets of equivalent value (including, without limitation, shares or other securities in any company).

51.2 For the purposes of paying a non-cash distribution, the Directors may make whatever arrangements they think fit, including, where any difficulty arises regarding the distribution, fixing the value of any assets, paying cash to any distribution recipient on the basis of that value in order to adjust the rights of recipients and vesting any assets in trustees.

52 Waiver of distributions

Distribution recipients may waive their entitlement to a dividend or other distribution payable in respect of a share by giving the Company notice in writing to that effect but, if the share has more than one holder or more than one person is entitled to the share, whether by reason of the death or bankruptcy of one or more joint holders or otherwise, the notice is not effective unless it is expressed to be given, and signed, by all the holders or persons otherwise entitled to the share.

53 Capitalisation of profits

- 53.1 Subject to the Articles, the Directors may, if they are so authorised by an ordinary resolution:
- 53.1.1 decide to capitalise any profits of the Company (whether or not they are available for distribution) which are not required for paying a preferential dividend, or any sum standing to the credit of the Company's share premium account or capital redemption reserve; and
- 53.1.2 appropriate any sum which they so decide to capitalise (a **capitalised sum**) to the persons who would have been entitled to it if it were distributed by way of dividend (the **persons entitled**) and in the same proportions.
- 53.2 Capitalised sums must be applied on behalf of the persons entitled and in the same proportions as a dividend would have been distributed to them.
- 53.3 Any capitalised sum may be applied in paying up new shares of a nominal amount equal to the capitalised sum which are then allotted credited as fully paid to the persons entitled or as they may direct.
- 53.4 A capitalised sum which was appropriated from profits available for distribution may be applied in or towards paying up any amounts unpaid on existing shares held by the persons entitled or in paying up new debentures of the Company which are then allotted credited as fully paid to the persons entitled or as they may direct.
- 53.5 Subject to the Articles the Directors may:
- 53.5.1 apply capitalised sums in accordance with Articles 53.3 and 53.4 partly in one way and partly in another;
- 53.5.2 make such arrangements as they think fit to deal with shares or debentures becoming distributable in fractions under this Article (including the issuing of fractional certificates or the making of cash payments); and
- 53.5.3 authorise any person to enter into an agreement with the Company on behalf of all the persons entitled which is binding on them in respect of the allotment of shares and debentures to them under this Article.

PART 4

DECISION-MAKING BY SHAREHOLDERS

ORGANISATION OF GENERAL MEETINGS

54 Shareholders can call a general meeting if not enough Directors

If the Company has insufficient Directors to call a general meeting and the Director (if any) is unable or unwilling to appoint sufficient Directors to make up a quorum or to call a general meeting to do so, then any shareholder may call a general meeting (or instruct the Secretary (if any) to do so).

55 Attendance and speaking at general meetings

- 55.1 A person is able to exercise the right to speak at a general meeting when that person is in a position to communicate to all those attending the meeting, during the meeting, any information or opinions which that person has on the business of the meeting.
- 55.2 A person is able to exercise the right to vote at a general meeting when that person is able to vote, during the meeting, on resolutions put to the vote at the meeting and his vote can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all the other persons attending the meeting.
- 55.3 The Directors may make whatsoever arrangements they consider appropriate to enable those attending a general meeting to exercise their rights to speak or vote at it.
- 55.4 In determining attendance at a general meeting, it is immaterial whether any two or more shareholders attending it are in the same place as each other.
- 55.5 Two or more persons who are not in the same place as each other attend a general meeting if their circumstances are such that if they have (or were to have) rights to speak and vote at that meeting, they are (or would be) able to exercise them.

56 Quorum for general meetings

No business other than the appointment of the chairman of the meeting is to be transacted at a general meeting if the persons attending it do not constitute a quorum.

57 Chairing general meetings

- 57.1 If the Directors have appointed a chairman, the chairman shall chair general meetings if present and willing to do so.
- 57.2 If the Directors have not appointed a chairman, or if the chairman is unwilling to chair the meeting or is not present within ten minutes of the time at which a meeting was due to start, the Directors present or (if no Directors are present) the meeting must appoint a Director or shareholder to chair the meeting and the appointment of the chairman of the meeting must be the first business of the meeting.

57.3 The person chairing a meeting in accordance with this Article is referred to as the **chairman of the meeting**.

58 Attendance and speaking by Directors and non-shareholders

58.1 Directors may attend and speak at general meetings, whether or not they are shareholders.

58.2 The chairman of the meeting may permit other persons, who are not shareholders of the Company or otherwise entitled to exercise the rights of shareholders in relation to general meetings, to attend and speak at a general meeting.

59 Adjournment

59.1 If the persons attending a general meeting within half an hour of the time at which the meeting was due to start do not constitute a quorum, or if during a meeting a quorum ceases to be present, the chairman of the meeting must adjourn it.

59.2 The chairman of the meeting may adjourn a general meeting at which a quorum is present if the meeting consents to an adjournment or if it appears to the chairman of the meeting that an adjournment is necessary to protect the safety of any person attending the meeting or to ensure that the business of the meeting is conducted in an orderly manner.

59.3 The chairman of the meeting must adjourn a general meeting if directed to do so by the meeting.

59.4 When adjourning a general meeting, the chairman of the meeting must:

59.4.1 either specify the time and place to which it is adjourned or state that it is to continue at a time and place to be fixed by the Directors, and

59.4.2 have regard to any directions as to the time and place of any adjournment which have been given by the meeting.

59.5 If the continuation of an adjourned meeting is to take place more than 14 days after it was adjourned, the Company must give at least 7 clear days' notice of it to the same persons to whom notice of the Company's general meetings is required to be given and containing the same information which the original notice was required to contain.

59.6 No business may be transacted at an adjourned general meeting which could not properly have been transacted at the meeting if the adjournment had not taken place.

VOTING AT GENERAL MEETINGS

63.2 Where it is desired to afford shareholders an opportunity of instructing the proxy how he shall act the instrument appointing a proxy (a **proxy notice**) shall be in the following form (or in a form as near thereto as circumstances allow or in any other form which is usual or which the Directors may approve):

“ Limited

I/We, _____, of _____, being a shareholder/shareholders of the above-named Company, hereby appoint _____ of _____, or failing him, _____ of _____ as my/our proxy to vote in my/our name[s] and on my/our behalf at the general meeting of the Company to be held on _____ 20 “ and at any adjournment thereof.

This form is to be used in respect of the resolutions mentioned below as follows:

Resolution No 1 *for *against.

Resolution No 2 *for *against.

*Strike out whichever is not desired.

Unless otherwise instructed, the proxy may vote as he thinks fit or abstain from voting.

Signed on _____ 20 “

64 Delivery of proxy notices

- 64.1 A person who is entitled to attend, speak or vote (either on a show of hands or on a poll) at a general meeting remains so entitled in respect of that meeting or any adjournment of it, even though a valid proxy notice has been delivered to the Company by or on behalf of that person.
- 64.2 An appointment under a proxy notice may be revoked by delivering to the Company a notice in writing given by or on behalf of the person by whom or on whose behalf the proxy notice was given.
- 64.3 A notice revoking a proxy appointment only takes effect if it is delivered before the start of the meeting or adjourned meeting to which it relates.
- 64.4 If a proxy notice is not executed by the person appointing the proxy, it must be accompanied by written evidence of the authority of the person who executed it to execute it on the appointor's behalf.

65 Amendments to resolutions

- 65.1 An ordinary resolution to be proposed at a general meeting may be amended by ordinary resolution if:
- 65.1.1 notice of the proposed amendment is given to the Company in writing by a person entitled to vote at the general meeting at which it is to be proposed not less than 48 hours before the meeting is to take place (or such later time as the chairman of the meeting may determine), and
- 65.1.2 the proposed amendment does not, in the reasonable opinion of the chairman of the meeting, materially alter the scope of the resolution.
- 65.2 A special resolution to be proposed at a general meeting may be amended by ordinary resolution if:
- 65.2.1 the chairman of the meeting proposes the amendment at the general meeting at which the resolution is to be proposed; and
- 65.2.2 the amendment does not go beyond what is necessary to correct a grammatical or other non-substantive error in the resolution.
- 65.3 If the chairman of the meeting, acting in good faith, wrongly decides that an amendment to a resolution is out of order, the chairman's error does not invalidate the vote on that resolution.

66 No voting of shares on which money is owed to the Company

No voting rights attached to a share may be exercised at any general meeting, at any adjournment of it, or on any poll called at or in relation to it, unless all amounts payable to the Company in respect of that share have been paid.

PART 5

ADMINISTRATIVE ARRANGEMENTS

67 Secretary

Subject to the provisions of the Companies Acts, the Secretary shall be appointed by the Directors for such term, at such remuneration and upon such conditions as they may think fit; and any Secretary so appointed may be removed by them. This Article only applies for so long as the Company elects to have a Secretary.

68 Notices

- 68.1 Subject to the Articles, anything sent or supplied by or to the Company under the Articles may be sent or supplied in any way in which the CA 2006 provides for documents or information which are authorised or required by any provision of CA 2006 to be sent or supplied by or to the Company.
- 68.2 In the case of joint holders of shares, any notice or document may be given either to each of the joint holders or to the holder whose name appears first in the register of shareholders. Anything agreed or specified by the first-named joint holder in respect of a joint holding shall be binding on all joint holders.
- 68.3 Notices or documents sent to shareholders by first class post, if proved to have been properly addressed, prepaid and posted, shall be deemed, if sent to an address within the United Kingdom, to have been received on the third working day after the envelope containing it was posted or, if sent to an address outside the United Kingdom by airmail, on the sixth working day after the envelope containing it was posted or, in the case of a notice in electronic form and provided the Company is able to show that it was properly addressed, on the first working day after the time it was sent.
- 68.4 Subject to the Articles, any notice or document to be sent or supplied to a Director in connection with the taking of decisions by Directors may also be sent or supplied by the means by which that Director has asked to be sent or supplied with such notices or documents for the time being.
- 68.5 A Director may agree with the Company that notices or documents sent to that Director in a particular way are to be deemed to have been received within a specified time of their being sent, and for the specified time to be less than 48 hours.

69 Company seals

- 69.1 Any common seal may only be used by the authority of the Directors.
- 69.2 The Directors may decide by what means and in what form any common seal is to be used.
- 69.3 Unless otherwise decided by the Directors, if the Company has a common seal and it is affixed to a document, the document must also be signed by at least one authorised person in the presence of a witness who attests the signature.
- 69.4 For the purposes of this Article, an authorised person is any Director, the Secretary (if any) or any person authorised by the Directors for the purpose of signing documents to which the common seal is applied.

70 No right to inspect accounts and other records

Except as provided by law or authorised by the Directors or an ordinary resolution of the Company, no person is entitled to inspect any of the Company's accounting or other records or documents merely by virtue of being a shareholder.

71 Provision for employees on cessation of business

The Directors may decide to make provision for the benefit of persons employed or formerly employed by the Company or any of its subsidiaries (including, subject to the CA 2006, a Director or former Director or shadow Director) in connection with the cessation or transfer to any person of the whole or part of the undertaking of the Company or that subsidiary.

DIRECTORS' INDEMNITY AND INSURANCE

72 Indemnity

72.1 Subject to Article 72.2, a relevant officer of the Company or an associated company may be indemnified out of the Company's assets against:

72.1.1 any liability incurred by that officer in connection with any negligence, default, breach of duty or breach of trust in relation to the Company or an associated company;

72.1.2 any other liability incurred by that officer as an officer of the Company or an associated company.

72.2 Article 72.1 does not authorise any indemnity which would be prohibited or rendered void by any provision of the Companies Acts or by any other provision of law.

72.3 In this Article companies are **associated** if one is a subsidiary of the other or both are subsidiaries of the same body corporate and a **relevant officer** means any director, former director or other officer of the Company or an associated company (but not its auditor).

73 Insurance

73.1 The Directors may decide to purchase and maintain insurance, at the expense of the Company, for the benefit of any relevant officer in respect of any relevant loss.

73.2 In this Article:

- 73.2.1 a **relevant officer** means any director or former director of the Company or an associated company, any other officer or employee or former officer or employee of the Company or an associated company (but not its auditor);
- 73.2.2 a **relevant loss** means any loss or liability which has been or may be incurred by a relevant officer in connection with that relevant officer's duties or powers in relation to the Company, any associated company or any pension fund or employees' share scheme of the Company or an associated company; and
- 73.2.3 companies are **associated** if one is a subsidiary of the other or both are subsidiaries of the same body corporate.



**CERTIFICATE OF INCORPORATION
OF A
PRIVATE LIMITED COMPANY**

Company Number. 8189042

The Registrar of Companies for England and Wales, hereby certifies that

CME RUBICON LIMITED

is this day incorporated under the Companies Act 2006 as a private company, that the company is limited by shares, and the situation of its registered office is in England and Wales.

Given at Companies House, Cardiff, on 23rd August 2012.



**THE OFFICIAL SEAL OF THE
REGISTRAR OF COMPANIES**



Companies House

— *for the record* —

The above information was communicated by electronic means and authenticated by the Registrar of Companies under section 1115 of the Companies Act 2006



**CERTIFICATE OF INCORPORATION
ON CHANGE OF NAME**

Company No. **8189042**

The Registrar of Companies for England and Wales hereby certifies that under the Companies Act 2006:

CME RUBICON LIMITED

a company incorporated as private limited by shares; having its registered office situated in England/Wales; has changed its name to:

CME EUROPE LIMITED

Given at Companies House on **12th September 2012**



Companies House
— for the record —



THE OFFICIAL SEAL OF THE
REGISTRAR OF COMPANIES

CONFIDENTIAL

Company Number 8189042

CME RUBICON LIMITED (the Company)

Written resolution of the Director made

on 5 September 2012

Having carefully considered the Proposal as a whole, the Director unanimously resolves that

In accordance with section 21 CA 2006, the existing articles of association of the Company shall be substituted by the new articles of association attached herein. The new articles of association are to be adopted to the exclusion of, and in substitution for, the existing articles of association of the Company.



Clive Weston (Director)

4/9/12

Date of signature

WEDNESDAY



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05/09/2012

#110

COMPANIES HOUSE

THE COMPANIES ACT 2006

COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION
OF
CME Rubicon Limited

PART 1
PRELIMINARY

1 Defined terms

1.1 In the Articles, unless the context requires otherwise

Articles means these Articles of Association as originally adopted or altered or varied from time to time (and **Article** means one of these Articles),

authenticated has the meaning given in section 1146 CA 2006,

bankruptcy includes individual insolvency proceedings in a jurisdiction other than England and Wales or Northern Ireland which have an effect similar to that of bankruptcy,

Board means the board of Directors for the time being of the Company or the Directors present or deemed to be present at a duly convened meeting of Directors at which a quorum is present,

Board Meeting means a meeting of the Board as from time to time convened in accordance with these Articles,

CA 2006 means the Companies Act 2006 (to the extent for the time being in force),

call or **call notice** have the meanings given in Article 32,

chairman has the meaning given in Article 15,

chairman of the meeting has the meaning given in Article 57,

clear days in relation to the period of a notice means that period excluding the day when the notice is given or deemed to be given and the day for which it is given or on which it is to take effect,

Company means CME Rubicon Limited,

Company's lien has the meaning given in Article 30,

a **conflict of interest** includes a conflict of interest and duty and a conflict of duties,

Companies Acts means the Companies Acts (as defined in section 2 CA 2006), in so far as they apply to the Company,

decision-making process includes a Directors' meeting or part of a Directors' meeting,

Director means a director of the Company, and includes any person occupying the position of director, by whatever name called,

distribution recipient has the meaning given in Article 47,

document includes, unless otherwise specified, any document sent or supplied in electronic form,

electronic form has the meaning given in section 1168 CA 2006,

Exchange means the recognised investment exchange operated from time-to-time by the Company in the United Kingdom,

fully paid in relation to a share, means that the nominal value and any premium to be paid to the Company in respect of that share have been paid to the Company,

hard copy form has the meaning given in section 1168 CA 2006,

an **interest** means a direct or an indirect interest and **interested** shall be construed accordingly,

lien enforcement notice has the meaning given in Article 31,

Member means a member of the Company,

Office means the registered office for the time being of the Company,

partly paid in relation to a share, means that part of the nominal value or any premium to be paid to the Company in respect of the share has not been paid to the Company,

paid means paid or credited as paid,

participate, in relation to a directors' meeting, has the meaning given in Article 12,

proxy notice has the meaning given in Article 63,

Rules means the rules, regulations and contract terms and conditions as described in Article 61,

Secretary means the secretary (if any) of the Company or any other person (if any) appointed to perform the duties of the secretary of the Company, including a joint, assistant or deputy secretary and references to the Secretary shall only apply for as long as the Company elects to have a secretary,

shareholder means a person who is the holder of a share,

shares means shares in the Company,

special resolution has the meaning given in section 283 CA 2006,

subsidiary has the meaning given in section 1159 CA 2006,

a **transaction or arrangement** means an actual or a proposed transaction or arrangement, and

transmittee means a person entitled to a share by reason of the death or bankruptcy of a shareholder or otherwise by operation of law,

writing means the representation or reproduction of words, symbols or other information in a visible form by any method or combination of methods, whether sent or supplied in electronic form or otherwise, and

United Kingdom means Great Britain and Northern Ireland

- 1 2 Unless the context otherwise requires, other words or expressions contained in these Articles bear the same meaning as in the CA 2006 as in force on the date when these Articles become binding on the Company

2 Exclusion of Table A

No regulations contained in Table A in the Schedule to the Companies (Tables A to F) Regulations 1985 (SI 1985 No 805) as amended before the date of incorporation of the Company so far as it relates to private companies limited by shares (such Table being hereinafter called Table A) shall apply to the Company

3 Limited Liability

The liability of the shareholders is limited to the amount, if any, unpaid on their shares

PART 2

DIRECTORS

DIRECTORS' POWERS AND RESPONSIBILITIES

4 Directors' general authority

Subject to the Articles, the Directors are responsible for the management of the Company's business, for which purpose they may exercise all the powers of the Company and regulate and decide all matters concerning the Company as are not covered herein or by any Article or any regulation, provided that no such direction shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made or that direction had not been given. The power given by this Article shall not be limited by any special power given to the Directors by these Articles and a meeting of the Directors at which a quorum is present may exercise all powers exercisable by the Directors.

5 Shareholders' reserve power

- 5.1 The shareholders may, by special resolution, direct the Directors to take, or refrain from taking, specified action.
- 5.2 No such special resolution invalidates anything which the Directors have done before the passing of the resolution.

6 Exchange regulations and other matters

- 6.1 Rules, regulations and contract terms and conditions (in these Articles called the **Rules**) may from time to time be adopted by the Company for the purposes of acting as a Recognised Investment Exchange and for regulating the conduct of business of the Company as a Recognised Investment Exchange pursuant to the Financial Services and Markets Act 2000 (as amended or superseded), including provision for issue, suspension, and withdrawal of membership rights and appeals in connection therewith, for the charging of subscriptions, levies and other imposts, for facilitating the conduct of trading on, and guaranteeing or undertaking the carrying out of contracts, for purposes connected with recognition of the Company for the relevant statutory purposes and such other purposes as the Company may think fit. The Rules may be adopted, added to, revoked or amended.
- 6.1.1 by the Directors (or any committee appointed by them for such purpose) subject to the provisions of these Articles,
- 6.1.2 by the Directors (or any committee appointed by them for such purpose) pursuant to any express power conferred upon them by the Rules, or

6 1 3 in such other manner as may be expressly provided for in the Rules

7 Directors may delegate

7 1 Subject to the Articles, the Directors may delegate any of the powers which are conferred on them under the Articles to such person or committee, by such means (including by power of attorney), to such an extent, in relation to such matters or territories and on such terms and conditions as they think fit

7 2 If the Directors so specify, any such delegation may authorise further delegation of the Directors' powers by any person to whom they are delegated

7 3 The Directors may revoke any delegation in whole or part, or alter its terms and conditions

8 Committees

8 1 Committees to which the Directors delegate any of their powers must follow procedures which are based as far as they are applicable on those provisions of the Articles which govern the taking of decisions by Directors

8 2 The Directors may make rules of procedure for all or any committees, which prevail over provisions derived from the Articles if they are not consistent with them

DECISION-MAKING BY DIRECTORS

9 Directors to take decisions collectively

9 1 The general rule about decision-making by Directors is that any decision of the Directors must be either a majority decision at a meeting or a decision taken in accordance with Article 10

9 2 If the Company only has one Director and no provision of the Articles requires it to have more than one Director, the general rule does not apply, and the Director may take decisions without regard to any of the provisions of the Articles relating to Directors' decision-making

10 Unanimous decisions

10 1 A decision of the Directors is taken in accordance with this Article when all eligible Directors indicate to each other by any means that they share a common view on a matter

10 2 Such a decision may take the form of a resolution in writing, copies of which have been signed by each eligible Director or to which each eligible Director has otherwise indicated agreement in writing

10 3 References in this Article to eligible Directors are to Directors who would have been entitled to vote on the matter had it been proposed as a resolution at a Directors' meeting and whose vote would have counted in respect of such matter

10 4 A decision may not be taken in accordance with this Article if the eligible Directors would not have formed a quorum at such a meeting

11 Calling a Directors' meeting

11 1 Any Director may call a Directors' meeting by giving notice of the meeting to the Directors or by authorising the Secretary (if any) to give such notice,

11 2 Notice of any Directors' meeting must indicate its proposed date and time, where it is to take place and, if it is anticipated that Directors participating in the meeting will not be in the same place, how it is proposed that they should communicate with each other during the meeting

11 3 Notice of a Directors' meeting must be given to each Director, but need not be in writing

11 4 Notice of a Directors' meeting need not be given to Directors who waive their entitlement to notice of that meeting, by giving notice to that effect to the Company not more than seven days after the date on which the meeting is held. Where such notice is given after the meeting has been held, that does not affect the validity of the meeting, or of any business conducted at it

12 Participation in a Directors' meeting

12 1 Subject to the Articles, Directors participate in a Directors' meeting, or part of a Directors' meeting, when the meeting has been called and takes place in accordance with the Articles and the Directors can communicate to the others any information or opinions they have on any particular item of the business of the meeting

12 2 In determining whether Directors are participating in a Directors' meeting, it is irrelevant where any Director is or how they communicate with each other

12 3 If all the Directors participating in a meeting are not in the same place, they may decide that the meeting is to be treated as taking place wherever any of them are

13 Quorum for a Directors' meeting

13 1 At a Directors' meeting, unless a quorum is participating, no proposal is to be voted on, except a proposal to call another meeting.

13 2 The quorum for a Directors' meeting may be fixed from time to time by a decision of the Directors, but it must never be less than two, and unless otherwise fixed it is two

13 3 If the total number of Directors for the time being is less than the quorum required, the Directors must not take any decision other than a decision to appoint further Directors or to call a general meeting so as to enable the shareholders to appoint further Directors

14 Chairing of a Directors' meeting

14 1 The Directors may appoint a Director to chair their meetings

14 2 The person so appointed for the time being is known as the chairman

14 3 The Directors may terminate the chairman's appointment at any time

14 4 If the chairman is not participating in a Directors' meeting within ten minutes of the time at which it was to start, the participating Directors must appoint one of themselves to chair it

15 Casting vote

15 1 If the numbers of votes for and against a proposal are equal, the chairman or other Director chairing the meeting has a casting vote

15 2 Article 15 1 does not apply if, in accordance with the Articles, the chairman or other Director is not to be counted as participating in the decision-making process for quorum or voting purposes

16 Conflicts of Interest

16 1 Subject to the provisions of the Companies Acts and to complying with Article 16 2, a Director notwithstanding his office

16 1 1 may be a party to or otherwise be interested in any transaction or arrangement with the Company or in which the Company is otherwise interested or in which any Company which has an interest in the Company is interested,

16 1 2 may hold any other office or place of profit under the Company (except that of auditor or of auditor of a subsidiary of the Company) in conjunction with the office of Director and may act by himself or through his firm in a professional capacity for the Company, and in any such case on such terms as to remuneration and otherwise as the Board may arrange, either in addition to or in lieu of any remuneration provided for by any other Article,

16 1 3 may be a director or other officer of, or employed by, or a party to any transaction or arrangement with or otherwise interested in, any Company promoted by the Company or in which the Company is otherwise interested or which has an interest in the Company, and

16 1 4 shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any office or employment or from any transaction, arrangement or proposal or

from any interest in any body corporate, no such transaction, arrangement or proposal shall be liable to be avoided on the grounds of any such interest or benefit nor shall the receipt of any such profit, remuneration or any other benefit constitute a breach of his duty under the Companies Acts or under the law not to accept benefits from third parties

16 2 Subject to Article 16 3, a Director shall declare the nature and extent of any interest permitted under this Article at a meeting of the Directors, or, in the case of a transaction or arrangement with the Company, in the manner set out in the Companies Acts

16 3 A Director need not declare an interest in the case of a transaction or arrangement with the Company

16 3 1 if, or to the extent that, the other Directors are already aware of the interest (and for this purpose the other Directors will be treated as aware of anything of which they ought reasonably to be aware), or

16 3 2 if, or to the extent that, it concerns the terms of his service contract (as defined in section 227 CA 2006) that have been or are to be considered by a meeting of the Directors or by a committee of the Directors appointed for the purpose under these Articles

16 4 Where the existence of a Director's relationship with another person is authorised by the Board pursuant to the Companies Acts (and subject to any limits or conditions imposed by the Board) or if Article 16 1 applies to the relationship, the Director shall not be in breach of the general duties he owes to the Company under the Companies Acts because he

16 4 1 absents himself from meetings of the Board at which any matter relating to the conflict of interest or possible conflict of interest will or may be discussed or from the discussion of any such matter at a meeting or otherwise,

16 4 2 makes arrangements not to receive documents and information relating to any matter which gives rise to the conflict of interest or possible conflict of interest sent or supplied by the Company and/or makes arrangements for such documents and information to be received and read by a professional adviser, or

16 4 3 fails to disclose to the Board or to any Director or other officer or employee of the Company any information which he obtains otherwise than as a Director and in respect of which he has a duty of confidentiality to another person, and/or

16 4 4 fails to use or apply any such information in performing his duties as a Director

16 5 Subject to these Articles, the Board may cause the voting rights conferred by the shares in any other Company held or owned by the Company or any power of appointment to be exercised in such manner in all respects as it thinks fit (including the exercise of voting rights in favour of any

resolution appointing the Directors or any of them as Directors or officers of the other Company or in favour of the payment of remuneration to the Directors or officers of the other Company), and a Director may vote on and be counted in the quorum in relation to any of these matters

- 16 6 Except as otherwise provided in these Articles a Director is to be counted as participating in the decision-making process for quorum or voting purposes on a proposed decision of the Directors which is concerned with an actual or proposed transaction or arrangement with the Company in which that Director is interested
- 16 7 A Director who is interested in a transaction or arrangement with the Company in relation to the Director's own appointment to office or employment with the Company, or the variation of the terms thereof, or termination of his appointment or employment, is not to be counted as participating in the decision-making process, and is not entitled to vote on or agree to a proposal relating to it
- 16 8 The Company may by ordinary resolution disapply the provision of the Articles which would otherwise prevent a Director from being counted as participating in the decision-making process
- 16 9 For the purposes of this Article, references to proposed decisions and decision-making processes include any Directors' meeting or part of a Directors' meeting
- 16 10 Subject to Article 16 11, if a question arises at a meeting of Directors or of a committee of Directors as to the right of a Director to participate in the meeting (or part of the meeting) for voting or quorum purposes, the question may, before the conclusion of the meeting, be referred to the chairman whose ruling in relation to any director other than the chairman is to be final and conclusive
- 16 11 If any question as to the right to participate in the meeting (or part of the meeting) should arise in respect of the chairman, the question is to be decided by a decision of the Directors at that meeting, for which purpose the chairman is not to be counted as participating in the meeting (or that part of the meeting) for voting or quorum purposes

17 Records of decisions to be kept

The Directors must ensure that the Company keeps a record, in writing, for at least 10 years from the date of the decision recorded, of every unanimous or majority decision taken by the Directors

18 Directors' discretion to make further rules

Subject to the Articles, the Directors may make any rule which they think fit about how they take decisions, and about how such rules are to be recorded or communicated to Directors

APPOINTMENT OF DIRECTORS

19 First Directors

The first Directors shall be appointed in writing by completion of the statement required to be delivered for registration by section 12 CA 2006

20 Methods of appointing Directors

20 1 Subject to Article 20 2, any person who is willing to act as a Director and is permitted by law to do so may be appointed to be a Director by an instrument in writing pursuant to Article 21 2 or by a decision of the Directors

20 2 Subject to the Articles, and provided it is satisfied that the appointment of such persons would not prejudice the Company's status (as appropriate) from time to time as a **Recognised Investment Exchange** under the Financial Services and Markets Act 2000 (as amended or superseded) or any other recognition or status granted to or being sought by the Company pursuant to any law or regulation, the Board may appoint such persons as it sees fit and who are willing to act as directors, either to fill a vacancy or as an addition to the Board

20 3 In any case where, as a result of death, the Company has no shareholders and no Directors, the personal representatives of the last shareholder to have died have the right, by notice in writing, to appoint a person to be a Director

20 4 For the purposes of Article 20 3, where two or more shareholders die in circumstances rendering it uncertain who was the last to die, a younger shareholder is deemed to have survived an older shareholder

21 Termination of Director's appointment

21 1 A person ceases to be a Director as soon as

21 1 1 that person ceases to be a Director by virtue of any provision of the CA 2006 or is prohibited from being a director by law,

21 1 2 he, or a company trading on the Exchange of which he is a director or an employee, is found guilty of a serious disciplinary offence under the Rules of the Company or under the rules of any other regulatory body,

21 1 3 he is found guilty of any criminal offence which or becomes subject to any judgement which, in the opinion of the Board, adversely affects his fitness and propriety to act as a Director of the Company,

21 1 4 a bankruptcy order is made against that person,

- 21 1 5 a composition is made with that person's creditors generally in satisfaction of that person's debts,
- 21 1 6 a registered medical practitioner who is treating that person gives a written opinion to the Company stating that that person has become physically or mentally incapable of acting as a director and may remain so for more than three months,
- 21 1 7 by reason of that person's mental health, a court makes an order which wholly or partly prevents that person from personally exercising any powers or rights which that person would otherwise have,
- 21 1 8 he is absent, without the permission of the Board, from Board Meetings for six consecutive times and the Board resolves that his office be vacated,
- 21 1 9 his co-directors reasonably resolve that as a result of his continuing as a Director, the Company's status or prospective status from time to time as a Recognised Investment Exchange under the Financial Services and Markets Act 2000 (as amended or superseded) or any other recognition or status granted to or being sought by the Company pursuant to any law or regulation could be endangered or materially adversely affected or compromised as a result of his membership of the Board,
- 21 1 10 his co-directors reasonably resolve that he is no longer a fit and proper person to act as the director of a Recognised Investment Exchange under the Financial Services and Market Act 2000 (as amended or superseded),
- 21 1 11 notification is received by the Company from the Director that the Director is resigning from office, and such resignation has taken effect in accordance with its terms,
- 21 1 12 where he has been appointed for a fixed term, the term expires,
- 21 1 13 he ceases to be eligible for appointment as a Director,
- 21 1 14 he is removed from office pursuant to Article 21 2
- 21 2 Without prejudice to the powers of the Company under section 168 CA 2006 to remove a Director by ordinary resolution, a shareholder or shareholders who for the time being hold(s) more than one half of the issued ordinary shares shall have the power from time to time and at any time to appoint any person or persons as a Director or Directors and to remove from office any Director howsoever appointed Any such appointment or removal shall be effected by an instrument in writing authenticated by the shareholder or shareholders making the same or (in the case of a shareholder being a corporation) authenticated on its behalf by one of its directors or its secretary and shall take effect when received at the Office

21 3 If the office of a Director is vacated for any reason, he shall cease to be a member of any committee of the Board

22 Directors' remuneration

22 1 Directors may undertake any services for the Company that the Directors decide

22 2 Directors are entitled to such remuneration as the Directors determine for their services to the Company as Directors and for any other service which they undertake for the Company

22 3 Subject to the Articles, a Director's remuneration may take any form and include any arrangements in connection with the payment of a pension, allowance or gratuity, or any death, sickness or disability benefits, to or in respect of that Director

22 4 Unless the Directors decide otherwise, Directors' remuneration accrues from day to day

23 Directors' expenses

23 1 The Directors may, subject to the approval of the Board, be paid all travel, hotel and other reasonable expenses properly incurred by them in connection with their attendance at meetings of Directors or committees of Directors or general meetings or separate meetings of the Company or otherwise in connection with the exercise of their powers and the discharge of their duties and responsibilities in relation to the Company

PART 3

SHARES AND DISTRIBUTIONS

SHARES

24 Share capital

The Directors may exercise any power of the Company to allot shares as if section 561 CA 2006 or section 89(1) CA 1985 (as appropriate) did not apply to the allotment, or to grant rights to subscribe for or to convert any security into shares

25 Powers to issue different classes of share

25 1 Subject to the Articles, but without prejudice to the rights attached to any existing share, the Company may issue shares with such rights or restrictions as may be determined by ordinary resolution

25 2 The Company may issue shares which are to be redeemed, or are liable to be redeemed at the option of the Company or the shareholder, and the Directors may determine the terms, conditions and manner of redemption of any such shares

26 Payment of commissions on subscription for shares

26 1 The Company may pay any person a commission in consideration for that person subscribing, or agreeing or subscribe, for shares or procuring, or agreeing to procure, subscriptions for shares

26 2 Any such commission may be paid in cash, or in fully paid or partly paid shares or other securities, or partly in one way and partly in the other and in respect of a conditional or an absolute subscription

27 Company not bound by less than absolute interests

Except as required by law, no person is to be recognised by the Company as holding any share upon any trust, and except as otherwise required by law or the Articles, the Company is not in any way to be bound by or to recognise any interest in a share other than the shareholder's absolute ownership of it and all the rights attaching to it

28 Share certificates

28 1 The Company must issue each shareholder, free of charge, with one or more certificates in respect of the shares which that shareholder holds

28 2 Every certificate must specify in respect of how many shares, and of what class, it is issued, the nominal value of those shares and any distinguishing numbers assigned to them

28 3 No certificate may be issued in respect of shares of more than one class

28 4 If more than one person holds a share, only one certificate may be issued in respect of it

28 5 Certificates must have affixed to them the Company's common seal or be otherwise executed in accordance with the CA 2006

29 Replacement share certificates

29 1 If a certificate issued in respect of a shareholder's shares is damaged or defaced or said to be lost, stolen or destroyed, that shareholder is entitled to be issued with a replacement certificate in respect of the same shares

29 2 A shareholder exercising the right to be issued with such a replacement certificate may at the same time exercise the right to be issued with a single certificate or separate certificates, must return the certificate which is to be replaced to the Company if it is damaged or defaced and must

comply with such conditions as to evidence, indemnity and the payment of a reasonable fee as the Directors decide

30 The Company's lien over shares

- 30 1 The Company has a lien (the **Company's lien**) over every share (whether or not fully paid) for any indebtedness or other liability to the Company of any shareholder (whether the shareholder is the sole or joint holder of the share), whether payable immediately or at some time in the future and, in the case of a partly paid share, whether or not a call notice has been sent in respect of it
- 30 2 The Company's lien over a share takes priority over any third party's interest in that share and extends to any dividend or other money payable by the Company in respect of that share and (if the lien is enforced and the share is sold by the Company) the proceeds of sale of that share
- 30 3 The Directors may at any time decide that a share which is or would otherwise be subject to the Company's lien shall not be subject to it, either wholly or in part

31 Enforcement of the Company's lien

- 31 1 Subject to the provisions of this Article 31, if a lien enforcement notice has been given in respect of a share and the person to whom the notice was given has failed to comply with it, the Company may sell that share in such manner as the Directors decide
- 31 2 A lien enforcement notice may only be given in respect of a share which is subject to the Company's lien, must specify the share concerned, must require payment of the sum payable within 14 days of the notice, must be addressed either to the holder of the share or to a person entitled to it by reason of the holder's death, bankruptcy or otherwise and must state the Company's intention to sell the share if the notice is not complied with
- 31 3 Where shares are sold under this Article, the Directors may authorise any person to execute an instrument of transfer of the shares to the purchaser or a person nominated by the purchaser, the transferee is not bound to see to the application of the consideration and the transferee's title is not affected by any irregularity in or invalidity of the process leading to the sale
- 31 4 The net proceeds of any such sale (after payment of the costs of sale and any other costs of enforcing the lien) must be applied
- 31 4 1 first, in payment of so much of the sum for which the lien exists as was payable at the date of the lien enforcement notice,
- 31 4 2 second, to the person entitled to the shares at the date of the sale, but only after the certificate for the shares sold has been surrendered to the Company for cancellation or a suitable indemnity has been given for any lost certificates, and subject to a lien equivalent to

the Company's lien over the shares before the sale for any money payable in respect of the shares after the date of the lien enforcement notice

- 31 5 A statutory declaration by a Director or the Secretary (if any) that the declarant is a Director or the Secretary and that a share has been sold to satisfy the Company's lien on a specified date is conclusive evidence of the facts stated in it as against all persons claiming to be entitled to the share and, subject to compliance with any other formalities of transfer required by the Articles or by law, constitutes a good title to the share

32 Call notices

- 32 1 Subject to the Articles and the terms on which shares are allotted, the Directors may send a notice (a **call notice**) to a shareholder requiring the shareholder to pay the Company a specified sum of money (a **call**) which is payable in respect of shares which that shareholder holds at the date when the Directors decide to send the call notice
- 32 2 A call notice may not require a shareholder to pay a call which exceeds the total sum unpaid on that shareholder's shares (whether as to the share's nominal value or any amount payable to the Company by way of premium), must state when and how any call to which it relates it is to be paid and may permit or require the call to be paid by instalments
- 32 3 A shareholder must comply with the requirements of a call notice, but no shareholder is obliged to pay any call before 14 days have passed since the notice was sent
- 32 4 Before the Company has received any call due under a call notice the Directors may, by a further notice in writing to the shareholder in respect of whose shares the call is made, revoke it wholly or in part or specify a later time for payment than is specified in the call notice

33 Liability to pay calls

- 33 1 Liability to pay a call is not extinguished or transferred by transferring the shares in respect of which it is required to be paid
- 33 2 Joint holders of a share are jointly and severally liable to pay all calls in respect of that share
- 33 3 Subject to the terms on which shares are allotted, the Directors may, when issuing shares, provide that call notices sent to the holders of those shares may require them to pay calls which are not the same or to pay calls at different times

34 Failure to comply with call notice: automatic consequences

34 1 If a person is liable to pay a call and fails to do so by the call payment date the Directors may issue a notice of intended forfeiture to that person and, until the call is paid, that person must pay the Company interest on the call from the call payment date at the relevant rate

34 2 For the purposes of this Article

34 2 1 the **call payment date** is the time when the call notice states that a call is payable, unless the Directors give a notice specifying a later date, in which case the call payment date is that later date,

34 2 2 the **relevant rate** is

(a) the rate fixed by the terms on which the share in respect of which the call is due was allotted,

(b) such other rate as was fixed in the call notice which required payment of the call, or has otherwise been determined by the Directors, or

(c) if no rate is fixed in either of these ways, the appropriate rate (as defined by CA 2006)

34 3 The Directors may waive any obligation to pay interest on a call wholly or in part

35 When call notice need not be issued

35 1 A call notice need not be issued in respect of sums which are specified, in the terms on which a share is issued, as being payable to the Company in respect of that share (whether in respect of nominal value or premium) on allotment, on the occurrence of a particular event or on a date fixed by or in accordance with the terms of issue

35 2 But if the due date for payment of such a sum has passed and it has not been paid, the holder of the share concerned is treated in all respects as having failed to comply with a call notice in respect of that sum, and is liable to the same consequences as regards the payment of interest and forfeiture

36 Notice of intended forfeiture

A notice of intended forfeiture may be sent in respect of any share in respect of which a call has not been paid as required by a call notice, must be sent to the holder of that share or to a person entitled to it by reason of the holder's death, bankruptcy or otherwise, must require payment of the call and any accrued interest by a date which is not less than 14 days after the date of the notice, must state how the payment is to be made and must state that, if the notice is not complied with, the shares in respect of which the call is payable will be liable to be forfeited

37 Directors' power to forfeit shares

If a notice of intended forfeiture is not complied with before the date by which payment of the call is required in the notice of intended forfeiture, the Directors may decide that any share in respect of which it was given is forfeited, and the forfeiture is to include all dividends or other moneys payable in respect of the forfeited shares and not paid before the forfeiture

38 Effect of forfeiture

38 1 Subject to the Articles, the forfeiture of a share extinguishes all interests in that share, all claims and demands against the Company in respect of it and all other rights and liabilities incidental to the share as between the person whose share it was prior to the forfeiture and the Company

38 2 Any share which is forfeited in accordance with the Articles is deemed to have been forfeited when the Directors decide that it is forfeited, is deemed to be the property of the Company and may be sold, re-allotted or otherwise disposed of as the Directors think fit

38 3 If a person's shares have been forfeited

38 3 1 the Company must send that person notice that forfeiture has occurred and record it in the register of shareholders,

38 3 2 that person ceases to be a shareholder in respect of those shares,

38 3 3 that person must surrender the certificate for the shares forfeited to the Company for cancellation,

38 3 4 that person remains liable to the Company for all sums payable by that person under the Articles at the date of forfeiture in respect of those shares, including any interest (whether accrued before or after the date of forfeiture), and

38 3 5 the Directors may waive payment of such sums wholly or in part or enforce payment without any allowance for the value of the shares at the time of forfeiture or for any consideration received on their disposal

38 4 At any time before the Company disposes of a forfeited share, the Directors may decide to cancel the forfeiture on payment of all calls and interest due in respect of it and on such other terms as they think fit

39 Procedure following forfeiture

39 1 If a forfeited share is to be disposed of by being transferred, the Company may receive the consideration for the transfer and the Directors may authorise any person to execute the instrument of transfer

- 39 2 A statutory declaration by a Director or the Secretary (if any) that the declarant is a Director or the Secretary and that a share has been forfeited on a specified date is conclusive evidence of the facts stated in it as against all persons claiming to be entitled to the share and, subject to compliance with any other formalities of transfer required by the Articles or by law, constitutes a good title to the share
- 39 3 A person to whom a forfeited share is transferred is not bound to see to the application of the consideration (if any) nor is that person's title to the share affected by any irregularity in or invalidity of the process leading to the forfeiture or transfer of the share
- 39 4 If the Company sells a forfeited share, the person who held it prior to its forfeiture is entitled to receive from the Company the proceeds of such sale, net of any commission and excluding any amount which was, or would have become, payable and had not, when that share was forfeited, been paid by that person in respect of that share, but no interest is payable to such a person in respect of such proceeds and the Company is not required to account for any money earned on them

40 Share Transfers

- 40 1 Shares may be transferred by means of an instrument of transfer in any usual form or any other form approved by the Directors, which is executed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee
- 40 2 No fee may be charged for registering any instrument of transfer or other document relating to or affecting the title to any share
- 40 3 The Company may retain any instrument of transfer which is registered
- 40 4 The transferor remains the holder of a share until the transferee's name is entered in the register of shareholders as holder of it
- 40 5 The Directors may refuse to register the transfer of a share and, if they do so, the instrument of transfer must be returned to the transferee with the notice of refusal unless they suspect that the proposed transfer may be fraudulent

41 Transmission of shares

- 41 1 If title to a share passes to a transferee, the Company may only recognise the transferee as having any title to that share
- 41 2 Nothing in these Articles releases the estate of a deceased shareholder from any liability in respect of a share solely or jointly held by that shareholder

41 3 A transmittee who produces such evidence of entitlement to shares as the Directors may properly require may, subject to the Articles, choose either to become the holder of those shares or to have them transferred to another person and, subject to the Articles and pending any transfer of the shares to another person, has the same rights as the holder had

41 4 But transmittees do not have the right to attend or vote at a general meeting, or agree to a proposed written resolution, in respect of shares to which they are entitled, by reason of the holder's death or bankruptcy or otherwise, unless they become the holders of those shares

42 Exercise of transmittees' rights

42 1 Transmittees who wish to become the holders of shares to which they have become entitled must notify the Company in writing of that wish

42 2 If the transmittee wishes to have a share transferred to another person, the transmittee must execute an instrument of transfer in respect of it

42 3 Any transfer made or executed under this Article is to be treated as if it were made or executed by the person from whom the transmittee has derived rights in respect of the share, and as if the event which gave rise to the transmission had not occurred

43 Transmittees bound by prior notices

If a notice is given to a shareholder in respect of shares and a transmittee is entitled to those shares, the transmittee is bound by the notice if it was given to the shareholder before the transmittee's name has been entered in the register of shareholders

44 Procedure for disposing of fractions of shares

44 1 This Article applies where there has been a consolidation or division of shares and, as a result, shareholders are entitled to fractions of shares

44 2 The Directors may sell the shares representing the fractions to any person including the Company for the best price reasonably obtainable, authorise any person to execute an instrument of transfer of the shares to the purchaser or a person nominated by the purchaser and distribute the net proceeds of sale in due proportion among the holders of the shares

44 3 Where any holder's entitlement to a portion of the proceeds of sale amounts to less than a minimum figure determined by the Directors, that shareholder's portion may be distributed to an organisation which is a charity for the purposes of the law of England and Wales, Scotland or Northern Ireland

- 44 4 The person to whom the shares are transferred is not obliged to ensure that any purchase money is received by the person entitled to the relevant fractions
- 44 5 The transferee's title to the shares is not affected by any irregularity in or invalidity of the process leading to their sale

DISTRIBUTIONS

45 Procedure for declaring dividends

- 45 1 The Company may by ordinary resolution declare dividends, and the Directors may decide to pay interim dividends
- 45 2 A dividend must not be declared unless the Directors have made a recommendation as to its amount. Such a dividend must not exceed the amount recommended by the Directors
- 45 3 No dividend may be declared or paid unless it is in accordance with shareholders' respective rights
- 45 4 Unless the shareholders' resolution to declare or Directors' decision to pay a dividend, or the terms on which shares are issued, specify otherwise, it must be paid by reference to each shareholder's holding of shares on the date of the resolution or decision to declare or pay it
- 45 5 If the Company's share capital is divided into different classes, no interim dividend may be paid on shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrear
- 45 6 The Directors may pay at intervals any dividend payable at a fixed rate if it appears to them that the profits available for distribution justify the payment
- 45 7 If the Directors act in good faith, they do not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on shares with deferred or non-preferred rights

46 Calculation of dividends

- 46 1 Except as otherwise provided by the Articles or the rights attached to shares, all dividends must be declared and paid according to the amounts paid up on the shares on which the dividend is paid and apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid
- 46 2 If any share is issued on terms providing that it ranks for dividend as from a particular date, that share ranks for dividend accordingly

46 3 For the purposes of calculating dividends, no account is to be taken of any amount which has been paid up on a share in advance of the due date for payment of that amount

47 Payment of dividends and other distributions

47 1 Where a dividend or other sum which is a distribution is payable in respect of a share, it must be paid by one or more of the following means

47 1 1 transfer to a bank or building society account specified by the distribution recipient either in writing or as the Directors may otherwise decide,

47 1 2 sending a cheque made payable to the distribution recipient by post to the distribution recipient at the distribution recipient's registered address (if the distribution recipient is a holder of the share), or (in any other case) to an address specified by the distribution recipient either in writing or as the Directors may otherwise decide,

47 1 3 sending a cheque made payable to such person by post to such person at such address as the distribution recipient has specified either in writing or as the Directors may otherwise decide, or

47 1 4 any other means of payment as the Directors agree with the distribution recipient either in writing or by such other means as the Directors decide

47 2 In the Articles, the **distribution recipient** means, in respect of a share in respect of which a dividend or other sum is payable, the holder of the share or, if the share has two or more joint holders, whichever of them is named first in the register of shareholders or, if the holder is no longer entitled to the share by reason of death, bankruptcy or otherwise by operation of law, the transmittee

48 Deductions from distributions in respect of sums owed to the Company

48 1 If a share is subject to the company's lien; and the Directors are entitled to issue a lien enforcement notice in respect of it, they may, instead of issuing a lien enforcement notice, deduct from any dividend or other sum payable in respect of the share any sum of money which is payable to the Company in respect of that share to the extent that they are entitled to require payment under a lien enforcement notice

48 2 Money so deducted must be used to pay any of the sums payable in respect of that share

48 3 The Company must notify the distribution recipient in writing of

48 3 1 the fact and amount of any such deduction,

48 3 2 any non-payment of a dividend or other sum payable in respect of a share resulting from any such deduction, and

48 3 3 how the money deducted has been applied

49 No interest on distributions

The Company may not pay interest on any dividend or other sum payable in respect of a share unless otherwise provided by the terms on which the share was issued or the provisions of another agreement between the holder of that share and the Company

50 Unclaimed distributions

50 1 All dividends or other sums which are payable in respect of shares and unclaimed after having been declared or become payable may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed

50 2 The payment of any such dividend or other sum into a separate account does not make the Company a trustee in respect of it

50 3 If twelve years have passed from the date on which a dividend or other sum became due for payment and the distribution recipient has not claimed it, the distribution recipient is no longer entitled to that dividend or other sum and it ceases to remain owing by the Company

51 Non-cash distributions

51 1 Subject to the terms of issue of the share in question, the Company may, by ordinary resolution on the recommendation of the Directors, decide to pay all or part of a dividend or other distribution payable in respect of a share by transferring non-cash assets of equivalent value (including, without limitation, shares or other securities in any company)

51 2 For the purposes of paying a non-cash distribution, the Directors may make whatever arrangements they think fit, including, where any difficulty arises regarding the distribution, fixing the value of any assets, paying cash to any distribution recipient on the basis of that value in order to adjust the rights of recipients and vesting any assets in trustees

52 Waiver of distributions

Distribution recipients may waive their entitlement to a dividend or other distribution payable in respect of a share by giving the Company notice in writing to that effect but, if the share has more than one holder or more than one person is entitled to the share, whether by reason of the death or bankruptcy of one or more joint holders or otherwise, the notice is not effective unless it is expressed to be given, and signed, by all the holders or persons otherwise entitled to the share

53 Capitalisation of profits

- 53 1 Subject to the Articles, the Directors may, if they are so authorised by an ordinary resolution
- 53 1 1 decide to capitalise any profits of the Company (whether or not they are available for distribution) which are not required for paying a preferential dividend, or any sum standing to the credit of the Company's share premium account or capital redemption reserve, and
- 53 1 2 appropriate any sum which they so decide to capitalise (a **capitalised sum**) to the persons who would have been entitled to it if it were distributed by way of dividend (the **persons entitled**) and in the same proportions
- 53 2 Capitalised sums must be applied on behalf of the persons entitled and in the same proportions as a dividend would have been distributed to them
- 53 3 Any capitalised sum may be applied in paying up new shares of a nominal amount equal to the capitalised sum which are then allotted credited as fully paid to the persons entitled or as they may direct
- 53 4 A capitalised sum which was appropriated from profits available for distribution may be applied in or towards paying up any amounts unpaid on existing shares held by the persons entitled or in paying up new debentures of the Company which are then allotted credited as fully paid to the persons entitled or as they may direct
- 53 5 Subject to the Articles the Directors may
- 53 5 1 apply capitalised sums in accordance with Articles 53 3 and 53 4 partly in one way and partly in another,
- 53 5 2 make such arrangements as they think fit to deal with shares or debentures becoming distributable in fractions under this Article (including the issuing of fractional certificates or the making of cash payments), and
- 53 5 3 authorise any person to enter into an agreement with the Company on behalf of all the persons entitled which is binding on them in respect of the allotment of shares and debentures to them under this Article

PART 4

DECISION-MAKING BY SHAREHOLDERS

ORGANISATION OF GENERAL MEETINGS

54 Shareholders can call a general meeting if not enough Directors

If the Company has insufficient Directors to call a general meeting and the Director (if any) is unable or unwilling to appoint sufficient Directors to make up a quorum or to call a general meeting to do so, then any shareholder may call a general meeting (or instruct the Secretary (if any) to do so)

55 Attendance and speaking at general meetings

- 55 1 A person is able to exercise the right to speak at a general meeting when that person is in a position to communicate to all those attending the meeting, during the meeting, any information or opinions which that person has on the business of the meeting
- 55 2 A person is able to exercise the right to vote at a general meeting when that person is able to vote, during the meeting, on resolutions put to the vote at the meeting and his vote can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all the other persons attending the meeting
- 55 3 The Directors may make whatsoever arrangements they consider appropriate to enable those attending a general meeting to exercise their rights to speak or vote at it
- 55 4 In determining attendance at a general meeting, it is immaterial whether any two or more shareholders attending it are in the same place as each other
- 55 5 Two or more persons who are not in the same place as each other attend a general meeting if their circumstances are such that if they have (or were to have) rights to speak and vote at that meeting, they are (or would be) able to exercise them

56 Quorum for general meetings

No business other than the appointment of the chairman of the meeting is to be transacted at a general meeting if the persons attending it do not constitute a quorum

57 Chairing general meetings

- 57 1 If the Directors have appointed a chairman, the chairman shall chair general meetings if present and willing to do so
- 57 2 If the Directors have not appointed a chairman, or if the chairman is unwilling to chair the meeting or is not present within ten minutes of the time at which a meeting was due to start, the Directors present or (if no Directors are present) the meeting must appoint a Director or shareholder to chair the meeting and the appointment of the chairman of the meeting must be the first business of the meeting

57 3 The person chairing a meeting in accordance with this Article is referred to as the **chairman of the meeting**

58 Attendance and speaking by Directors and non-shareholders

58 1 Directors may attend and speak at general meetings, whether or not they are shareholders

58 2 The chairman of the meeting may permit other persons, who are not shareholders of the Company or otherwise entitled to exercise the rights of shareholders in relation to general meetings, to attend and speak at a general meeting

59 Adjournment

59 1 If the persons attending a general meeting within half an hour of the time at which the meeting was due to start do not constitute a quorum, or if during a meeting a quorum ceases to be present, the chairman of the meeting must adjourn it

59 2 The chairman of the meeting may adjourn a general meeting at which a quorum is present if the meeting consents to an adjournment or if it appears to the chairman of the meeting that an adjournment is necessary to protect the safety of any person attending the meeting or to ensure that the business of the meeting is conducted in an orderly manner

59 3 The chairman of the meeting must adjourn a general meeting if directed to do so by the meeting

59 4 When adjourning a general meeting, the chairman of the meeting must

59 4 1 either specify the time and place to which it is adjourned or state that it is to continue at a time and place to be fixed by the Directors, and

59 4 2 have regard to any directions as to the time and place of any adjournment which have been given by the meeting

59 5 If the continuation of an adjourned meeting is to take place more than 14 days after it was adjourned, the Company must give at least 7 clear days' notice of it to the same persons to whom notice of the Company's general meetings is required to be given and containing the same information which the original notice was required to contain

59 6 No business may be transacted at an adjourned general meeting which could not properly have been transacted at the meeting if the adjournment had not taken place

VOTING AT GENERAL MEETINGS

63 2 Where it is desired to afford shareholders an opportunity of instructing the proxy how he shall act the instrument appointing a proxy (a **proxy notice**) shall be in the following form (or in a form as near thereto as circumstances allow or in any other form which is usual or which the Directors may approve)

“ Limited

I/We, , of , being a shareholder/shareholders of the above-named Company, hereby appoint of , or failing him, of as my/our proxy to vote in my/our name[s] and on my/our behalf at the general meeting of the Company to be held on 20 “ and at any adjournment thereof

This form is to be used in respect of the resolutions mentioned below as follows

Resolution No 1 *for *against

Resolution No 2 *for *against

*Strike out whichever is not desired

Unless otherwise instructed, the proxy may vote as he thinks fit or abstain from voting

Signed on 20 “

64 Delivery of proxy notices

64 1 A person who is entitled to attend, speak or vote (either on a show of hands or on a poll) at a general meeting remains so entitled in respect of that meeting or any adjournment of it, even though a valid proxy notice has been delivered to the Company by or on behalf of that person

64 2 An appointment under a proxy notice may be revoked by delivering to the Company a notice in writing given by or on behalf of the person by whom or on whose behalf the proxy notice was given

64 3 A notice revoking a proxy appointment only takes effect if it is delivered before the start of the meeting or adjourned meeting to which it relates

64 4 If a proxy notice is not executed by the person appointing the proxy, it must be accompanied by written evidence of the authority of the person who executed it to execute it on the appointor's behalf

65 Amendments to resolutions

- 65 1 An ordinary resolution to be proposed at a general meeting may be amended by ordinary resolution if
- 65 1 1 notice of the proposed amendment is given to the Company in writing by a person entitled to vote at the general meeting at which it is to be proposed not less than 48 hours before the meeting is to take place (or such later time as the chairman of the meeting may determine), and
- 65 1 2 the proposed amendment does not, in the reasonable opinion of the chairman of the meeting, materially alter the scope of the resolution
- 65 2 A special resolution to be proposed at a general meeting may be amended by ordinary resolution if
- 65 2 1 the chairman of the meeting proposes the amendment at the general meeting at which the resolution is to be proposed, and
- 65 2 2 the amendment does not go beyond what is necessary to correct a grammatical or other non-substantive error in the resolution
- 65 3 If the chairman of the meeting, acting in good faith, wrongly decides that an amendment to a resolution is out of order, the chairman's error does not invalidate the vote on that resolution

66 No voting of shares on which money is owed to the Company

No voting rights attached to a share may be exercised at any general meeting, at any adjournment of it, or on any poll called at or in relation to it, unless all amounts payable to the Company in respect of that share have been paid

PART 5

ADMINISTRATIVE ARRANGEMENTS

67 Secretary

Subject to the provisions of the Companies Acts, the Secretary shall be appointed by the Directors for such term, at such remuneration and upon such conditions as they may think fit, and any Secretary so appointed may be removed by them. This Article only applies for so long as the Company elects to have a Secretary

68 Notices

- 68 1 Subject to the Articles, anything sent or supplied by or to the Company under the Articles may be sent or supplied in any way in which the CA 2006 provides for documents or information which are authorised or required by any provision of CA 2006 to be sent or supplied by or to the Company
- 68 2 In the case of joint holders of shares, any notice or document may be given either to each of the joint holders or to the holder whose name appears first in the register of shareholders. Anything agreed or specified by the first-named joint holder in respect of a joint holding shall be binding on all joint holders
- 68 3 Notices or documents sent to shareholders by first class post, if proved to have been properly addressed, prepaid and posted, shall be deemed, if sent to an address within the United Kingdom, to have been received on the third working day after the envelope containing it was posted or, if sent to an address outside the United Kingdom by airmail, on the sixth working day after the envelope containing it was posted or, in the case of a notice in electronic form and provided the Company is able to show that it was properly addressed, on the first working day after the time it was sent
- 68 4 Subject to the Articles, any notice or document to be sent or supplied to a Director in connection with the taking of decisions by Directors may also be sent or supplied by the means by which that Director has asked to be sent or supplied with such notices or documents for the time being
- 68 5 A Director may agree with the Company that notices or documents sent to that Director in a particular way are to be deemed to have been received within a specified time of their being sent, and for the specified time to be less than 48 hours

69 Company seals

- 69 1 Any common seal may only be used by the authority of the Directors.
- 69 2 The Directors may decide by what means and in what form any common seal is to be used
- 69 3 Unless otherwise decided by the Directors, if the Company has a common seal and it is affixed to a document, the document must also be signed by at least one authorised person in the presence of a witness who attests the signature
- 69 4 For the purposes of this Article, an authorised person is any Director, the Secretary (if any) or any person authorised by the Directors for the purpose of signing documents to which the common seal is applied

70 No right to inspect accounts and other records

Except as provided by law or authorised by the Directors or an ordinary resolution of the Company, no person is entitled to inspect any of the Company's accounting or other records or documents merely by virtue of being a shareholder

71 Provision for employees on cessation of business

The Directors may decide to make provision for the benefit of persons employed or formerly employed by the Company or any of its subsidiaries (including, subject to the CA 2006, a Director or former Director or shadow Director) in connection with the cessation or transfer to any person of the whole or part of the undertaking of the Company or that subsidiary

DIRECTORS' INDEMNITY AND INSURANCE

72 Indemnity

72 1 Subject to Article 72 2, a relevant officer of the Company or an associated company may be indemnified out of the Company's assets against

72 1 1 any liability incurred by that officer in connection with any negligence, default, breach of duty or breach of trust in relation to the Company or an associated company,

72 1 2 any other liability incurred by that officer as an officer of the Company or an associated company

72 2 Article 72 1 does not authorise any indemnity which would be prohibited or rendered void by any provision of the Companies Acts or by any other provision of law

72 3 In this Article companies are **associated** if one is a subsidiary of the other or both are subsidiaries of the same body corporate and a **relevant officer** means any director, former director or other officer of the Company or an associated company (but not its auditor)

73 Insurance

73 1 The Directors may decide to purchase and maintain insurance, at the expense of the Company, for the benefit of any relevant officer in respect of any relevant loss

73 2 In this Article

- 73 2 1 a **relevant officer** means any director or former director of the Company or an associated company, any other officer or employee or former officer or employee of the Company or an associated company (but not its auditor),
- 73 2 2 a **relevant loss** means any loss or liability which has been or may be incurred by a relevant officer in connection with that relevant officer's duties or powers in relation to the Company, any associated company or any pension fund or employees' share scheme of the Company or an associated company, and
- 73 2 3 companies are **associated** if one is a subsidiary of the other or both are subsidiaries of the same body corporate

The Companies Act 2006

COMPANY HAVING A SHARE CAPITAL

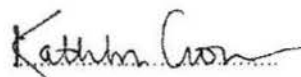
MEMORANDUM OF ASSOCIATION OF
CME EUROPE LIMITED

Each subscriber to this memorandum of association wishes to form a company under the Companies Act 2006 and agrees to become a member of the company and to take at least one share each.

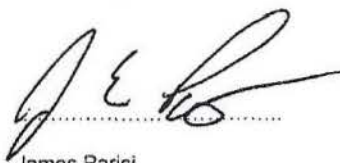
Name of each subscriber

Authentication by each subscriber

Chicago Mercantile Exchange Luxembourg S.à.r.L.



Kathleen Cronin



James Parisi

Dated 5 July, 2011

FORM FBOT—EXHIBIT A-2

Request:

Attach, as Exhibit A-2, the following:

Articles of association, constitution, or other similar organizational documents.

Response:

See Attachments A-2(1)-(8).

CME EUROPE

MEMBERSHIP AGREEMENT

Disclaimer

This document is confidential to the addressee and may not be copied or passed on, in whole or in part, or its contents discussed with any person outside the Affiliates of the addressee or their professional advisers. The contents of this document may be shared with the Affiliates of the addressee or their professional advisers but only to the extent necessary for the purpose of applying to become a member of CME Europe Limited.

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BETWEEN

(1) **CME EUROPE LIMITED** (company number 8189042), incorporated under the laws of England and Wales, whose registered office is at One New Change, London EC4M 9AF, England (the **Exchange**); and

(2) **[NAME OF MEMBER]**,

organised and existing under the laws of [], whose registered office is at

[] (the **Member**),

each a **Party** and together the **Parties**.

WHEREAS

(A) The Exchange is a recognised investment exchange under section 290 of FSMA.

(B) The Member wishes to become a member of the Exchange and agrees to be subject to the terms and conditions of this Agreement.

IT IS AGREED as follows:

1 Definitions and interpretation

1.1 In this Agreement, unless the context requires otherwise, capitalised words and phrases shall have the same meaning as set out in the Exchange Rules.

1.2 In this Agreement, unless otherwise specified:

1.2.1 The provisions of Exchange Rules 1.2.4, 1.2.5, 1.2.6, 1.2.7, 1.2.9 and 1.2.10 shall apply;

1.2.2 A document expressed to be in the **agreed form** means a document in a form which has been agreed by the Parties on or before the execution of this Agreement and signed or initialled by them or on their behalf, for the purposes of identification; and

1.2.3 The table of contents, the recitals and the headings are inserted for convenience only and do not affect the interpretation of this Agreement.

1.3 In the event of any conflict or inconsistency between this Agreement and the Exchange Rules, this Agreement shall take precedence over the Exchange Rules.

2 Obligations of the Member

- 2.1 With effect from the date on which this Agreement is entered, the Member agrees to:
 - 2.1.1 Comply with and be bound by the Exchange Rules and all rights, obligations and liabilities pursuant to the Exchange Rules as if the Exchange Rules were set out in this Agreement;
 - 2.1.2 Be subject to and bound by all Transactions, Contracts and Back-Off Transactions to which it is a party that arise pursuant to the Exchange Rules from time to time;
 - 2.1.3 Be subject to any requirement imposed as a result of a request, decision, direction, sanction, requirement or discretion that the Exchange or any Committee is entitled to make, exercise or impose pursuant to the Exchange Rules;
 - 2.1.4 Be responsible for the acts and omissions of its Representatives as set out in the Exchange Rules;
 - 2.1.5 Be bound by the Exchange Rules as a Defaulting Member, if a Declaration of Default is made in respect of it; and
 - 2.1.6 Submit to the jurisdiction and be bound by any decision, determination, direction, sanction, requirement or award of any Disciplinary Panel, Appeals Body, arbitral tribunal, court or body appointed or formed pursuant to the Exchange Rules or that has jurisdiction over any matter in accordance with the Exchange Rules.
- 2.2 Each Clearing Member shall assume full financial and performance responsibility for all Transactions executed as a result of Orders identified in the systems used by the Exchange as being associated with that Clearing Member including Orders submitted by Customers, Non-Clearing Members and Customers of such Non-Clearing Members. Each Non-Clearing Member shall ensure that a Clearing Member assumes responsibility for any Transactions and Contracts resulting from the Non-Clearing Member's activities and the activities of any of their Customers on the Exchange.

3 Term

- 3.1 This Agreement shall automatically terminate upon termination of the Member's membership of the Exchange in accordance with the Exchange Rules.
- 3.2 For the avoidance of doubt, the obligations set out and referred to in Exchange Rule 3.14.3 shall survive the termination of this Agreement.

4 Representations and warranties

- 4.1 The Member represents and warrants that:
- 4.1.1 it is duly incorporated and validly existing under the laws of its country of incorporation;
 - 4.1.2 it has the capacity, and has taken all necessary corporate action to authorise it to, execute the Agreement and to perform the obligations it is expressed to assume under it, the Exchange Rules and each Transaction, Contract and Back-Off Transaction to which it is a party;
 - 4.1.3 it has duly executed the Agreement and its execution does not, and its performance of its obligations under this Agreement, the Exchange Rules and each Transaction, Contract and Back-Off Transaction to which it is a party will not, contravene or violate its constitutional documents, any Applicable Law, rights of any third parties or agreements to which it is party;
 - 4.1.4 it is not prohibited from and has all necessary authorisations, licences, consents and other approvals required to enter into any Transactions, Contracts and Back-Up Transactions to which it is a party on behalf of Non-Clearing Members and Customers if applicable, in any jurisdictions in which it and such Non-Clearing Members and Customers are incorporated or otherwise constituted or carry on business;
 - 4.1.5 it and each of its Customers is either an eligible counterparty or a professional client as defined by the Financial Conduct Authority; and
 - 4.1.6 the obligations assumed by it under this Agreement, the Exchange Rules and each Transaction, Contract and Back-Off Transaction are legal, valid, binding and enforceable obligations.
- 4.2 Each representation and warranty set out in clause 4.1 shall be deemed to be repeated during each Trading Session during the term of the Agreement.

5 Miscellaneous

5.1 Notices

- 5.1.1 A notice or other communication given to the Exchange under or in connection with this Agreement (a **Notice**) shall be given in accordance with paragraph 12 of the Membership Procedure.
- 5.1.2 A Notice or other communication given to the Member under or in connection with this Agreement shall be given in accordance with paragraph 12 of the Membership Procedure, save that it will be sent to the address set out below:

[Member]	[Member's address for Notices]	[Name of Member's Nominee to whom Notices should be addressed]
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or such other address as the Member may notify the Exchange of.

5.1.3 Where permitted in the Exchange Rules, a Notice or other communication given to the Member may be given via email or fax to the email address and fax number set out below (as updated pursuant to clause 5.1.4 from time to time).

[Member]	[E-mail address]
	[Fax number and person to be marked FAO]

5.1.4 The Member must notify the Exchange in writing of any changes to the details provided to the Exchange from time to time under this clause 5.1.

5.2 Amendments

5.2.1 Subject to clause 5.2.2, no purported variation of this Agreement shall be effective unless it is in writing, refers specifically to this Agreement and is executed by each Party.

5.2.2 The Exchange shall be entitled to make such amendments to the Agreement as it reasonably considers necessary or desirable to reflect amendments made to the Exchange Rules by providing not less than five (5) Business Days prior written notice of any such amendments.

5.3 Assignment

5.3.1 Subject to clause 5.3.2, neither Party may assign, delegate, sub-contract, transfer or create an encumbrance over any or all of its rights and obligations under this Agreement without the prior written agreement of the other Party. Such agreement is not to be unreasonably withheld.

5.3.2 The Exchange shall be entitled to assign any or all of its rights or benefits under this Agreement to any Affiliate of the Exchange on terms that if any such assignee shall cease to be an Affiliate of the Exchange then (unless such rights shall previously have been assigned to a continuing Affiliate of the Exchange or the parties have agreed otherwise) such rights shall terminate.

5.4 Waiver

5.4.1 Exchange Rules 2.7.1 and 2.7.2 shall apply to this Agreement, save that all references to the Exchange Rules shall be interpreted as references to this Agreement.

5.5 Severability

- 5.5.1 Exchange Rule 2.6 shall apply to this Agreement, save that all references to the Exchange Rules shall be interpreted as references to this Agreement, or each part of it as the case may be.

5.6 Entire Agreement

- 5.6.1 This Agreement, the Exchange Rules and the Related Agreements constitute the entire agreement between the Parties and supersede any prior agreement, understanding, undertaking or arrangement between the Parties relating to the subject matter of the Agreement.
- 5.6.2 The Member acknowledges and agrees that by entering into this Agreement, it does not rely on any statement, representation, assurance or warranty of any person (whether a Party to the Agreement or not and whether made in writing or not) other than as expressly set out in the Agreement or the Rules.
- 5.6.3 The Member agrees that it shall have no right or remedy (other than for breach of contract) in respect of any statement, representation, assurance or warranty (whether made negligently or innocently) other than as expressly set out in this Agreement, the Exchange Rules or the Related Agreements.
- 5.6.4 Nothing in this Agreement shall exclude or limit the liability of either Party which cannot by law be excluded.

5.7 Relationship of Parties

Nothing in this Agreement is intended to create a partnership or legal relationship of any kind that would impose liability on one Party for the act or failure to act of the other Party, or to authorise either Party to act as agent for the other Party.

5.8 Counterparts

- 5.8.1 This Agreement may be entered into in any number of counterparts and by the Parties to it on separate counterparts, and each of the executed counterparts, when duly exchanged or delivered, shall be deemed to be an original, but taken together, they shall constitute one and the same instrument.
- 5.8.2 Any counterpart may take the form of a faxed copy of this Agreement and the Party delivering the faxed counterpart shall within seven days of exchange by fax, deliver the original of that counterpart to the other Party by express courier.

5.9 Service of process

If the Member does not have an office or place of business in England or Wales, it hereby irrevocably authorises and appoints [**Member to insert name and address of process agent**] (or such other person having an office or place of business in England or Wales as the Member may at any time in the future substitute by giving prior notice in writing to the Exchange (the **Process Agent**) to accept on its behalf service of all legal process arising out of or in connection with any arbitration proceedings or other related proceedings before the English courts commenced in connection with this Agreement. Further, the Member agrees that failure by the Process Agent to notify the Member of the process will not invalidate the proceedings concerned.

5.10 Contracting out of third party rights

No term of this Agreement is enforceable under the Contracts (Rights of Third Parties) Act 1999 by a person who is not a party to this Agreement.

6 Governing law and arbitration

6.1 This Agreement and the Exchange Rules shall be governed by and construed in accordance with the laws of England and Wales.

6.2 The provisions of Exchange Rules 2.8.2, 2.8.3, 2.8.4 and 2.8.5 shall apply to this Agreement save that any reference to the Exchange Rules shall be interpreted as a reference to this Agreement.

[Signature page follows]

This Agreement has been entered into on the date stated at the beginning of this Agreement.

Signed on behalf of

CME EUROPE LIMITED

acting by [NAME OF DIRECTOR], director

.....
[SIGNATURE OF DIRECTOR]

Director

.....

Signed on behalf of

[NAME OF MEMBER]

acting by [NAME OF DIRECTOR], a director

.....
[SIGNATURE OF DIRECTOR]

Director

.....

FORM FBOT—EXHIBIT A-3

Request:

Attach, as Exhibit A-3, the following:

- (1) Membership and trading participant agreements.**
- (2) Clearing agreements.**

Response: See Exhibits A-3(1)-(3)

CME EUROPE

CONTRACT MODULE

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Chapter B01

Scope, Definitions and Interpretation

B01.1 Scope of Contract Module

B01.1.1 This Contract Module sets out the terms of Transactions capable of being executed on the Exchange and capable of being novated to the Clearing House for clearing in relation to the Products.

B01.2 Definitions

B01.2.1 Capitalised terms used in this Contract Module not otherwise defined in this Contract Module shall have the same meaning as in the Exchange Rules.

B01.2.2 Unless the context otherwise requires, for the purposes of this Contract Module, the following words shall have the meanings specified:

American Style means, in relation to an option, that the option may be exercised at any time up to and including the expiration date;

Asian Style means, in relation to an option, that the amount payable on expiration depends on the average price of the underlying instrument over a pre-defined period before the expiration date, and that the option may only be exercised on the expiration date;

Cabinet Trade means, in relation to an option, a transaction in an out-of-the-money position at a nominal price made by one or both parties for the purpose of closing out an existing open position;

Cash Settlement or Cash Settled means that the obligation on expiration or settlement is to make or receive a net payment in cash in a single currency rather than to make or receive delivery of a physical commodity or instrument;

Contract Day, Contract Week and Contract Month means one of such days, weeks and months in which each Product is available for trading as set out in the Contract Specification;

Daily Settlement Price means the price at which the Exchange establishes the value of a Contract which has not yet expired or settled at the close of a Trading Session, as described in the Trading Procedure;

European Style means, in relation to an option, that the amount payable on expiration depends on the price of the underlying instrument at the expiration date and that the option may only be exercised on the expiration date;

Final Settlement Price means the price established by the Exchange in respect of a Contract for the purpose of Physical Delivery or Cash Settlement as the case may be;

Physical Delivery means that the obligation on expiration or settlement of a Contract is to make delivery of an amount of physical commodity and to receive payment in cash in a single currency;

TARGET Business Day means a day on which the Trans-European Automated Real Gross Settlement Express Transfer is open for business;

Transaction Price means the price at which each Transaction is executed, which shall be in the denomination set out in the Contract Specification;

Transaction Size means the size in which each Transaction is executed, which shall be in multiples of the contract size set out in the relevant Contract Specification.

B01.3 Interpretation

B01.3.1 Each Contract Specification shall be subject to the Exchange Rules, which shall form a part of and be incorporated by reference into, the Contract Specifications save that, in the event of any inconsistency between this Contract Module and the Exchange Rules, this Contract Module shall prevail insofar as the inconsistency relates to the Contract Specification for a Product within this Contract Module. In the event of any inconsistency between the Contract Module and the Clearing House Rules, the Clearing House Rules shall prevail.

Chapter B02

General Transaction Terms

B02.1 Terms of Transactions and Contracts

B02.1.1 Each Transaction executed on the Exchange in relation to a Product covered by this Contract Module and any Back-off Transaction shall satisfy the terms of the relevant Contract Specification as set out in this Contract Module. Once novated to the Clearing House in accordance with the Exchange Rules and the Clearing House Rules, the Contract formed in place of such Transaction shall include such terms. Bids and Offers made in respect of a Product shall be made to satisfy the terms of the relevant Contract Specification.

B02.2 Economic Terms

B02.2.1 Each Transaction executed on the Exchange and the resulting Contract and Back-off Transaction shall also include the following economic terms:

- (a) identity of each Clearing Member which is party;
- (b) the Product which is the subject of the Transaction;
- (c) Contract Size;
- (d) Transaction Size;
- (e) Contract Day, Contract Week or Contract Month (as appropriate);
- (f) Transaction Price;
- (g) Termination of trading date;
- (h) settlement or delivery date (where applicable);
- (i) exercise date (where applicable);
- (j) exercise style (i.e. American Style, European Style or other, where applicable);
and
- (k) exercise price (where applicable).

B02.2.2 The Member may be required to provide additional information about the economic terms of the Transaction to the Exchange or the Clearing House.

B02.3 General Terms

B02.3.1 In addition, the following general terms shall be deemed to be included in, or apply to, each Contract Specification:

- (a) No Transaction or Contract or Back-off Transaction shall be required to be in writing (including electronic) nor any document be required to be signed, delivered or executed or other entry made in any record or book in order for it to become binding on the parties. Notwithstanding the foregoing, if at any time the Exchange or the Clearing House considers it is necessary or desirable to better implement or protect the rights and obligations of any party to a Contract, the Clearing Member shall, at its own expense, use all reasonable endeavours to enter into and execute all documents reasonably required to so implement or protect. In such circumstances, each party shall also procure that any necessary third party including a Non-Clearing Member or a Customer shall promptly execute and deliver such documents and perform such acts as may reasonably be required for the purpose of giving full effect to any Transaction or Contract or Back-off Transaction.

- (b) The Exchange may amend any Contract Specification, after consultation with the Clearing House, at any time in accordance with Exchange Rule 2.3.5 and any such amendments may apply to Transactions and resulting Contracts and Back-off Transactions entered into from the date on which such amendments take effect. The Clearing House may amend any Contract as provided in the Clearing House Rules.
- (c) The Exchange may, in its absolute discretion, take such action in relation to the Transactions and Back-off Transactions as it considers necessary in order to protect the integrity of the Exchange. The Clearing House may, by giving reasonable notice to the Exchange, take such action in relation to Contracts as provided in the Clearing House Rules, as it considers necessary to protect the integrity of the Clearing House.
- (d) Each of the terms in each Contract Specification is severable and distinct from the others. It is intended that every such term shall be and remain valid and enforceable to the fullest extent permitted by law. If any term is or at any time becomes to any extent invalid, illegal or unenforceable for any reason, it shall to that extent be deemed not to form part of the Contract Specification or the resulting Transaction or Contract but the validity, legality and enforceability of the remaining terms in the Contract Specification or the resulting Transaction or Contract shall not be thereby affected or impaired.
- (e) No waiver of any term of a Transaction, Contract or Back-off Transaction shall be effective unless the same shall be given by the Exchange (in relation to a Transaction or Back-off Transaction) or the Clearing House (in relation to a Contract) in writing, and then such waiver shall be effective only in the specific instance, for the purpose for which the same is given, and such waiver shall not operate as a waiver of any future application of such term or part thereof. The waiver of any right, and the failure to exercise any right or to insist on the strict performance of any term of the Transaction, or Contract or Back-off Transaction, shall not operate as a waiver of, or preclude any further or other exercise or enforcement of that or any other right.
- (f) No person who is not a party to the Transaction or Back-off Transaction shall have any rights pursuant to the Contracts (Rights of Third Parties) Act 1999 to enforce any provision of a Transaction or Back-off Transaction save that the Exchange shall have such rights as are set out in the Exchange Rules.
- (g) No person who is not a party to the Contract shall have any rights pursuant to the Contracts (Rights of Third Parties) Act 1999 to enforce any provision of the Contract.
- (h) Each Transaction, Contract and Back-off Transaction shall be governed by and construed in accordance with the laws of England and Wales.

B02.4 Disclaimer

B02.4.1 The following disclaimer shall apply in respect of each Contract Specification in this Contract Module save that, in the event of any inconsistency between the following disclaimer and any disclaimer set out in such a Contract Specification, the latter shall take precedence:

“CME Europe Limited and CME Clearing Europe Limited (together, “**CME**”) does not guarantee the accuracy and/or completeness of any index referred to, or data included in or used in connection with, the Contract Specification. CME makes no warranties, express or implied, as to the results to be obtained by any person or entity from use of

or reliance on any such index or data, any trading or clearing based on any such index or data, or any other use of the Contract Specification. CME hereby disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to any such index or data.”

B02.5 Performance of Contracts

B02.5.1 Open positions outstanding at the close of trading on the last trading day shall be performed either by Physical Delivery or Cash Settlement, as specified within each Contract Specification.

B02.5.2 The day or days on which Physical Delivery or Cash Settlement shall be made shall be specified within each Contract Specification.

B02.5.3 The price at which Physical Delivery or Cash Settlement will be performed shall be specified within each Contract Specification.

B02.5.4 Delivery, either by Physical Delivery or Cash Settlement, shall comply with the Exchange Rules, this Contract Module and the Clearing House Rules, and shall be subject to the Clearing House Rules.

B02.6 Cash Settlement Arrangements

B02.6.1 Where a Contract Specification specifies contract delivery shall be performed through Cash Settlement, delivery shall follow the applicable requirements set out in the Clearing House Rules.

B02.6.2 Cash Settlement shall occur at the Final Settlement Price as specified within the relevant Contract Specification.

B02.7 Delivery Infractions

B02.7.1 Delivery infractions, with respect to either Physical Delivery or Cash Settlement, including but not limited to late or inaccurate delivery and delivery obligation failures, shall be addressed in accordance with the applicable provisions of the Clearing House Rules.

B02.8 General

B02.8.1 Subject to paragraph B02.3.1(b) above, Contract Specifications shall be fixed as of the first day of trading of a Contract Day, Contract Week or Contract Month (as appropriate), except that all deliveries must conform to government regulations in force at the time of delivery. If any national or international government agency or body issues an order, ruling, directive or law that conflicts with the requirements of this Contract Module, such order, ruling, directive or law shall be construed to take precedence and become part of this Contract Module and all open and new Transactions shall be subject to such government orders.

B02.8.2 If a determination is made by the Clearing House in accordance with the Clearing House Rules that delivery or final settlement of any Contract cannot be completed due to a Force Majeure Event or other emergency, the Clearing House shall take such action as it deems necessary under the circumstances and its decision shall be binding upon all parties to the Contract and the Exchange shall take such action as it deems necessary under the circumstances and its decision shall be binding upon all parties to the Back-Off Transaction.

B02.8.3 It shall be the duty of Members to notify the Exchange of any circumstances wherein a delivery or acceptance or any precondition or requirement thereof is prevented by a Force Majeure Event. The parties to a Transaction, Contract or Back-off Transaction shall use reasonable endeavours to minimise the effects of the Force Majeure Event

on the performance of its obligations under the relevant Transaction, Contract or Back-off Transaction and resume full performance of such obligations without avoidable delay.

Chapter BA01

European FAME 0 Biodiesel fob ARA (RED Compliant) (Argus) vs. European Gasoil (ICE) Spread Calendar Future

BA01.1 Description

- BA01.1.1 The European FAME 0 Biodiesel fob ARA (RED Compliant) (Argus) vs. European Gasoil (ICE) Spread Calendar future is a cash settled future referencing Argus Media RED FAME 0°C CFPP fob ARA range price assessment and the ICE Gasoil Futures and Low Sulphur Gasoil Future contracts.
- BA01.1.2 The Exchange Product code shall be UBD.
- BA01.1.3 Transactions shall be construed within the terms of this Chapter BA01, this Contract Module and the Clearing House Rules.

BA01.2 Contract Size

- BA01.2.1 The Contract size shall be 100 metric tons.

BA01.3 Contract Months

- BA01.3.1 European FAME 0 Biodiesel fob ARA (RED Compliant) (Argus) vs. European Gasoil (ICE) Spread Calendar futures shall be available in such months as determined by the Exchange.

BA01.4 Trading Hours

- BA01.4.1 European FAME 0 Biodiesel fob ARA (RED Compliant) (Argus) vs. European Gasoil (ICE) Spread Calendar futures shall be available for trading during such hours as determined by the Exchange and as published on the Website from time to time.

BA01.5 Prices

- BA01.5.1 Prices shall be quoted in U.S. Dollars and cents per metric ton.
- BA01.5.2 The minimum price fluctuation shall be \$0.25 per metric ton, equivalent to \$25 per Contract, in respect of Bids, Offers and Transactions for individual Contract months on CME Globex.
- BA01.5.3 The minimum price fluctuation shall be \$0.001 per metric ton, equivalent to \$0.10 per Contract, in respect of Transactions for individual Contract months submitted through CME ClearPort, Daily Settlement Prices and the Final Settlement Price.
- BA01.5.4 There shall be no maximum price fluctuation.

BA01.6 Daily Settlement Prices

- BA01.6.1 The Exchange shall establish Daily Settlement Prices in respect of open positions for the purposes of position valuation and variation margin calculation, as described in the Trading Procedure.

BA01.7 Termination of Trading

- BA01.7.1 In respect of a Contract month, trading shall terminate on the last Business Day of the Contract month.
- BA01.7.2 On the last trading day, as described in BA01.7.1, the trading shall terminate at 16:30 hours London time.

BA01.8 Floating Price

- BA01.8.1 For Contract months up to and including December 2014, the Floating Price shall be equal to the arithmetic average of the midpoint between the high and low quotations

published on a daily basis by Argus Media for “RED FAME 0°C CFPP fob ARA range” for each Business Day that it is determined during the Contract month, minus the arithmetic average of the ICE Gasoil Futures first nearby contract settlement price for each Business Day that it is determined during the Contract month (using non-common pricing), except as noted below.

BA01.8.2 For Contract months from January 2015 and onwards, the Floating Price shall be equal to the arithmetic average of the midpoint between the high and low quotations published on a daily basis by Argus Media for “RED FAME 0°C CFPP fob ARA range” for each Business Day that it is determined during the Contract month, minus the arithmetic average of the ICE Low Sulphur Gasoil Futures first nearby contract settlement price for each Business Day that it is determined during the Contract month (using non-common pricing), except as noted below.

BA01.8.3 The settlement prices of the first nearby ICE Gasoil Futures Contract month or first nearby ICE Low Sulphur Gasoil Futures Contract month, as appropriate, will be used except on the last day of trading for the expiring gasoil futures contract when the settlement prices of the second nearby ICE Gasoil Futures Contract month or second nearby ICE Low Sulphur Gasoil Futures Contract month, as appropriate, will be used.

BA01.9 Delivery

BA01.9.1 Open positions outstanding at the close of trading on the last trading day shall be performed by Cash Settlement.

BA01.9.2 The Final Settlement Price shall be equal to the Floating Price.

BA01.9.3 Where the Final Settlement Price exceeds the Transaction Price, a buyer of a European FAME 0 Biodiesel fob ARA (RED Compliant) (Argus) vs. European Gasoil (ICE) Spread Calendar future shall receive from the Clearing House the difference between the Final Settlement Price and the Transaction Price, multiplied by the Contract size. Where the Transaction Price exceeds the Final Settlement Price, a buyer of a European FAME 0 Biodiesel fob ARA (RED Compliant) (Argus) vs. European Gasoil (ICE) Spread Calendar future shall pay to the Clearing House the difference between the Final Settlement Price and the Transaction Price, multiplied by the Contract size.

BA01.9.4 Where the Final Settlement Price exceeds the Transaction Price, a seller of a European FAME 0 Biodiesel fob ARA (RED Compliant) (Argus) vs. European Gasoil (ICE) Spread Calendar future shall pay to the Clearing House the difference between the Final Settlement Price and the Transaction Price, multiplied by the Contract size. Where the Transaction Price exceeds the Final Settlement Price, a seller of a European FAME 0 Biodiesel fob ARA (RED Compliant) (Argus) vs. European Gasoil (ICE) Spread Calendar future shall receive from the Clearing House the difference between the Final Settlement Price and the Transaction Price, multiplied by the Contract size.

BA01.9.5 Cash Settlement shall comply with this paragraph BA01.9, Contract Module B paragraph B02.6, and the Clearing House Rules.

BA01.10 Disclaimer

BA01.10.1 Argus Media ("Argus") licenses CME Europe Ltd. (the "Exchange") to use various Argus price assessments in connection with the trading and/or clearing of the European FAME 0 Biodiesel fob ARA (RED Compliant) (Argus) vs. European Gasoil (ICE) Spread Calendar Future (the "Product").

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Chapter BA02

European RME Biodiesel fob ARA (RED Compliant) (Argus) vs. European Gasoil (ICE) Spread Calendar Future

BA02.1 Description

- BA02.1.1 The European RME Biodiesel fob ARA (RED Compliant) (Argus) vs. European Gasoil (ICE) Spread Calendar future is a cash settled future referencing the Argus Media RED Rapeseed OME fob ARA range price assessment and the ICE Gasoil Futures and Low Sulphur Gasoil Future contracts.
- BA02.1.2 The Exchange Product code shall be URA.
- BA02.1.3 Transactions shall be construed within the terms of this Chapter BA02, this Contract Module and the Clearing House Rules.

BA02.2 Contract Size

- BA02.2.1 The Contract size shall be 100 metric tons.

BA02.3 Contract Months

- BA02.3.1 European RME Biodiesel fob ARA (RED Compliant) (Argus) vs. European Gasoil (ICE) Spread Calendar futures shall be available in such months as determined by the Exchange.

BA02.4 Trading Hours

- BA02.4.1 European RME Biodiesel fob ARA (RED Compliant) (Argus) vs. European Gasoil (ICE) Spread Calendar futures shall be available for trading during such hours as determined by the Exchange and as published on the Website from time to time.

BA02.5 Prices

- BA02.5.1 Prices shall be quoted in U.S. Dollars and cents per metric ton.
- BA02.5.2 The minimum price fluctuation shall be \$0.25 per metric ton, equivalent to \$25 per Contract, in respect of Bids, Offers and Transactions for individual Contract months on CME Globex.
- BA02.5.3 The minimum price fluctuation shall be \$0.001 per metric ton, equivalent to \$0.10 per Contract, in respect of Transactions for individual Contract months submitted through CME ClearPort, Daily Settlement Prices and the Final Settlement Price.
- BA02.5.4 There shall be no maximum price fluctuation.

BA02.6 Daily Settlement Prices

- BA02.6.1 The Exchange shall establish Daily Settlement Prices in respect of open positions for the purposes of position valuation and variation margin calculation, as described in the Trading Procedure.

BA02.7 Termination of Trading

- BA02.7.1 In respect of a Contract month, trading shall terminate on the last Business Day of the Contract month.
- BA02.7.2 On the last trading day, as described in BA02.7.1, the trading shall terminate at 16:30 hours London time.

BA02.8 Floating Price

- BA02.8.1 For Contract months through to and including December 2014, the Floating Price shall be equal to the arithmetic average of the midpoint between the high and low

quotations published daily by Argus Media for “RED Rapeseed OME fob ARA range” for each Business Day that it is determined during the Contract month, minus the arithmetic average of the ICE Gasoil Futures first nearby contract settlement price for each Business Day that it is determined during the Contract month (using non-common pricing), except as noted below.

BA02.8.2 For Contract months from January 2015 and onwards, the Final Settlement Price shall be equal to the arithmetic average of the midpoint between the high and low quotations published daily by Argus Media for “RED Rapeseed OME fob ARA range” for each Business Day that it is determined during the Contract month, minus the arithmetic average of the ICE Low Sulphur Gasoil Futures first nearby contract settlement price for each Business Day that it is determined during the Contract month (using non-common pricing), except as noted below.

BA02.8.3 The settlement prices of the first nearby ICE Gasoil Futures Contract month or first nearby ICE Low Sulphur Gasoil Futures Contract month, as appropriate, will be used except on the last day of trading for the expiring gasoil futures contract when the settlement prices of the second nearby ICE Gasoil Futures Contract month or second nearby ICE Low Sulphur Gasoil Futures Contract month, as appropriate, will be used.

BA02.9 Delivery

BA02.9.1 Open positions outstanding at the close of trading on the last trading day shall be performed by Cash Settlement.

BA02.9.2 The Final Settlement Price shall be equal to the Floating Price.

BA02.9.3 Where the Final Settlement Price exceeds the Transaction Price, a buyer of a European RME Biodiesel fob ARA (RED Compliant) (Argus) vs. European Gasoil (ICE) Spread Calendar future shall receive from the Clearing House the difference between the Final Settlement Price and the Transaction Price, multiplied by the Contract size. Where the Transaction Price exceeds the Final Settlement Price, a buyer of a European RME Biodiesel fob ARA (RED Compliant) (Argus) vs. European Gasoil (ICE) Spread Calendar future shall pay to the Clearing House the difference between the Final Settlement Price and the Transaction Price, multiplied by the Contract size.

BA02.9.4 Where the Final Settlement Price exceeds the Transaction Price, a seller of a European RME Biodiesel fob ARA (RED Compliant) (Argus) vs. European Gasoil (ICE) Spread Calendar future shall pay to the Clearing House the difference between the Final Settlement Price and the Transaction Price, multiplied by the Contract size. Where the Transaction Price exceeds the Final Settlement Price, a seller of a European RME Biodiesel fob ARA (RED Compliant) (Argus) vs. European Gasoil (ICE) Spread Calendar future shall receive from the Clearing House the difference between the Final Settlement Price and the Transaction Price, multiplied by the Contract size.

BA02.9.5 Cash Settlement shall comply with this paragraph BA02.9, paragraph B02.6, and the Clearing House Rules.

BA02.10 Disclaimer

BA02.10.1 Argus Media ("Argus") licenses CME Europe Ltd. (the "Exchange") to use various Argus price assessments in connection with the trading and/or clearing of the European RME Biodiesel fob ARA (RED Compliant) (Argus) vs. European Gasoil (ICE) Spread Calendar Future (the "Product").

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Chapter BA03

European FAME 0 Biodiesel fob ARA (RED Compliant) (Argus) Calendar Future

BA03.1 Description

- BA03.1.1 The European FAME 0 Biodiesel fob ARA (RED Compliant) (Argus) Calendar future is a cash settled future referencing the Argus Media RED FAME 0°C CFPP fob ARA range price assessment.
- BA03.1.2 The Exchange Product code shall be FBA.
- BA03.1.3 Transactions shall be construed within the terms of this Chapter BA03, this Contract Module and the Clearing House Rules.

BA03.2 Contract Size

- BA03.2.1 The Contract size shall be 100 metric tons.

BA03.3 Contract Months

- BA03.3.1 European FAME 0 Biodiesel fob ARA (RED Compliant) (Argus) Calendar futures shall be available in such months as determined by the Exchange.

BA03.4 Trading Hours

- BA03.4.1 European FAME 0 Biodiesel fob ARA (RED Compliant) (Argus) Calendar futures shall be available for trading during such hours as determined by the Exchange and as published on the Website from time to time.

BA03.5 Prices

- BA03.5.1 Prices shall be quoted in U.S. Dollars and cents per metric ton.
- BA03.5.2 The minimum price fluctuation shall be \$0.25 per metric ton, equivalent to \$25 per Contract, in respect of Bids, Offers and Transactions for individual Contract months on CME Globex.
- BA03.5.3 The minimum price fluctuation shall be \$0.001 per metric ton, equivalent to \$0.10 per Contract, in respect of Transactions for individual Contract months submitted through CME ClearPort, Daily Settlement Prices, and the Final Settlement Price.
- BA03.5.4 There shall be no maximum price fluctuation.

BA03.6 Daily Settlement Prices

- BA03.6.1 The Exchange shall establish Daily Settlement Prices in respect of open positions for the purposes of position valuation and variation margin calculation, as described in the Trading Procedure.

BA03.7 Termination of Trading

- BA03.7.1 In respect of a Contract month, trading shall terminate on the last Business Day of the Contract month.
- BA03.7.2 On the last trading day, as described in BA03.7.1, the trading shall terminate at 16:30 hours London time.

BA03.8 Floating Price

- BA03.8.1 The Floating Price for each Contract month is equal to the arithmetic average of the midpoint between the high and low quotations published daily by Argus Media for "RED FAME 0°C CFPP fob ARA range" for each Business Day that is determined during the Contract month.

BA03.9 Delivery

BA03.9.1 Open positions outstanding at the close of trading on the last trading day shall be performed by Cash Settlement.

BA03.9.2 The Final Settlement Price shall be equal to the Floating Price.

BA03.9.3 Where the Final Settlement Price exceeds the Transaction Price, a buyer of a European FAME 0 Biodiesel fob ARA (RED Compliant) (Argus) Calendar future shall receive from the Clearing House the difference between the Final Settlement Price and the Transaction Price, multiplied by the Contract size. Where the Transaction Price exceeds the Final Settlement Price, a buyer of a European FAME 0 Biodiesel fob ARA (RED Compliant) (Argus) Calendar future shall pay to the Clearing House the difference between the Final Settlement Price and the Transaction Price, multiplied by the Contract size.

BA03.9.4 Where the Final Settlement Price exceeds the Transaction Price, a seller of a European FAME 0 Biodiesel fob ARA (RED Compliant) (Argus) Calendar future shall pay to the Clearing House the difference between the Final Settlement Price and the Transaction Price, multiplied by the Contract size. Where the Transaction Price exceeds the Final Settlement Price, a seller of European FAME 0 Biodiesel fob ARA (RED Compliant) (Argus) Calendar future shall receive from the Clearing House the difference between the Final Settlement Price and the Transaction Price, multiplied by the Contract size.

BA03.9.5 Cash Settlement shall comply with this paragraph BA03.9, paragraph B02.6, and the Clearing House Rules.

BA03.10 Disclaimer

BA03.10.1 Argus Media ("Argus") licenses CME Europe Ltd. (the "Exchange") to use various Argus price assessments in connection with the trading and/or clearing of the European FAME 0 Biodiesel fob ARA (RED Compliant) (Argus) Calendar Future (the "Product").

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Chapter BA04

European RME Biodiesel fob ARA (RED Compliant) (Argus) Calendar Future

BA04.1 Description

- BA04.1.1 The European RME Biodiesel fob ARA (RED Compliant) (Argus) Calendar future is a cash settled future referencing the Argus Media RED Rapeseed OME fob ARA range price assessment.
- BA04.1.2 The Exchange Product code shall be RBA.
- BA04.1.3 Transactions shall be construed within the terms of this Chapter BA04, this Contract Module and the Clearing House Rules.

BA04.2 Contract Size

- BA04.2.1 The Contract size shall be 100 metric tons.

BA04.3 Contract Months

- BA04.3.1 European RME Biodiesel fob ARA (RED Compliant) (Argus) Calendar futures shall be available in such months as determined by the Exchange.

BA04.4 Trading Hours

- BA04.4.1 European RME Biodiesel fob ARA (RED Compliant) (Argus) Calendar futures shall be available for trading during such hours as determined by the Exchange and as published on the Website from time to time.

BA04.5 Prices

- BA04.5.1 Prices shall be quoted in U.S. Dollars and cents per metric ton.
- BA04.5.2 The minimum price fluctuation shall be \$0.25 per metric ton, equivalent to \$25 per Contract, in respect of Bids, Offers and Transactions for individual Contract months on CME Globex.
- BA04.5.3 The minimum price fluctuation shall be \$0.001 per metric ton, equivalent to \$0.10 per Contract, in respect of Transactions for individual Contract months submitted through CME ClearPort, Daily Settlement Prices, and the Final Settlement Price.
- BA04.5.4 There shall be no maximum price fluctuation.

BA04.6 Daily Settlement Prices

- BA04.6.1 The Exchange shall establish Daily Settlement Prices in respect of open positions for the purposes of position valuation and variation margin calculation, as described in the Trading Procedure.

BA04.7 Termination of Trading

- BA04.7.1 In respect of a Contract month, trading shall terminate on the last Business Day of the Contract month.
- BA04.7.2 On the last trading day, as described in BA04.7.1, the trading shall terminate at 16:30 hours London time.

BA04.8 Floating Price

- BA04.8.1 The Floating Price for each Contract month is equal to the arithmetic average of the midpoint between the high and low quotations published daily by Argus Media for "RED Rapeseed OME fob ARA range" for each Business Day that is determined during the Contract month.

BA04.9 Delivery

BA04.9.1 Open positions outstanding at the close of trading on the last trading day shall be performed by Cash Settlement.

BA04.9.2 The Final Settlement Price shall be equal to the Floating Price.

BA04.9.3 Where the Final Settlement Price exceeds the Transaction Price, a buyer of a European RME Biodiesel fob ARA (RED Compliant) (Argus) Calendar future shall receive from the Clearing House the difference between the Final Settlement Price and the Transaction Price, multiplied by the Contract size. Where the Transaction Price exceeds the Final Settlement Price, a buyer of a European RME Biodiesel fob ARA (RED Compliant) (Argus) Calendar future shall pay to the Clearing House the difference between the Final Settlement Price and the Transaction Price, multiplied by the Contract size.

BA04.9.4 Where the Final Settlement Price exceeds the Transaction Price, a seller of a European RME Biodiesel fob ARA (RED Compliant) (Argus) Calendar future shall pay to the Clearing House the difference between the Final Settlement Price and the Transaction Price, multiplied by the Contract size. Where the Transaction Price exceeds the Final Settlement Price, a seller of European RME Biodiesel fob ARA (RED Compliant) (Argus) Calendar future shall receive from the Clearing House the difference between the Final Settlement Price and the Transaction Price, multiplied by the Contract size.

BA04.9.5 Cash Settlement shall comply with this paragraph BA04.9, paragraph B02.6, and the Clearing House Rules.

BA04.10 Disclaimer

BA04.10.1 Argus Media ("Argus") licenses CME Europe Ltd. (the "Exchange") to use various Argus price assessments in connection with the trading and/or clearing of the European RME Biodiesel fob ARA (RED Compliant) (Argus) Calendar Future (the "Product").

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Chapter BB01

European Ethanol T2 fob Rotterdam Inc Duty (Platts) Calendar Future

BB01.1 Description

- BB01.1.1 The European Ethanol T2 fob Rotterdam Inc Duty (Platts) Calendar future is a cash settled future referencing the Platts McGraw Hill Financial fuel grade ethanol T2 fob Rotterdam price assessment.
- BB01.1.2 The Exchange Product code shall be Z1A.
- BB01.1.3 Transactions shall be construed within the terms of this Chapter BB01 this Contract Module and the Clearing House Rules.

BB01.2 Contract Size

- BB01.2.1 The Contract size shall be 100 cubic metres.

BB01.3 Contract Months

- BB01.3.1 European Ethanol T2 fob Rotterdam Inc Duty (Platts) Calendar futures shall be available in such months as determined by the Exchange.

BB01.4 Trading Hours

- BB01.4.1 European Ethanol T2 fob Rotterdam Inc Duty (Platts) Calendar futures shall be available for trading during such hours as determined by the Exchange and as published on the Website from time to time.

BB01.5 Prices

- BB01.5.1 Prices shall be quoted in Euro and cents per cubic metre.
- BB01.5.2 The minimum price fluctuation shall be €0.25 per cubic metre, equivalent to €25 per Contract, in respect of Bids, Offers and Transactions for individual Contract months on CME Globex.
- BB01.5.3 The minimum price fluctuation shall be €0.001 per cubic metre, equivalent to €0.10 per Contract, in respect Transactions for individual Contract months submitted through CME ClearPort, Daily Settlement Prices, and the Final Settlement Price.
- BB01.5.4 There shall be no maximum price fluctuation.

BB01.6 Daily Settlement Prices

- BB01.6.1 The Exchange shall establish Daily Settlement Prices in respect of open positions for the purposes of position valuation and variation margin calculation, as described in the Trading Procedure.

BB01.7 Termination of Trading

- BB01.7.1 In respect of a Contract month, trading shall terminate on the last Business Day of the Contract month.
- BB01.7.2 On the last trading day, as described in BB01.7.1, the trading shall terminate at 16:30 hours London time.

BB01.8 Floating Price

- BB01.8.1 The Floating Price for each Contract month is equal to the arithmetic average of the midpoint between the high and low quotations published daily by Platts Biofuelscan for "Ethanol T2 FOB Rotterdam (Eur/cu m)" for each Business Day that is determined during the Contract month.

BB01.9 Delivery

BB01.9.1 Open positions outstanding at the close of trading on the last trading day shall be performed by Cash Settlement.

BB01.9.2 The Final Settlement Price shall be equal to the Floating Price.

BB01.9.3 Where the Final Settlement Price exceeds the Transaction Price, a buyer of a European Ethanol T2 fob Rotterdam Inc Duty (Platts) Calendar future shall receive from the Clearing House the difference between the Final Settlement Price and the Transaction Price, multiplied by the Contract size. Where the Transaction Price exceeds the Final Settlement Price, a buyer of a European Ethanol T2 fob Rotterdam Inc Duty (Platts) Calendar future shall pay to the Clearing House the difference between the Final Settlement Price and the Transaction Price, multiplied by the Contract size.

BB01.9.4 Where the Final Settlement Price exceeds the Transaction Price, a seller of a European Ethanol T2 fob Rotterdam Inc Duty (Platts) Calendar future shall pay to the Clearing House the difference between the Final Settlement Price and the Transaction Price, multiplied by the Contract size. Where the Transaction Price exceeds the Final Settlement Price, a seller of European Ethanol T2 fob Rotterdam Inc Duty (Platts) Calendar future shall receive from the Clearing House the difference between the Final Settlement Price and the Transaction Price, multiplied by the Contract size.

BB01.9.5 Cash Settlement shall comply with this paragraph BB01.9, paragraph B02.6, and the Clearing House Rules.

BB01.10 Disclaimer

BB01.10.1 NEITHER CME EUROPE ("THE EXCHANGE") NOR PLATTS GUARANTEES THE ACCURACY AND/OR COMPLETENESS OF THE ETHANOL T2 FOB ROTTERDAM PRICE ASSESSMENT OR ANY OF THE DATA INCLUDED THEREIN.

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Chapter BC01

European Gasoil (ICE) Calendar Future

BC01.1 Description

BC01.1.1 The European Gasoil (ICE) Calendar Future is a cash settled future referencing the ICE Gasoil Futures contract for Contract months up to December 2014 and the ICE Low Sulphur Gasoil Futures for Contract months from January 2015 onwards.

BC01.1.2 The Exchange Product code shall be QAA.

BC01.1.3 Transactions shall be construed within the terms of this Chapter BC01, this Contract Module and the Clearing House Rules.

BC01.2 Contract Size

BC01.2.1 The Contract size shall be 100 metric tons.

BC01.3 Contract Months

BC01.3.1 European Gasoil (ICE) Calendar Futures shall be available in such months as determined by the Exchange.

BC01.4 Trading Hours

BC01.4.1 European Gasoil (ICE) Calendar Futures shall be available for trading during such hours as determined by the Exchange and as published on the Website from time to time.

BC01.5 Prices

BC01.5.1 Prices shall be quoted in US dollars and cents per metric ton.

BC01.5.2 The minimum price fluctuation shall be \$0.25 per metric ton, equivalent to \$25 per Contract, in respect of Bids, Offers and Transactions for individual Contract months on CME Globex.

BC01.5.3 The minimum price fluctuation shall be \$0.001 per metric ton, equivalent to \$0.10 per Contract, in respect of Transactions for individual Contract months submitted through CME ClearPort, Daily Settlement Prices, and the Final Settlement Price.

BC01.5.4 There shall be no maximum price fluctuation.

BC01.6 Daily Settlement Prices

BC01.6.1 The Exchange shall establish Daily Settlement Prices in respect of open positions for the purposes of position valuation and variation margin calculation, as described in the Trading Procedure.

BC01.7 Termination of Trading

BC01.7.1 In respect of a Contract month, trading shall terminate on the last Business Day of the Contract month.

BC01.7.2 On the last trading day, as described in BC01.7.1, the trading shall terminate at 16:30 hours London time.

BC01.8 Floating Price

BC01.8.1 The Floating Price for each Contract month up to and including December 2014 is equal to the arithmetic average of the ICE Gasoil Futures first nearby contract settlement prices for each Business Day that is determined during the Contract month, except as noted below.

BC01.8.2 The Floating Price for each Contract month from January 2015 onwards is equal to the arithmetic average of the ICE Low Sulphur Gasoil Futures first nearby contract settlement prices for each Business Day that is determined during the Contract month.

BC01.8.3 The settlement prices of the first nearby Contract month will be used except on the last day of trading for the expiring ICE Gasoil and or ICE Low Sulphur Gasoil Futures contracts when the settlement prices of the second nearby contracts will be used.

BC01.9 Delivery

BC01.9.1 Open positions outstanding at the close of trading on the last trading day shall be performed by Cash Settlement.

BC01.9.2 The Final Settlement Price shall be equal to the Floating Price.

BC01.9.3 Where the Final Settlement Price exceeds the Transaction Price, a buyer of a European Gasoil (ICE) Calendar future shall receive from the Clearing House the difference between the Final Settlement Price and the Transaction Price, multiplied by the Contract size. Where the Transaction Price exceeds the Final Settlement Price, a buyer of a European Gasoil (ICE) Calendar future shall pay to the Clearing House the difference between the Final Settlement Price and the Transaction Price, multiplied by the Contract size.

BC01.9.4 Where the Final Settlement Price exceeds the Transaction Price, a seller of a European Gasoil (ICE) Calendar future shall pay to the Clearing House the difference between the Final Settlement Price and the Transaction Price, multiplied by the Contract size. Where the Transaction Price exceeds the Final Settlement Price, a seller of a European Gasoil (ICE) Calendar future shall receive from the Clearing House the difference between the Final Settlement Price and the Transaction Price, multiplied by the Contract size.

BC01.9.5 Cash Settlement shall comply with this paragraph BC01.9, paragraph B02.6, and the Clearing House Rules.

FORM FBOT—EXHIBIT A-4

Request: Attach, as Exhibit A-4, the terms and conditions of contracts to be available through direct access (as specified in Exhibit E).

Response: See Exhibit A-4(1).

FORM FBOT—EXHIBIT A-5

Request:

Attach, as Exhibit A-5, the following:

The national statutes, laws and regulations governing the activities of the foreign board of trade and its respective participants.

Response: See Exhibit

CME EUROPE

EXCHANGE RULEBOOK

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CHAPTER 1

DEFINITIONS AND INTERPRETATION

1.1 Unless the context otherwise requires, for all purposes of this Exchange Rulebook, the following words shall have the meanings specified:

Affected Market Contract means each Market Contract to which a Defaulting Member is a party;

Affiliate means, when applied to any person, any subsidiary undertaking or Parent Undertaking of that person and any subsidiary undertaking of any such Parent Undertaking, and the terms subsidiary undertaking and Parent Undertaking shall have the meanings given to them in section 1162 of the Companies Act 2006;

Appeals Body has the meaning given in Exchange Rule 8.5.1;

Applicable Law means all law, statutory provisions and other rules, regulations and instruments in force from time to time, including the rules, guidance, principles and codes of practice of any Regulatory Authority;

APS means average price system as referred to in Exchange Rule 6.23;

Back-Off Transaction means a transaction formed between a Clearing Member and a Non-Clearing Member pursuant to Exchange Rule 5.1.3;

Bid means an Order to buy;

Bid/Offer Reasonability Allowance has the meaning given in Exchange Rule 6.20.5;

Board of Directors means the Board of Directors of the Exchange whose names have been registered as a Director of the Exchange by Companies House as such from time to time;

Business Day means any day on which the Exchange is open for business as set out on the Exchange's Website or as communicated to Members from time to time by any other means;

Clearing House means CME Clearing Europe Limited;

Clearing House Default Rules means the Clearing House Rules specified as default rules by the Clearing House;

Clearing House Rules means the rules of the Clearing House;

Clearing Member means any person that has been granted membership in the Exchange and satisfies the Clearing Membership Criteria;

Clearing Membership Criteria means the criteria set out in Exchange Rule 3.3;

ClearPort means the service offered by CME Inc. for the submission of transactions to the Clearing House for clearing known as ClearPort;

Client has the meaning given to it in the Clearing House Rules;

Client Account has the meaning given to it in the Clearing House Rules;

CME Clearing Europe Limited Client Clearing Documentation means any documentation which the Clearing House requires either Clearing Members and/or Clients to enter into from time to time in relation to Client Accounts;

CME Inc. means Chicago Mercantile Exchange Inc.;

Committee means each committee of the Exchange established for the purpose set out in this Exchange Rulebook;

Complaint means either or all of a GCC Complaint, Phantom Order Complaint, Exchange Complaint or a Member Complaint, as the context requires;

Complaints Procedure means the Complaints Procedure in the Procedures;

Contract means a contract formed between a Clearing Member and the Clearing House pursuant to Exchange Rule 5.1.2;

Contract Module means the part of the Exchange Rules setting out the Contract Specifications for each asset class;

Contract Specification means the part of a Contract Module setting out the terms of a particular type of Transaction;

Customer means a person on behalf of which a Member executes Transactions through the Exchange;

Customer Order means an Order submitted to the Globex Platform on behalf of a Customer;

Declaration of Default has the meaning given in Exchange Rule 7.2.1;

Defaulting Member means a Member on which the Exchange has served a Declaration of Default in accordance with Exchange Rule 7.2.1;

Defence has the meaning given in Exchange Rule 8.4.5;

Direct Market Access means an arrangement through which a Member permits a Customer to transmit Orders to the Member's internal electronic trading systems for automatic onward transmission to the Globex Platform, in accordance with Exchange Rule 3.6;

Disciplinary Notice has the meaning given in Exchange Rule 8.4.4;

Disciplinary Proceedings has the meaning given in Exchange Rule 8.4.1;

Disciplinary Panel has the meaning given in Exchange Rule 8.4.3;

Emergency Committee means the committee formed for the purpose set out in Exchange Rule 7.1.5;

Encumbrance means any mortgage, charge, pledge, lien, option, restriction, right of set-off, right of first refusal, right of pre-emption, claim, right, interest or preference granted to any third party, or any other encumbrance or security interest of any kind (or an agreement or commitment to create any of the same);

ESMA Guidelines means the Guidelines issued by the European Securities and Markets Authority on 24 February 2012 entitled Systems and controls in an automated trading environment for trading platforms, investment firms and competent authorities and referred to as ESMA/2012/122, as shall be amended or replaced by equivalent guidance from time to time;

Euro means the lawful single currency of the member states of the European Union that have adopted and continue to retain such common single currency in accordance with European Union treaty law (as amended from time to time);

Event of Default has the meaning given in Exchange Rule 7.1.3;

Exchange means CME Europe Limited;

Exchange Complaint means a Complaint made by a Member that arises in connection with the performance of, or alleged failure to perform by, the Exchange any of the obligations to which it is subject under or by virtue of FSMA;

Exchange for Related Positions has the same meaning as in Exchange Rule 6.15;

Exchange Default Rules means Chapter 7 of the Exchange Rules;

Exchange Rulebook means the rules of the Exchange as set out herein as they may be amended from time to time;

Exchange Rules means:

- (a) where used in reference to one or more provisions of the Exchange Rulebook, those provisions of the Exchange Rulebook; or
- (b) otherwise, the Exchange Rulebook, the Contract Module, the Procedures and any Notices issued pursuant to the Exchange Rulebook and, for the purposes of any Rules concerning non-compliance with or breach of or failure to discharge any of the Rules, shall include provisions of the Membership Agreement;

FCA means the Financial Conduct Authority, including any successor body or bodies thereto;

Fees and Charges Notice means the Notice setting out the fees and charges of the Exchange from time to time;

FSMA means the Financial Services and Markets Act 2000;

Global Command Centre or **GCC** means the division of CME Inc. known as the Global Command Centre or any successor division of CME Inc.;

GCC Complaint means a Complaint the subject of which relates to direct losses caused by the negligence of GCC or other Exchange staff, or order status errors provided to a Member by GCC;

Globex Platform means the Globex electronic trading system, including certain software licensed to the Exchange by CME Inc. and its licensors, including any modification to the Globex Platform or any successor electronic trading platform on which the Products may be traded;

Globex Operator has the meaning given in Exchange Rule 6.5.1;

Guarantor means any person that provides a guarantee to the Exchange in respect of a Member's obligations under the Exchange Rules;

Independent Investigator has the meaning given in the Complaints Procedure;

Insolvency Event means, in relation to a person, that the person ceases to trade, or is unable to pay its debts as they fall due or has a petition presented or a meeting convened for the purpose of its winding up (provided that such petition is not merely frivolous) or if it enters into liquidation whether compulsorily or voluntarily or compounds with its creditors generally or an administration order is made in relation to it or it has a receiver or administrative receiver appointed over all or a substantial part of its assets

or distraint is levied over any of its assets or any similar or analogous order is made or proceeding is commenced or officer is appointed or action is taken in the United Kingdom or in any jurisdiction or outside the United Kingdom in consequence of debt;

Investigation has the meaning given in Exchange Rule 8.2.1;

Liquidity Scheme means a scheme that is operated by the Exchange and which is designed to enhance market liquidity;

Market Contract has the meaning set out in section 155(2) Companies Act 1989 and includes Contracts, Transactions and Back-Off Transactions;

Member means any person that has been granted membership in the Exchange pursuant to Chapter 3 of the Exchange Rules including a Non-Clearing Member and a Clearing Member;

Member Complaint means a Complaint made by a Member that alleges a breach of the Exchange Rules by another Member;

Membership Agreement means the agreement of the same name entered into between the Exchange and each Member setting out each party's obligations in respect of the services of the Exchange;

Membership Criteria means the criteria set out in Exchange Rule 3.2;

Membership Procedure means the Membership Procedure in the Procedures;

Non-Clearing Member means any person that has been granted membership in the Exchange and is not a Clearing Member;

Non-Reviewable Trading Range has the meaning set out in the Trading Parameters Document;

Notice means any Notice published by the Exchange as such;

Offer means an Order to sell;

Opening Hours means the hours during which the Exchange is open for operations as set out on the Exchange's Website or as communicated to Members from time to time by any other means;

Order means a Bid or an Offer;

Over the Counter or **OTC** means executed outside the Exchange;

Parent Undertaking has the meaning given in section 1162 of the Companies Act 2006;

Phantom Order has the meaning given in Exchange Rule 6.19.1;

Phantom Order Complaint a Complaint the subject of which relates to a loss arising from a Phantom Order;

Procedures means the Procedures of the Exchange published as such;

Product means each type of Transaction that can be entered into through the Exchange and for which there is a Contract Specification;

Regulatory Authority means any relevant government entity or other authority, in any jurisdiction, which is responsible for authorising, supervising or otherwise regulating any part of the Exchange or its services or the Member or its business, as appropriate, or has any other regulatory, investigative, administrative or quasi-judicial jurisdiction, power or other similar function in relation to any part of the Exchange or its services or the Member or its business, as appropriate;

Regulatory Functions takes its meaning from section 291(3) of FSMA;

Related Agreements means the Customer Connection Agreement, Market Data Licence Agreement and any other agreement the Exchange requires Members to enter into in relation to activity on the Exchange, other than the Membership Agreement and the Exchange Rules;

Representative means, when applied to any person, any person which carries out or is responsible for any of that person's functions and shall include each director, officer, employee or agent of such person;

Settlement Price means, in relation to each Product, the official daily closing price as determined by the Exchange in accordance with Exchange Rule 6.2.2;

Trading Procedure means the Trading Procedure in the Procedures;

Trading Session means, in relation to each Product, each individual period during which Transactions can be executed on the Globex Platform as set out on the Website;

Transaction means a transaction formed between two Clearing Members in accordance with Chapter 5 of the Exchange Rules;

User ID means the unique user identification required to access the Globex Platform in accordance with Exchange Rule 6.5.1; and

Website means the Exchange's website from time to time at www.cmeeurope.com.

- 1.2 In these Exchange Rules unless otherwise specified:
 - 1.2.1 the table of contents and the headings are inserted for convenience only and do not affect the interpretation of these Exchange Rules as specified;
 - 1.2.2 references to Chapters are to the chapters of this Rulebook;
 - 1.2.3 references to Exchange Rules are to the Exchange Rules or any particular one of the Exchange Rules;
 - 1.2.4 references to any document are to that document as from time to time amended, restated, novated or replaced, however fundamentally;
 - 1.2.5 references to a person include an individual, partnership, company, corporation, unincorporated body of persons and any government entity;
 - 1.2.6 references to any statute or statutory provision include any subordinate legislation made under it;
 - 1.2.7 references to any statute or statutory provision include any provision amending it or re-enacting it (whether with or without modification) which is the same as, or substantially similar to, the obligations imposed by the specified statute or statutory provision;
 - 1.2.8 references to time are to London time unless otherwise specified and are set out in the 24 hour clock convention;
 - 1.2.9 words importing the plural include the singular and vice versa and the use of any gender includes the other gender;
 - 1.2.10 the words other, including and in particular shall not limit the generality of any preceding words or be construed as being limited to the same class as the preceding words where a wider construction is possible; and
 - 1.2.11 any reference to the discretion exercised by the Exchange shall mean the Exchange's sole, unfettered and absolute discretion.
- 1.3 The Board of Directors shall have the authority to interpret the Exchange Rules. Save as otherwise provided, any such interpretations shall be final and conclusive.
- 1.4 This Exchange Rulebook shall be interpreted in conjunction with any Contract Module, Procedure and Notice. Each Member will be bound by such Contract Modules,

Procedures and Notices as may be relevant to it which shall be set out on the Exchange's Website.

- 1.5 In the event of any conflict between:
 - 1.5.1 the Exchange Rulebook and the Membership Agreement, the Exchange Rulebook shall take precedence;
 - 1.5.2 the Exchange Rulebook and the Procedures, the Exchange Rulebook shall take precedence;
 - 1.5.3 the Exchange Rulebook and a Notice, the Exchange Rulebook shall take precedence except to the extent that a Notice amends the Exchange Rulebook;
 - 1.5.4 the Exchange Rulebook and a Contract Module, the Contract Module shall take precedence insofar as the conflict relates to the Contract Specification for the type of Transaction governed by the Contract Module;
 - 1.5.5 between a Contract Module and the Clearing House Rules, the Clearing House Rules shall take precedence;
 - 1.5.6 between the Exchange Rules and any Related Agreement, the Exchange Rules shall take precedence; and
 - 1.5.7 between the Exchange Rules and the Clearing House Default Rules, the Clearing House Default Rules shall take precedence as set out in Exchange Rule 7.1.2.
- 1.6 No other exchange's rules shall apply to any activity on the Exchange.

CHAPTER 2

GENERAL PROVISIONS

2.1 General

- 2.1.1 The Exchange Rules, together with the Membership Agreement and any other documentation given contractual force pursuant to these Exchange Rules, form a contract between the Exchange and each Member. No person other than the Exchange has any obligation to Members under these Exchange Rules, the Membership Agreement or any Contracts, Transactions or Back-Off Transactions. No person who is not a Member, including for the avoidance of doubt a Customer, shall have any rights pursuant to the Contract (Rights of Third Parties) Act 1999 to enforce any provision of these Exchange Rules or the Membership Agreement.
- 2.1.2 A Member shall not assign, transfer or create any Encumbrance in relation to any of its rights or obligations under the Exchange Rules, the Membership Agreement or any Contract, Transaction or Back-Off Transaction save as otherwise set out in the Exchange Rules.

2.2 Fees and set-off

Fees

- 2.2.1 Members are liable to pay such fees and charges as shall be specified in the Fees and Charges Notice as published on the Website and emailed to Members, from time to time. The Exchange may amend its fees and charges at any time by way of a Notice and shall endeavour, but shall not be obliged, to give prior notice of any amendment by way of a Notice. The fees and charges incurred by a Member will reflect any discounts due to the Member from participation in any Liquidity Schemes that the Exchange may offer from time to time. Details of any Liquidity Schemes will be available on the Website.
- 2.2.2 The Clearing House will collect all fees due and payable under the Exchange Rules on behalf of the Exchange. The Clearing House shall invoice each Clearing Member in accordance with the Clearing House Rules for fees and charges incurred during the preceding month by that Clearing Member and any Non-Clearing Member or Customer for which it has cleared any Transaction during such preceding month. Each Clearing Member shall pay all such fees and charges incurred by it and any Non-Clearing Members or Customers for which it clears Transactions to the Clearing House in accordance with the Clearing House Rules.
- 2.2.3 Interest will be charged on any due but unpaid amount from the date on which the amount becomes due and payable under the Exchange Rules until the date of delivery

at such rate per annum as is set out in the Fees and Charges Notice and will be compounded daily.

2.2.4 All amounts set out in the Exchange Rules and elsewhere as being payable to the Exchange shall be deemed to be exclusive of any value added tax which is chargeable on the supply to which that amount relates. Accordingly, if value added tax is chargeable on any such supply and the corresponding amount, the relevant Member shall be responsible paying it in addition to the amount stated as payable.

2.2.5 All amounts payable by Members in connection with these Exchange Rules and any Transaction, Contract or Back-Off Transaction shall be paid without any deduction or withholding for or on account of tax unless such deduction or withholding is required by Applicable Law, in which case the amount of the payment due shall be increased to an amount which (after making the deduction or withholding) leaves an amount equal to payment which would have been due if no deduction or withholding had been required.

Set off

2.2.6 The Exchange may set off any obligation (whether mature or contingent) due to it from a Member against any obligation (whether matured or contingent) owed by the Exchange to the Member, regardless of the place of payment, account, branch or currency of either obligation.

2.2.7 If the obligations in relation to Exchange Rule 2.2.6 are in different currencies, the Exchange may convert either obligation at such rate of exchange prevailing at the time of calculation for the purpose of the set off. The Exchange shall be entitled to instruct the Clearing House, and the Clearing House shall be entitled to make any necessary adjustments to the Clearing Member's Accounts resulting from the exercise of its rights of set off.

2.2.8 Nothing in this Exchange Rule 2.2 will be effective to create a charge or other security interest. The rights of the Exchange under Exchange Rules 2.2.6 and 2.2.7 are without prejudice and in addition to any rights of set-off, lien, netting, liquidation, combination of accounts or appropriation under the Exchange Rules or otherwise.

Currency of payment

2.2.9 Amounts payable to the Exchange shall be paid in the currency stated by the Exchange. If a Member makes a payment in a currency other than that stated, the Exchange may convert such amount at such rate prevailing at the time of the calculation as it shall reasonably select. The Member shall indemnify the Exchange against any loss which the Exchange may suffer as a result of such conversion.

2.3 Amendments

- 2.3.1 The Exchange may amend the Exchange Rules at any time by issuing a Notice setting out the text of the amended Exchange Rules and, where appropriate, a brief explanation of the reason for the amendment.
- 2.3.2 Subject to Exchange Rule 2.3.5, the Exchange will publish any proposed amendment to an Exchange Rule for consultation and will invite Members to submit comments in writing within a specified deadline save that the Exchange shall not be required to consult on any amendments to Exchange Rules which:
- (a) are minor changes of an administrative or commercial character or where the Exchange reasonably considers that the amendment would not significantly affect the rights, obligations or liabilities of Members or that consultation is otherwise not appropriate;
 - (b) are considered by the Exchange necessary to ensure compliance with the Applicable Laws or a requirement of a Regulatory Authority by the Exchange or any Member;
 - (c) are considered by the Exchange necessary as a result of an Event of Default; or
 - (d) are otherwise considered by the Exchange to be necessary for the purpose of mitigating a significant risk to the Exchange (including by mitigating a significant risk to a Member) provided that the Exchange shall consult with Members on the continued applicability of the amendment following the conclusion of the urgent situation.
- 2.3.3 The Exchange may consult on a proposed amendment to the Exchange Rules with only a limited number of Members if it reasonably considers it appropriate to do so including where, in the Exchange's reasonable opinion, a proposed amendment will affect a limited number of Members or in the Exchange's reasonable opinion is a limited technical amendment.
- 2.3.4 Subject to Exchange Rule 2.3.5, a Notice setting out an amendment to the Exchange Rules shall state the date from which such amendment comes into effect, which shall not be earlier than ten (10) Business Days from the date of the Notice except that any of the amendments set out in Exchange Rule 2.3.2(a) to 2.3.2(d) may take immediate effect on the date of the Notice.
- 2.3.5 The Exchange may amend any Contract Module, any Contract Specification, the Procedures and Notices at any time by issuing a Notice setting out the text of the

amended Contract Module, Contract Specification, Procedure or Notice. Any such amendment shall have immediate effect unless otherwise stated in the Notice.

- 2.3.6 By continuing to use the Exchange, a Member will be deemed to accept any amendments to the Exchange Rules pursuant to Exchange Rules 2.3.1 and 2.3.5. For the avoidance of doubt, no Member shall be entitled to use the Exchange unless it accepts the Exchange Rules.
- 2.3.7 No amendment to the Exchange Rules shall have the effect of extinguishing any right or discharging any liability incurred under the Exchange Rules before such amendment came into effect.
- 2.3.8 The Exchange shall notify Members of any changes in its Business Days and Opening Hours from time to time by Notice published on the Website and emailed to Members.
- 2.3.9 If at any time the Exchange decides to cease acting as an exchange, either generally or in relation to a particular type of Product, it shall give prior notice to Members where possible and as soon as reasonably practicable of the proposed withdrawal date, by publishing a Notice on the website and by email to Members.

2.4 Limitations of liability and indemnity

- 2.4.1 Neither this Exchange Rule 2.4 nor any other Exchange Rule shall affect the application of section 291 FSMA nor exclude or restrict the liability of the Exchange or any other person:
- (a) in respect of fraud, bad faith or wilful default;
 - (b) in respect of personal injury or death resulting from negligence, recklessness or an intentional act or omission; or
 - (c) otherwise to the extent it cannot be excluded or restricted in accordance with the Applicable Law.
- 2.4.2 Except as provided in Exchange Rule 2.4.6 and Exchange Rule 2.4.7, the Exchange and each of its Affiliates and each of their respective Representatives shall not be liable to any person for any losses, liabilities, damages, claims, costs or expenses arising from:
- (a) any failure, malfunction, fault in delivery, delay, omission, suspension, inaccuracy, interruption, termination, or any other cause, 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 electronic order entry and delivery, trading through any electronic means,

electronic communication of market data or information, workstations used by Members or Customers and authorised employees of Members or Customers, price reporting systems and any and all terminals, communications networks, central computers, software, hardware, firmware and printers relating thereto; or

- (b) any failure or malfunction, fault in delivery, delay, omission, suspension inaccuracy, interruption or termination, or any other cause, 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 independent software vendors and network providers; or
- (c) any errors or inaccuracies in information used in any systems of the Exchange or provided by the Exchange or any Exchange systems, services or facilities; or
- (d) any unauthorised access to or unauthorised use of any Exchange systems, services or facilities by any person; or
- (e) any error, delay or inaccuracy in the submission of an Order or the transmission of information to the Exchange; or
- (f) the acts or omissions of the Exchange, the Clearing House, any Member, any Customer or any third party and any of their respective Representatives;
- (g) any dispute relating to the validity, existence or terms of any Transaction, Contract or Back-Off Transaction; or
- (h) any inability to perform its obligations under these Exchange Rules as a result of an event of force majeure (as defined in Exchange Rule 3.13.1(e)).

2.4.3 The limitations of liability in Exchange Rule 2.4.2 shall apply whether:

- (a) a claim arises in contract, tort, negligence, strict liability, breach of statutory duty, contribution or otherwise; or
- (b) a claim is brought directly or as a third party claim.

2.4.4 Neither the Exchange nor any of its Affiliates, nor any of their respective Representatives, shall in any circumstances be liable to a Member or any other person for:

- (a) loss of or anticipated loss of profit, loss of or anticipated loss of revenue, loss of use, business interruption, loss of use of any equipment, loss of any contract or other business opportunity or goodwill or punitive loss; or

(b) indirect loss or consequential loss,

2.4.5 regardless of whether the Exchange has been advised of the possibility of such loss or whether such loss otherwise could have been foreseen.

Liability in relation to GCC

2.4.6 The Exchange may, in its sole discretion, assume responsibility for direct losses caused by the negligence of GCC or other Exchange staff and/or order status errors provided by GCC. If such liability is accepted, the total aggregate obligations for the Exchange shall not exceed USD 25,000 for all losses suffered from all causes in a single calendar month, except for losses caused by Phantom Orders which are subject to the provisions of Exchange Rules 2.4.10 to 2.4.14.

Collective total aggregate liability per month in relation to GCC

2.4.7 Without prejudice to Exchange Rule 2.4.1 to Exchange Rule 2.4.4, in no circumstances shall the collective total aggregate liability of the Exchange exceed USD 25,000 in any single calendar month for any claims arising out of any negligence, inaccuracies, interruptions, faults in delivery, delays, omissions, suspensions, other causes, except for Phantom Orders which are subject to the provisions of Exchange Rules 2.4.10 to 2.4.14, in connection with the furnishing, performance, operation, maintenance, use of or inability to use all or any part 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.

2.4.8 Any initial claim of loss made under Exchange Rule 2.4.6 shall include a detailed description of any loss suffered and must be submitted to the Exchange within ten (10) Business Days of the date of the incident that caused the loss. A claimant's failure to pursue its claim within these time limits shall bar recovery on such claim under Exchange Rule 2.4.6. For the avoidance of doubt, should a Member fail to submit an initial claim of loss in accordance with this Exchange Rule 2.4.8, or not wish to have a GCC Complaint considered in accordance with Exchange Rule 2.4.6, the Member shall be entitled to submit an Exchange Complaint, in accordance with the Complaints Procedure, which covers the same content that could have formed the GCC Complaint had an initial claim of loss been filed under this Exchange Rule 2.4.8.

2.4.9 If the number of allowable claims in a single calendar month cannot be fully satisfied because to fully satisfy all claims would result in the monthly liability limitation set out in Exchange Rule 2.4.6 or Exchange Rule 2.4.7 being exceeded, all claims received in the relevant calendar month shall be settled with reference to a pro rata share of the maximum monthly liability limit.

Liability in relation to Phantom Orders

- 2.4.10 If Transactions executed on the Globex Platform, which have arisen from a Phantom Order are not voided in accordance with Exchanges Rules 6.19.3 or 6.19.4, the person who traded opposite such Phantom Order shall have no recourse against the Exchange. The gain or loss on the liquidation of positions resulting from execution of such Phantom Orders shall be the Exchange's responsibility. The Exchange's liability to such person shall be limited to the prices at which the positions could have been liquidated during the relevant time period set out in Rule 6.19.5. Without prejudice to the exclusion of liability above, in no circumstances shall the total aggregate obligations for the Exchange exceed USD 25,000 for all such losses in relation to which liability is accepted by the Exchange in a single calendar month.
- 2.4.11 Subject to Exchange Rule 2.4.1, the collective total aggregate liability of the Exchange for direct losses caused by Phantom Orders shall not exceed USD 25,000 in any single calendar month. Claims made under Exchange Rule 2.4.10 shall not be considered by the Exchange until a Member has liquidated all positions resulting from execution of Phantom Orders, as directed by the Exchange in accordance with Exchange Rule 6.19.5.
- 2.4.12 The initial claim of loss, including a detailed description of any loss suffered, must be made to the Exchange within ten (10) Business Days of the date of the incident that caused the loss. A claimant's failure to pursue its claim within these time limits shall bar any recovery on such claim under Exchange Rule 2.4.10. For the avoidance of doubt, should a Member fail to submit an initial claim of loss in accordance with this Exchange Rule 2.4.12, or not wish to have a Phantom Order Complaint considered in accordance with Exchange Rule 2.4.10, the Member shall be entitled to submit an Exchange Complaint, in accordance with the Complaints Procedure, which covers the same content that could have formed the Phantom Order Complaint had an initial claim of loss been filed under this Exchange Rule 2.4.12.
- 2.4.13 If the aggregate total liability of the Exchange for direct losses caused by Phantom Orders in a single calendar month cannot be fully satisfied because to fully satisfy all claims would result in the monthly liability limitation set out in Exchange Rule 2.4.10 being exceeded, all claims received in the relevant calendar month shall be settled with reference to a pro rata share of the maximum monthly liability limit.
- 2.4.14 Subject to Exchange Rule 2.4.1, a claim against the Exchange which arises out of any failure, malfunction or Phantom Order shall be strictly subject to the respective liability limits of this Exchange Rule.

No warranty

- 2.4.15 Except as expressly stated in the Exchange Rules and to the extent permitted by law, neither the Exchange, nor its Affiliates, nor any of their respective Representatives gives any express or implied warranties or representations (including warranties of satisfactory quality and fitness for a particular purpose or use) relating to any systems or services of the Exchange or services, equipment or facilities used to support such systems and services, including the Globex Platform.

Indemnity

- 2.4.16 Each Member shall indemnify the Exchange, each of its Affiliates and each of their Representatives against any and all losses, liabilities, damages, claims, costs or expenses suffered or incurred by the Exchange, an Affiliate or any of their Representatives arising out of or in connection with the Member's conduct or its breach of these Exchange Rules, any Transaction, Contract or Back-Off Transaction or the Applicable Law.
- 2.4.17 Nothing in these Exchange Rules shall require the Member to indemnify the Exchange to the extent not permissible in accordance with the Applicable Law.
- 2.4.18 Without prejudice to Exchange Rule 2.4.3, the Exchange shall not be liable to any person which is not a Member.
- 2.4.19 For the avoidance of doubt, each, and each part of, each Exchange Rule 2.4.1 to Exchange Rule 2.4.18 shall be construed separately, applying and surviving if for any reason one or more than one of the other of Exchange Rules 2.4.1 to Exchange Rule 2.4.18 or any part thereof is held in any jurisdiction to be invalid, illegal or unenforceable.

2.5 Confidentiality

- 2.5.1 The Exchange will treat as confidential all information received from a Member acquired by it in the course of its operations or investigations or which is held by the Exchange and relates to Transactions, Contracts and Back-Off Transactions which the Member has entered into as confidential and, subject to Exchange Rule 2.5.2, shall not disclose it to any other person unless the Member agrees otherwise, or the information is or comes into the public domain other than as a result of a breach of this Exchange Rule 2.5.1 by the Exchange or its Representatives.
- 2.5.2 The Exchange may disclose such information to such persons, agencies or authorities having responsibility for or in connection with the regulation of investment or any other financial business and this shall include without limitation the Secretary of State or his designated agency and investment exchanges, clearing houses and self regulating

organisations recognised under FSMA or in connection with the enforcement of any Applicable Law as the Exchange thinks fit (but without prejudice to any other right to disclosure given to it in the Exchange Rules) or to any other person to which, and on such terms, as the Exchange considers it reasonably appropriate to disclose such information.

2.5.3 Members shall be deemed to consent to any disclosure or non-disclosure of information by the Exchange that is required or permitted by section 348 of FSMA.

2.5.4 Any information that is provided to a Clearing Member in order to facilitate a delivery in accordance with Rule 11.3.1 of the Clearing House Rules, including, but not limited to, the subject matter of the Contract, the identity of the other Clearing Member and the value of the delivery, may only be used by the Clearing Member for the sole purpose of making the delivery as directed by the Clearing House.

2.5.5 As between the Exchange and each Member, the Exchange shall own all intellectual property rights in any data submitted to the Exchange by the Member or a Customer of the Member. The Member will promptly execute, and will use reasonable endeavours to procure that any third parties promptly execute, such documents and do such acts as the Exchange may reasonably consider necessary to give full effect to this provision. Notwithstanding Exchange Rule 2.5.1, the Exchange may licence such data in accordance with normal market practice.

Data protection

2.5.6 The Exchange is a data controller in relation to personal information provided by the Members and their Representatives. Each Member shall ensure that any of its Representatives whose personal data is provided to the Exchange has consented in advance to such data being controlled and processed by or on behalf of the Exchange and that the disclosure of such personal data is lawful.

2.5.7 The Exchange shall be entitled to disclose personal data to such persons and for such purposes as set out in Exchange Rule 2.5, and the Exchange and any such person to which personal data is provided may transfer it outside the European Economic Area for processing.

2.5.8 Each data subject may, on application to the Exchange and payment of a small fee to the Exchange, receive a copy of the personal data held by the Exchange in respect of it and require the Exchange to correct any errors or inaccuracies.

2.5.9 In this Exchange Rule 2.5.9, the terms **personal data**, **controller** and **data subject** have the meanings given to such terms in the Data Protection Act 1998.

2.6 Severability

2.6.1 Each of the Exchange Rules is severable and distinct from the others. It is intended that every Exchange Rule and every part of each Exchange Rule shall be and remain valid and enforceable to the fullest extent permitted by law. If any Exchange Rule or part of an Exchange Rule is or at any time becomes to any extent invalid, illegal or unenforceable for any reason, it shall to that extent be deemed not to form part of these Exchange Rules but the validity, legality and enforceability of the remaining Exchange Rules and parts of these Exchange Rules shall not be thereby affected or impaired.

2.7 Waiver

2.7.1 Except as specifically provided in these Exchange Rules, no waiver of any of these Exchange Rules or any part thereof shall be effective unless the same shall be in writing, and then such waiver shall be effective only in the specific instance, for the purpose for which the same is given, and such waiver shall not operate as a waiver of any future application of such Exchange Rule or part thereof.

2.7.2 The waiver of any right, and the failure to exercise any right or to insist on the strict performance of any of the Exchange Rules, shall not operate as a waiver of, or preclude any further or other exercise or enforcement of that or any other right.

2.7.3 Any times fixed by these Exchange Rules for the doing of any act or acts required by these Exchange Rules may be waived or suspended by the Exchange, the Board of Directors or such Committee as the Board of Directors may designate, whenever, in its judgment, such extension, waiver or suspension is necessary or expedient.

2.8 Governing law and arbitration

2.8.1 The Exchange Rules shall be governed by and construed in accordance with the laws of England and Wales.

2.8.2 Subject to Exchange Rule 2.8.4, any dispute between the Exchange and Member arising out of or in connection with the Exchange Rules or any Transaction, Contract or Back-Off Transaction including any question regarding the validity of the Membership Agreement shall be referred to and finally resolved by arbitration under the rules of the London Court of International Arbitration, which rules are deemed to be incorporated by reference into this Exchange Rule 2.8.

2.8.3 The number of arbitrators shall be three (3). Each party shall appoint one (1) arbitrator and the remaining arbitrator shall be appointed by agreement between the arbitrators appointed by each party. The third arbitrator shall serve as chairman. The seat, or legal

place, of arbitration shall be London. The language to be used in the arbitral proceedings shall be English.

- 2.8.4 A Member may not submit a dispute, the subject matter of which could constitute a Complaint or which is subject to Disciplinary Proceedings under Chapter 8 of the Exchange Rules, to be resolved by arbitration in accordance with Exchange Rule 2.8.2 unless and until it has submitted a Complaint on such subject in accordance with the Exchange Rules and that Complaint has been subjected to the procedures set out in the Exchange Rules or the Disciplinary Proceedings to which it is subject have finished, including, where relevant, any related Appeal pursuant to Exchange Rule 8.5.
- 2.8.5 The commencement of any arbitral proceedings pursuant to Exchange Rule 2.8.2 shall be without prejudice to and shall not limit in any way the right of the Exchange to instigate any procedure under the Exchange Rules, including without limitation in relation to any Event of Default or any Investigation or Disciplinary Proceedings.
- 2.8.6 The Exchange will not be responsible for compliance or non-compliance by any other person with the requirements under the FCA's Rules, including concerning offers made to the public.

2.9 Waiver of sovereign immunity

- 2.9.1 In the event that a Member purports to be a state entity, such entity irrevocably acknowledges and accepts that the Exchange Rules and all agreements entered into or in connection herewith (including all appendices, schedules and exhibits thereto) and the performance or non-performance of its obligations under the Exchange Rules are commercial rather than public or governmental acts. In any event, the Member hereby waives in relation to any disputes arising out of or in connection with the Exchange Rules under any law or in any jurisdiction, notwithstanding the dispute(s) relate(s) to acts of a sovereign or governmental character, any claim the Member may have or may acquire to immunity on the grounds of sovereignty or otherwise (for itself/themselves and its/their property, present or subsequently acquired) from:
- (a) any jurisdiction and the service and pursuit of any proceedings in that jurisdiction;
 - (b) procedural privileges relating to the obligation to disclose documents or information; and
 - (c) any relief, before or after proceedings have been commenced, including but not limited to orders for injunction, specific performance, or recovery of land; any set off, attachment or execution or enforcement of a judgment or arbitral award against its sovereign property (or in an action in rem for the arrest, detention or

sale of its sovereign property) irrespective of that property's use or intended use, whether commercial or otherwise, including without prejudice to the generality of sovereign property, any assets held on behalf of a central bank, diplomatic assets, tax revenues or other payments to the sovereign or cultural, historic or scientific collections.

2.10 No Proceedings

- 2.10.1 No Member shall take any action to commence an insolvency or reorganisation proceeding (including, without limitation, by presentation of a winding up petition) in relation to the Exchange.
- 2.10.2 No Member shall take any action (including, but not limited to, commencing a court or arbitral proceeding) with the intention of or that would limit or interfere with the ability of the Exchange, acting lawfully and in good faith, to exercise its rights and perform its obligations in connection with its Regulatory Functions. For the avoidance of doubt, nothing in this provision shall prevent Members from taking any actions permitted under Chapter 8 of the Exchange Rules.

CHAPTER 3

MEMBERSHIP

3.1 Types of membership and application

- 3.1.1 A person must, at a minimum, demonstrate to the Exchange that it can satisfy the Membership Criteria. The process for applying for membership is set out in the Membership Procedure. Each application for membership shall be accompanied by the appropriate fee as set out in the Membership Procedure, unless such fee has been waived by the Board of Directors. The application fee is non-refundable in any event.
- 3.1.2 There are two categories of membership: Clearing Member and Non-Clearing Member. The Exchange may create further categories of Member depending on the types of Transaction to be executed. The Exchange may apply different Membership Criteria in respect of different categories of Member.
- 3.1.3 A Member must continue to satisfy the Membership Criteria applicable to its category of membership for so long as it remains a Member of that category.
- 3.1.4 Each Member shall, and shall procure that its Representatives shall act in accordance with the Exchange Rules. Different Exchange Rules may apply to different categories of Member and the applicable Exchange Rules may include a Contract Module that is specific to the type of Transaction entered into by a particular category of Member.

3.2 Membership Criteria

- 3.2.1 To satisfy the Membership Criteria, a person must at all times:
- (a) be incorporated as a body corporate, partnership or other business organisation or entity in any jurisdiction;
 - (b) have all necessary authorisations, licences, permissions, approvals or equivalent in respect of each Regulatory Authority;
 - (c) comply with all Applicable Law and the requirements of each Regulatory Authority which has jurisdiction over it;
 - (d) not be subject to an Insolvency Event or an Event of Default or any circumstances pursuant to which either an Insolvency Event or an Event of Default could be declared;
 - (e) have capital of at least the amount set out in the Membership Procedure for this purpose;

- (f) be party to an executed Membership Agreement and such other agreements as required by the Exchange from time to time, including where applicable the Related Agreements;
- (g) be a Clearing Member or ensure that a Clearing Member assumes responsibility for any Transactions and Contracts resulting from their activities and the activities of any of their Customers on the Exchange;
- (h) have nominated a Representative, who is sufficiently senior and familiar with the Exchange Rules and the Member's activities in relation to the Exchange, to be available to deal with any query or issue raised by the Exchange and be responsible for the Member's actions and the representation of the Member before the Exchange and its Committees (a **Nominee**);
- (i) not have been, or have any senior Representative who has been, convicted of any offence involving fraud, theft, false accounting, offences against the administration of public justice, serious tax offences or other dishonesty or an offence relating to companies, insurance, banking, other financial services, consumer credit or consumer protection, money laundering, bribery, market abuse or insider dealing or be, or have any senior Representative who is, under investigation for committing such an offence;
- (j) satisfy the Exchange as to its fitness and propriety, financial, operational, technical and risk management capacity, competence, facilities and organisational arrangements to be able to satisfy its obligations under the Exchange Rules and demonstrate, to the satisfaction of the Exchange, that its systems and controls ensure that all personnel, agents and representatives who act on behalf of or in the name of the Member in the conduct of business on the Exchange are fit and proper with appropriate qualifications and experience and are trained and properly supervised to perform such functions in connection with the conduct of business on the Exchange;
- (k) satisfy the Exchange that it has in place adequate systems and controls surrounding the submission of Orders to the Exchange, including any controls required by the Exchange or any Regulatory Authority and systems and controls to ensure that any individuals who submit Orders to the Exchange in its name are fit and proper, suitable, adequately trained and properly supervised to perform such activity;
- (l) satisfy the Exchange that it has in place adequate written anti-money laundering, bribery and corruption, risk management and disaster recovery and

business continuity policies and procedures to ensure that it is able to perform its obligations under the Exchange Rules and Applicable Law;

- (m) be engaged in or demonstrate immediate capacity to engage in activity on the Exchange;
- (n) demonstrate that it is in compliance with the Exchange Rules; and
- (o) satisfy any further requirements which the Exchange may reasonably impose on a Member from time to time, including, for the avoidance of doubt, in the case of an entity that is not authorised by the FCA or a Regulatory Authority within another Member State of the European Union, to agree to be bound by the ESMA Guidelines.

3.2.2 The Membership Criteria set out in paragraphs 3.2.1(b) to 3.2.1(d) shall also apply to each of the Member's Parent Undertakings and Guarantors.

3.3 Clearing Membership Criteria

3.3.1 To satisfy the Clearing Membership Criteria, a person must at all times:

- (a) satisfy the Membership Criteria; and
- (b) be a member of the Clearing House which is permitted to clear Transactions under the Clearing House Rules and be in compliance with the Clearing House Rules.

3.4 Trading for Customers

3.4.1 Each Member may submit Orders to the Exchange on behalf of a Customer provided that the Member shall be deemed to submit such Orders as principal.

3.4.2 Where a Member submits Orders to the Exchange on behalf of a Customer:

- (a) it shall provide such further information about such Customer and the Orders submitted on its behalf as the Exchange may require and use its best endeavours to procure that each Customer provides to the Exchange such information about such Customer and the Orders submitted on its behalf as the Exchange may require;
- (b) it must satisfy itself that the acts and omissions of its Customers and their Representatives will not prevent it from complying with the Exchange Rules, it must impose the prohibitions set out in Exchange Rule 3.11 on each Customer and its Representatives and it must procure that each Customer and its

Representative complies with Chapter 6 of the Exchange Rules as if the Customer were a Member; and

- (c) it must procure that each Customer cooperates with the Exchange in the event of any action being taken against the Member in the same way as set out in Exchange Rule 8.2.2 save that the Customer shall not be required to permit access without notice to its business premises.

3.4.3 Without prejudice to Exchange Rules 3.12 and 3.13, if the Exchange has reason to believe or suspect that any Customer is conducting trading activities in violation of the Exchange Rules or in a manner that otherwise threatens the integrity or liquidity of any Product, the Exchange may request such Customer to submit to the processes set out in Chapter 8 of the Exchange Rules for the purpose of such matter, in which case Chapter 8 of the Exchange Rules will apply to such matter as though the Customer were a Member and the Member shall cooperate with the Exchange in the same way as set out in Exchange Rule 8.2.2.

3.5 Clearing for Clients

3.5.1 Each Clearing Member shall be responsible for ensuring that, where applicable, each Non-Clearing Member for which the Clearing Member assumes responsibility in accordance with Exchange Rule 3.2.1(g) and each Customer for which a Clearing Member submits Orders to the Exchange in accordance with Exchange Rule 3.4 or allows to submit Orders to the Exchange via Direct Market Access in accordance with Exchange Rule 3.6 shall enter into the CME Clearing Europe Limited Client Clearing Documentation (where applicable).

3.5.2 Each Non-Clearing Member for which a Clearing Member assumes responsibility in accordance with Exchange Rule 3.2.1(g) shall be a Client of that Clearing Member for the purposes of the Clearing House Rules.

3.5.3 Each Customer for which a Clearing Member submits Orders to the Exchange in accordance with Exchange Rule 3.4 or allows to submit Orders to the Exchange via Direct Market Access in accordance with Exchange Rule 3.6 shall be a Client of that Clearing Member for the purposes of the Clearing House Rules.

3.6 Direct Market Access

3.6.1 Members may provide Direct Market Access.

3.6.2 Any Member responsible for providing Direct Market Access shall be responsible for all activity conducted and any messages, including any Orders, submitted to the Globex Platform, by any of its Customers via Direct Market Access. For the avoidance of doubt,

any Orders submitted via Direct Market Access will be deemed to have been submitted by the Member providing the service as principal and the Exchange may take disciplinary action, in accordance with Chapter 8 of these Exchange Rules, against a Member for failure to ensure that the provision of the Direct Market Access complies with this Exchange Rule 3.6.

3.6.3 Any Member who provides Direct Market Access must:

- (a) have systems and controls in place, including pre-trade and post-trade controls, to ensure the provision of Direct Market Access does not cause the Member to breach any Exchange Rule, lead to disorderly trading or facilitate conduct that may involve market abuse;
- (b) satisfy itself that any Customer to which it provides Direct Market Access is permitted to access Direct Market Access services from that Member and has the relevant level of fitness and propriety, financial, operational, technical and risk management capacity and competence to submit Orders via Direct Market Access, and provide evidence of such to the Exchange upon request; and
- (c) upon request, provide to the Exchange information about any Direct Market Access services it offers, including copies of any policies and procedures it has in place to ensure compliance with this Exchange Rule 3.6.3.

3.7 Liquidity schemes

3.7.1 The Exchange may from time to time, in the interest of promoting market liquidity, operate one or more Liquidity Schemes. The Exchange shall, in relation to each Liquidity Scheme, determine the terms of the Liquidity Scheme including, but not limited to, the categories of Member who shall be eligible to participate in a Liquidity Scheme, the maximum number of participants in a Liquidity Scheme, the benefits to the participating Members of a Liquidity Scheme and the Products to which the Liquidity Scheme shall relate. Details of any Liquidity Schemes offered by the Exchange from time to time will be published on the Website.

3.8 Clearing Member Responsibilities

3.8.1 A Clearing Member must promptly suspend or terminate a Non-Clearing Member's or a Customer's access to the Globex Platform if the Exchange considers it appropriate to protect the integrity of the Exchange or the liquidity of any Product or to deal with a violation of any Exchange Rule or if the Non-Clearing Member or Customer fails to cooperate in an Investigation and the Exchange so requests.

3.8.2 If a Clearing Member has not suspended or terminated a Non-Clearing Member's or a Customer's access to the Globex Platform, as required by Exchange Rule 3.8.1, within a period of time that either the Exchange or GCC considers in their sole discretion to be reasonable, the Exchange or GCC may take such action as is required to immediately suspend or terminate the NCM's or Customer's access to the Globex Platform.

3.9 Notification Requirements

3.9.1 Each Member shall notify the Exchange in writing immediately in the event of any of the following:

- (a) it ceases to be able to satisfy any of the Membership Criteria and, if applicable, the Clearing Membership Criteria, or reasonably believes it may cease to do so;
- (b) any material changes are made to the information previously provided to the Exchange;
- (c) the Member is notified that a Regulatory Authority shall investigate any of its affairs or those of any of its Parent Undertakings or Guarantors which is material in terms of the overall size of its group or take disciplinary or other formal action against it or a Parent Undertaking or Guarantor or the Member has reason to believe that a Regulatory Authority is considering the same; and
- (d) of anything relating to the Member of which the Exchange would reasonably expect notice.

3.9.2 Each Member shall give the Exchange prompt prior written notice of any material change in its form or organisation, ownership structure, or business operations, including:

- (a) a merger, combination or consolidation between the Member and another person;
- (b) a change in the direct or indirect beneficial ownership of 10% or more of the equity of the Member;
- (c) the sale of a significant part of the Member's business or assets to another person; and
- (d) a material change in its business operations.

3.9.3 Each Member shall furnish to the Exchange such documents in a timely manner with respect to any of the foregoing events as the Exchange may from time to time require.

3.9.4 All information provided to the Exchange by or on behalf of the Member shall be accurate, complete and not misleading and shall be provided in a format approved by the Exchange. All information provided to the Exchange shall be in English.

3.10 Right to audit

3.10.1 The Exchange shall be entitled to conduct audits on each Member's compliance with the Exchange Rules. Each Member shall for such purposes:

- (a) provide such information, books and records as the Exchange may reasonably request; and
- (b) cooperate with the Exchange in the same way as set out in Exchange Rule 8.2.2 for such purposes save that the Member shall not be required to permit access without notice to its business premises.

3.11 Prohibitions

3.11.1 A Member shall not:

- (a) breach any Applicable Law or requirements of a Regulatory Authority or any of these Exchange Rules;
- (b) engage in any behaviour which amounts to market abuse, insider dealing, market manipulation, money laundering, bribery or corruption, fraud or which is in breach of any similar Applicable Law and, which in the reasonable opinion of the Exchange, would be likely to have a material adverse effect on the Member's suitability as a Member;
- (c) engage in any other practice which the Exchange reasonably considers to be capable of impairing the integrity of the Exchange;
- (d) take any action which in the reasonable opinion of the Exchange is likely to bring the Exchange or any of the Members into disrepute or otherwise damage the reputation of the Exchange;
- (e) use any of the facilities provided by the Exchange in contravention of the Exchange Rules or other than for the purpose of conducting its business as a Member; or
- (f) fail to supervise properly its Representatives and Customers and their Representatives in their use of the Exchange in the reasonable opinion of the Exchange.

3.12 Summary access denial

- 3.12.1 The Chief Executive Officer or the Chief Regulatory and Surveillance Officer of the Exchange or any of their delegates, upon a good faith determination that there are substantial reasons to believe that such immediate action is necessary to protect the best interests of the Exchange, may order that any Member and/or Customer be denied access to the Exchange and/or the Globex Platform.
- 3.12.2 The relevant persons shall promptly be informed of the action taken pursuant to Exchange Rule 3.12.1, the reasons, and the effective date, time and duration of the access denial. If a Member wishes to have its access to the Exchange and/or the Globex Platform restored before the end of the stated period, it may request in writing the Exchange to refer the matter to a Disciplinary Panel. The Disciplinary Panel will hear the matter in accordance with Exchange Rules 8.4.10 to 8.4.17. In addition to the sanctions available to the Disciplinary Panel pursuant to Exchange Rule 8.4.14, the Disciplinary Panel shall have the right to cancel, shorten or extend the period for which the Member is denied access to the Exchange and/or the Globex Platform. The Member shall cooperate with the Exchange as set out in Exchange Rule 8.2.2 and the appeal process set out in Exchange Rule 8.5 shall also apply.
- 3.12.3 If a Customer wishes to have its access to the Exchange and/or the Globex Platform restored before the end of the stated period, it may request the Exchange to refer the matter to a Disciplinary Panel as if it were a Member seeking to have its access restored in accordance with Exchange Rule 3.12.2.

3.13 Emergency actions

- 3.13.1 The Chief Executive Officer or Chief Regulatory and Surveillance Officer of the Exchange or any of their delegates is authorised to determine whether an emergency exists and whether emergency action is warranted. The following events and/or conditions may constitute emergencies:
- (a) any actual, attempted or threatened behaviour contrary to Exchange Rule 3.11 or Exchange Rule 6.11;
 - (b) any action taken by any government or government body or any Regulatory Authority or any other exchange or clearing house which may have a direct impact on trading on the Exchange;
 - (c) the occurrence of an actual or threatened Insolvency Event in respect of a Member or the imposition of any injunction or other restraint by a Regulatory Authority or a Member which may affect the ability of that Member to perform

any obligations it may have under any Transactions, Contracts or Back-Off Transactions;

- (d) any circumstance in which it appears that a Member or any other person has failed to perform any obligations it may have under any Transactions, Contracts or Back-Off Transactions or the Member or such person is in such financial or operational condition or is conducting business in such a manner that the Member or such person cannot be permitted to continue in business without jeopardizing the safety of Members or the Exchange;
- (e) Force majeure, which shall mean any circumstances (including but not limited to a strike, lockout, national emergency, governmental action, or act of God) which is beyond the control of the buyer or seller, and which prevents the buyer or seller from making or taking delivery or effecting payment when and as provided for in the Exchange Rules (each of which is a **Force Majeure Event**);
- (f) any other circumstance which may have a severe or adverse effect on the functioning of the Exchange.

3.13.2 In the event that the Chief Executive Officer or the Chief Regulatory and Surveillance Officer of the Exchange or any of their delegates determines pursuant to Exchange Rule 3.13.1 that an emergency exists, such person may take any of the following actions or any other action that may be appropriate to respond to the emergency:

- (a) terminate trading;
- (b) limit or deny access to the Exchange or the Globex Platform;
- (c) limit trading to liquidation of Transactions, Contracts or Back-Off Transactions only;
- (d) impose or modify position limits and/or order liquidation of all or a portion of a Member's or Customer's account;
- (e) order liquidation of positions as to which the holder is unable or unwilling to make or take delivery;
- (f) confine trading to a specific price range;
- (g) modify price limits;
- (h) modify the Trading Sessions;
- (i) modify conditions of delivery;

- (j) establish the Settlement Price and/or the final settlement price of any Transactions, Contracts or Back-Off Transactions;
- (k) amend any Contract Specifications;
- (l) order any other action to address or relieve the emergency.

3.13.3 The Exchange shall notify the FCA of any actions taken pursuant to this Exchange Rule 3.13.

3.14 Termination of membership

3.14.1 A Member shall give notice of its intention to terminate its membership of the Exchange by providing the Exchange with notice in writing. The termination will not be effective until thirty (30) Business Days from the date of the notice. For the avoidance of doubt, if a Clearing Member ceases to be a Clearing Member in accordance with the Clearing House Rules, such Member will cease to be a Clearing Member under the Exchange Rules. In such circumstances, the Exchange shall deem the Member to be a Non-Clearing Member provided that the Membership Criteria in Exchange Rule 3.2 continue to be met. If the Membership Criteria in Exchange Rule 3.2 are not met when the Member ceases to be a Clearing Member of the Clearing House, the Exchange shall, in its sole discretion, terminate the Member's membership of the Exchange with immediate effect.

3.14.2 Subject to Exchange Rule 8.4.14, the Exchange may terminate the membership of any Member by providing the Member with not less than thirty (30) Business Days notice in writing.

3.14.3 Following termination of a Member's membership, the Member shall:

- (a) remain subject to the Exchange's jurisdiction as set out in Chapter 7 until any actions arising as a result of a Declaration of Default having been issued to the Member have been completed;
- (b) remain subject to the Exchange's jurisdiction as set out in Chapter 8 with respect to matters that occurred prior to termination provided that the Exchange gives written notice of the commencement of an inquiry into such matters to the former Member within one (1) year of termination; and
- (c) promptly discharge any of its remaining obligations under the Exchange Rules and take such other actions as the Exchange deems necessary or appropriate for this purpose.

3.15 Suspension

- 3.15.1 A Member which is suspended under Chapter 8 may not submit Orders but shall continue to comply with the Exchange Rules and take such actions or cease to take such actions as the Exchange deems necessary or appropriate.

CHAPTER 4
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CHAPTER 5

FORMATION OF TRANSACTIONS AND CONTRACTS

5.1 Formation of Transactions

5.1.1 When one Order is matched with another Order on the Globex Platform, a Transaction is created between the Clearing Member which submitted one of the Orders or which is responsible for the relevant Order pursuant to Exchange Rule 3.2.1(g) and the Clearing Member which submitted the other Order or which is responsible for the relevant Order pursuant to Exchange Rule 3.2.1(g).

5.1.2 Subject to this Exchange Rule 5.1.2, each Transaction is immediately deemed to be discharged by novation to the Clearing House so that two Contracts are formed on identical terms to the Transactions and:

- (a) the Clearing House shall assume, for one Contract, the position of seller to the buyer and, for the other Contract, the position of buyer to the seller, in each case in respect of the Transaction;
- (b) the Clearing House shall have all the rights and be subject to all the liabilities of each Clearing Member which was, or was deemed to be, party to the Transaction with respect to such Contract; and
- (c) each Clearing Member which has, or is deemed to have, any rights or obligations under the Transaction shall be released and discharged from all such rights and liabilities,

If a Transaction relates to a Contract Specification which is not capable of being accepted for clearing by the Clearing House it shall not be novated. If the Transaction is not novated, it shall be unwound by the Clearing Members concerned.

5.1.3 Where a Transaction is entered into by a Clearing Member on behalf of a Non-Clearing Member, immediately on the creation of the Contract, a Back-Off Transaction shall be formed between that Clearing Member and that Non-Clearing Member, the terms of which shall be identical to those of the Contract save that the Clearing Member shall assume the obligations of the Clearing House and the Non-Clearing Member shall assume the obligations of the Clearing Member.

5.1.4 For Transactions made pursuant to Exchange Rules 6.14 and 6.15, the Contract is formed on the basis set out in the Clearing House Rules and any Back-Off Transaction is formed at the time at which the Contract becomes unconditional in accordance with such rules. If the novation of the Transaction to the Clearing House does not become

unconditional in accordance with the Clearing House Rules, the Transaction shall be unwound by the Members concerned.

5.2 Transactions

- 5.2.1 Transactions may only be entered into by Clearing Members.
- 5.2.2 Each Clearing Member shall be party to and liable as principal in respect of each Transaction it enters into regardless of whether it is acting on its own behalf or on behalf of a Non-Clearing Member or a Customer.
- 5.2.3 Each Clearing Member shall be party to and liable as principal in respect of each Back-Off Transaction it enters into.
- 5.2.4 Each Non-Clearing Member shall be party to and liable as principal in respect of each Back-Off Transaction it enters into regardless of whether it is acting on its own behalf or on behalf of a Customer.
- 5.2.5 The Exchange has no contractual relationship with Customers under the Exchange Rules and Customers do not have any of the rights or benefits of a Member.
- 5.2.6 The validity of a Transaction is determined pursuant to the Exchange Rules. Each Transaction is subject to the Exchange Rules.

5.3 Contracts

- 5.3.1 The validity of a Contract is determined pursuant to these Exchange Rules and the Clearing House Rules. Each Contract is subject to the Exchange Rules and the Clearing House Rules as applicable.

5.4 Transactions on behalf of Customers

- 5.4.1 Where a Clearing Member enters into a Transaction on behalf of a Customer or a Non-Clearing Member enters into a Back-Off Transaction on behalf of a Customer, if the Member is buying from the Customer, it will be selling under the Transaction (if it is a Clearing Member) or the Back-Off Transaction (if it is a Non-Clearing Member) and if the Member is selling to the Customer, it will be buying under the Transaction (if it is a Clearing Member) or the Back-Off Transaction (if it is a Non-Clearing Member). For the avoidance of doubt, a contract between a Clearing Member and a Customer, or between a Non-Clearing Member and a Customer are not Market Contracts.
- 5.4.2 A Member must not represent to a Customer that it has entered into a CME Europe Exchange Limited transaction (in whatever terms) for a Customer unless a Transaction is entered into in respect of the relevant contract with the Customer.

CHAPTER 6

TRADING

6.1 General

- 6.1.1 Transactions shall be executed on the Exchange in accordance with this Chapter 6 and the Trading Procedure.
- 6.1.2 Transactions may be executed on the Exchange in any Product. The Exchange will only allow a Product to be traded if it believes the Product will satisfy the requirements of paragraph 7A(2) and (3) Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges and Clearing Houses) Regulations 2001.
- 6.1.3 The Exchange shall not exercise its power to suspend or remove from trading any financial instrument which no longer complies with the Exchange Rules where such an action would be likely to cause significant damage to the interests of Members or Customers or the orderly functioning of the Exchange.
- 6.1.4 The Exchange shall determine the Trading Session for each Product and set them out on the Website.
- 6.1.5 The Exchange may impose minimum and maximum price fluctuations in respect of any Product. Such limits are set out in the Contract Specifications.
- 6.1.6 The Exchange may impose trading parameters in respect of any Product as set out in the Trading Procedure.

6.2 Globex opening and closing

- 6.2.1 Prior to the opening of each Trading Session, the Globex Platform will provide an indicative opening price or prices for each Product, based on the Globex equilibrium price algorithm described in the Trading Procedure and on all pending Orders that may be executed on the opening. During the 30-second period prior to the opening, no previously entered Orders may be modified or cancelled, although new Orders may be entered.
- 6.2.2 The Exchange shall implement such procedures as it deems appropriate for determination of the Settlement Price and which are set out in the Trading Procedure.

6.3 Globex access restrictions

6.3.1 All connections to the Globex Platform, including direct connections of Non-Clearing Members, must be guaranteed by a Clearing Member that assumes full responsibility for all activity through the connection including the performance of all obligations under Transactions, Contracts and Back-Off Transactions formed pursuant to such activity.

6.4 Give ups

6.4.1 A Clearing Member may give up a Contract to another Clearing Member in accordance with the Clearing House Rules, in which case, the guarantee referred to in Rule 6.3.1 is effective only until such time that the other Clearing Member accepts the Contract.

6.5 Identification of Globex Operators

6.5.1 Each individual using the Globex Platform (a **Globex Operator**) must use a unique User ID to access it. If User IDs are required to be registered with the Exchange, the Clearing Member shall ensure that each such registration is current and accurate at all times. In no event may a person enter an Order or permit the entry of an Order by an individual using a User ID other than the individual's own User ID.

6.5.2 Any individual who submits Orders to the Exchange must have all necessary authorisations, licences, permissions, approvals or equivalent required by any relevant Regulatory Authority.

6.6 GCC

Customer Support

6.6.1 GCC provides Globex customer support and problem management to Representatives of Members and Customers designated by Clearing Members that have registered with GCC (**Registered Contacts**). GCC may not always be available to assist Registered Contacts. The telephone number through and hours during which GCC is available are on the Website. Persons other than Registered Contacts must contact their Clearing Members to make support requests.

Order Status

6.6.2 A Member who has submitted an Order or executed a Transaction shall promptly advise GCC in the event that information relating to such Order or Transaction is not displayed or is displayed incorrectly.

6.6.3 In addition to the obligation set out in Exchange Rule 6.6.2, a person who believes he has received an incorrect Order status or does not receive an appropriate Order status

shall immediately notify GCC or a Registered Contact who will do so on its behalf. 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.

6.7 Globex Transaction matching algorithms

The Globex Platform may employ one or more of several predefined sets of matching algorithms to match Bids and Offers on the Exchange. Information on the operation of each of the matching algorithms is available on the Website.

6.8 Customers

Priority of Orders

6.8.1 A person shall exercise due diligence in the handling and execution of Customer Orders.

6.8.2 A person submitting non-discretionary Customer Orders as well as Orders for its own account (**House Orders**) shall always give priority to the Customer Orders. This Exchange Rule does not require a Member with a House Order which is already entered in the Globex Platform when a Customer Order is received to give precedence to that Customer Order.

6.8.3 Non-discretionary Customer Orders received by a Globex Operator shall be entered into the Globex Platform in the sequence received. Non-discretionary Orders that cannot be immediately entered into the Globex Platform must be entered when the Orders become executable in the sequence in which the Orders were received.

Trading against a Customer

6.8.4 A person may not knowingly trade against a Customer Order, an account in which it or any of its Representatives has a direct or indirect financial interest or an account over which it has discretionary trading authority unless the Customer Order has been entered immediately upon receipt and has first been exposed on the Globex Platform 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.

6.9 Disclosing, withholding and withdrawing Orders

6.9.1 No person shall disclose another person's Order except to the Exchange or a Regulatory Authority, and no person shall solicit or induce another person to disclose Order information. No person shall take action or direct another to take action based on non-public Order information, however acquired.

6.9.2 Any person entering Orders on the Globex Platform shall not withhold or withdraw from the market any Order or any part of any Order for the benefit of any person.

6.10 Pre-execution communications

6.10.1 Subject to Exchange Rule 3.11 and Exchange Rule 6.11, persons may engage in pre-execution communications with regard to Transactions and Back-Off Transactions executed on the Globex Platform where one party which initiates the pre-execution communication (the first party) wishes to be assured that a contra party (the second party) will take the opposite side of the Order under the following circumstances:

- (a) A person may not engage in pre-execution communications with other market participants on behalf of another person unless the person for whose benefit the Transaction or Back-Off Transaction is being made has previously consented to permit such communications.
- (b) Parties to pre-execution communications shall not (i) disclose to a non-party the details of such communications or (ii) enter an Order to take advantage of information conveyed during such communications except in accordance with this Exchange Rule.
- (c) In the case of futures Orders, the first party's Order must be entered into the Globex Platform first and the second party's Order may not be entered into the Globex Platform until a period of 5 seconds has elapsed from the time of entry of the first Order.
- (d) In the case of options Orders, subsequent to the pre-execution communication, a Request for Quote (**RFQ**) for the particular option or option spread or combination must be entered into the Globex Platform. Thereafter, a Request for Cross (**RFC**) Order which contains both the buy and the sell Orders must be entered into the Globex Platform no less than fifteen (15) seconds and no more than thirty (30) seconds after the entry of the RFQ in order to proceed with the Transaction or Back-Off Transaction, except in equity options where the RFC Order must be entered no less than five (5) seconds and no more than thirty (30) seconds after the entry of the RFQ. The RFQ and the RFC Order must be entered within the same Trading Session. Failure to enter the RFC Order within 30 seconds after the entry of the RFQ will require a new RFQ to be entered prior to the entry of the RFC Order, which must be entered in accordance with the time parameters described above in order to proceed with the Transaction or Back-Off Transaction.
- (e) An RFC cannot be used to cross futures Orders.

Guaranteeing execution of Transactions

6.10.2 A Member is prohibited from directly or indirectly guaranteeing the execution of an Order or any of its terms such as the quantity or price. A Member may only report an execution that has been effected through the Globex Platform or has been executed as a permissible privately negotiated Transaction in accordance with Exchange Rule 6.11.2(e). This Exchange Rule shall not be construed to prevent a Member from assuming or sharing in the losses resulting from an error or the mishandling of an Order.

6.11 Prohibited practices

6.11.1 A person shall not engage in any of the behaviour set out in Exchange Rule 3.11.

6.11.2 Notwithstanding the generality of, and without prejudice to, Exchange Rule 6.11.1 a Member shall not engage in the following practices or behaviour:

- (a) Reporting or publication of false information about Orders or Transactions;
- (b) Transactions or Back-Off Transactions in which a party is improperly indemnified against losses;
- (c) Orders and Transactions which create a false appearance of trading activity or are intended to do so as further detailed in Exchange Rule 6.12 and the Trading Procedure;
- (d) Cross trades executed otherwise than in accordance with Exchange Rule 6.13.
- (e) Prearranging or pre-negotiating a Transaction made or intended to be made on the Exchange, except a Transaction made or to be made under Exchange Rule 6.10 or Exchange Rule 6.15;
- (f) knowingly, or having reason to know, entering into a Transaction or Back-Off Transaction in an attempt to conceal a potential or actual trading abuse by the Member or another person;
- (g) entering into a Transaction or Back-Off Transaction which the Member or the other party does not intend to close out or settle;
- (h) assigning a Transaction or Back-Off Transaction due to a Customer to another account;
- (i) executing one or more Transactions the principal rationale of which is to effect a monetary transfer between accounts in a concealed manner without creating or eliminating open interest or for no legitimate purpose; and

- (j) disorderly trading.

6.12 Wash trades

Without prejudice to the generality of Exchange Rule 6.11.2(c), no person shall place or accept buy and sell Orders in the same Product and Contract Month, or, 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. 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 in Exchange Rule 6.11.2(c). Additionally, no person shall knowingly execute or accommodate the execution of such Orders by direct or indirect means.

6.13 Cross trades

Opposite Orders for different beneficial owners that are simultaneously placed by a person with discretion over both accounts may be entered into the Globex Platform 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 before the other is entered. 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 Globex Platform for a minimum of 5 seconds for futures Orders or a minimum of 15 seconds for options Orders.

6.14 Block trades

- 6.14.1 The Exchange shall, in the Trading Procedure, designate the Products in which block trades shall be permitted and determine the minimum quantity thresholds for such Transactions.
- 6.14.2 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.
- 6.14.3 A Member shall not execute any Order by means of a block trade for a Customer unless such Customer has specified that the Order be executed as a block trade. During subsequent negotiation of the Order, it must be made clear to any potential counterparties that the price being quoted is a block trade price. A Member must not disclose the identity of the party to a block trade order to potential counterparties unless the Member has previously received that party's permission to do so

- 6.14.4 The price at which a block trade is executed must be fair and reasonable in light of
- (a) the size of the block trade;
 - (b) the prices and sizes of other Transactions in the same Product at the relevant time;
 - (c) the prices and sizes of Transactions in other relevant markets including the underlying cash market or related futures markets at the relevant time; and
 - (d) the circumstances of the markets or the parties to the block trade.
- 6.14.5 Block trades shall not set off conditional Orders or otherwise affect Orders ordinarily submitted to the Globex Platform.
- 6.14.6 The seller or a third party authorised by the seller to act on its behalf (i.e. broker, the buyer, Clearing Member) must ensure that each block trade is reported within the time frame set out in Annex 1 of the Trading Procedure. The report must include the Product, contract month, price, quantity of the Transaction, the respective Clearing Members, the time of execution, and, for options, strike price, put or call and Contract Month. The Exchange shall promptly publish such information separately from the reports of Transactions submitted to the Globex Platform.
- 6.14.7 Block trades must be submitted to the Clearing House for clearing as set out in the Trading Procedure.
- 6.14.8 Members involved in the execution of block trades must maintain a record of the Transaction in accordance with Exchange Rule 6.21. The time of execution of the block trade must also be recorded.

6.15 Exchange for related positions

- 6.15.1 The following Transactions may be permitted by arrangement between the parties in accordance with the requirements of this Exchange Rule 6.15 and the Trading Procedure:
- (a) Exchange for Physical (**EFPP**) – A privately negotiated and simultaneous exchange of a futures Transaction for a corresponding cash position.
 - (b) Exchange for Risk (**EFR**) – A privately negotiated and simultaneous exchange of a futures Transaction for a corresponding OTC swap or other OTC instrument.

- (c) Exchange of Options for Options (**EOO**) – A privately negotiated and simultaneous exchange of an option Transaction for a corresponding OTC option position or other OTC instrument with similar characteristics.

6.15.2 For the purposes of this Exchange Rule, an EFP, EFR or EOO shall be referred to as an **Exchange for Related Position** or **EFRP**.

Nature of an EFRP

6.15.3 An EFRP consists of two discrete but related simultaneous transactions. One party to the EFRP must be the buyer of (or the holder of the long market exposure associated with) the related position and the seller of the corresponding Transaction. The other party to the EFRP must be the seller of (or the holder of the short market exposure associated with) the related position and the buyer of the corresponding Transaction.

6.15.4 However, a Member may facilitate, as principal, the related position on behalf of a Customer, provided that the Member can demonstrate that the related position was passed through to the Customer who received the Transaction as part of the EFRP.

Related Positions

6.15.5 The related position (cash, OTC swap, OTC option, or other OTC derivative) must involve the commodity underlying the Transaction, or must be a derivative, by-product, or related product of such commodity that has a reasonable degree of price correlation to the commodity underlying the Transaction.

Quantity

6.15.6 The quantity covered by the related position must be approximately equivalent to the quantity covered by the Transaction.

Prices and Price Fluctuations

6.15.7 An EFRP transaction may be entered into in accordance with the applicable price fluctuations or option premium fluctuations set out in the Contract Specification governing the relevant Product, at such prices as are mutually agreed upon by the two parties to the EFRP transaction.

Date and Time of EFRP transaction

6.15.8 The date and the time of execution of all EFRP transactions must be denoted on the record of the Transaction required to be created pursuant to Exchange Rule 6.21. Notwithstanding the preceding sentence, EFRP transactions entered into ClearPort do not need a separate record of the transaction or time of execution provided that such

transactions are entered immediately after the relevant terms have been determined, but in no event later than the earlier of the time at which ClearPort next becomes available or the end of the permissible posting period as set out in the Trading Procedure for EFRP transactions following the expiration of the Contract Month.

Termination of trading in EFRP transactions

- 6.15.9 EFRP transactions may be permitted after termination of trading in expiring Contract Months until the end of the permissible posting period as set out in the Trading Procedure. Such EFRP transactions shall not establish new positions.

Identification and submission to the Clearing House

- 6.15.10 Each EFRP transaction shall be designated as such and shall be cleared through the Clearing House. Each such transaction shall be submitted to the Clearing House within the time period and in the manner specified in the Trading Procedure. Clearing Members are responsible for exercising due diligence as to the bona fide nature of EFRP transactions submitted on behalf of Non-Clearing Members and Customers.

Documentation

- 6.15.11 Parties to any EFRP transaction must maintain all documents relevant to the Transaction 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 Clearing Member to provide such requested documentation on a timely basis.

Account Requirements

- 6.15.12 The accounts of the parties involved in the execution of an EFRP transaction must be:
- (a) independently controlled accounts with different beneficial ownership; or
 - (b) independently controlled accounts of separate legal entities with the same beneficial ownership, provided that the account controllers operate in separate business units; or
 - (c) independently controlled accounts within the same legal entity, provided that the account controllers operate in separate business units; or
 - (d) commonly controlled accounts of separate legal entities, provided that the separate legal entities have different beneficial ownership.

6.15.13 However, on or after the first day on which delivery notices can be tendered in a physically delivered futures Contract, an EFRP transaction may not be executed for the purpose of offsetting concurrent long and short positions in the expiring Contract Month when the accounts involved in such EFRP transaction are owned by the same legal entity and when the date of the futures Contract being offset is not the same as the date of the offsetting transaction.

6.16 Position limits

6.16.1 The Exchange may, at any time, impose a limit on the size of a position in any particular Product which a person may hold. Any such position limits and their application in terms of aggregation, exemptions and the consequences of violations will be set out in the Trading Procedure.

6.16.2 Exemptions may be available for:

- (a) position limits for bona fide hedge positions;
- (b) position limits for risk management; and
- (c) position limits for arbitrage, intracommodity spread, intercommodity spread, and eligible option/option or option/futures spread positions.

6.16.3 Any positions in excess of any limits imposed by the Exchange from time to time shall be deemed position limit violations. Additionally, any person making a Bid or Offer that would, if accepted, cause such person to exceed the applicable position limits shall be in violation of this Exchange Rule.

6.17 Position accountability

6.17.1 The Exchange may, at any time, require a person who owns or controls positions in Products traded on or cleared by the Exchange to provide information relating to such person's positions as set out in the Procedures. For the purposes of this Exchange Rule, all positions in accounts for which a person directly or indirectly holds positions or controls trading shall be included with the positions held by such person. Additionally, positions held by two or more persons acting pursuant to an express or implied agreement or understanding shall be treated the same as if the positions were held by a single person.

6.17.2 Upon request by the Exchange, such person shall provide information relating to the positions owned or controlled by that person including, but not limited to, the nature and size of the position, the trading strategy employed with respect to the position, and hedging information, if applicable. If the person from whom such information is

requested fails to provide the information as directed, the Exchange may order the reduction of such position.

- 6.17.3 A person who exceeds position accountability or position limit levels as a result of maintaining positions at more than one Clearing Member shall be deemed to have waived confidentiality regarding his position and the identity of the Clearing Members at which the positions are maintained.
- 6.17.4 A person who holds or controls aggregate positions in excess of specified position accountability levels or in excess of position limits pursuant to an approved exemption shall be deemed to have consented, when so ordered by the Exchange, not to further increase the positions, to comply with any prospective limit which exceeds the size of the position owned or controlled, or to reduce any open position which exceeds position accountability or position limit levels. Any order to reduce an open position shall be issued by the Chief Regulatory and Surveillance Officer of the Exchange or his delegate, if he determines in his sole discretion, that such action is necessary to maintain an orderly market.
- 6.17.5 A Clearing Member that carries positions for another person shall be responsible for taking reasonable and diligent actions to effect the timely compliance with any order issued pursuant to this Exchange Rule 6.17 upon notification of such order by the Exchange. All positions must be initiated and liquidated in an orderly manner.

6.18 *Intentionally blank*

6.19 Phantom Orders

Definition

- 6.19.1 A Phantom Order is an Order:
- (a) that was not authorized by any person but was caused by a failure, malfunction or negligent operation of the Globex Platform or any other Exchange system, service or facility; or
 - (b) whose terms (contract, Contract Month, quantity, price or direction) were changed without authorisation of the person placing the Order solely as a result of a failure, malfunction, or negligent operation of the Globex Platform or any other Exchange system, service or facility.

Permissible Responses

- 6.19.2 If the Exchange has reason to believe that Phantom Orders have been or are being entered into and/or executed on any Exchange system, service or facility, the Exchange

may take appropriate action with respect to any affected Product, including without limitation, closing the market in such Product, deleting Bids and Offers, and/or suspending new Bids and Offers.

- 6.19.3 The Exchange shall promptly notify by Notice on the Website and by email to Members that all Transactions that were directly or indirectly caused by the execution of Phantom Orders and were executed at prices outside of the Non-Reviewable Trading Range, as determined in accordance with Exchange Rule 6.20, shall be voided. The Exchange shall have no liability or responsibility to the parties to any Transactions that are voided pursuant to this Exchange Rule 6.19.3.
- 6.19.4 The Exchange shall also be empowered to void Transactions that were directly or indirectly caused by the execution of Phantom Orders and were executed at prices within the Non-Reviewable Trading Range if the Exchange concludes that such Transactions impair the integrity of the market. The Exchange's liability for voiding transactions within the Non-Reviewable Trading Range is limited as provided in Exchange Rule 2.4.10.
- 6.19.5 If Transactions arising from a Phantom Order are not voided in accordance with Exchange Rules 6.19.3 or 6.19.4, the Exchange shall promptly direct the Member carrying such positions to liquidate them in a commercially reasonable manner. Such Member shall liquidate within 30 minutes of such notification or within 30 minutes of the time it knew or should have known that it had been assigned Transactions resulting from Phantom Orders, whichever is sooner.

6.20 Transaction cancellations and price adjustments

GCC authority regarding cancellations and price adjustments

- 6.20.1 GCC has the authority to adjust prices or cancel Transactions and Contracts when such action is necessary to mitigate market disrupting events caused by the improper or erroneous use of the Globex Platform or by system defects. Notwithstanding any other provisions of this Exchange Rule, GCC may adjust prices or cancel any Transaction or Contract if GCC determines that allowing the Transaction and/or Contract to stand as executed may have a material, adverse effect on the integrity of the market. All decisions of GCC shall be final.

Review of Transactions and Contracts

- 6.20.2 GCC may determine to review a Transaction or Contract based on its independent analysis of market activity or upon a request for review by any person. A request for review must be made in accordance with the Trading Procedure within eight (8) minutes of the execution of the Transaction or Contract.

6.20.3 GCC shall determine whether or not a Transaction or Contract 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 GCC deems it to be appropriate, GCC may determine, in its sole discretion, that a Transaction or Contract shall not be subject to review.

6.20.4 Upon deciding to review a Transaction or Contract, GCC will promptly issue an alert indicating that the Transaction or Contract is under review.

Price adjustments and cancellations

6.20.5 Upon making a determination that a Transaction or Contract will be subject to review, GCC will first determine whether the price is within the Non-Reviewable Trading Range for futures or within the Bid/Offer Reasonability Allowance for options. The Bid/Offer Reasonability Allowance for an option is the maximum width of the Bid/Offer range which will be considered reasonable for use in applying the parameters necessary to establish the Non-Reviewable Trading Range for the option. In applying the Non-Reviewable Trading Range, GCC shall determine the fair value market price for that Product at the time the Transaction or Contract under review occurred.

6.20.6 GCC may consider any relevant information, including, but not limited to, the last price in the Product or a better Bid or Offer price on the Globex Platform, a more recent price in a different Contract Month, the price of the same or related Products established in another venue or another market, the market conditions at the time of the Transaction or Contract, the theoretical value of an option based on the most recent implied volatility and responses to a Request for Quote (**RFQ**).

(a) Price inside the Non-Reviewable Trading Range

If GCC determines that the price of the Transaction or Contract is inside the Non-Reviewable Trading Range, GCC will issue an alert indicating that the Transaction or Contract shall stand.

(b) Price outside the Non-Reviewable Trading Range

(i) Futures Product

If GCC determines that a price is outside the Non-Reviewable Trading Range for a futures Product (including futures spreads), the price shall be adjusted to a price that equals the fair value market price for that Product at the time the Transaction or Contract under review occurred, plus or minus the Non-Reviewable Trading Range. In the event there are multiple parties, prices and/or Products involved in the Transactions or

Contracts at issue, GCC has the authority, but not the obligation, to cancel rather than price adjust such Transactions or Contracts. GCC will issue an alert regarding its decision.

(ii) Option Products

If GCC determines that a price is outside the applicable Non-Reviewable Trading Range for an option Product, the price shall be adjusted. In the case of a buy (sell) error, the price will be adjusted to the determined Offer (Bid) price set forth in the Bid/Offer Reasonability Allowance plus (minus) the Non-Reviewable Trading Range. In the event there are multiple parties, prices and/or Products involved in the Transactions or Contracts at issue, GCC has the authority, but not the obligation, to cancel rather than price adjust such Transactions or Contracts. GCC will issue an alert regarding its decision.

6.20.7 Cancelled prices and any prices that have been adjusted shall be cancelled in the Exchange's official record of time and sales. Transactions or Contracts that are price adjusted shall be inserted in the time and sales record at the adjusted price.

Alternative resolution by agreement of parties

6.20.8 With the approval of GCC, parties to a Transaction or Contract that is price adjusted may instead mutually agree to cancel the Transaction or Contract. With the approval of GCC, parties to a Transaction or Contract that is cancelled may instead mutually agree to price adjust the Transaction or Contract to a price consistent with the adjustment provisions of Exchange Rule 6.20.5.

6.20.9 Parties to a Transaction or Contract that is cancelled or price adjusted may mutually agree to a cash adjustment provided that such adjustments are reported to GCC and the parties maintain a record of the adjustment.

6.20.10 An executed Transaction or Contract may not be reversed via transfer except where such Transaction or Contract is determined by GCC to be outside of the Non-Reviewable Trading Range but not reported timely, subject to agreement of the parties and approval of GCC. Any such transfer must occur at the original trade price and quantity; however the parties may mutually agree to a cash adjustment.

6.20.11 A Transaction or Contract that is not cancelled may not be reversed via a prearranged offsetting Transaction unless such Transactions are permitted and effected in accordance with Exchange Rule 6.10.1.

Liability for losses resulting from price adjustments or cancellations

- 6.20.12 A party entering an Order that results in a price adjustment or Transaction or Contract cancellation shall be responsible for demonstrated claims of realised losses incurred by persons whose trade prices were adjusted or cancelled 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.
- 6.20.13 A claim for a loss pursuant to this section must be submitted to the Exchange on a claim form within five (5) Business Days of the event giving rise to the claim. The Exchange shall reject any claim that is not filed in a timely manner or is not permitted by this Exchange Rule 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 Transaction or Contract cancellation or a price adjustment and to the Clearing Member through which the Transaction was placed. Such party, or the Clearing Member on behalf of the party, shall, within ten (10) Business Days of receipt of the claim, admit or deny responsibility in whole or in part. Failure to respond to the claim within ten (10) Business Days shall be considered a denial of liability.
- 6.20.14 To the extent that liability is admitted, payment shall be made within ten (10) 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 Exchange Rule. A copy of any such written agreement must be provided to the Exchange.
- 6.20.15 To the extent that liability is denied, the party making the claim may submit the claim to arbitration. Such claims must be submitted to the Exchange within ten (10) Business Days of the date the party was issued notification that liability was denied.

Schedule of administrative fees

- 6.20.16 When GCC cancels or price adjusts a Transaction or Contract, the party responsible for entering the order into the Globex Platform that gave rise to the Transaction or Contract cancellation or price adjustment shall pay an administrative fee to the Exchange as set out on the Website. If the party is not a Clearing Member and fails to pay the fee, the Clearing Member through which the Transaction or Contract was placed shall be responsible for payment of the fee.

6.21 Record keeping

General Requirement

6.21.1 Each Globex Operator entering Orders into the Globex Platform shall input for each Order:

- (a) the User ID assigned to him by the Exchange, a Clearing Member or other authorised entity; and
- (b) the price, quantity, product, Contract Month, CTI code and account number and, for options, put or call and strike price.

For a Globex Operator with access pursuant to Exchange Rule 6.3, Clearing Members authorising such access will be responsible for the Globex Operator's compliance with this Exchange Rule.

6.21.2 With respect to Orders received by a Globex Operator which are capable of being immediately entered into the Globex Platform, no record other than that set out in Exchange Rule 6.21.1 need be made. However, if a Globex Operator receives an Order which cannot be immediately entered into the Globex Platform, the Globex Operator must prepare a written Order and include the account designation, date, time of receipt and the account for which the Order was placed. The Order must be entered into the Globex Platform when it becomes executable.

Electronic audit trail requirements for electronic order routing/front-end systems

6.21.3 Clearing Members guaranteeing a connection to the Globex Platform 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 Globex Platform through the CME iLink gateway. This electronic audit trail must be maintained for a minimum of five (5) years, and Clearing Members must have the ability to produce this data in a standard format upon the request of the Exchange.

6.21.4 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 the following:

- (a) A record of all fields relating to Order entry, including Transaction date, Product, Exchange code, Contract Month, quantity, Order type, Order qualifier, price, buy/sell indicator, stop/trigger price, Order number, unique Transaction number, account number, session ID, User ID, host Order number, trader Order number, Clearing Member, type of action, action status code, Customer type indicator, origin, and timestamps.

- (b) For executed Orders the audit trail must record the execution time of the Transaction along with all fill information.

6.22 Customer Type Indicator (CTI) Codes

6.22.1 Each Member must identify each Transaction executed on Globex on the record of Transactions submitted to the Exchange with the correct customer type indicator (CTI) code. The CTI codes are as follows:

- (a) CTI 2: Orders entered or Transactions executed for the Member's own account.
- (b) CTI 4: Orders entered and Transactions executed that are not included in CTI category 2.

6.23 Average prices

6.23.1 The Clearing House's average price system or an average price system developed by a Clearing Member, allows a Clearing Member to confirm to Customers an average price when multiple execution prices are received on an Order or series of Orders for futures, options or combination Orders. Further information is set out in the Trading Procedure.

6.24 Market Performance Protection

6.24.1 In order to maintain a fair and orderly market and the continued functioning of the Globex Platform, the Exchange may impose restrictions on Members' activities conducted on the Globex Platform. Such restrictions may be imposed through the implementation of technological controls and policies, amongst other means, and will be set out in the Trading Procedure and may be revised by the Exchange from time to time.

CHAPTER 7

DEFAULT

7.1 Application of the Exchange Default Rules

- 7.1.1 In the event of any conflict between the Exchange Default Rules and the Exchange Rules, the Exchange Default Rules shall take precedence. The Exchange Rules in Chapter 6 shall not be affected by this Chapter 7 unless otherwise specified.
- 7.1.2 Market Contracts, with the exception of Contracts, will be dealt with under the Exchange Default Rules. All Contracts will be dealt with under the Clearing House Default Rules which shall take precedence over the Exchange Default Rules.
- 7.1.3 The Exchange may take the actions set out in the remainder of these Exchange Default Rules in respect of a Member in the event of any of the following circumstances (each an **Event of Default**):
- (a) the Member fails to discharge any obligation in respect of a Market Contract, whether under the Membership Agreement, the Exchange Rules, any Market Contract or otherwise;
 - (b) the Member notifies the Exchange that it is, or is likely to be, unable to discharge any obligation in respect of a Market Contract, whether under the Membership Agreement, the Exchange Rules or otherwise; or
 - (c) the Exchange believes that a Member is, or is likely to be, unable to discharge any obligation in respect of a Market Contract, whether under the Membership Agreement, the Exchange Rules or otherwise.
- 7.1.4 Without prejudice to the generality of Exchange Rule 7.1.3, the Exchange may take into account any or all of the following events in determining whether an Event of Default has occurred:
- (a) the Member or any of its Affiliates is subject to an Insolvency Event; or
 - (b) the Exchange reasonably considers that the financial condition of the Member or any of its Affiliates is such that to allow the Member to continue its operation as such would introduce an unacceptable level of risk to the Exchange or its Members.
- 7.1.5 The Emergency Committee has absolute discretion to determine whether an Event of Default exists and, if it does, whether to take the actions set out in the remainder of the

Exchange Default Rules in the circumstances. The composition of the Emergency Committee shall be determined by the Exchange from time to time. One or more members of the Emergency Committee may exercise its powers in accordance with its terms of reference.

7.1.6 The Emergency Committee has absolute discretion to determine whether a Transaction, Contract or Back-Off Transaction is a Market Contract for the purposes of exercising the Exchange's powers under the Exchange Default Rules.

7.1.7 Each Member shall notify the Exchange of the occurrence of any event or circumstance set out in Exchange Rules 7.1.3 or 7.1.4 in relation to the Member.

7.2 Actions on a Declaration of Default

7.2.1 If, being satisfied that an Event of Default has occurred, the Emergency Committee decides to take the actions set out in the remainder of the Exchange Default Rules or the Exchange is required by the Secretary of State or the FCA to take action under section 166 Companies Act 1989, the Exchange shall, as soon as reasonably practicable:

- (a) notify such decision in writing to the Defaulting Member (a **Declaration of Default**);
- (b) provide a copy of the Declaration of Default to the FCA; and
- (c) publish a Notice of the Declaration of Default on the Website.

7.2.2 A Declaration of Default will be given by the Exchange by:

- (a) email to the email address provided by the Defaulting Member for services of notices under the Membership Agreement or the email address of any member of the board of directors or any other person specified by the FCA and the Declaration of Default will be deemed to be issued on receipt by the Exchange of an automated delivery receipt or confirmation of receipt from the relevant server if given by email;
- (b) fax to the fax number provided by the Defaulting Member for service of notices under the Membership Agreement and the Declaration of Default will be deemed to be issued on a confirmed completion of the transmission if given by fax; or
- (c) publication of a Notice on the Website.

Notwithstanding the foregoing, the Exchange may give confirmation of a Declaration of Default to the Defaulting Member by personal delivery or recorded or special delivery post in accordance with the Membership Agreement.

- 7.2.3 Upon the Exchange issuing a Declaration of Default, the Defaulting Member shall:
- (a) subject to Exchange Rule 7.2.3(c), cease to take any action in respect of its Market Contracts;
 - (b) not enter into any new Market Contracts; and
 - (c) comply with any directions of the Exchange.
- 7.2.4 Upon the Exchange issuing a Declaration of Default, each non-defaulting Member shall work cooperatively with the Exchange and comply with any reasonable directions of the Exchange in relation to the Exchange's actions under this Chapter 7.
- 7.2.5 Upon the Exchange issuing a Declaration of Default or at any time afterwards, the Exchange may terminate the Defaulting Member's membership of the Exchange by giving written notice to the Defaulting Member. The Defaulting Member shall remain subject to Exchange Rule 3.14.3.
- 7.2.6 Upon or shortly after the Exchange issuing a Declaration of Default, it shall specify on the Website the timetable to which it expects to be able to take the actions set out in Exchange Rule 7.3.

7.3 Calculation and certification of net amount

- 7.3.1 Upon the Exchange issuing a Declaration of Default, the Exchange shall seek to discharge all of the Defaulting Member's rights and liabilities under each of the Affected Market Contracts with each party to an Affected Market Contract, aggregate any obligations for the payment of money, whether present or future, actual or contingent by the Defaulting Member under each such set of Affected Market Contracts and the Exchange Rules, aggregate any such obligations to the Defaulting Member under each such set of Affected Market Contracts and the Exchange Rules, and set-off the two aggregated amounts against one another so as to produce a single net sum in respect of each such set of Affected Market Contracts.
- 7.3.2 For the purposes of discharging a Defaulting Member's rights and liabilities and calculating each single net sum, the Exchange may take any of the following actions or any combination of the following actions:
- (a) directing that any Affected Market Contract is settled by setting it off against an Affected Market Contract on the same terms save as to price;

- (b) directing that any Affected Market Contract is closed out by a Clearing Member making a Transaction on the same terms and, if appropriate, it being allocated to the Defaulting Member or by reversal of the relevant entries in the books and records of the Defaulting Member at a price determined by the Exchange;
- (c) facilitating the transfer of any Affected Market Contract by directing that the Affected Market Contract be closed out and that a Transaction on the same terms be entered into between the relevant Clearing Member and another Clearing Member at a price determined by the Exchange;
- (d) directing that any option granted by an Affected Market Contract be exercised or shall expire without being exercised;
- (e) directing that any Affected Market Contract which is to be cash settled which is open at the close of trading on the last trading day for such Affected Market Contract be settled by payment of the settlement amount;
- (f) directing any Affected Market Contract under the terms of which delivery of the underlying is required to be made be settled in accordance with its terms;
- (g) auctioning any of the Defaulting Member's open positions under any Affected Market Contracts, and
- (h) taking any other action to achieve the purpose of Exchange Rule 7.3.1,

in each case, on such terms as the Exchange shall determine and the rights and liabilities of the Defaulting Member referred to in Exchange Rule 7.3.1 shall include all rights and liabilities arising in consequence of any such action.

7.3.3 The Exchange shall certify the single net sum resulting from Exchange Rule 7.3.1 in respect of each set of Affected Market Contracts as being the amount payable by or to the Defaulting Member in respect of the set of Affected Market Contracts to which the certificate relates. Such certificate shall be conclusive.

7.3.4 The process set out in Exchange Rules 7.3.1 to 7.3.3 shall be applied separately in respect of:

- (a) Affected Market Contracts to which the Defaulting Member or the other party to the Affected Market Contract is a segregated client and related rights and liabilities; and
- (b) all other Affected Market Contracts between such Defaulting Member and such other party and related rights and liabilities.

- 7.3.5 For the purposes of Exchange Rule 7.3.4, a person is a segregated client in respect of any Affected Market Contract entered into by that person if the monies received by the relevant Member as collateral in respect of that Market Contract are held in accordance with the Client Money Rules (as defined in the rules of the FCA) or would be so held were they not regarded in accordance with those rules as immediately due and payable to the Member for its own account.
- 7.3.6 The Exchange shall not be obliged to include in its actions pursuant to Exchange Rule 7.3.1 an Affected Market Contract of which it does not have actual notice within 1 month of the date of the Declaration of Default.
- 7.3.7 For the avoidance of doubt, the parties to an Affected Market Contract shall remain obliged to discharge those of their rights and liabilities under any Affected Market Contracts that are not discharged under the Exchange Default Rules.
- 7.3.8 The Exchange may make any currency conversions which it considers appropriate for the purposes of the Exchange Default Rules at such rates as the Exchange may reasonably determine.
- 7.3.9 The Exchange shall notify the Defaulting Member or a relevant office holder acting in relation to the Defaulting Member or its estate of the actions taken in relation to the Defaulting Member under the Exchange Default Rules.

7.4 Notification to other Members and cooperation with the Regulatory Authorities

- 7.4.1 The Exchange may notify the non-Defaulting Members of the actions taken under the Exchange Default Rules at various other points in the process.
- 7.4.2 The Exchange may share information (including information received from or about any Member), and otherwise cooperate, with any Regulatory Authority, exchange or clearing house and any office holder acting in relation to the Defaulting Member or its estate in relation to the issue of a Declaration of Default.

7.5 Costs

The Defaulting Member shall indemnify the Exchange against any and all costs, charges and expenses suffered or incurred by the Exchange in taking any action under the Exchange Default Rules.

CHAPTER 8

COMPLAINTS AND ENFORCEMENT

8.1 Complaints

- 8.1.1 Any Complaint shall be made in accordance with the Complaints Procedure.
- 8.1.2 The Exchange shall consider a Complaint in accordance with this Chapter 8 of the Exchange Rules and the Complaints Procedure:
- (a) a GCC Complaint shall be dealt with in accordance with the Complaints Procedure;
 - (b) a Phantom Order Complaint shall be dealt with in accordance with the Complaints Procedure;
 - (c) an Exchange Complaint shall be dealt with in accordance with the Complaints Procedure; and
 - (d) the Exchange will investigate each Member Complaint in accordance with the Exchange Rules.
- 8.1.3 If the Exchange, in its discretion, considers it appropriate or if it is otherwise required to do so under Applicable Law, the Exchange may provide details to a Regulatory Authority about any Complaint, matter or concern which it considers requires investigation and about any outcome of an Investigation or Disciplinary Proceeding.
- 8.1.4 The provisions of this Chapter 8 of the Exchange Rules are without prejudice to the provisions of Exchange Rules 3.12 and 3.13.

8.2 Investigations

- 8.2.1 The Exchange may investigate breaches or alleged breaches of the Exchange Rules, whether or not such breaches or alleged breaches have arisen as a result of a Member Complaint, its own instigation or otherwise (an **Investigation**). The Exchange may refer any breaches or alleged breaches of the Exchange Rules to a Regulatory Authority at any stage of an Investigation, including prior to conducting its own Investigation.
- 8.2.2 A Member shall cooperate fully with any Investigation irrespective of whether such Member is the subject of or otherwise involved in the Investigation. Without limitation, each Member shall:
- (a) provide to the Exchange such information in whatsoever form as the Exchange may reasonably request, within the time period specified;

- (b) permit Representatives of the Exchange access, with or without notice, during business hours to any of the Member's business premises (which for the avoidance of doubt includes those premises in which records are stored) in order to carry out the Investigation;
- (c) make its Representatives readily available for meetings with the Representatives of the Exchange conducting the Investigation, as the Exchange may reasonably request, and use its best endeavours to procure that such persons answer truthfully, fully and promptly, all questions that are put to them;
- (d) produce and give the Representatives of the Exchange conducting the Investigation reasonable access to documents, records, files, tapes, computer systems and any other pertinent information which are within the Member's possession or control and provide any facilities which such Representatives may reasonably request; and
- (e) print information in the Member's possession or control which is held on computer or otherwise convert it into a readily legible document or any other record that may be reasonably requested by the Representatives of the Exchange conducting the Investigation.

8.3 Investigation process

8.3.1 Once the Exchange has carried out an initial Investigation, it may exercise one (1) or more of the following powers in relation to the Member concerned:

- (a) decide that no further action should be taken against the Member;
- (b) issue a private written warning to the Member;
- (c) instigate Disciplinary Proceedings in accordance with Exchange Rule 8.4;
- (d) carry out further enquiries if the Investigation indicates that this is necessary in order to conclude satisfactorily the investigation; or
- (e) refer all or a portion of the Investigation to a Regulatory Authority.

8.3.2 Before exercising any power under Exchange Rule 8.3.1, the Exchange may send to the relevant Member a preliminary letter that describes the matter under investigation, the Exchange's preliminary factual conclusions and the action it proposes to take in the light of such breach. The Exchange may also invite the Member to either attend a meeting or to send written comments to the Exchange, in each case, to enable the Member to correct any factual error that it reasonably considers has been made in the preliminary

letter and the Exchange may finalise its initial findings and present them in writing to the Member.

8.3.3 The Exchange shall notify the Member in writing of the power to be exercised pursuant to Exchange Rule 8.3.1. The Exchange may, in an appropriate case, take different actions in relation to Members concerned in the same Disciplinary Proceedings or in different Disciplinary Proceedings on the same or similar facts.

8.4 Disciplinary Proceedings

8.4.1 The Exchange shall commence the disciplinary proceedings set out in this Exchange Rule 8.4 (the **Disciplinary Proceedings**) only when it is reasonably satisfied that the Member has breached the Exchange Rules, whether as a result of an Investigation or otherwise.

8.4.2 The Exchange may decide at any time to terminate the Disciplinary Proceedings or reach a settlement with the Member on such terms as it considers appropriate, at any stage during the Disciplinary Proceedings.

8.4.3 For the purposes of each Disciplinary Proceeding the Board of Directors shall nominate the members of a disciplinary panel, as it deems appropriate, which shall accordingly be referred to for the purposes of this Exchange Rule 8.4 as the **Disciplinary Panel**. Each Disciplinary Panel shall comprise any two of the Exchange's independent non-executive directors and any two Members chosen at random which do not have a conflict of interest in relation to the relevant Disciplinary Proceeding. Each Member shall, at any time, provide a suitable Representative to serve on the Disciplinary Panel should the Exchange so request.

8.4.4 To commence the Disciplinary Proceedings the Exchange shall send to the Member concerned a written notice (the **Disciplinary Notice**), which contains details of the alleged breach of the Exchange Rules and sufficient information to enable the Member to understand and respond to such allegations.

8.4.5 The Member shall have twenty (20) Business Days from receipt of the Disciplinary Notice to provide a statement of defence (the **Defence**) in respect of the allegations. The Defence shall set out the plea that the Member intends to make and any admissions of fact. If no Defence has been served within that time frame the Member shall be deemed to have accepted the facts and matters alleged in the Disciplinary Notice.

8.4.6 After due consideration of the Defence, the Exchange may either:

- (a) proceed with the Disciplinary Proceedings;

- (b) terminate the Disciplinary Proceedings; or
- (c) amend the Disciplinary Notice in accordance with Exchange Rule 8.4.7.

8.4.7 The Exchange may at any time amend a Disciplinary Notice provided that:

- (a) the amendment is relevant to the allegation or breach of the Exchange Rules;
- (b) the essential character of the allegation or the breach of the Exchange Rules has not been changed; and
- (c) the Member would not be substantially prejudiced in any defence it may put before the Disciplinary Panel.

8.4.8 The Disciplinary Panel may order an adjournment at any stage upon an application by the Exchange to enable an alleged separate or unrelated breach of the Exchange Rules which it reasonably believes the Member to have committed to be investigated further.

8.4.9 Following the amendment of a Disciplinary Notice, the Member shall have ten (10) Business Days to make any necessary changes to its Defence. If no amended Defence has been served within that time frame the Member will be deemed to have accepted the facts and matters alleged in the amended Disciplinary Notice and indicated that its original Defence stands.

8.4.10 The Disciplinary Panel shall hear submissions on the matter of the alleged breach of the Exchange Rules and shall determine whether there has been a breach of the Exchange Rules and, if so, the appropriate sanction that shall be imposed. In carrying out this function, the Disciplinary Panel may adopt such procedure as it thinks fit. The Disciplinary Panel may:

- (a) order the disclosure by the Exchange or Member of such further information, documents or other evidence as may be necessary;
- (b) issue directions and take such other steps as it considers appropriate to clarify the facts and issues and determine the case;
- (c) if it considers appropriate, but only with the express agreement of the Exchange and the Member concerned, decide to determine the case upon written submissions and evidence placed before it;
- (d) in all other cases, give the opportunity to, or require, the Exchange and the Member to attend hearings before the Disciplinary Panel and the Exchange and the Member may call witnesses to give evidence and be questioned;

- (e) allow the Member and the Exchange to be assisted or represented by any person, whether or not legally qualified;
- (f) require hearings to be held in private unless the Member or Exchange requests otherwise and the other party consents; and
- (g) appoint its own legal advisers.

8.4.11 The Disciplinary Panel shall apply the civil standard of proof on the balance of probabilities.

8.4.12 The Disciplinary Panel shall not be bound by any rule of law or court procedure concerning admissibility of evidence and may accept as conclusive any finding of fact made by a court or any other Regulatory Authority.

8.4.13 The Disciplinary Panel shall communicate in writing its findings and particulars of any sanction determined to the Exchange and to the Member concerned. Such findings and sanctions shall be deemed conclusive and binding upon expiry of the time permitted for appeal or receipt by the Exchange of any earlier written notice from the Member that such right of appeal will not be exercised. Subject to Exchange Rule 8.4.14(b), such findings and sanctions shall not be made public.

8.4.14 The Disciplinary Panel may impose one or more of the following sanctions:

- (a) issue a private written warning to the Member;
- (b) issue a public notice of censure;
- (c) impose a fine of any amount;
- (d) require the disgorgement of any gain made by the Member or its Representatives in connection with the breach of the Exchange Rules;
- (e) deny the Member access to the Exchange and/or the Globex Platform;
- (f) order the relevant Clearing Member not to enter into any new Transactions in relation to the Member;
- (g) order the relevant Clearing Member to liquidate all or any portion of a Member's Contracts;
- (h) recommend to the Exchange to suspend or terminate the membership of the Member with immediate effect; or

- (i) issue an order requiring the Member to take such steps including making an order for compensation, as the Disciplinary Panel may direct, to remedy the situation caused by the breach of the Exchange Rules.

8.4.15 The Disciplinary Panel has discretion as to the appropriate sanction in each case and such differentiation may take into account factors including whether the breach was deliberate or negligent, the seriousness of the consequences, any impact on Customers and whether the Member has since taken action to remedy the breach or prevent a recurrence.

8.4.16 The contravention of any sanction imposed or direction made under or pursuant to Exchange Rule 8.4.14 may be treated for all purposes as a breach of the Exchange Rules.

8.4.17 A Disciplinary Panel may order any party to the Disciplinary Proceedings to pay costs related to such proceedings as it thinks appropriate, including, but not limited to the costs of running the Disciplinary Panel and including the reasonable costs of the Exchange's and Disciplinary Panel's external advisers.

8.5 Appeals

8.5.1 Within ten (10) Business Days of receiving notice in writing of a decision of a Disciplinary Panel, or a notice of sanction (whichever is the later), a Member (whether current or former in the case of expulsion) or the Exchange, or both, may appeal to the appeals body (the **Appeals Body**) by lodging with the Exchange a notice of appeal in writing and by delivering a copy thereof to any other party to the Disciplinary Proceedings. The Exchange shall refer the appeal to the Appeals Body within ten (10) Business Days of receipt of the appeal.

8.5.2 A notice of appeal shall set out the grounds of the appeal and shall contain a brief statement of all matters relied on by the appellant. The grounds of the appeal may be any one or more of the following:

- (a) the Disciplinary Panel's decision was:

- (i) arbitrary, capricious, or an abuse of its discretion; or

- (ii) based on a clearly erroneous application or interpretation of the Exchange Rules.

8.5.3 In the case of appeal against a sanction, the Appeals Body may affirm, vary or revoke the sanction. The Appeals Body may make such order or give such direction as it

considers fit including a direction for a rehearing of the case by another newly constituted Disciplinary Panel.

8.5.4 The Appeals Body shall consist of one (1) or more persons who shall be nominated for the purposes of this Exchange Rule 8.5.4 by the Centre for Effective Dispute Resolution in London. Such person shall:

- (a) be independent of the Exchange, meaning for the purposes of these Exchange Rules, that such person is not and has not ever been an officer, director or employee of the Exchange or an Affiliate;
- (b) have appropriate experience of the European derivatives exchange market and the operations of such exchanges; and
- (c) have appropriate knowledge of the Exchange Rules and relevant Applicable Law.

8.5.5 An Appeals Body may adopt such procedure as it thinks fit and just, including, without limitation, the procedures described in Exchange Rule 8.4.10 and shall notify the Member accordingly. The Appeals Body shall be bound by Exchange Rule 8.4.11. The appellant and the respondent shall be entitled to appear, make representations and (subject to any restriction on adducing new evidence or arguments), call witnesses, who may be examined and cross-examined at any hearing, which will not be held in public.

8.5.6 The decision of an Appeals Body shall be final and binding and there shall be no further appeal. The decision shall be supported with reasons and shall be notified to the appellant and respondent in writing without undue delay. The decision of an Appeals Body shall not be made public unless otherwise agreed between the appellant and the respondent.

8.6 Fines

8.6.1 The proceeds of any fine imposed by the Exchange shall be used for the following purposes only:

- (a) to meet expenses incurred by the Exchange in the course of the Investigation, Disciplinary Proceeding or appeal from a Disciplinary Proceeding in respect of which it has been imposed;
- (b) for the benefit of the Members generally; or
- (c) for charitable purposes.

CME EUROPE LIMITED

PROCEDURES

[•] 2013

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INTRODUCTION

These Procedures should be read in conjunction with CME Europe Limited's Exchange Rulebook. In the event of any conflict between the Exchange Rulebook and these Procedures, the Exchange Rulebook shall take precedence. Capitalised terms that are defined in the Exchange Rulebook shall have the same meaning in these Procedures unless otherwise specified.

Unless otherwise specified, each provision of these Procedures applies to each type of Transaction.

MEMBERSHIP PROCEDURE

1 Introduction

- 1.1 The general requirements of membership are set out in Chapter 3 of the Exchange Rulebook. This Membership Procedure provides further information about certain of those requirements. The Exchange reserves the right, at its absolute discretion and on the basis of ensuring an orderly market, to establish additional, different or higher requirements for particular applicants or Members. In some cases this may reflect different categories of Members trading different types of Transactions.

2 Application process

- 2.1 To apply for membership of the Exchange, each applicant must complete the application form and submit this along with the supporting documents set out in it to the Chief Regulatory and Surveillance Officer of the Exchange. The application form is available on the Website or may be obtained by contacting the Chief Regulatory and Surveillance Officer.
- 2.2 The Chief Regulatory and Surveillance Officer will review the completed application and request additional information from the applicant where necessary.
- 2.3 Upon receipt of the completed application the Chief Regulatory and Surveillance Officer will prepare a report of its findings and submit its report for review and consideration by the Board of Directors. The Chief Regulatory and Surveillance Officer will also undertake money laundering checks on the applicant.
- 2.4 The applicant will be notified in writing of the Board of Directors' determination. It is anticipated that this process will take place within four (4) weeks of receipt of the completed application.
- 2.5 During and following this process, the Exchange will discuss with the applicant what arrangements will be made for onboarding the Member. The applicant shall cooperate with the Exchange for this purpose.

3 Application fee

- 3.1 The application fee is £2,000, payable to CME Europe Limited by cheque or by wire transfer. The Exchange will provide the required payment details upon request.
- 3.2 Applications will not be considered until the fee has been paid unless the Board of Directors waives it. The application fee is non-refundable in any event.

4 Membership criteria

- 4.1 The Membership Criteria that apply to all types of Member are set out in Exchange Rule 3.2.1.
- 4.2 Applicants for Clearing Membership status must, in addition to the Membership Criteria in Exchange Rule 3.2.1, satisfy the Clearing Membership Criteria in Exchange Rule 3.3.1.
- 4.3 The remaining provisions of this Procedure set out some further information about some of the Membership Criteria.

5 Non-Clearing Members and Customers

- 5.1 Each Clearing Member must ensure that each of its Customers and any Non-Clearing Members for which it acts as Clearing Member is an eligible counterparty or a professional client as defined by the Financial Conduct Authority (**FCA**) from time to time.

6 Related agreements

- 6.1 An applicant may be required to enter into Related Agreements such as:
 - 6.1.1 Customer Connection Agreement - for direct access to the Globex Platform; and
 - 6.1.2 Market Data Licence Agreement - to receive market data.
- 6.2 Each Member will need to have access to the Globex Platform. Direct access can be achieved by entering into the Customer Connection Agreement. Alternatively, a Member may connect indirectly through a person with direct connectivity.

7 Capital requirements

- 7.1 Members are required to have a minimum capital requirement of at least GBP £100,000.

8 Financial reporting requirements

- 8.1 Members regulated by a Regulatory Authority for financial services must submit any and all financial reports that are required to be filed with such Regulatory Authority to the Exchange unless the Exchange is able to obtain them directly from such Regulatory Authority. Such financial reports must be filed with the Exchange within five (5) Business Days after such statements are provided to the Member's primary Regulatory Authority.

- 8.2 Members not regulated by a Regulatory Authority for financial services must submit monthly unaudited financial reports in a form acceptable to the Exchange. Such financial reports must be filed within fifteen (15) Business Days of each month-end.
- 8.3 The financial reports must:
- 8.3.1 demonstrate compliance with the Exchange's minimum capital requirements;
 - 8.3.2 demonstrate a Total Risk-Based Capital Ratio of 10%, if applicable;
 - 8.3.3 be presented in English; and
 - 8.3.4 be stated in the currency in which the Member is legally required to produce its audited financial reports.
- 8.4 If the information is not included in the financial reports, Members must also notify the Exchange of any planned capital withdrawals and subordinated debt maturing within six (6) months of the date of such reports.
- 8.5 Clearing Members that have provided the information required under paragraph 7 to the Clearing House are not required to submit the same to the Exchange. The Exchange will obtain such information from the Clearing House.

9 Financial statement filings

- 9.1 Members which are regulated by a Regulatory Authority for financial services are also required to submit annual audited financial statements as of the Member's financial year-end unless the Exchange is able to obtain them directly from the Regulatory Authority. Such financial statements must be filed within five (5) Business Days after they are provided to the Member's primary Regulatory Authority.
- 9.2 Members not regulated by a Regulatory Authority for financial services must also submit an audited financial statement as of the Member's financial year-end. These annual financial reports must be filed within sixty (60) Business Days of the Member's financial year-end.
- 9.3 Financial statements must:
- 9.3.1 demonstrate compliance with the Exchange's minimum capital requirements;
 - 9.3.2 demonstrate a Total Risk-Based Capital Ratio of 10%, if applicable;

- 9.3.3 be presented in English; and
- 9.3.4 be stated in the currency in which the Member is legally required to produce its audited financial reports.
- 9.4 The audited financial statements of Members must include at a minimum the following (or the equivalent in any jurisdiction to the extent applicable):
 - 9.4.1 external auditor's opinion letter;
 - 9.4.2 statement of financial condition;
 - 9.4.3 statement of income (loss);
 - 9.4.4 statement of cash flows;
 - 9.4.5 statement of changes in ownership equity; and
 - 9.4.6 appropriate footnote disclosures.
- 9.5 Clearing Members that have provided the information required under paragraph 9 to the Clearing House are not required to submit the same to the Exchange. The Exchange will obtain such information from the Clearing House.

10 Disaster recovery and business continuity

- 10.1 Each Member is required to have in place adequate disaster recovery and business continuity policies and procedures to enable it to satisfy its obligations under the Exchange Rulebook. It is for each Member to determine whether these are adequate but the Exchange would expect, as a minimum, that a Member's arrangements:
 - 10.1.1 comply with any requirements or guidance of any applicable Regulatory Authority;
 - 10.1.2 are in line with any relevant industry standards or guidelines;
 - 10.1.3 enable the Member to satisfy its obligations to the Exchange even in unforeseen circumstances; and
 - 10.1.4 are tested on a regular basis and improved on the basis of the test results.

- 10.2 Each Member will be invited to participate in the Exchange's testing of its own business continuity arrangements at least once each year. The Exchange will provide at least four (4) months' notice of any such test, which will usually take place over a weekend.
- 10.3 Members are required to notify the Chief Regulatory and Surveillance Officer in the event that the Member invokes its business continuity policies and procedures and is likely to require assistance from the Exchange or if the event is likely to cause disruption to the Member's ability to satisfy its obligations to the Exchange.

11 Exchange licenses

- 11.1 The Exchange will maintain on the Website a list of any regulatory licenses it holds from time to time.

12 Notifications

- 12.1 A notice or communication given under or in connection with the Exchange Rulebook or any Related Agreement with the Exchange shall, unless otherwise specified, be in writing in English and sent by any of the methods set out below to the address specified below. A notice or communication shall be deemed to be given on the date set out below.

Permitted method	Date on which notice will be deemed given
Personal delivery	When left at the relevant address
Recorded or special delivery, or the nearest local equivalent in the jurisdiction of the sender	Two (2) Business Days after posting
Recorded or special delivery airmail, of the nearest local equivalent in the jurisdiction of the sender	Six (6) Business Days after posting

- 12.2 Notices or communications to the Exchange should be marked for the attention of the Chief Executive Officer and Company Secretary, and sent to the address below:

CME Europe Limited
 Fourth Floor
 One New Change
 London
 EC4M 9AF

TRADING PROCEDURE

1 Trading parameters (Exchange Rule 6.1.6)

- 1.1 The trading parameters in respect of each Product including those listed below will be set out in the Trading Parameters Document on the Website:
 - 1.1.1 Non-Reviewable Trading Range
 - 1.1.2 Price banding
 - 1.1.3 Protection points
 - 1.1.4 Stop logic
 - 1.1.5 Maximum order quantity
 - 1.1.6 Matching algorithm (Exchange Rule 6.7)
 - 1.1.7 Whether or not the market includes implied functionality
 - 1.1.8 Market broadcast

2 Globex opening (Exchange Rule 6.2.1)

- 2.1 Prior to the opening of each Globex session, the Globex Platform will establish an indicative opening price or prices for each Product, based on an equilibrium price. The equilibrium price is the calculated price between sell pressure and buy pressure where the largest volume of trading can occur. The equilibrium price will be determined in accordance with the following methodology:
 - 2.1.1 Any Bid at a given price may also be executed at a lower price.
 - 2.1.2 Any Offer at a given price may also be executed at a higher price.
 - 2.1.3 The Bid volume at any price is the quantity bid at that price plus the sum of the quantities bid at all higher prices.
 - 2.1.4 The Offer volume at any price is the quantity offered at that price plus the sum of the quantities offered at all lower prices.

- 2.1.5 Sell pressure occurs when the Offer volume exceeds the Bid volume at a particular price.
- 2.1.6 Buy pressure occurs when the Bid volume exceeds the Offer volume at a particular price.
- 2.1.7 The trade volume at any price is the smaller of the Bid volume or the Offer volume.
- 2.1.8 The price overlap is the range of prices where trades are possible.
- 2.1.9 The equilibrium is the price range within the price overlap where buy pressure changes to sell pressure. The equilibrium price is one of the following:
 - (a) the price within the equilibrium that has the largest trade volume and the lowest unmatched volume at that price remaining after the opening; or
 - (b) if more than one price has the same trade volume and the same unmatched volume at that price, the equilibrium price is the one nearest the previous day's Settlement Price.
- 2.1.10 If there is no equilibrium because there is only buy pressure or sell pressure, there will be no opening price until a Transaction is matched unless there is a Bid higher than, or an Offer lower than, the previous day's Settlement Price.
- 2.1.11 After the provisional opening price is determined for all Orders excluding stop Orders and stop limit Orders, the calculations are repeated with any such Orders that would be triggered at such price included until a new provisional opening price is determined. If such new price would trigger additional stop Orders or stop limit Orders, the process is repeated until no more Orders are triggered.
- 2.1.12 Bids and Offers will be selected for matching at the opening price based on price and time priority.
- 2.1.13 During the 30-second period prior to the opening, no previously entered Orders may be modified or cancelled, although new Orders may be entered.

3 Settlement Price (Exchange Rule 6.2.2)

- 3.1 Settlement Prices shall be determined during each Trading Session for each Product pursuant to one or more of the procedures set out below. The Settlement Price shall be a price consistent with the minimum tick increment for the Product; if the calculated Settlement Price is not a standard tick increment, the calculated Settlement Price will be rounded either to the nearest tick or to the tick closer to the previous Trading Session's Settlement Price. The procedure used to determine the Settlement Price of a Product will depend on the Product, level of activity and liquidity during the defined closing time period, and the trading venue(s) used to derive the

settlement.

- 3.2 The Exchange shall establish Daily Settlement Prices in respect of open positions for the purposes of position valuation and calculation of variation margin as described in the Clearing House Rules.
- 3.3 Volume-Weighted Average Price (**VWAP**) of the defined closing time period: In Products that use this procedure, all outright Transactions that occur during the defined closing time period are utilized to calculate the VWAP for specified Contract Months and the VWAP will be the Settlement Price. The calculated or estimated VWAP of relevant spread Transactions that occur during the dosing time period may be used to determine the Settlement Price of deferred or less actively traded Contract Months in Products that use this procedure.
- 3.4 Option Settlements: Option settlements are derived from available market information including outright Transactions, Bids or Offers during the close, relevant spread Transactions, the Settlement Price of the underlying future and relevant relationships based on option pricing theory using option pricing models employed by the Exchange.
- 3.5 For all Contract Months whose Settlement Price is not determined by one of the methods set out above, relevant spread relationships between Contract Months will be used to derive the Settlement Price.
- 3.6 For all Products that are settled with the delivery of, or by reference to, the same underlying but which are offered in alternative contract sizes (mini or micro), a single settlement price will be applicable to all such Products, with necessary adjustments made to round to the nearest tradable price increment eligible all such Products.
- 3.7 Unless otherwise specified in the Contract Specifications or settled pursuant to one of the methods set out above, Transactions cleared through ClearPort will be settled by the Exchange based upon relevant market data including, but not limited to, cleared prices in the Product, pricing data obtained from market participants, the Settlement Prices of related products and any other pricing data from sources deemed to be reliable.
- 3.8 Notwithstanding the above, if a Settlement Price in any Product, as derived by the normal methodology used for that Product, is inconsistent with Transactions, Bids or Offers in other Contract Months/strikes during the defined closing time period, or other relevant market information, or if there is no relevant market activity, the Exchange may establish a Settlement Price that best reflects the true market valuation at the time of the determination of the Settlement Price.
- 3.9 Notwithstanding the above, in the case of inaccuracy or unavailability of a Settlement Price, or if

a Settlement Price creates risk management concerns for the Clearing House, the Exchange grants to the Clearing House the right to calculate settlement variation using an alternate price determined by the Clearing House.

4 User IDs (Exchange Rule 6.5)

4.1 Operator identification for Globex Operators

- 4.1.1 User IDs (also called iLink Tag 50 IDs) are issued by the Clearing Member, the Clearing Member's Independent Software Vendor or the Clearing Member's client. Clearing Members are responsible for ensuring that each User ID is unique at the Clearing Member level, is no more than 18 bytes (characters), and that the User ID is properly submitted with each Order.
- 4.1.2 Upon request by the Exchange, a Clearing Member must be able to identify the person assigned to a particular User ID. Clearing Members must maintain historical records identifying each User ID for five years.
- 4.1.3 A person who manually enters Globex Orders should have a single User ID for Orders entered through a particular front-end system.
- 4.1.4 Each individual Globex Operator is required to enter Orders using his own User ID and may not under any circumstances permit another person to enter Orders under his ID.

4.2 Operator identification for Automated Trading Systems

- 4.2.1 An Automated Trading System (**ATS**) is a system that automates the generation and routing of Orders to the Globex Platform. The individual who administers and/or monitors the ATS is considered to be the ATS operator (**ATS Operator**). The person in this role typically initiates or disables particular algorithms or strategies, adjusts the parameters of the automated programme(s), or monitors the live trading of the ATS. All ATS Orders must be submitted with a User ID that identifies the person who operates, administers and/or monitors the ATS.
- 4.2.2 If there are multiple individuals who simultaneously work together to operate the ATS, they may qualify to be an **ATS Team** and be assigned a single User ID that represents all of the individuals on the team. For example, a Member may have one person who adjusts pricing parameters, but others who continuously monitor positions or risk or adjust trading size parameters. In these situations, the individuals on the ATS Team may use a single User ID. If registration of the User ID is required, the individuals who comprise the ATS Team must be registered as discussed in paragraph 4.4.
- 4.2.3 A single User ID may be used to represent multiple operators only in true ATS Team situations. Entities may not bundle all their ATS Operators under one User ID if certain operators are

primarily responsible for different ATSS or for the same ATS on different shifts.

- 4.2.4 If an ATS Operator or an ATS Team is responsible for multiple trading models, algorithms, programmes, or systems which trade the same Product, and which potentially could trade opposite one another, then each model, algorithm, programme, or system must be assigned a unique User ID.

4.3 Exception for Globex Operators who use automated spreading functionality

- 4.3.1 If a Globex Operator primarily enters Orders manually, but also uses automated spreading functionality, a separate User ID is not required for the automated spreading activity as long as the use of the spreading functionality is ancillary to the Globex Operator's manual trading. However, if the automated spreading functionality accounts for the majority of the Globex Operator's transactions then a separate User ID must be assigned to distinguish these transactions from the Globex Operator's manually entered Orders.

4.4 Required registration of User IDs

- 4.4.1 Registration of User IDs is required for all Representatives of a Member and any other person participating in a liquidity scheme offered by the Exchange. Additionally, irrespective of whether a person is eligible to participate in such a liquidity programme, the Exchange reserves the right to require the registration of any market participant. Such registration is typically required when the participant generates significant messaging traffic.
- 4.4.2 When registering the User ID for an ATS in the fee system, there will be an ATS indicator on the fee registration screen that must be selected to identify that the User ID represents an ATS. Each ATS Operator must provide accurate and up-to-date User ID information to its Clearing Member in accordance with the requirements described above. The User ID that is registered in the fee system must exactly match the User ID that is submitted on Globex Orders entered through iLink connections.
- 4.4.3 Clearing Members must ensure that all User IDs, including ATS User IDs, which require registration, are appropriately and accurately registered in the fee system and must promptly make any necessary updates to User ID registrations.
- 4.4.4 For ATS Team registrations, the fee system allows for the input of the relevant individual registration information for each team member and also requires designation of each team member's role. The available roles include Desk Manager/Head Trader, Trader, Risk Monitor, Trading Monitor and "Other." If there are changes to the composition of the ATS Team, it is the responsibility of the trading entity and the Clearing Member to ensure that those changes are promptly and accurately reflected in the fee system.

- 4.4.5 The fee system also supports the registration of persons who are not otherwise required to register if such a person elects to register in the fee system.

5 Wash trades (Exchange Rule 6.12)

- 5.1 Exchange Rule 6.12 effectively requires that all Orders be entered in good faith for the purpose of executing bona fide Transactions. A person should not accept such Orders if he knows, or reasonably should know, that the Orders are for the same account owner and the purpose of the Orders is to avoid taking a bona fide market position exposed to market risk. Similarly, a person should not accept buy and sell Orders for different accounts with common beneficial ownership that are entered with the intent to negate market risk or price competition.
- 5.2 Persons may be found to have knowingly engaged in wash trades if they facilitate a wash result without having made sufficient inquiry as to the propriety of such Orders prior to their execution. The failure of a person to undertake such inquiry may support an inference of knowing participation in wash trades.
- 5.3 Where the two accounts share common ownership, but less than 100% common ownership, the prohibitions nonetheless apply if the intent of the Orders is to negate market risk or price competition.
- 5.4 Buy and sell Orders for accounts with common beneficial ownership that are entered into for a legitimate purpose may be entered on the Globex Platform provided that one Order is executed in full prior to the entry of the second Order. A written and time stamped record of the second Order will be required because it was not entered on the Globex Platform immediately upon receipt. This again will ensure that the Orders are not executed opposite each other and will provide a clear audit trail with respect to the entry and execution of the Orders. Simply ensuring that there is a delay between the entry of the buy and sell Orders may not, depending on the terms of the Orders, preclude the Orders from trading in whole or in part against each other. To the extent that the Orders match with each other, the result may be deemed an illegal wash trade irrespective of the fact that the Orders were entered at different times.
- 5.5 It is a violation of Exchange Rule 6.12 for a market participant to enter an Order on the Globex Platform that he knew or should have known would match with a resting Order on the other side of the market for an account with common beneficial ownership. Generally, an unintentional and incidental matching of such buy and sell Orders will not be considered a violation of Exchange Rule 6.12. However, active traders who frequently enter Orders on opposing sides of the market which may have a tendency to cross are strongly encouraged to employ functionality designed to minimize or eliminate their buy and sell Orders from matching with each other.
- 5.6 It is recognized that certain Members have proprietary trading operations in which various traders

making fully independent trading decisions enter Orders for the same beneficial owner (the firm's proprietary account) that coincidentally match with each other in the market. If the Orders are entered without pre-arrangement such trades are not considered to be in violation of Exchange Rule 6.12. Members should have and enforce policies to preclude affiliated traders trading for the same beneficial account who have knowledge of one another's Orders from knowingly trading opposite one another's Orders.

- 5.7 If different automated trading algorithms for the same trading entity are operating in the same instrument and potentially may trade with one another, each such algorithm should be identified with a unique User ID tied to the individual or team of individuals that operate the system/algorithms. While it is not prohibited to run potentially conflicting algorithms simultaneously, if such trades cause price or volume aberrations, or occur frequently, the trading may be subject to particular scrutiny and may be deemed to violate Exchange Rule 6.12. Members are responsible for monitoring their automated trading systems and for employing trading algorithms that minimize the potential for the execution of transactions which are not exposed to market risk.
- 5.8 Block trades between the accounts of affiliated parties are permitted provided that 1) the block trade is executed at a fair and reasonable price; 2) each person has a legal and independent bona fide business purpose for engaging in the transaction; and 3) each person's decision to enter into the block trade is made by an independent decision-maker.

6 Block trades (Exchange Rule 6.14)

6.1 General

- 6.1.1 Block trades are Transactions resulting from privately negotiated futures, options or combination trades that meet certain quantity thresholds which are permitted to be executed outside the Globex Platform. Block trades are subject to Exchange Rule 6.14. The prohibition on prearranged trading and the requirements relating to pre-execution communications with respect to certain Transactions in Exchange Rule 6.11 do not apply to block trades.
- 6.1.2 The Transaction price must be consistent with the minimum tick increment for the market in question. Additionally, each outright Transaction and each leg of any block eligible spread or combination trade must be executed at a single price.

6.2 Minimum quantity thresholds

- 6.2.1 The block trade minimum quantity threshold requirement for outright futures and options are set out in Annex 1 to this document. For block trade Transactions in FX Products to be executed as a spread or combination (including intra-commodity, inter-commodity and options/futures

spreads) the quantity of each leg of the spread must meet the designated minimum quantity threshold. For block trade Transactions in energy Products to be executed as a spread or combination (including intra-commodity, inter-commodity and options/futures spreads) the combined quantities of the legs of the spread must meet the designated minimum quantity threshold.

6.3 Clearing of block trades

6.3.1 Block trades may be submitted for clearing to the Clearing House within five minutes of the time of execution in accordance with the Exchange Rules in one of the following ways:

(a) GCC

All block trades executed at times when GCC is open may be reported to GCC. The seller reports the block trade by calling GCC. When GCC is closed, the block trade must be reported no later than five minutes prior to the opening of the next Trading Session for that Product. For information on reporting block trades to the Globex Platform, please contact GCC on +44 (0)20 7623 4708.

Block trades must be reported by both the buyer's and seller's Clearing Member and will go through a two-sided match process. Upon a block trade being reported to GCC by either the buyer's or the seller's Clearing Member, GCC will contact the Clearing Member on the opposite side of the block trade to confirm the trade details that have already been reported. Once GCC has received confirmation of these details from the Clearing Member on the opposite side of the block trade, GCC will enter the trade into ClearPort. Once entered into ClearPort, confirmation records will be routed back to the Clearing Members for bookkeeping purposes.

The execution time is required to be reported to GCC and must be the actual time at which the block trade was agreed by the two parties, not the time at which the block trade is reported by the parties to their respective firms. Thus, if the Clearing Member has not acted as either principal or agent in the block trade, it must ensure that its Customer provides an accurate execution time.

(b) ClearPort

All block trades executed at times when ClearPort is open may be reported directly to the Clearing House via ClearPort. The seller reports the block trade electronically. For information on reporting block trades through ClearPort, please contact CME ClearPort Market Operations at +44 (0)800 898 013 or via email at facdesk@cmegroup.com. Once entered into ClearPort, confirmation records will

be routed back to the Clearing Members for bookkeeping purposes.

- 6.3.2 A block trade in a block-eligible option may be executed up to and including the day on which an option Contract Month expires for purposes of offsetting an open option position. The offsetting block trade must be reported to GCC pursuant to the requirements of paragraph 6.3.1(a) and the offset must be reported to the Clearing House no later than the Position Change Submission (PCS) deadline on the day on which the Contract Month expires. The current PCS deadline is 17:15 London time.
- 6.3.3 Block trade volumes are published separately from Transactions on the Globex Platform. Block trade volume is also included with other privately negotiated transactions in the daily volume reports published by the Exchange.

7 EFRPs (Exchange Rule 6.15)

7.1 General

- 7.1.1 EFRPs may be executed in any of the Products provided that the transaction conforms to the requirements of Exchange Rule 6.15.
- 7.1.2 Typically, there may be only two parties in an EFRP transaction. One party must be the buyer of (or the holder of the long market exposure associated with) the cash or OTC position and the seller of (or the holder of the short market exposure associated with) the corresponding Transaction. The other party must be the seller of (or holder of the short market exposure associated with) the cash or OTC position and the buyer of (or the holder of the long market exposure associated with) the Transaction. Multi-party EFRP transactions are prohibited save that a Member may facilitate, as principal, the transfer of the related position component of an EFRP transaction on behalf of a Customer provided that the Member can demonstrate that the related position was passed through to the Customer who received the exchange position as part of the transaction.
- 7.1.3 An EFRP may incorporate multiple Exchange-traded components provided that all of the components have the same market bias (long or short). An EFRP may incorporate multiple related position components provided that the net exposure of the related position components is approximately equivalent to the quantity of futures exchanged or, in the case of an EOO, the net delta-adjusted quantity of the OTC option components is approximately equivalent to the delta of the exchange-traded options exchanged. In all cases, market participants must be able to demonstrate this equivalency and produce all related documentation upon request.

7.2 Related positions

- 7.2.1 The related position (i.e. cash, swap or other OTC derivative) must involve the underlying of the

Product or a derivative, by-product or related product that is reasonably correlated to the Product being exchanged. The Exchange may request that the parties to an EFRP transaction demonstrate that the related position and the exchange position are reasonably correlated.

- 7.2.2 The quantity of the Products being exchanged must be approximately equivalent to the quantity of the related position(s) being exchanged. Upon request, the parties to an EFRP transaction must be able to demonstrate such equivalency.
- 7.2.3 Instruments considered acceptable as the related position side of an FX EFRP transaction may include spot, forwards, FX or cross-currency basis swaps, OTC FX options, swaptions, non-deliverable forwards (**NDFs**), currency baskets and exchange traded funds (**ETFs**). The historical correlation between the related position instrument and the corresponding currency pair or index component of an EFRP must be 80% or greater. The acceptability of instruments settled in a currency other than those comprising the underlying pair should be addressed with the Exchange prior to engaging in the transaction.
- 7.2.4 In all cases, the associated related position transactions must be comparable with respect to quantity, value or risk exposure to the Transaction.

7.3 Transitory EFRPs

- 7.3.1 Transitory EFRPs are EFRPs in which two parties contemporaneously execute an EFRP transaction and an additional cash or OTC transaction that offsets the cash or OTC component of the EFRP. For example, Party A sells an OTC swap to Party B and contemporaneously executes an EFRP transaction whereby Party A sells futures and buys an offsetting OTC swap opposite Party B. Such transactions are permitted in the Products.
- 7.3.2 All documents typically generated in accordance with OTC market conventions must be generated and maintained for each of the OTC transactions. The books of the respective parties must also reflect the execution of the OTC transactions. With respect to transitory EFRPs in foreign exchange Products, the Exchange would expect to see documentation generated for each leg of the offsetting cash transactions consistent with that for the produced for stand-alone OTC transactions of the same type. Additionally, the parties involved in the transaction must have the ability to deal in the OTC instrument.
- 7.3.3 Documentation generated to support transitory EFRP transactions should identify the counterparty to the transaction either by account number or name. However, where the EFRP is transacted between a person acting on behalf of a third party, the documentation must at a minimum uniquely identify the EFRP transaction and allow for its subsequent association with additional documentation which allows for the identification of the third party by name or account

number.

- 7.3.4 There is no specified minimum time period for which the initiating swap must be in force before it is unwound such that the EFRP would not be considered transitory. While the length of time between the transactions may be a consideration in assessing whether the EFRP is transitory, the legitimacy of the transactions will be evaluated based on whether the transactions have integrity as independent transactions exposed to market risk that is material in the context of the transactions. Transactions that do not meet this test are contrary to the Exchange Rules.
- 7.3.5 In Products in which transitory EFRPs are not permitted, as set out in the Contract Module, parties to a swap may agree to settle a swap via an EFR. However, at the time of origination, the prices of the swap and the EFR may not be pre-negotiated such that market risk is negated.

7.4 Clearing of EFRPs

- 7.4.1 EFRPs may be submitted to clearing by a Clearing Member using ClearPort.
- 7.4.2 Generally, EFRPs must be submitted to ClearPort within one hour after the relevant terms have been determined. If the relevant terms are determined at a time when ClearPort is unavailable, the EFRP must be submitted within one hour of the time that ClearPort next becomes available. EFRPs may not, under any circumstances, be posted later than the end of the permissible posting period for EFRP transactions following the expiration of the underlying futures Transaction. For cash settled Products, EFRPs may not be submitted to clearing past the end of the last Trading Session for the Contract Month. For physically delivered Products, EFRPs may be submitted to clearing after the end of the last Trading Session for the Contract Month until 16:00 on the last day of trading for the Contract Month.
- 7.4.3 For information regarding the submission of EFRPs using CME ClearPort, please contact CME ClearPort Market Operations at +44 (0)800 898 013 or via email at facdesk@cmegroup.com.
- 7.4.4 Entry of EFRPs through ClearPort by a registered user requires that the "Broker Firm" and "Broker Name" fields be populated.
- 7.4.5 Members must accurately identify EFRP transactions on confirmations and statements provided to Customers.

8 Position limits and position accountability (Exchange Rule 6.16 and Exchange Rule 6.17)

- 8.1 The Exchange does not at present impose any position limits or position accountability levels.

9 Average Price (Exchange Rule 6.23)

- 9.1 An Order or series of Orders executed during the same Trading Session 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 Product and Contract Month for futures, or for the same Product, Contract Month, put/call and strike price for options.
- 9.2 The requirements enumerated below must be met for APS Transactions.
 - 9.2.1 The Customer must have requested average price reporting.
 - 9.2.2 The price at which each individual Transaction is executed must be submitted to the Clearing House.
 - 9.2.3 If a Clearing Member computes and confirms the average price to its Customers, it must compute the weighted mathematical average price.
 - 9.2.4 If a Clearing Member calculates the average price, it must possess the records to support the calculations and allocations to Customer accounts.
 - 9.2.5 A Clearing Member must ensure that its House Transactions are not averaged with Customer Transactions.
- 9.3 Upon receipt of an execution or match at multiple prices for an APS Order, the weighted mathematical average must be computed by:
 - 9.3.1 multiplying the quantity bought or sold at each execution price by the execution price;
 - 9.3.2 adding the results together; and
 - 9.3.3 dividing by the total quantity bought or sold.
- 9.4 An average price for a series of executed Orders will be computed based on the average price of each executed Order in that series. Either the actual average price or the average price rounded to the next price increment may be confirmed to Customers. If a Clearing Member confirms the rounded average price, the Clearing Member must round the average price up to the next price increment for an executed buy Order or down to the next price increment for an executed 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 increments of the smallest currency unit used in the pricing currency. In such cases, any amounts less than the smallest currency unit used in the pricing currency may be retained by the Clearing Member.
- 9.5 Each Clearing Member that confirms an average price to a Customer must indicate on the

confirmation and statements that the price represents an average price.

10 Market Performance Protection (Exchange Rule 6.24)

- 10.1 The Exchange may, as provided in Exchange Rule 6.24, from time to time impose restrictions on Members' activities conducted on the Globex Platform through, for example, the implementation of technological controls and policies. Examples of the types of market performance protection tools that the Exchange may use include limits on messaging volumes. Members will be notified of such measures by way of a Notice.

COMPLAINTS PROCEDURE

1 Introduction

- 1.1 This Complaints Procedure is designed to ensure that all Complaints received from Members are dealt with fairly and in an objective and prompt way.

2 Types of Complaints

- 2.1 Paragraph 3.1 of this Complaints Procedure sets out how a Member may make a GCC Complaint and paragraph 4.1 sets out how the Exchange will act upon receipt of a GCC Complaint.
- 2.2 Paragraph 3.2 of this Complaints Procedure sets out how a Member may make a Phantom Order Complaint and paragraph 4.3 sets out how the Exchange will act upon receipt of a Phantom Order Complaint.
- 2.3 Paragraphs 3 and 5 to 8 inclusive of this Complaints Procedure set out how a Member who has an Exchange Complaint may make a formal complaint to the Exchange and how the Exchange will investigate and resolve such a complaint.
- 2.4 Paragraph 3 of this Complaints Procedure sets out how a Member who has a Member Complaint may make a formal complaint to the Exchange and how the Exchange will investigate and resolve such a complaint.

3 Requirements for Complaints

GCC Complaints

- 3.1 If a Member wishes to make a GCC Complaint for consideration by the Exchange in accordance with Exchange Rule 2.4.8, such GCC Complaint must include a detailed description of the GCC Complaint and a detailed description of any loss suffered due to the circumstances comprising the GCC Complaint and should be submitted to the Exchange within the timeframe specified in Exchange Rule 2.4.10. Should a Member fail to notify the Exchange of a GCC Complaint within the timeframe set out in Exchange Rule 2.4.10 or should a Member not wish to have a GCC Complaint considered in accordance with Exchange Rule 2.4.8, the Member may submit an Exchange Complaint which covers the same content which could have formed the GCC Complaint. If a Member submits such an Exchange Complaint, it will be dealt with in accordance with this Complaints Procedure.

Phantom Order Complaints

- 3.2 If a Member wishes to make a Phantom Order Complaint for consideration by the Exchange in accordance with Exchange Rule 2.4.12, such Phantom Order Complaint must include a detailed description of the Phantom Order Complaint and a detailed description of any loss suffered due to the circumstances comprising the Phantom Order Complaint and should be submitted to the Exchange within the timeframe specified in Exchange Rule 2.4.14. Should a Member fail to notify the Exchange of a Phantom Order Complaint within the timeframe set out in Exchange Rule 2.4.14 or should a Member not wish to have a Phantom Order Complaint considered in accordance with Exchange Rule 2.4.12, the Member may submit an Exchange Complaint which covers the same content which could have formed the Phantom Order Complaint. If a Member submits such an Exchange Complaint, it will be dealt with in accordance with this Complaints Procedure.

Exchange and Member Complaints

- 3.3 An Exchange Complaint or Member Complaint must:
- 3.3.1 be made in writing, dated and addressed to the Chief Regulatory and Surveillance Officer, CME Europe Limited, One New Change, London, EC4M 9AF;
 - 3.3.2 set out, so far as possible, full details of the substance of the Complaint including the date(s) and place(s) when the conduct, behaviour or other actions occurred, the subject of the Complaint and the names of the persons involved;
 - 3.3.3 contain any other details or documentation that the complainant considers that the Exchange shall require in order to investigate the Complaint;
 - 3.3.4 be made no later than three (3) months after the conduct, behaviour or other actions that are the subject of the Complaint occurred or if the conduct, behaviour or other actions complained of consists of a series of events, no later than three (3) months after the end of the last such event; and
 - 3.3.5 contain the complainant's full name and address and the contact details of the person who the Exchange should contact in relation to the Complaint,
- together, the Complaints Requirements.

4 Actions in relation to a GCC Complaint or a Phantom Order Complaint

GCC Complaints

- 4.1 Upon receipt of notification of a GCC Complaint, the Exchange will investigate the Complaint and, in its sole discretion, decide whether to take any action in accordance with Exchange Rule 2.4.8.
- 4.2 The Exchange will communicate its decision to the Member.

Phantom Order Complaints

- 4.3 Upon receipt of notification of a Phantom Order Complaint, the Exchange will investigate the Complaint and, in its sole discretion, decide whether to take any action in accordance with Exchange Rule 2.4.12.
- 4.4 The Exchange will communicate its decision to the Member.

5 Acknowledgement and investigation of Exchange and Member Complaints

- 5.1 The Exchange must acknowledge the Complaint in writing to the address shown on the letter of complaint, within ten (10) Business Days of receipt.
- 5.2 If, in the opinion of the Exchange, the letter of complaint meets the Complaints Requirements, the Exchange will refer:
 - 5.2.1 an Exchange Complaint to the General Counsel of the Exchange or a delegate of such person (the **General Counsel**) within ten (10) Business Days of receipt of the letter of complaint by the Exchange; and
 - 5.2.2 a Member Complaint to the Chief Regulatory and Surveillance Officer of the Exchange to be dealt with in accordance with Chapter 8 of the Exchange Rulebook.
- 5.3 If, in the opinion of the Exchange, the letter of complaint does not meet the Complaints Requirements, the Exchange reserves the right not to act on it until, in its opinion, the Complaints Requirements are met.

6 Internal investigation

- 6.1 The General Counsel is tasked with carrying out an objective and thorough review and investigation of the Exchange Complaint.
- 6.2 The General Counsel will carry out an investigation and review into the subject matter of the Exchange Complaint (the **Internal Investigation**) and must deliver its report to the complainant

and the Exchange within eighty (80) Business Days from the date on which the letter of Complaint was received by the Exchange. The report will contain recommendations for resolving the Exchange Complaint or it may contain no recommendations if, in the opinion of the General Counsel, this is considered to be appropriate. The report will also contain reasons for any decision taken by the General Counsel.

6.3 The costs of the Internal Investigation, review and report will be met entirely by the Exchange.

7 Referral to an Independent Complaints Investigator

7.1 If the complainant is not satisfied with the outcome of the decision in relation to a GCC Complaint or a Phantom Order Complaint or an Internal Investigation in relation to an Exchange Complaint, or if, in relation to an Exchange Complaint, the complainant does not receive the General Counsel's report within eighty (80) Business Days of the date on which the letter of Complaint was received by the Exchange (and providing that the subject matter of the Exchange Complaint (or substantially the same matters) shall not have already been referred to an independent investigator as a result of an Exchange Complaint from the same or another complainant) the complainant may request that the Exchange refer the GCC Complaint, Phantom Order Complaint or Exchange Complaint to an independent complaints investigator (the **Independent Investigator**) who has been nominated in accordance with the procedure set out in paragraph 7.4.

7.2 A complainant must make a referral request to the Exchange:

7.2.1 in writing to the Chief Regulatory and Surveillance Officer of the Exchange;

7.2.2 no later than:

(a) ten (10) Business Days following notification of the decision in relation to either a GCC Complaint or Phantom Order Complaint, or, in relation to an Exchange Complaint, receipt by the complainant of the report from the Exchange (provided in accordance with paragraph 6.2); or

(b) eighty (80) Business Days from the submission of the Exchange Complaint to the Exchange (in accordance with paragraph 3.1) if no report has been received from the General Counsel (as per paragraph 6.2).

7.3 The Exchange must refer the Complaint to an Independent Investigator within ten (10) Business Days of receipt of a written request for referral made in accordance with paragraph 7.2.

7.4 An Independent Investigator shall be nominated for the purposes of this Complaints Procedure by the Centre for Dispute Resolution (**CEDR**), with whom the Exchange will liaise. The

Independent Investigator will:

- 7.4.1 be independent of the Exchange, meaning for the purposes of this Complaints Procedure, that the Independent Investigator is not and has not ever been an officer, director or employee of the Exchange or any of its Affiliates;
- 7.4.2 have appropriate knowledge of the Exchange Rulebook and other relevant documentation, regulation and Applicable Law; and
- 7.4.3 have appropriate experience of the European derivatives exchange market and / or activities to which the Exchange Complaint relates.
- 7.5 The Exchange will allow the Independent Investigator full access to records, staff and any key individuals or such other persons as may reasonably enable him to pursue his investigation and prepare his report and recommendations.
- 7.6 The Exchange will pay the fees and expenses of the Independent Investigator.
- 7.7 If, for reasons beyond the Exchange's control, a referral to an Independent Investigator is not made within the ten (10) Business Day period referred to in paragraph 7.2, the Exchange must notify the complainant in writing as soon as possible (but in any event no more than twelve (12) Business Days following dissemination by the General Counsel to the complainant of the report) of the reasons for the delay.

8 Independent Investigator's procedure for dealing with a Complaint

- 8.1 On being appointed, the Independent Investigator must immediately notify the complainant and the Exchange in writing of its appointment and will invite both parties to make submissions and submit any documentation they wish, within a timescale that the Independent Investigator will determine. Wherever possible, the Independent Investigator's investigation of a Complaint referred to it under this Procedure will be concluded within two (2) months from the date of its nomination. Where this is not reasonably possible because of the nature or complexity of the Complaint, or any other reasonable factor, the Independent Investigator will notify both the complainant and the Exchange in writing and must provide a further date for the completion of the investigation.
- 8.2 The Independent Investigator can determine its own procedure for considering the Complaint referred to it and may, without limitation, take one or more of the following steps to do so:
 - 8.2.1 interview one or more Representatives of the complainant;

- 8.2.2 interview one or more Representatives of the Exchange;
 - 8.2.3 seek further or other information from the Exchange and / or the complainant; and
 - 8.2.4 make any further or reasonable inquiries as it deems fit in order properly and fully to investigate the Complaint.
- 8.3 On concluding the investigation, the Independent Investigator will produce a written report setting out its findings, conclusions and reasons for its conclusions. A copy of this report will be provided by the Independent Investigator to both the complainant and the Exchange. In its written report, the Independent Investigator may make such recommendations it deems fit in the circumstances including a recommendation that the Exchange make a compensatory payment to the complainant and / or takes remedial action to remedy the cause of the Exchange Complaint. For the avoidance of doubt, should the Independent Investigator make a recommendation that a compensatory payment be made to the complainant, such compensatory will be subject to any limitations of liability set out in the Exchange Rulebook from time to time.
- 8.4 The report will not be made public unless the complainant and the Exchange agree that this should be the case. In the event that it is to be made public, the report will be published on the Website.

Annex 1

Products in which block trades can be executed and the minimum quantity thresholds

Product	Contract Module Chapter	Minimum block threshold
Australian Dollar / U.S. Dollar physically deliverable future (CLS-Eligible) (AUD/USD)	A03	Fifty (50)
British Pound / U.S. Dollar physically deliverable future (CLS-Eligible) (GBP/USD)	A04	Fifty (50)
U.S. Dollar / Canadian Dollar physically deliverable future (CLS-Eligible) (USD/CAD)	A05	Fifty (50)
Euro / British Pound physically deliverable future (CLS-Eligible) (EUR/GBP)	A06	Fifty (50)
Euro / U.S. Dollar physically deliverable future (CLS-Eligible) (EUR/USD)	A07	Fifty (50)
New Zealand Dollar / U.S. Dollar physically deliverable future (CLS-Eligible) (NZD/USD)	A08	Fifty (50)
U.S. Dollar / Japanese Yen physically deliverable future (CLS-Eligible) (USD/JPY)	A09	Fifty (50)
U.S. Dollar / Swiss Franc physically deliverable future (CLS-Eligible) (USD/CHF)	A10	Fifty (50)
Euro / Czech Koruna physically deliverable future (non-CLS) (EUR/CZK)	A11	Fifty (50)
Euro / Hungarian Forint physically deliverable future (non-CLS) (EUR/HUF)	A12	Fifty (50)
Euro / Polish Zloty physically deliverable future (non-CLS) (EUR/PLN)	A13	Fifty (50)
Euro / Norwegian Krone physically deliverable future (CLS-Eligible) (EUR/NOK)	A14	Fifty (50)
Euro / Swedish Krona physically deliverable future (CLS-Eligible) (EUR/SEK)	A15	Fifty (50)
Euro / Danish Krone physically deliverable future (CLS-Eligible) (EUR/DKK)	A16	Fifty (50)
U.S. Dollar / Brazilian Real cash settled future (non-CLS) (USD/BRL)	A17	Fifty (50)
Euro / Japanese Yen physically deliverable future (CLS-Eligible) (EUR/JPY)	A18	Fifty (50)
Euro / Swiss Franc physically deliverable future (CLS-Eligible) (EUR/CHF)	A19	Fifty (50)
U.S. Dollar / Mexican Peso physically deliverable future (CLS-Eligible) (USD/MXN)	A20	Fifty (50)
Euro / Chinese Renminbi cash settled future (non-CLS) (EUR/CNY)	A21	Fifty (50)
U.S. Dollar / Chinese Renminbi cash settled future (non-CLS) (USD/CNY)	A22	Fifty (50)
Euro / Chinese Offshore Renminbi physically deliverable future (non-CLS) (EUR/CNH)	A23	Fifty (50)
U.S. Dollar / Chinese Offshore Renminbi physically deliverable future (non-CLS) (USD/CNH)	A24	Fifty (50)
Euro / Turkish Lira physically deliverable future (non-CLS) (EUR/TRY)	A25	Fifty (50)
U.S. Dollar / Turkish Lira physically deliverable future (non-CLS) (USD/TRY)	A26	Fifty (50)

Product	Contract Module Chapter	Minimum block threshold
U.S. Dollar / Israeli Shekel physically deliverable future (CLS-Eligible) (USD/ILS)	A27	Fifty (50)
U.S. Dollar / Korean Won cash settled future (non-CLS) (USD/KRW)	A28	Fifty (50)
U.S. Dollar / Russian Ruble cash settled future (non-CLS) (USD/RUB)	A29	Fifty (50)
U.S. Dollar / South African Rand physically deliverable future (CLS-Eligible) (USD/ZAR)	A30	Fifty (50)
U.S. Dollar / Indian Rupee cash settled future (non-CLS) (USD/INR)	A31	Fifty (50)
Euro / Ukrainian Hryvnia cash settled future (non-CLS) (EUR/UAH)	A32	Fifty (50)
Coal (API 2) CIF ARA (ARGUS-McCloskey) Cash Settled Future	B03A	Five (5)
Coal (API 4) FOB Richards Bay (ARGUS-McCloskey) Cash Settled Future	B04A	Five (5)
Coal (API 5) FOB Newcastle (ARGUS-McCloskey) Cash Settled Future	B05A	Five (5)
Coal (API 6) FOB Newcastle (ARGUS-McCloskey) Cash Settled Future	B06A	Five (5)
Coal (API 8) CFR South China (ARGUS-McCloskey) Cash Settled Future	B07A	Five (5)
Coal (Sub-Bituminous) FOB Indonesia (McCloskey) Cash Settled Future	B08A	Five (5)
European FAME 0 Biodiesel fob ARA (RED Compliant) (Argus) / European Gasoil (ICE) Spread Calendar Cash Settled Future	B03B	Ten (10)
European RME Biodiesel fob ARA (RED Compliant) (Argus) vs. European Gasoil (ICE) Spread Calendar Cash Settled Future	B04B	Ten (10)

FORM FBOT - Exhibit A-6

Request:

Attach, as Exhibit A-6, the current rules, regulations, guidelines and bylaws of the foreign board of trade.

Response: See Exhibits A-6(1) – A-6(7).

Direct line: 0206 066 1872
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1 May 2014

Our Ref:

Your Ref:

Dear Sirs

CME Europe Limited

Under the CFTC's Foreign Board of Trade ("FBOT") application for registration process (Form FBOT), Exhibit F covers the regulatory regime governing the FBOT in its home country (or countries).

Within Exhibit F there is a requirement to produce a report stating that both the FBOT and the clearing organisation it uses are in regulatory Goodstanding. The report should include:

- i) Confirmation of regulatory status of the FBOT and clearing organisation;
- ii) Any recent oversight reports generated by the regulatory regime/authority that are, in the judgement of the regulatory regime/authority, relevant to the FBOT's status as a registered FBOT;
- iii) Disclosure of any significant regulatory concerns, inquiries or investigations by the regulatory regime/authority, including any concerns, inquiries or investigations with regard to the FBOT's arrangement to monitor trading by members or other participants located in the United States or the adequacy of the risk management controls of the trading or of the clearing system;
- iv) A description of any investigations (formal or informal) of disciplinary actions initiated by the regulatory regime/authority or any other self-regulatory, regulatory or governmental entity against the FBOT, the clearing organisation or any of the respective senior officers during the past year.

This letter is intended to serve the purpose of being that Goodstanding report.

CME Europe Ltd

CME Europe Ltd ("CMEEL") is recognised as an Investment Exchange in the UK. Every UK Recognised Investment Exchange ("RIE") has to satisfy the requirements in the Financial Services and Markets Act (Recognition Requirements for Exchanges and Clearing Houses) Regulations 2001, which includes standards of fitness and propriety, at all times, as a condition of Recognition. Detailed requirements are set out in the Recognised Investment Exchanges and Recognised Clearing Houses section of the FCA handbook, which can be found here: <http://fshandbook.info/FS/html/FCA/REC>. We consider that the CMEEL satisfies the provisions as required of an RIE and therefore it continues to be recognised.

In line with its approach to supervision of RIEs, the FCA will perform a periodic risk assessment on the CMEEL. This will cover all aspects of the exchange's business and operations, and assesses risks that it might pose to the FCA's statutory objectives. There is no history of formal risk assessment yet for CMEEL given it was recognised on 10 March 2014 and began live trading on 27 April 2014. We can however confirm we have no record of any issues which put the CMEEL's recognised status in jeopardy.

I can also confirm that the FCA does not have any significant or specific regulatory concerns, inquiries or investigations relating to the CMEEL's ability to monitor any US-based members and users.

Finally, I can also confirm that neither CMEEL nor its senior officers have been subject to any disciplinary actions over the previous year.

CME Europe's Clearing Organisation

As you will be aware, the CMEEL uses the CME Clearing Europe ("CMECE") as its nominated clearing house. CMECE is a Recognised Clearing House ("RCH") in the UK, which is supervised and regulated by the Bank of England.

Intent to Cooperate

Section 6 of Exhibit F of Form FBOT requires for a statement that the home state regulatory regime/authority governing the activities of the FBOT and clearing organisation agrees to cooperate with a Commission staff visit subsequent to submission of the FBOT application on an "as needed basis" to discuss the application material and ongoing cooperation and coordination between the authorities. Whilst the various MOUs and informal information sharing arrangements in place between the FCA and the CFTC on a variety of topics might appear to cover this, I can confirm that the FCA is content to cooperate, when needed, with regard to the RIE and its FBOT application.

Yours sincerely



Gavin Hill
Manager, Derivative Markets.

FORM FBOT—EXHIBIT A-7

Request:

Attach, as Exhibit A-7, the following:

Evidence of the authorization, licensure or registration of the foreign board of trade pursuant to the regulatory regime in its home country jurisdiction and a representation by its regulator(s) that it is in good regulatory standing in the capacity in which it is authorized, licensed or registered.

Response: See Exhibit A-7(1).

FORM FBOT—EXHIBIT A-8

Request:

Attach, as Exhibit A-8, a summary of any disciplinary or enforcement actions or proceedings that have been brought against the foreign board of trade, or any of the senior officers thereof, in the past five years and the resolution of those actions or proceedings.

Response:

At the point of submission of this Application, the Exchange is not aware of any disciplinary or enforcement actions that have been brought against the Exchange or its senior officers.

FORM FBOT—EXHIBIT B

Request:

Attach, as Exhibit B, the following, separately labeling each description:

- (1) A description of the categories of membership and participation in the foreign board of trade and the access and trading privileges provided by the foreign board of trade. The description should include any restrictions applicable to members and other participants to which the foreign board of trade intends to grant direct access to its trading system.
- (2) A description of all requirements for each category of membership and participation on the trading system and the manner in which members and other participants are required to demonstrate their compliance with these requirements. The description should include, but not be limited to, the following:
 - (i) **Professional Qualification.** A description of the specific professional requirements, qualifications, and/or competencies required of members or other participants and/or their staff and a description of the process by which the foreign board of trade confirms compliance with such requirements.
 - (ii) **Authorization, Licensure and Registration.** A description of any regulatory and self-regulatory authorization, licensure or registration requirements that the foreign board of trade imposes upon, or enforces against, its members and other participants including, but not limited to, any authorization, licensure or registration requirements imposed by the regulatory regime/authority in the home country jurisdiction(s) of the foreign board of trade. Please also include a description of the process by which the foreign board of trade confirms compliance with such requirements.
 - (iii) **Financial Integrity.** A description of the following:
 - (A) The financial resource requirements, standards, guides or thresholds required of members and other participants.
 - (B) The manner in which the foreign board of trade evaluates the financial resources/holdings of its members or participants.
 - (C) The process by which applicants demonstrate compliance with financial requirements for membership or participation including, as applicable:
 - (i) Working capital and collateral requirements, and
 - (ii) Risk management mechanisms for members allowing customers to place orders.

- (iv) **Fit and Proper Standards.** A description of how the foreign board of trade ensures that potential members/other participants meet fit and proper standards.

Response:

In general, all information regarding the application process to become a participant of the Exchange can be found in the Membership section, set out in Chapter 3, of the Exchange Rules, located at the following address: <http://www.cmegroup.com/europe/files/cme-europe-rulebook.pdf>.

The Exchange Rules apply to all Members to the extent applicable in terms of whether a Member is a Clearing Member or a Non-Clearing Member and the type of Products being traded. They are designed to be objective, while at the same time recognizing the potential diversity of Members in terms of jurisdiction and regulatory status. Exchange Membership requirements impose obligations only to the extent such requirements further regulatory and self-regulatory requirements and goals of Applicable Law.

I. A description of the categories of membership and participation in the foreign board of trade and the access and trading privileges provided by the foreign board of trade.

There are two broad categories of membership and participation on the Exchange: (1) Non Clearing Member, which is a trading only member firm, and (2) Clearing Member, which may trade and clear contracts. Trading Membership brings with it access rights to the Globex Platform, the Exchange's electronic trading facility. Trading Members may trade for their own account or on behalf of Customers. Members, when submitting Orders on behalf of Customers do so as principal in respect to any Transactions or Corresponding Transactions formed on the Exchange.¹

Chapter 6 of the Exchange Rules and the Exchange Procedures set out the rules Members must follow when submitting Orders to the Globex Platform. Members must also ensure that each Customer on whose behalf the Member submits Orders complies with Chapter 6 of the Exchange Rules.

II. A description of all requirements for each category of membership and participation on the trading system and the manner in which members and other participants are required to demonstrate their compliance with these requirements.

Below are the membership criteria and application requirements for both Non-Clearing and Clearing Members as well as a discussion of how the Exchange confirms compliance with these requirements. These requirements address authorization, licensure, and registration;

¹ Customers are not subject to the Exchange Rules, although under Exchange Rule 3.4.2(b) any Member that submits Orders on behalf of a Customer must satisfy itself that the acts and omissions of its Customers will not prevent it from complying with Exchange Rules and imposes specific prohibitions on its Customers. Although the Exchange does not have contractual rights to enforce such rules against the Customer, it does provide a mechanism for ensuring compliance with the trading rules.

financial integrity; and fit and proper standards. Clearing Members, in addition to the following requirements, must be members of the Clearing House in good standing and be in compliance with Clearing House Rules.

Membership Criteria

To satisfy the Membership Criteria, a person must at all times:

- (a) Be incorporated as a body corporate, partnership or other business organization or entity. Natural Persons may not be a Member (although a natural person may be a Customer, provided they can be categorized as Professional Clients as defined under MIFID);
- (b) Have all necessary authorizations, licenses, approvals or equivalent in respect of each relevant Regulatory Authority;
- (c) Be in good standing and comply with the requirements of each Regulatory Authority which has jurisdiction over the Member;
- (d) Be subject to Applicable Law relating to money laundering and terrorist financing that requires it to undertake due diligence and identity verification measures on Clients;
- (e) Not be subject to an Insolvency Event or an Event of Default or any circumstances pursuant to which either could be declared;
- (f) Have capital of at least the amount set out in the Membership Procedure (this is currently £100,000);
- (g) Be party to a Membership Agreement and such other agreements as required by the Exchange;
- (h) Have an agreement with a Clearing Member under which the Clearing Member agrees to clear Transactions through the Clearing House on the Member's behalf;
- (i) Not have been, or have any senior Representative who has been, convicted of any offence involving fraud, theft, false accounting, offences against the administration of justice, serious tax offences or other dishonesty or an offence relating to companies, insurance, banking, other financial services, consumer credit or consumer protection, money laundering, market abuse or insider dealing, or be, or have any senior Representative (in director position or above) who is under investigation for committing such an offence;
- (j) Nominate a Representative, who is sufficiently senior and familiar with the Exchange Rules and the Member's activities on the Exchange, to be able to deal with any query or issue raised by the Exchange and be responsible for the Member's actions and the representation of the Member before the Exchange and its Committees;

- (k) Satisfy the Exchange as to its fitness and propriety, financial, operational, technical and risk management capacity and competence and have such personnel, facilities and organizational arrangements to be able to satisfy its obligations under the Exchange Rules;
- (l) Satisfy the Exchange that it has in place adequate written anti-money laundering and anti-corruption, risk management and disaster recovery and business continuity policies and procedures to ensure that it is able to perform its obligations under the Exchange Rules and Applicable Law;
- (m) Be engaged in or demonstrate immediate capacity to engage in the conduct of Transactions;
- (n) Demonstrate that it is in compliance with the Exchange Rules; and
- (o) Satisfy any further requirements of the Exchange.

Membership Application

Applicants must complete a Membership Application Form, demonstrate that they can satisfy the Membership Criteria, and provide various supporting documents. The required supporting documentation includes:

- (a) Certificate of incorporation, memorandum and articles of association or partnership agreement, or other incorporation documents;
- (b) For banks and other applicants that are regulated by a Regulatory Authority for financial services, the certificate or other evidence of its authorization, license, or approval of its primary Regulatory Authority;
- (c) List of directors and other officers of the applicant, including titles, direct telephone and fax numbers and e-mail addresses;
- (d) List of contacts for the applicant;
- (e) Resolution authorizing the person signing the application;
- (f) Organization charts detailing the corporate structure of all significant entities in the applicant's corporate structure;
- (g) The applicant's most recent audited financial statement;
- (h) For regulated applicants, the most recent unaudited financial statement filed with its primary Regulatory Authority for financial services and for non-regulated applicants, its most recent unaudited financial statements;
- (i) Any documentation required for the Exchange to be able to undertake customer due diligence checks for anti-money laundering purposes; and

(j) Other applicable membership forms, as deemed necessary.

The CME Europe Market Regulation Team (“CEMRT”) is responsible for reviewing applications for membership and requesting any additional information that may be necessary, including:

- (a) conducting appropriate checks;
- (b) assessing whether additional documentation is required from an applicant in order to have sufficient information and documentation to assess an applicant effectively against the Exchange’s eligibility criteria;
- (c) liaising with applicants to obtain any additional information or documentation that are necessary;
- (d) liaising with the Compliance and Legal teams in respect of any issues with an application;
- (e) preparing a report (Applicant Assessment Report) setting out the information that collated in respect of an applicant and the assessment of an applicant against the membership criteria; and
- (f) coordinating the sign-off process between the relevant teams within CME Group who are required to assess and sign-off on an application.

They then prepare a report of findings, and confirm that applicant meets all of the membership requirements. The Exchange’s comprehensive and detailed on-boarding procedure, including the due diligence procedures to meet its anti-money laundering requirements is described in “CME Europe Limited Member On-Boarding Procedure” (Exhibit A-6(3)).

Meanwhile the Chief Regulatory & Surveillance Officer (“CRSO”) undertakes money laundering checks on the applicant. The CRSO delegates the authority to perform AML checks to the CEMRT. An applicant that is not accepted will have 10 Business Days from notification of such result to file an appeal to the Board. The Board may have to re-examine its decision if the General Counsel finds that it was arbitrary, capricious or an abuse of discretion. This process is set out in the Application Appeals Procedure.

Professional Qualifications

Although the Exchange does not set specific professional standards for staff of its Members or their Customers, a Member must satisfy the Exchange as to its fitness and propriety, financial, operational, technical and risk management capacity and competence. A Member must have such personnel, facilities and organizational arrangements to be able to satisfy its obligations under the Exchange Rules. A Member must be engaged or demonstrate immediate capacity to engage in activity on the Exchange.

Authorization, Licensure and Registration.

As noted above, banks and other applicants that are regulated by a Regulatory Authority for financial services, must provide evidence of their authorization to do business from their primary Regulatory Authority. This is reviewed and verified in the Application process. As discussed in Exhibit F in detail, the U.K. regulatory regime requires that Members that act on behalf of Customers be licensed.² In this regard, it should be noted that U.K. futures intermediaries have been granted relief under Commission Rule 30.10 from the requirement to register as a U.S. FCM in connection with carrying accounts for U.S. persons.³ This relief under Commission Rule 30.10 is based on a finding of comparability between regulation of U.K. futures intermediaries and the regulation of Futures Commission Merchants in the U.S.

Financial Integrity

As described above, Members are required to demonstrate their financial integrity as part of the admission process. Applicants, initially and on a continuing basis, may not be subject to an insolvency event or event of default. Moreover, Members must have minimum capital in the amount of £100,000. A Non-clearing Member must demonstrate that it has in place a clearing agreement with a Clearing House Member that will accept and guarantee trades on behalf of the Non-clearing Member, ensuring that the trades that it enters will be guaranteed by an entity that meets the higher financial requirements which apply to clearing firms. Clearing firms are required to be in good standing as a member of the Clearing House and meet the applicable Clearing House capital requirements. Finally, as noted above, banks and other financial services entities that are regulated must be in good standing with their primary Regulator Authority. This, of course, includes meeting the minimum financial requirements for applied by their regulators in order to maintain licensure/authorization.

In addition, a Member must satisfy the Exchange that it has in place adequate written anti-money laundering, bribery and anti-corruption, risk management and disaster recovery and business continuity policies and procedures to ensure that it is able to perform its obligations under the Exchange Rules and Applicable Law.

The Exchange requires Applicants to demonstrate compliance with the capital requirements by submitting to the Exchange the Applicant's financials. In addition, Applicants must provide evidence of authorization/licensure if applicable. Exchange staff as part of the admission process also reviews the anti-money laundering bribery and anti-corruption, risk management and disaster recovery and business continuity policies and procedures.

Ensuring Compliance with Fit and Proper Standards

As discussed above, Applicants, as applicable, must be in good standing with their Primary Regulator and must have in force all necessary licenses, approvals or authorizations. Moreover, the Applicant must not have been, or have any senior Representative who has been, convicted, or be under investigation for violation, of any offence similar to a statutory disqualification under the Section 8a(2) and 8a(3) of the Commodity Exchange Act. Applicants

² The Exchange can accept members, acting on behalf of customers, that are not licensed if their home member state exempts them from the licensure requirement.

³ "Foreign Futures and Options Transactions; Order," 68 *Fed. Reg.* 58583 (Oct. 10, 2003).

are required to provide representations to the Exchange of their compliance with this requirement.

During the course of its review of the Member Application, Exchange staff may request further information needed to verify and satisfy the Exchange as to its fitness and propriety, financial, operational, technical and risk management capacity and competence of the Applicant and its personnel.

Ensuring Compliance with Requirements

Pursuant to Clause 2.1 of the Membership Agreement, the Member agrees to comply with the provisions of the Exchange Rules. The Membership Agreement and the Exchange Rules are governed by English Law and the Membership Agreement contains a representation that all the obligations assumed by the Member under the Membership Agreement, the Exchange Rules and each Transaction, Contract and Corresponding Contract it enters into are legal, valid, binding and enforceable obligations.

An Applicant for Membership must not only demonstrate that it can satisfy the Membership Criteria (or Clearing Membership Criteria in the case of a Clearing Member) on application, must continue to satisfy them to remain so. Members must notify the Exchange immediately if they cease to be able, or reasonably believe they might cease to be able, to satisfy the Membership Criteria or the Clearing Membership Criteria as applicable. Failure to comply with any of the Exchange Rules can lead to an Investigation and/or Disciplinary Proceedings, which could result in suspension or termination of the Member. If sufficiently serious, it could also constitute an Event of Default, the occurrence of which would allow the Exchange to suspend or terminate the Member.

FORM FBOT—EXHIBIT C

Request:

Attach, as Exhibit C, the following:

- (1) A description of the requirements applicable to membership on the governing board and significant committees of the foreign board of trade.
- (2) A description of the process by which the foreign board of trade ensures that potential governing board and committee members/other participants meet these standards.
- (3) A description of the provisions to minimize and resolve conflicts of interest with respect to membership on the governing board and significant committees of the foreign board of trade.
- (4) A description of the rules with respect to the disclosure of material non-public information obtained as a result of a member's or other participant's performance on the governing board or significant committee.

Response:

The Exchange is governed by an eleven-member Board of Directors, which, under the Articles of Association (*see* Exhibit A-2(4)) and applicable company law, is responsible for its day-to-day running.¹ The organization, balance and composition of the Board has been determined in accordance with good corporate governance practice and in accordance with the FCA's guidance on the suitability of individuals appointed as directors or employees of such bodies.

(1) Requirements applicable to membership on the governing board and significant committees

In order to become and remain members of the Exchange's Board and Board committees, individuals have to meet certain requirements including those pertaining to Board composition and general fitness.

Composition of the Board

In order to provide for the necessary business expertise, minimize conflicts of interest and facilitate a diversity of opinions, the Board includes: (a) independent non-executive directors; (b) non-executive director(s); and (c) executive directors.

Independent Non-Executive Directors

¹ Article 9.1 of the Exchange Articles of Association (*see* Exhibit A-2(4)) requires that any decision of the Board is to be either a majority decision at a Board meeting or a unanimous decision taken in accordance with Article 10, i.e., by written resolution.

The Board includes five independent non-executive directors (“INEDs”), as defined in provision A.3.1 of the Combined Code.² In accordance with this provision, the Board determines whether the director is “independent in character and judgment and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director’s judgment,” using the following criteria (among others):

- (a) has been an employee of the Exchange or CME Group within the last five years;
- (b) has, or has held within the last three years, a material business relationship with the Exchange, either directly, or as a partner, shareholder, director or other senior employee of a body that has such a relationship with the Exchange;
- (c) has received or receives additional remuneration from the Exchange apart from a director’s fee, participates in the company’s share option or a performance related pay scheme, or is a member of the Exchange’s pension scheme;
- (d) has close family ties with any of the Exchange’s advisers, directors or senior employees;
- (e) holds cross-directorships or has significant links with other directors through involvement in other companies or bodies;
- (f) represents a significant shareholder; or
- (g) has served on the Board for more than nine years from the date of their first election.

INEDs occupy the following roles on the Board and its committees, respectively: (a) the Chairman of the Board (Mark Spanbroek); (b) the Chairman of the Risk and Audit Committee (Mark Goodliffe); and (c) the Chairman of each Disciplinary Panel (Simon Raybould), (4) Hans-Bernd Menzel, and (5) Michael Blair.³

Non-Executive Directors

The Board also includes one non-executive directors (“NEDs”): James Oliff (Member of CME Group Board of Directors, NED for the Clearing House);. Since NEDs are also employed by at least one other CME Group company, NEDs are office-holders and not employees of the Exchange. Since, under company law, all of the directors owe duties to the company as a whole when acting in their capacity as directors of the Board, these directors are required to act in accordance with the general legal and fiduciary duties of directors under English company law and also in accordance with the Exchange’s internal constitutional and organizational rules, safeguards and procedures, as set out in the Articles of Association of the Exchange and any relevant policies.⁴

² UK Corporate Governance Code 2010.

³ Please note that as a new Disciplinary Panel will be convened each time one is needed, the same INED will not continually occupy this role. However, the Chairman of each Disciplinary Panel will be an INED.

⁴ Including the Exchange’s Conflicts of Interest Policy (see Section 18 of the Compliance Manual (Exhibit A-6(5))).

Further, under the Non-Executive Director Letter of Appointment, continuation of the appointment of a NED is contingent on satisfactory performance and the appointment is subject to the Articles of Association. Accordingly, the Board may terminate a NED with immediate effect in the event he or she commits a material breach of his or her obligations under the letter of appointment. The Board and the Company Secretary are responsible for overseeing the compliance of the NEDs with their letter of appointment and relevant fiduciary and legal duties as directors.

Executive Directors

The Board also includes five executive directors: (a) Chief Executive Officer (“CEO”) (William Knottenbelt); and (b) Chief Operating Officer (“COO”) (David Feltes), (3) Bryan Durkin, (4) Derek Sammann, and (5) Michael O’Connell. The CEO, as an executive director, has responsibility for the day to day running of the Exchange. Executive directors are nominated and appointed on the basis of their particular knowledge and experience, with a view to ensuring that the Board as a whole has the competencies and qualifications to carry out its responsibilities as the governing body of the Exchange.

Fitness Criteria

As set out in Article 22 of the Exchange’s Articles of Association, the Board has the right to remove directors, subject to the restrictions set out in the Articles of Association and under English company law, for the following reasons (amongst others):

- (a) where the person is found guilty of a criminal offence or is subject to any judgment which in the opinion of the Board adversely affects his fitness and propriety to act as a director of the Exchange;
- (b) where that person is absent for six consecutive Board meetings without permission of the Board;
- (c) where that person’s co-directors reasonably resolve that as a result of his continuing as a director of the Exchange, the company’s status as a RIE under the FSMA could be materially adversely affected or compromised by his membership of the Board;
- (d) where that person’s co-directors reasonably resolve that he is no longer a fit and proper person to act as the director of a RIE under the FSMA; or
- (e) where that person is removed by a shareholder under Article 23.2 of the Articles of Association.

Board Committees

The Board appoints the following Board committees: (a) the Risk and Audit Committee; (b) Disciplinary Panels; (c) the Emergency Committee; and (d) Product Committee. The members of the Board which serve on the Board committees must meet the same requirements described above for all members of the Board. As described below, however, several of the Board committees have additional requirements.

Risk and Audit Committee

The Risk and Audit Committee is responsible for the following:

- (a) Internal risk controls – overseeing of the operational risk framework of the Exchange, including: (1) monitoring and reviewing the effectiveness of the internal audit function in the context of the Exchange’s overall risk management system, and (2) reviewing and approving the statement to be included in the Exchange’s annual report concerning internal controls and risk management;
- (b) Internal audit – overseeing the work of the Exchange’s internal audit function, and by extension the work of CME Group Audit (that is relied upon in part in the internal auditing of the Exchange);
- (c) External audit – overseeing the relationship with the external auditor, including: (1) recommending the appointment and re-appointment of the external auditor, (2) monitoring the selection process for new auditors, (3) reviewing and approving the annual audit plan, and (4) reviewing the findings of the audit with the external auditor;
- (d) Financial reporting – monitoring of the integrity of the financial statements of the Exchange and any other formal announcement relating to its financial performance, including reviewing and, if necessary, challenging the consistency of, and changes, to accounting policies;
- (e) Whistleblowing – reviewing the Exchange’s arrangements for its employees to raise concerns about possible wrongdoing in financial reporting or other matters and procedures for handling such allegations; and
- (f) Ongoing notification – reviewing whether the Exchange has complied with its ongoing notification obligations as an RIE.

This Committee includes two INEDs, one of which is Chairman of that committee. The Chairman must have recent and relevant financial experience, and is responsible for reporting formally to the Board on the Committee’s proceedings after each meeting on all matters within its duties and responsibilities. The Chairman of the Board (also an INED), would, under the terms of reference of the Risk and Audit Committee, join the Committee if either of the two permanent members was not available. These provisions are further outlined in the Terms of Reference of the Risk and Audit Committee – Exhibit A-2(1).

Disciplinary Panel

The Board of Directors nominates the members of a Disciplinary Panel, as it deems appropriate, to oversee a disciplinary proceeding. Each Disciplinary Panel must include any two of the Exchange’s independent non-executive directors – one of which serves as Chairman – and

any two Members chosen at random who do not have a conflict of interest in relation to the relevant proceeding.⁵

The Disciplinary Panel plays the primary role in any Disciplinary Proceeding against Members. The Disciplinary Panel is tasked with assessing the significance of a Member's non-compliance with Exchange Rules and determining the appropriate sanction in a Disciplinary Proceeding. The Disciplinary Panel has discretion as to the appropriate sanction in each case. It may take into account factors including whether the breach was deliberate or negligent, the seriousness of the consequences, any impact on Customers and whether the Member has taken action to remedy the breach or prevent a recurrence. The Disciplinary Panel is generally the decision maker on the finding and award of penalties in Disciplinary Proceedings and the Board has delegated that power to it.

Emergency Committee

The Emergency Committee, which can be convened immediately on the CEO's request, has absolute discretion to determine whether an Event of Default has occurred and, if this is the case, to determine whether to apply the Exchange Default Rules by issuing a Declaration of Default in accordance with Exchange Rules. The committee can also make amendments to the Exchange Rules in an emergency situation. This committee can include up to five members: the CEO, the COO, two other directors (one of which must be a NED) and a representative of the clearing house. The CEO chooses all the members of this committee.

Product Committee

The Product Committee assists the Board in overseeing the review of proposed new product launches on the Exchange, and approves these applications before they are submitted to the FCA. Specifically, the Product Committee approves the "Product Paper" which includes:

- (a) the business rationale for listing a new asset class or contract;
- (b) recognition requirements analysis;
- (c) contract specifications and more generally rules;
- (d) financial projections and impact;
- (e) ancillary arrangements such as incentive schemes and block trading proposals;
- (f) any material FCA guidance where relevant; and
- (g) information in relation to significant legislative or regulatory issues impacting the proposal.

In order to carry out its duties, the committee is authorized to call any member of the Senior Management Team, or Product Team, to be questioned regarding a proposed product; seek applicable information from any employee on the Exchange; or obtain outside legal or professional on matters relevant to its duties. The committee must be composed of two independent directors and two executive directors, one or whom serves as Chairman. The Terms of Reference for the Product Committee is attached at Exhibit A-2(2).

⁵ In accordance with Exchange Rule 8.4.3, each Member must, at any time, provide a suitable Representative to serve on the Disciplinary Panel should the Exchange so request.

(2) Process by which the Exchange ensures that potential governing board and committee members/other participants meet its standards

The Exchange has in place detailed arrangements and procedures to ensure that it only appoints individuals as directors (and other staff) who are honest and demonstrate high standards of integrity. For instance, the Exchange checks, as part of the recruitment process, that any potential employees or directors are fit and proper to perform the relevant role on criteria based substantially on the FCA's procedures contained within the APER and FIT sourcebooks.

The Exchange also utilizes the CME Group's internal pre-employment screening procedure which sets out procedures which should be followed before any prospective employee or director may be: (a) interviewed for a vacant position; or (b) offered a vacant position within a group company. These screening procedures include background and suitability checks which are carried out on candidates after the point an offer is made. Therefore, any offer made to a prospective candidate is conditioned upon a satisfactory report from the employee pre-screening process. In the event of receipt of any adverse information in relation to any prospective candidate, arising as a result of the employee pre-screening procedure, the Exchange may decide not to proceed with the appointment. For example, any instance of financial malfeasance or instances of dishonesty identified by the screening process would be an indication that a candidate was not suitable for a position within the Exchange.⁶

The Board also continues to monitor its directors' compliance with the composition and fitness requirements, including through the conflicts of interest policies described below.

(3) Provisions to minimize and resolve conflicts of interest

The Board as a whole, and in particular the INEDs, plays an important role in monitoring conflicts of interest at the Board level. Further, as described below, the Exchange relies on the force of company law and internal policies, including responsibilities delegated to the CRSO, to ensure the proper handling of potential conflicts of interest.

Relevant laws

The Exchange holds directors to the duties designated under English law principles of equity and common law, including the duty to: (a) exercise skill and care; (b) act in good faith in the best interests of the company; (c) act within the powers conferred by the company's Memorandum and Articles of Association and to exercise powers for proper purposes; (d) not to fetter discretion; (e) avoid conflicting interests and conflicting duties; and (f) not to make a secret profit. In accordance with English law, the Exchange makes no distinction between duties owed by executive and non-executive directors.

Moreover, the Exchange holds directors to the requirements of the Companies Act 2006 ("CA 2006"), which contains duties applicable to executive and nonexecutive directors that largely replace the common law duties set out above. For instance, section 176 of the CA 2006, mandates that directors must not accept any benefit (including a bribe) from a third party which is conferred because of his being a director or his doing or not doing anything as a director.

⁶ This decision will be made by the Exchange with input from CME Group human resources and other staff as necessary.

Also, under section 177, directors must declare to other directors the nature and extent of any interest, direct or indirect, in a proposed transaction or arrangement with the company.⁷

Internal Procedures

In keeping with the laws described above, the Exchange has established several policies and procedures to detect and mitigate potential conflicts of interest.

Conflicts of Interest Policy for Directors (and other Employees) / Role of the CRSO

Directors (and other staff) are obliged at all times to comply with the Exchange’s Conflicts of Interest Policy which sets out the need for prompt disclosure of a conflict of interest to the CRSO. The Chief of Regulation and Surveillance Officer (“CRSO”) is responsible for dealing with the conflict and setting out procedures by which the conflict is managed; liaising, as appropriate, with the Legal Department and the CEO. Additionally, the CRSO assesses each such conflict on a case-by-case basis and put into place appropriate controls to ensure that, where necessary, conflicted directors are excluded from the decision making process and from receiving information in relation to which the conflict would be relevant.

When escalating conflicts of interest, the policy dictates that employees and directors should contact the CRSO, in relation to the conflict, in the first instance, including the following information: (a) name, position and role; (b) names of the parties involved or potentially involved; and (c) the type of conflict and how the employee obtained this information. The CRSO reports conflicts to the Board either in person or through a Board member as they arise, alerting the Board to any potential or actual problems raised by the conflict situation(s).⁸

Internal Procedures for Addressing Potential Conflicts of Interest of Directors

Additionally, the table below reflects the Exchange’s assessment of potential conflicts of interest that may arise among directors and indicates the mitigating actions the Exchange would take to manage such conflicts and reduce the risks they may pose:

<u>Person/Entity</u>	<u>Possible conflicts of interest</u>	<u>Mitigating action taken by the Exchange</u>
Key individuals e.g., Senior Management Team and	Key Individuals may also hold roles and responsibilities at other companies/organizations,	The Exchange’s Articles of Association set out restrictions on and

⁷ According to this provision, the director need not be a party to the transaction for the duty to apply; an interest of another person in a contract with the company may require the director to make a disclosure under this duty, if the other person’s interest amounts to a direct or indirect interest on the part of the director. The declaration must be made before the company enters into the transaction or arrangement.

⁸ The Exchange keeps full records of any conflicts of interest including any actions taken surrounding them. The CRSO, in conjunction with the Company Secretary, is responsible for maintaining such records, identifying conflicts and ensuring compliance by the Board and employees of the Exchange with the Conflicts of Interest Policy.

<p>directors of the Exchange</p>	<p>including other CME Group companies. The duties which the key individuals owe to the Exchange may conflict with those owed to other companies/organizations. For example where a director of the Exchange is also a director of a company providing services to the Exchange under the outsourcing arrangements.</p>	<p>procedures for dealing with conflicts of interest at Board level, for example, by setting out circumstances in which a director is required to disclose to the Board his or her interest in a transaction or matter. In practice where a director is conflicted they will not participate in the relevant decisions of the Board.</p> <p>The number and type of directors on the Board are such as to ensure that in the event of a number of directors being conflicted and unable to vote on certain matters the Board will still be quorate and have sufficient competence and expertise to discharge its decision making functions. The Board will allocate responsibility for decisions so that it can continue to take proper decisions notwithstanding any conflicts of interest.</p> <p>Article 16.7 prevents a director from voting on or agreeing to a proposal relating to his own appointment or employment by the Exchange.</p> <p>All directors are subject to the duties in the CA 2006.</p> <p>The Risk and Audit Committee will be comprised of INEDs to ensure it is not compromised by conflicts of interest.</p>
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<p>Directors and employees of the Exchange</p>	<p>Directors and employees may use information gained as a result of their duties at the Exchange to influence their own trading decisions.</p> <p>Directors and employees could undertake a personal account transactions using confidential information relating to Transactions executed on the Exchange or to the Members.</p> <p>Directors and employees may misuse data related to Members held at the Exchange.</p> <p>Directors and employees may be influenced in the exercise of their duties by gifts and entertainment by external bodies e.g. services providers.</p> <p>Directors and employees may seek to hold positions, such as directorships, outside of the Exchange.</p> <p>Directors and employees or someone connected to them may have a financial interest in another business, e.g. they may own a significant stake in a company that competes with or does business with the Exchange.</p>	<p>All directors and employees are subject to the Conflicts of Interest Policy.</p> <p>All directors and employees will be subject to the Personal Account Dealing Policy.</p> <p>All directors and employees will be subject to the Confidentiality Policy.</p> <p>All directors and employees will be subject to the Gifts and Entertainment Policy.</p> <p>The standard Exchange employment contract (which applies to all directors and employees, including executive directors) requires directors and employees to obtain written consent from the Exchange to be directly or indirectly employed by, concerned with or provide services to another business or organization. It also requires directors and employees to disclose full details of any existing or potential conflicts, including those concerning their immediate relatives.</p>
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The Company Secretary and the Board are responsible for identifying and managing conflicts at the Board level. The Exchange ensures that individuals who may have a permanent conflict of interest in certain circumstances are excluded from the process of decision making and receiving information in relation to such matters in which that conflict would be relevant. For example, a director who has a permanent conflict of interest – such as the NED who is employed by CME Inc. in relation to decisions regarding the provision of outsourced services by

CME Inc. – does not, in practice, participate in any decisions where they are conflicted.² Also, no person may sit on a Disciplinary Panel who: (a) is a Member who is subject to the matter being heard by the panel or related proceedings; (b) has a personal or financial interest in the matter; or (c) has been involved in any investigation or previous Disciplinary Panel regarding the same matter. The Exchange also follows the provisions in the CA 2006 and the Articles of Association each regarding circumstances under which withdrawal of the individual from the decision-taking process or other applicable measures would be necessary in the case of a director with a conflict of interest in relation to certain matters.

Internal Procedures regarding INEDs and NEDs

The INEDs are independent of the Exchange and CME Group, however the INEDs may have other interests outside their obligations to the Exchange. When acting as directors of the Exchange, the INEDs are subject to the same requirements in relation to conflicts of interest as the other directors.

NEDs also have roles and responsibilities outside of the Exchange, in particular with other CME Group entities. This is a potential source of conflicts of interest, where, for example, the Board is required to make a decision in which the interests of the Exchange may conflict with the interests of other CME Group entities. As noted above, when acting in their capacity as directors of the Exchange, NEDs are obliged to act in accordance with the Articles of Association, the provisions of CA 2006 and the Conflicts of Interest Policy.

To further assist in the proper handling of potential conflicts of interest, the NED letters of appointment include the following clause:

You shall not except with the prior sanction of a resolution of the Board during the period of this Appointment directly or indirectly (i) be engaged in, or (ii) be employed by, or (iii) hold any directorship or other office in, or (iv) hold shares in, or (v) have any other interest in any company, firm, or other business entity which is the same as, or similar to, the business of (a) the Company or (b) any Group Company in respect of which you have access to confidential information and trade secrets. This shall not prevent you from holding up to 2 per cent of shares in such a company listed on a recognised stock exchange.

You confirm that you have disclosed fully to the Company all circumstances in respect of which there is, or there might be, a conflict of interest between the Company or any Group Company, and you agree to disclose fully to the Company any such circumstances which may arise during the Appointment.

² In certain circumstances, a general disclosure of conflicts of interest in advance of any particular instance in which a conflict of interest arises may be sufficient. For example, this could be the case where a director has a permanent outside interest in a particular company and this interest is disclosed in accordance with the CA 2006 and the Articles of Association. However, the effectiveness of any advance disclosure in managing a conflict will be considered on an individual basis by the CRSO and the Company Secretary, assisted as required by the CEO. It is also possible that there may be circumstances where it would be appropriate for a director not to participate in a decision on the basis of a conflict of interest without explaining the full reasons, for example, where disclosure of the full reasons would create additional conflicts of interest for the other directors or where such disclosure might constitute a breach of Applicable Law.

This clause ensures that NEDs must disclose any potential conflicts to the Board. Where the NEDs are conflicted, they may not be eligible to vote on the relevant matter in accordance with the Articles of Association.

Board Committees

The Exchange's committees also have individual conflicts of interest policies.

Risk and Audit Committee

The Terms of Reference of the Risk and Audit Committee require that the committee monitor and manage, with input from the Senior Management Team, conflicts of interest that may arise as a result of: (a) its dual responsibilities for monitoring internal risk controls and financial integrity; and (b) interaction between the operations of the internal Audit Department and the Risk Function. The Terms of Reference also stipulate that if a conflict of interest does arise, the must Committee immediately report the conflict to the Board.

Disciplinary Panel

The Terms of Reference of the Disciplinary Panel have several provisions to prevent and detect conflicts of interest. First, the following cannot sit on the Disciplinary Panel: (a) Members subject to the disciplinary proceedings to be heard by a Disciplinary Panel, or any other related disciplinary proceedings, nor any of their Affiliates, Representatives or Customers; (b) any person with a personal or financial interest in the disciplinary matter at issue; or (c) anyone who has been involved in any investigation into, or previous Disciplinary Panel hearing on, the matter under consideration. Second, the Member alleged to have committed the breach, which the Disciplinary Panel is reviewing, may object to any particular appointment to the Disciplinary Panel. Such objection will be determined by the Chairman of the Disciplinary Panel (in the event that the objection is in relation to the chairman of the Disciplinary Panel, the Chairman of the Board of the Exchange). And last, if a member of a panel acquires a personal or financial interest in the outcome of a matter, the Chairman of the Panel (or Chairman of the Exchange if the Chairman of the Panel has the interest) can: (a) direct the panel to act absent the affected member; (b) appoint another person to take the affected member's place; or (c) convene a new panel to re-hear the matter. The Terms of Reference of the Disciplinary Panel are attached as Exhibit A-2(3).

The Emergency and Product Committee

The Product and Emergency Committees are obligated to monitor and manage conflicts of interest, with input from the Senior Management Team, and report all conflicts that may arise to the Board.

(4) Rules regarding disclosure of material non-public information

The Exchange has systems and controls in place to ensure that confidential information is only used for proper purposes. The Exchange also relies on monitoring and contractual requirements to ensure directors (and employees) keep confidential any information relating to the Exchange, its Members and its business.

First, as part of their employment contracts, Exchange directors enter into a Confidentiality, Non-Competition and Non-Solicitation Agreement, which obliges them to keep confidential information received during the course of their employment confidential.

Further, in regard to NEDs, their letter of appointment requires that they neither – during the term of their appointment nor at any other time after the cessation of their appointment – directly or indirectly use or disclose to any person, company, business entity or other organization any confidential information relating or belonging to the Exchange or CME Group companies, including:

- (a) information relating to any customer;
- (b) business plans or dealing information;
- (c) employee or officer information;
- (d) financial information and plans; or
- (e) any information which has been given to the Exchange or any CME Group company in confidence by any customer, supplier, or other person.

The Exchange also complies with the statutory provisions related to the disclosure of confidential information under the FSMA and under the Financial Services and Markets Act 2000 (Disclosure of Confidential Information) Regulations 2001.

FORM FBOT—EXHIBIT E-1

Request:

Attach, as Exhibit E-1, a description of the terms and conditions of futures, options, or swap contracts intended to be made available for direct access. With respect to each contract, indicate whether the contract is regulated or otherwise treated as a futures, option, or swap contract in the regulatory regime(s) of the foreign board of trade's home country.

Response:

The Exchange intends to make two biodiesel futures available for direct access to U.S. persons. These Contracts are considered “futures” under English law. The terms and conditions of these Contracts are described below (and further description of the terms and conditions appear in Exhibit E-4). Further, as described in Exhibit E-2, these contracts are not prohibited from being traded by U.S. persons as they are not security futures, i.e., single stock contracts or narrow-based index contracts. Further, as noted in Exhibit E-3 contracts are required to be cleared.

As described in Exhibit E-4, the contracts are not considered to be “linked contracts.” As described in Exhibit E-5, the Contracts could be considered as having a relationship with contracts listed for trading on a registered entity, because they are based on the same reference prices as certain New York Mercantile Exchange (“NYMEX”) contracts. However, as explained in greater detail in Exhibit E-5, the contracts are cash-settled to a spread of prices generated by an independent third party and settlement prices of a regulated U.K. futures exchange. In light of the regulated nature of trading on ICE Futures, the independence of the third-party price generator, and the fact that the contract is a spread between the two, the Exchange believes that no additional conditions are necessary. This conclusion is further supported by the fact that NYMEX, which has self-regulatory obligations regarding the prevention of market manipulation has traded the contract without incident, and is an affiliate of the Exchange, leading for the possible sharing of expertise with regard to surveillance of the contract. Moreover, the Commission and U.K. regulatory authorities have a demonstrated record of cooperation in addressing possible market abuse situations. And last, as described in Exhibit E-6, these contracts are not readily susceptible to manipulation for a number of reasons, including that the markets underlying them are deep and liquid, and the reference prices, on which they are based, are reliable and transparent.

The two biodiesel spread calendar futures are:

- (a) European FAME 0 Biodiesel fob ARA (RED Compliant¹) (Argus) vs. European Gasoil (ICE) Spread Calendar Future; and

¹ The EU's Directive 2009/28/EC of 23 April 2009 on the promotion of the use of energy from renewable sources, commonly referred to as the Renewable Energy Directive, established sustainability criteria against which biofuel production has to comply in order for it to count towards meeting a country's renewable energy target. Biofuels which meet these criteria are referred to in the market as being 'RED' compliant.

(b) European RME Biodiesel fob ARA (RED Compliant) (Argus) vs. European Gasoil (ICE) Spread Calendar Future.

They are both cash-settled against price references determined by Argus Media.² The first contract, the “European FAME 0 Biodiesel fob ARA (RED Compliant) (Argus) vs. European Gasoil (ICE) Spread Calendar Future” is a cash-settled future referencing Argus Media RED Compliant FAME 0°C fob ARA price assessment and the ICE Gasoil Futures and Low Sulphur Gasoil Future contracts. This contract is based on Argus Media’s price for a generic product fatty acid methyl ester (FAME), which is a biodiesel produced from virgin vegetable oil. Argus Media publishes assessments for FAME at two cold filter plugging points: 0°C and -10°C; the contract references the former.

The second contract, the “European RME Biodiesel fob ARA (RED Compliant) (Argus) vs. European Gasoil (ICE) Spread Calendar Future,” is a cash-settled future referencing the Argus Media RED Compliant RME fob ARA price assessment and the ICE Gasoil Futures and Low Sulphur Gasoil Future contracts. This contract’s underlying commodity is a biodiesel produced from rapeseed oil (rapeseed methyl ester, or RME).

While Argus Media publishes assessments of the outright price for various types of biodiesel, in practice, biodiesel is frequently priced at a differential to the gasoil futures contract traded on ICE Futures Europe, which is a benchmark reference in the European refined oil markets. Thus, the Exchange’s two biodiesel contracts represent the price differential of biodiesel to gasoil, rather than the outright prices for biodiesel.³ Further description of Argus Media’s methodology, and why these contracts are not susceptible to manipulation, appears in Exhibit E-6.

Terms & Conditions of Biodiesel Contracts

The terms and conditions of the two biodiesel contracts – including the contract size, contract months, trading hours, pricing, settlement price calculation, and trading hours – appear below.

Contract Name	<i>European FAME 0 Biodiesel fob ARA (RED Compliant) (Argus) vs. European Gasoil (ICE) Spread Calendar Future</i>	<i>European RME Biodiesel fob ARA (RED Compliant) (Argus) vs. European Gasoil (ICE) Spread Calendar Future</i>
Description	Cash settled contract referencing the Argus Media RED Compliant FAME 0°C fob ARA price assessment and the ICE Gasoil Futures and Low Sulphur Gasoil Future contracts.	Cash settled contract referencing the Argus Media RED Compliant RME biodiesel fob ARA price assessment and the ICE Gasoil Futures and Low Sulphur Gasoil Futures contracts.

² As noted above, Argus Media is a major pricing service that is used in the OTC market for pricing long-term physical transactions and swap contracts whose methodology, including telephone surveys and electronic data, are well-known in the biodiesel industry and reflect the input of multiple market participants.

³ Biodiesel price assessments are provided by other price reporting agencies, including Platts and ICIS, but the Argus Media price assessments being used by CME Europe represent the main benchmark used by the industry in these markets.

Rulebook Chapter	B03B	B04B
Contract Size	100 metric tons.	
Contract Months	Consecutive calendar months for the balance of the current calendar year and, thereafter, consecutive calendar months for one additional full calendar year.	
Quotation	Quoted in U.S. Dollars and cents per metric ton.	
Minimum Price Fluctuation ⁴ (and Tick Value)	Quoted in multiples of \$0.001 per metric ton (\$0.10 per Contract). The minimum final settlement is \$0.001 per metric ton (\$0.10 per Contract).	
Daily Settlement	Settlement prices established at 17:30 hours London time. ⁵	
Last Trading Day	Trading terminates on the last Business Day of the Contract month at 17:30 hours London time.	
Contract Settlement	Financial Settlement.	
Final Settlement Price	The Final Settlement Price shall be equal to the floating price. (Described further below.)	
Trading Hours	CME Globex: Sunday – Friday 23:00 hours – 22:15 hours London time. Friday close at 22:15 hours and reopens at 23:00 hours London time on Sunday. CME ClearPort: Sunday – Friday 23:00 hours – 22:15 hours London time. Friday close at 22:15 hours and reopens at 23:00 hours London time on Sunday.	
Block Trade	ten (10). ⁶ (Described further below.)	
Exchange for Related Positions (EFRPs)	Allowed. ⁷	
Matching Algorithm	First In, First Out (“FIFO”). FIFO fills orders on a strict price and time priority. The first order at a price level is the first order matched. Orders will lose their priority and be re-queued if users increase quantity, change price or change account number. ⁸	

⁴ Exchange Rule 6.1.5 notes that the “Exchange may impose minimum and maximum price fluctuations in respect of any Product [and that such] limits are set out in the Contract Specifications.”

⁵ Exchange Rule 6.2.2 provides that the “Exchange shall implement such procedures as it deems appropriate for determination of the Settlement Price and which are set out in the Trading Procedure.” Further detail on the calculation of the Settlement Price can be found at Section 3 of the Trading Procedure, located within the Exchange Procedures, in Exhibit A-6(2).

⁶ The Exchanges rules for block trades appear in Rule 6.14, in Exhibit A-6(1).

⁷ The Exchange’s rules for EFRPs appear in Rule 6.15, in Exhibit A-6(1).

⁸ The Exchange’s rule on Globex transaction matching algorithms appears in Rule 6.7, in Exhibit A-6(1).

Final Settlement

Determination of Final Settlement Price

For Contract months up to, and including, December 2014, except as noted below, the Final Settlement Price is equal to:

- (a) the arithmetic average of the midpoint between the high and low quotations published on a daily basis by Argus Media – for “RED Compliant FAME 0 fob ARA” or “RED Compliant RME fob ARA,” respectively – for each Business Day that it is determined during the Contract month,
- (b) minus the arithmetic average of the ICE Gasoil Futures first nearby contract settlement price for each Business Day that it is determined during the Contract month (using non-common pricing).

For Contract months from January 2015 and onwards, except as noted below, the Final Settlement Price is equal to:

- (a) the arithmetic average of the midpoint between the high and low quotations published on a daily basis by Argus Media – for “RED Compliant FAME 0 fob ARA” or “RED Compliant RME fob ARA,” respectively – for each Business Day that it is determined during the Contract month,
- (b) minus the arithmetic average of the ICE Low Sulphur Gasoil Futures first nearby contract settlement price for each Business Day that it is determined during the Contract month (using non-common pricing).

The Exchange uses the settlement prices of the first nearby ICE Gasoil Futures Contract month or first nearby ICE Low Sulphur Gasoil Futures Contract month, as appropriate, except on the last day of trading for the expiring gasoil futures contract when it uses the settlement prices of the second nearby ICE Gasoil Futures Contract month or second nearby ICE Low Sulphur Gasoil Futures Contract month, as appropriate.

Cash Settlement Procedure

Open positions outstanding at the close of trading on the last trading day are performed by cash settlement. Where the Final Settlement Price exceeds the transaction price, a buyer of the *respective contract* – i.e., European FAME 0 Biodiesel fob ARA (RED Compliant) (Argus) vs. European Gasoil (ICE) Spread Calendar future, or European RME Biodiesel fob ARA (RED Compliant) (Argus) vs. European Gasoil (ICE) Spread Calendar future) – receives, from the Clearing House, the difference between the final settlement price and the transaction price, multiplied by the Contract size. If, however, the transaction price exceeds the Final Settlement Price, the buyer pays that difference.

Regarding the Seller, where the final settlement price exceeds the transaction price, the seller of the respective contract pays to the Clearing House the difference between the final settlement price and the transaction price, multiplied by the Contract size. And conversely, if the transaction price exceeds the final settlement price, the seller receives that difference.

Minimum Block Sizes

The block trade sizes that the Exchange sets for its biodiesel products are consistent with the minimum block trade volumes of NYMEX and other exchanges. Moreover, reflecting the hedging nature of these markets, many energy markets, such as the proposed biodiesel contracts, trade in strips of multiple delivery months – typically in three-month strips of calendar quarters, or twelve month strips of calendar years. In respect of block trades on competing exchanges, it has become the practice to consider the aggregate volume of all legs of such trades when assessing the minimum block trade threshold.² (This differs from the practice of futures markets in financial products where more usually each leg of a strategy trade is expected to meet the minimum block trade threshold.) The Exchange follows this energy industry practice.

² Thus, for example, a calendar year trade of 10 lots per month would have a volume of 120 lots, which is the figure that is assessed against the minimum block trade threshold. Examples of such Exchange rules which describe the aggregation of volume can be found at <https://www.theice.com/publicdocs/circulars/13159%20attach.pdf> for ICE Futures Europe, and at <http://www.cmegroup.com/rulebook/files/nymex-comex-ra1324-4.pdf> for NYMEX.

FORM FBOT —EXHIBIT E-2

Request:

As Exhibit E–2, demonstrate that the contracts are not prohibited from being traded by United States persons, i.e., the contracts are not prohibited security futures or single stock contracts or narrow-based index contracts. For non-narrow based stock index futures contracts, demonstrate that the contracts have received Commission certification pursuant to the procedures set forth in § 30.13 and Appendix D to part 30 of this chapter.

Response:

The two biodiesel futures included in this application are not security futures. As described in Exhibit E-1, they are both cash-settled contracts on a physical commodity.

FORM FBOT—EXHIBIT E-3

Request:

As Exhibit E-3, demonstrate that the contracts are required to be cleared.

Response:

All contracts traded on the Exchange are required to be cleared. The Exchange follows the English style of clearing wherein all transactions are between the Clearing Members as principal. A transaction involving a non-clearing member results under Rule 5.1.3 in a principal-to-principal transaction between Clearing Members and a “Back-Off Transaction” between a Clearing Member and the Non-Clearing Member.¹ Specifically, Exchange Rule 5.2.1 requires that transactions on the Exchange may only be entered into by clearing members.² Thus, under Exchange Rule 5.1.1, when orders are matched on the Globex Platform, a transaction is formed between the Clearing Members (or the persons responsible for the relevant order pursuant to the Exchange Rules). The transaction is then immediately discharged by novation to the Clearing House,³ so that a Contract is formed between each Clearing Member and the Clearing House. As such:

- (a) the Clearing House assumes, for one Contract, the position of seller to the buyer and, for the other Contract, the position of buyer to the seller, in each case in respect of the Transaction;
- (b) the Clearing House assumes all the rights and is subject to all the liabilities of each Clearing Member which was, or was deemed to be, party to the transaction with respect to such Contract; and
- (c) each Clearing Member which has, or is deemed to have, any rights or obligations under the transaction are released and discharged from all such rights and liabilities.⁴

Block trades and EFRPs must be manually submitted to the Clearing House through either the Front End Clearing or ClearPort system. Such transactions are therefore novated on receipt of the Transaction by the Clearing House’s systems.⁵

¹ It should be noted that although this differs somewhat from the U.S. style of clearing in which the Clearing Member acts as agent and guarantee for its customer, this difference has not been a consideration in recognizing and permitting direct access from the U.S. to U.K. FBOTs. See, e.g., CFTC No-action Letter 01-11 (March 12, 2001) at <http://www.cftc.gov/files/tm/letters/01letters/tm01-11.pdf> granting no-action relief to the LME. no-action. Commission has permitted U.K. FBOTs to qualify for no-action and now FBOT registration issued no-action, which

² Further, Each Clearing Member shall be party to and liable as principal in respect of each transaction it enters into, regardless of whether it is acting on its own behalf or on behalf of a Non-Clearing Member or a Customer. Each Clearing Member is party to, and liable as principal in respect of, each Back-Off Transaction it enters into. Exchange Rule 5.2.3-4.

³ CME Clearing Europe Limited. The Exchange appointed the Clearing House to clear Transactions executed on the Exchange under the Clearing Services Agreement (*see* Exhibit A-3(2)). The services which the Clearing House will provide are set out in Schedule 1 to the Clearing Services Agreement.

⁴ Exchange Rule 5.1.2.

⁵ The novation process means that once the two Contracts are formed, the transaction no longer exists. The Contract becomes subject to the Clearing House Rules immediately on its formation but it also remains subject to the Exchange Rules in that its terms incorporate the relevant Contract specifications and it is technically a Market Contract in respect of the Exchange, though Exchange Rule 7.1.2 would mean that the Clearing House Default Rules take precedence over it. Exchange Rule 5.1.2.

FORM FBOT—EXHIBIT E-4

Request:

As Exhibit E-4, identify any contracts that are linked to a contract listed for trading on a United States-registered entity, as defined in section 1a(40) of the Act. A linked contract is a contract that settles against any price (including the daily or final settlement price) of one or more contracts listed for trading on such registered entity.

Response:

The Exchange does not list any “linked contracts” for trading through direct access as defined in Commission Rule 48.2. As noted above, Commission Rule 48.2 defines a “linked contract” as a contract that “settles against any price (including the daily or final settlement price) of one or more contracts listed for trading on a registered entity.” “Registered entities” include designated contract markets, derivatives clearing organizations, swap execution facilities, swap data depositories and electronic facilities on which a significant price discovery contract is traded.

As discussed in Exhibit E-1, prices of the two biodiesel futures included in this application do not settle against the daily or final settlement price of a registered entity. Although they do include settlement prices of ICE Futures Europe in their settlement calculation, ICE Futures Europe is not a registered entity.

FORM FBOT—EXHIBIT E-5

Request:

As Exhibit E-5, identify any contracts that have any other relationship with a contract listed for trading on a registered entity, i.e., both the foreign board of trade’s and the registered entity’s contract settle to the price of the same third party-constructed index.

Response:

As described in Exhibit E-1, the Exchange intends to make two biodiesel contracts (collectively, the “Contracts”) available for direct access to U.S. persons. As noted in Exhibit E-4, these are not “linked contracts,” as their settlement is not based on the price of any contract traded on a “registered entity” as that term is defined in section 1a(40) of the Act. However, the Exchange contracts could be seen as having a relationship with those of a registered entity because they are independently based on the same reference prices as certain NYMEX contracts.¹

NYMEX Contract	CME Europe Contract
RME Biodiesel FOB Rdam (Argus) (RED Compliant) vs. Gasoil Futures	European RME Biodiesel fob ARA (RED Compliant) (Argus) vs. European Gasoil (ICE) Spread Calendar Future
FAME 0 Biodiesel FOB Rdam (Argus) (RED Compliant) vs. Gasoil Futures	European FAME 0 Biodiesel fob ARA (RED Compliant) (Argus) vs. European Gasoil (ICE) Spread Calendar Future

The Commission need not impose any additional conditions to “carry out its market surveillance responsibilities”² however, for a number of reasons. First, as described in Exhibit E-6, both legs of the Contracts, the Argus Media price assessments and the ICE Futures Gasoil prices, are generated by independent third-parties. Argus Media is a major pricing service that is widely used in the over-the-counter (“OTC”) market for pricing long-term physical transactions and swap contracts, with a methodology that is reliable, transparent, and well-known in the biodiesel industry. And ICE Futures Europe is a non-U.S. futures exchange that is subject to regulation (under the Financial Services and Markets Act 2000), and oversight (by the UK Financial Conduct Authority), which ensures that it meets its regulatory requirements to detect and prevent market abuse. (Please refer to Exhibit E-6 for a comprehensive discussion of the reliability of the prices generated by Argus Media and ICE Futures Europe.)

¹ Description of contracts *available at* <http://www.cmegroup.com/trading/energy/>.

² *Id.* (“With respect to these types of contracts [i.e., contracts that have any other relationship with a contract listed for trading with a registered entity], as with all conditions of registration, the final rule provides that the Commission, in its discretion and after appropriate notice and opportunity to respond, may impose additional conditions on the registered FBOT. Such additional conditions would be imposed if deemed necessary by the Commission to maintain its ability to carry out its market surveillance responsibilities when faced with contract relationships that essentially create a single market for the contracts listed by the FBOT and the registered entity and could include, among others, the conditions applicable to the listing of a linked contract.”)

Second, NYMEX, as a designated contract market, is obligated to monitor its market for the prevention of manipulation and other disruptive market conditions and to carry out an effective program for conducting surveillance and real-time monitoring of its market.³ Trading of the Exchange contracts will not have a material adverse effect on NYMEX's (or the Commission's) ability to discharge its obligations under the Act relating to these market surveillance, or any other, regulatory functions.

Finally, to the extent that there is any need to coordinate regulatory actions relating to the NYMEX and the Exchange contracts, there is a strong cooperative relationship between the Commission and U.K. regulators. Any information that the Commission may require from the Exchange can be accessed under the Commission's Memorandum of Understanding ("MOU") with UK authorities, including the Financial Conduct Authority ("FCA").⁴

Thus as a result of (a) the independence and reliability of the cash price legs of the contract due to their determination by an independent third party price generator and a third party futures exchange respectively; (b) the fact that trading of the contract by the Exchange will not have a material adverse effect on NYMEX's effective market surveillance, and (c) the strong cooperative relationship with U.K. authorities if coordination in the future were to become necessary or advisable, no special conditions are required to be placed on the Exchange with respect to these contracts.

³ "Core Principles and Other Requirements for Designated Contract Markets; Final Rule," 36612, 36702 (June 19, 2012).

⁴The MOU provides for mutual assistance by the Commission and the FCA, by:

- (a) Providing access to information in the files of the requested Authority;
- (b) Questioning or taking testimony of persons designated by the requesting Authority;
- (c) Obtaining specified information and documents from persons;
- (d) Conducting compliance inspections or examinations of Investment or Futures Businesses; and

Permitting the representative of the requesting Authority to participate in the conduct of the enquiries made by the requested Authority. See, United Kingdom: Department of Trade and Industry (DTI), Securities and Investments Board (SIB) (now Financial Conduct Authority (FCA)). "Memorandum of Understanding on Mutual Assistance and Exchange of Information, concluded jointly with the U.S. Securities and Exchange Commission, September 25, 1991," available at <http://www.cftc.gov/ucm/groups/public/@internationalaffairs/documents/file/ukfsa91.pdf>.

FORM FBOT—EXHIBIT E-6

Request:

As Exhibit E-6, demonstrate that the contracts are not readily susceptible to manipulation. In addition, for each contract to be listed, describe each investigation, action, proceeding or case involving manipulation and involving such contract in the three years preceding the application date, whether initiated by the foreign board of trade, a regulatory or self-regulatory authority or agency or other government or prosecutorial agency. For each such action, proceeding or case, describe the alleged manipulative activity and the current status or resolution thereof.

Response:

I. Biodiesel Futures

As noted in Exhibit E-1, the two biodiesel spread calendar futures (“Contracts”) are:

- (a) European FAME 0 Biodiesel fob ARA (RED Compliant) (Argus) vs. European Gasoil (ICE) Spread Calendar Future; and
- (b) European RME Biodiesel fob ARA (RED Compliant) (Argus) vs. European Gasoil (ICE) Spread Calendar Future.

Both Contracts are cash-settled spread contracts; one leg is a price assessment determined by Argus Media (“Argus”) -- European FAME 0 Biodiesel fob ARA (RED Compliant) and European RME Biodiesel fob ARA (RED Compliant), respectively. The other leg is the price of ICE Futures Europe’s European Gasoil Futures.

Description of the Contracts

Biodiesel is produced by a chemical transformation of vegetable or animal fats, and thus has a number of feedstocks, the principal being vegetable oil, with rapeseed oil, soybean oil and palm oil being the main sources. While Argus Media publishes assessments of the outright price for various types of biodiesel, in practice, biodiesel is frequently priced at a differential to the gasoil futures contract traded on ICE Futures Europe, which is a benchmark reference in the European refined oil markets. Thus, the Exchange’s two biodiesel contracts represent the price differential of biodiesel to gasoil, rather than the outright prices for biodiesel.¹

European FAME 0 Biodiesel fob ARA (RED Compliant) (Argus) vs. European Gasoil (ICE) Spread Calendar Future

The “European FAME 0 Biodiesel fob ARA (RED Compliant) (Argus) vs. European Gasoil (ICE) Spread Calendar future” is a cash-settled future referencing Argus Media RED Compliant FAME 0°C fob ARA price assessment and the ICE Gasoil Futures and Low Sulphur

¹ Biodiesel price assessments are provided by other price reporting agencies, including Platts and ICIS, but the Argus Media price assessments being used by CME Europe represent the main benchmark used by the industry in these markets.

Gasoil Future contracts. This contract is based on Argus Media's price for a generic product fatty acid methyl ester (FAME), which is a biodiesel produced from virgin vegetable oil. Argus Media publishes assessments for FAME at two cold filter plugging points: 0°C and -10°C; the contract references the former.

This biofuel is "RED compliant," which means that it meets the sustainability criteria against which biofuel production has to comply in order for it to count towards meeting a country's renewable energy target, as defined in the EU's Directive 2009/28/EC of 23 April 2009 on the promotion of the use of energy from renewable sources, commonly referred to as the Renewable Energy Directive. Argus's spot price assessments have the following characteristics:

- (a) Refers to FAME meeting EN14214 specifications, made from virgin vegetable oil, 350ppm water content, with a cold filter plugging point of 0°C;
- (b) Prices are in US dollars/tonne;
- (c) The pricing period is for one to four weeks forward;
- (d) The basis is fob ARA range — including Antwerp, Rotterdam, Amsterdam, Dordrecht, Flushing and Ghent;
- (e) Size is minimum 1,000t, maximum 3,500t;
- (f) Material must be accompanied with RED-compliant certification issued by European Commission-approved auditing body; and
- (g) The assessment time is 1.00pm to 4.30pm London time.²

European RME Biodiesel fob ARA (RED Compliant) (Argus) vs. European Gasoil (ICE) Spread Calendar Future

The European RME Biodiesel fob ARA (RED Compliant) (Argus) vs. European Gasoil (ICE) Spread Calendar Future is cash-settled, referencing the Argus Media RED Compliant RME fob ARA price assessment and the ICE Gasoil Futures and Low Sulphur Gasoil Future contracts. This contract's underlying commodity is a biodiesel produced from rapeseed oil (rapeseed methyl ester, or RME), RED rapeseed OME fob ARA range. Argus's spot price assessments have the following characteristics:

- (a) Refers to rapeseed oil methyl ester, with cold filter plugging point -12°C and 300ppm water content;
- (b) Prices are in US dollars/tonne;
- (c) The pricing period is for one to four weeks forward;
- (d) The basis is fob ARA range — including Antwerp, Rotterdam, Amsterdam, Dordrecht, Flushing and Ghent;
- (e) Size is minimum 1,000t, maximum 3,500t;
- (f) Material must be accompanied with RED-compliant certification issued by European Commission-approved auditing body; and
- (g) The assessment time is 1.00pm to 4.30pm London time.³

² See "Argus Media Biofuels," available at http://media.argusmedia.com/~media/Files/PDFs/Meth/argus_biofuels.pdf.

³ *Id.*

Not Susceptible to Manipulation

These contracts are not susceptible to manipulation for the following reasons: (a) the underlying markets are deep and liquid; (b) both legs of the spread – the Argus price assessment and the ICE Futures Europe contract price – are based on prices that are reliable, transparent, and competitively derived; and (c) data about the price components of the spread Contracts are widely available and timely. Moreover, as spread contracts, it makes it even more difficult to manipulate given that there are independently priced legs that are taken into account in the pricing formula of the contract.

Depth and Liquidity of Market

The development and promotion of renewal energy has been central to European Union (energy policy since the 1990s. Part of this policy is the increased use of the biofuels within road transport fuel. The EU's current targets are for renewable energy to have a 20% share of total EU energy consumption by 2020, and for biofuels to have a 10% share of road transport fuel by 2020. As indicated above, the EU's Directive 2009/28/EC of 23 April 2009 on the promotion of the use of energy from renewable sources,⁴ commonly referred to as the Renewable Energy Directive, established sustainability criteria against which biofuel production has to comply in order for it to count towards meeting a country's renewable energy target (i.e., RED compliant).

There are two main types of liquid biofuel produced, biodiesel and bioethanol. In the EU biodiesel is the major consumed biofuel, with data from Eurostat show that in 2011, gross inland consumption of biodiesel in the EU27 was 12.1 million tons.⁵

Biodiesel is produced and consumed across the EU. Germany and France account for over 50% of production. The top ten producing nations in the EU are⁶:

Country	2011 Production thousand metric tons
Germany	2,870
France	1,819
Spain	679
Italy	591
Netherlands	491
Portugal	366
Poland	285
Belgium	274
Sweden	241
Czech Republic	210

⁴ Available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:140:0016:0062:EN:PDF>.

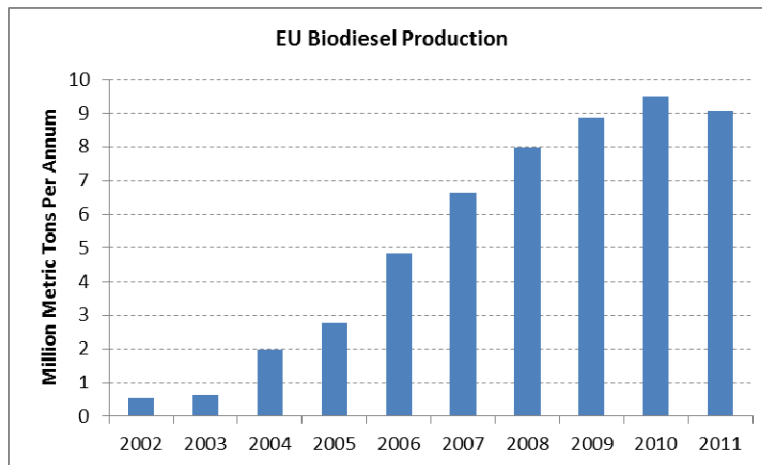
⁵ See Eurostat, Database nrg_1073a, available at http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database.

⁶ *Id.*

The top ten consuming nations in the EU are⁷:

Country	2011 Consumption thousand metric tons
Germany	2,329
France	2,275
Spain	1,668
Italy	1,456
United Kingdom	819
Poland	584
Austria	422
Portugal	343
Belgium	341
Czech Republic	271

Biodiesel production has increased in the past few years. The latest data available data from Eurostat shows the evolution of EU biodiesel production.⁸



Reliability of Both Legs of the Spread

Reliability of Price Assessment

Another factor that indicates that these Biodiesel Contracts are not readily susceptible to manipulation is that the pricing service that provides the pricing assessments upon which they are based –Argus – is a major pricing service that is used in the OTC market for pricing long-term physical transactions and swap contracts, with a methodology that is well-known in the global biodiesel industry. Argus' price assessments are based 50% on a volume-weighted

⁷ *Id.*

⁸ *Id.*

average of deals done, and 50% on a survey of active market participants.⁹ The assessments are derived from information received from a wide cross section of market participants (front and back office), including producers, consumers, exchanges and intermediaries; and reflect a wide range of data, including transactions, bids, offers, volumes, counterparties, specifications and any other information that contributes materially to the determination of price.¹⁰ And in order to be included in the assessment, transaction data must meet the specific currencies, volume units, locations and other particulars, defined by Argus, based on industry conventions.

Argus' methodology includes several steps, including the verification of data. Regarding verification, reporters carefully analyze all data submitted to the price assessment process, and seek to verify the price, the volume, the specifications, location basis, and counterparty. reporters employ "primary" tests to determine whether the following characteristics are present in regard to the transactional data, thereby possibly requiring further scrutiny:

- (a) Transactions are not transacted at arm's length, including deals between related parties or affiliates;
- (b) Transaction prices deviate significantly from the mean of all transactions submitted for that day;
- (c) Transaction prices fall outside of the generally observed lows and highs that operated throughout the trading day;
- (d) Transactions are suspected to be a leg of another transaction or in some way contingent on an unknown transaction;
- (e) Single deal volumes significantly exceed the typical transaction volume for that market;
- (f) Transaction details are identified by other market participants as being, for any reason, potentially anomalous, and perceived by Argus to be as such;
- (g) Transaction details are reported by one counterparty differently than the other counterparty;
- (h) Transaction details appear to the reporter to be illogical, or to stray from the norms of trading behavior; and
- (i) Transactions involve the same counterparties, the same price and delivery dates.

Also, if reporters determine that transactional data should be subject to further scrutiny, they can employ other "secondary" tests including considering the following:

- (a) The impact of linkage of the deal to possible other transactions, such as contingent legs, exchanges, options, swaps, or other derivative instruments (including a review of transactions in markets that the reporter may not be covering);
- (b) The nature of disagreement between counterparties on transactional details;
- (c) The possibility that a deal is directly linked to an offsetting transaction that is not publicly known, for example a "wash trade" which has the purpose of influencing the published price; and

⁹ In the absence of transactions, the assessment will be based on the market survey and the best bids and offers received. In the absence of both transactions and best bids and offers, the assessment will be based on the market survey.

¹⁰ For example, for certain price assessments identified by local management, if more than 50% of the market data involved in arriving at a price assessment is sourced from a single party the supervising editor will engage in an analysis of the market data with the primary reporter to ensure that the quality and integrity of the assessment has not been affected.

- (d) The impact of non-market factors on price or volume, including distressed delivery, credit issues, scheduling issues, demurrage, or containment.¹¹

These well-established and transparent, methods – among others – make it difficult for any one market participant, or group of market participants, to manipulate Argus’ price assessments. Further description Argus’ Methodology for the biodiesel indexes is available in “Argus Media Biofuels.”¹²

Also, specifically regarding the two biofuels futures, Argus commenced publishing assessment on RED compliant biodiesel in October 2011. In accordance with IOSCO’s published Principles for Oil Price Reporting Agencies (published in October 2012), Argus obtained an external audit of its processes by PricewaterhouseCoopers LLP (“PwC”) which expressly included the Argus Media assessments of FAME and RME biodiesel. In that audit, PwC stated “[b]ased on the results of our procedures, nothing has come to our attention to indicate that the Company’s response to the PRA principles ... as at 30 September 2013 is not fairly stated, in all material respects.”¹³

Reliability of ICE Futures Prices

The price that comprises the second leg of the contract, the ICE Futures Europe Gasoil Future, is also reliable because ICE Futures Europe has regulatory requirements that ensure that its prices are transparent and competitive. ICE Futures Europe is a London-based Recognised Investment Exchange (RIE), as defined by the Financial Services and Markets Act 2000, and supervised by the FCA. As an RIE, ICE Futures Europe has several regulatory requirements, including to “tak[e] appropriate measures ... to prevent financial crime, facilitate its detection and monitor its incidence” and devote “adequate resources” to this function.¹⁴ Accordingly, ICE Futures Europe has a Market Supervision division that is responsible for the monitoring and regulation of all trading activity. This division engages in 24-hour surveillance of its markets,

¹¹ See “Argus Media Biofuels,” available at http://media.argusmedia.com/~media/Files/PDFs/Meth/argus_biofuels.pdf.

¹² *Id.*

¹³ The PwC report can be found on the Argus Media website, available at <http://www.argusmedia.com/Audit>.

¹⁴ Financial Services and Markets Act 2000, Chapter 8, Part I states:

- 6.—(1) The reduction of financial crime objective is: reducing the extent to which it is possible for a business carried on— financial crime.
- (a) by a regulated person, or
- (b) in contravention of the general prohibition, to be used for a purpose connected with financial crime.
- (2) In considering that objective the Authority must, in particular, have regard to the desirability of—
- (a) regulated persons being aware of the risk of their businesses being used in connection with the commission of financial crime;
- (b) regulated persons taking appropriate measures (in relation to their administration and employment practices, the conduct of transactions by them and otherwise) to prevent financial crime, facilitate its detection and monitor its incidence;
- (c) regulated persons devoting adequate resources to the matters mentioned in paragraph (b).
- (3) “Financial crime” includes any offence involving—
- (a) fraud or dishonesty;
- (b) misconduct in, or misuse of information relating to, a financial market; or
- (c) handling the proceeds of crime.
- (4) “Offence” includes an act or omission which would be an offence if it had taken place in the United Kingdom.

(5) “Regulated person” means an “authorised person,” an investment exchange or a recognized clearing house.

providing both front-line trading and back office support, and generating daily settlement prices.¹⁵ ICE Futures Europe has also established rules to detect and prevent manipulative market activity.¹⁶ As its primary regulatory, the FCA monitors ICE Futures Europe's adherence to its regulatory requirements. ICE Futures Europe's requirements as an RIE to prevent and detect market abuse, and its robust supervision by the FCA, ensure that the prices of their contracts, including the Gasoil Futures, upon which the Exchange's biodiesel contracts rely, are reliable, transparent and derived through competitive trading. Since both legs of the spread are formed by reliable, transparent pricing, it would be difficult for market participants to manipulate the prices. Moreover, as a spread, any manipulation would be more difficult to achieve because presumably it would require greater effort to influence the price of a spread compared to a single outright contract of the same contract. In the case of a spread, it would be necessary to amplify the movement of one of the legs compared to the other in order to benefit from a manipulated price.

Widely Available Information

Information about these indexes is widely available. During the life of each Contract, the information available from (a) the daily Argus Biofuels and Argus European Products reports, and equivalent publications from other Price Reporting Agencies; (b) pricing published in respect of the ICE Futures Gasoil futures, contracts; and (c) public news feeds regarding the agricultural and petroleum industries, allow Members and interested third parties to value the Contracts.

III. Disciplinary History of Contracts

As of this filing, the Exchange is still pending approval as a RIE before the FCA and these Contracts have not begun trading. Thus, there have been no investigations, actions, proceedings or cases involving manipulation and involving the Contracts in the three years preceding the application date.

As a related matter, we are aware of no disciplinary actions brought by ICE Futures with respect to the Gas Oil Futures Contract, which is one of the underlying price components of the contract. Nor are we aware of any disciplinary matters that have been brought by NYMEX relating to the NYMEX RME Biodiesel FOB Rdam (Argus) (RED Compliant) vs. Gasoil Futures Contract and the FAME 0 Biodiesel FOB Rdam (Argus) (RED Compliant) vs. Gasoil Futures Contract discussed in Exhibit E-5. These contracts are not linked to the Exchange contracts, but do make use of the same reference price inputs.

¹⁵ See ICE Futures Europe website, at https://www.theice.com/futures_europe_rulebook.jhtml.

¹⁶ See e.g., ICE Futures Europe Rule E.2.2(a) ("No Member ... shall in relation to Contracts ... orders placed ... on the Market ... (v) knowingly disseminate false, misleading or inaccurate reports concerning any product or market information or conditions that affect or tend to affect prices on the Market; (vi) manipulate or attempt to manipulate the Market, nor create or attempt to create a disorderly Market, nor assist its clients, or any other person to do so; (vii) make or report a false or fictitious trade ..."), available at <https://www.theice.com/publicdocs/contractregs/SECTION%20E.pdf>.

FORM FBOT—EXHIBIT F

Request:

With respect to each relevant regulatory regime or authority governing the foreign board of trade, attach, as EXHIBIT F, the following (including, where appropriate, an indication as to whether the applicable regulatory regime is dependent on the home country's classification of the product being traded on the foreign board of trade as a future, option, swap, or otherwise, and a description of any difference between the applicable regulatory regime for each product classification type):

(1) A description of the regulatory regime/authority's structure, resources, staff, and scope of authority; the regulatory regime/authority's authorizing statutes, including the source of its authority to supervise the foreign board of trade; the rules and policy statements issued by the regulator with respect to the authorization and continuing oversight of markets, electronic trading systems, and clearing organizations; and the financial protections afforded customer funds.

(2) A description of and, where applicable, copies of the laws, rules, regulations and policies applicable to:

(i) The authorization, licensure or registration of the foreign board of trade.

(ii) The regulatory regime/authority's program for the ongoing supervision and oversight of the foreign board of trade and the enforcement of its trading rules.

(iii) The financial resource requirements applicable to the authorization, licensure or registration of the foreign board of trade and the continued operations thereof.

(iv) The extent to which the IOSCO Principles are used or applied by the regulatory regime/authority in its supervision and oversight of the foreign board of trade or are incorporated into its rules and regulations and the extent to which the regulatory regime/authority reviews the applicable trading systems for compliance therewith.

(v) The extent to which the regulatory regime/authority reviews and/or approves the trading rules of the foreign board of trade prior to their implementation.

(vi) The extent to which the regulatory regime/authority reviews and/or approves futures, option or swap contracts prior to their being listed for trading.

(vii) The regulatory regime/authority's approach to the detection and deterrence of abusive trading practices, market manipulation, and other unfair trading practices or disruptions of the market.

(3) A description of the laws, rules, regulations and policies that govern the authorization and ongoing supervision and oversight of market intermediaries who may

deal with members and other participants located in the United States participants, including:

(i) Recordkeeping requirements.

(ii) The protection of customer funds.

(iii) Procedures for dealing with the failure of a market intermediary in order to minimize damage and loss to investors and to contain systemic risk.

(4) A description of the regulatory regime/authority's inspection, investigation and surveillance powers; and the program pursuant to which the regulatory regime/authority uses those powers to inspect, investigate, and enforce rules applicable to the foreign board of trade.

(5) For both the foreign board of trade and the clearing organization (unless addressed in Supplement S-1), a report confirming that the foreign board of trade and clearing organization are in regulatory good standing, which report should be prepared subsequent to consulting with the regulatory regime/authority governing the activities of the foreign board of trade and any associated clearing organization. The report should include:

(i) Confirmation of regulatory status (including proper authorization, licensure and registration) of the foreign board of trade and clearing organization.

(ii) Any recent oversight reports generated by the regulatory regime/authority that are, in the judgment of the regulatory regime/authority, relevant to the foreign board of trade's status as a registered foreign board of trade.

(iii) Disclosure of any significant regulatory concerns, inquiries or investigations by the regulatory regime/authority, including any concerns, inquiries or investigations with regard to the foreign board of trade's arrangements to monitor trading by members or other participants located in the United States or the adequacy of the risk management controls of the trading or of the clearing system.

(iv) A description of any investigations (formal or informal) or disciplinary actions initiated by the regulatory regime/authority or any other self-regulatory, regulatory or governmental entity against the foreign board of trade, the clearing organization or any of their respective senior officers during the past year.

(6) For both the foreign board of trade and the clearing organization (unless addressed in Supplement S-1), a confirmation that the regulatory regime/authority governing the activities of the foreign board of trade and the clearing organization agree to cooperate with a Commission staff visit subsequent to submission of the application on an "as needed basis," the objectives of which will be to, among other things, familiarize Commission staff with supervisory staff of the regulatory regime/authority; discuss the laws, rules and regulations that formed the basis of the application and any changes thereto; discuss the

cooperation and coordination between the authorities, including, without limitation, information sharing arrangements; and discuss issues of concern as they may develop from time to time (for example, linked contracts or unusual trading that may be of concern to Commission surveillance staff).

Response:

Introduction

The Exchange is subject to a comprehensive regulatory framework which in material respects is comparable to that administered by the Commission. The regulatory framework that applies to U.K. futures exchanges includes provisions designed to protect the integrity of the markets, providing for market licensure, oversight of exchanges by the regulatory authority, customer protections, including statutory prohibitions on fraud, abuse, and abusive sales practices, other conduct of business standards, and the regulatory protection of customer funds and property.

As in the U.S., there has been significant revision of the U.K. regulatory framework in response to the recent financial crisis. However, also as in the U.S., the broad outline of market regulation remains unchanged. Accordingly, much of the U.K. regulatory scheme that applies to markets organized and operating in the U.K. with which the Commission is familiar from past no-action letters to U.K. FBOTs or from the 30.10 relief issued to U.K. intermediaries, remains in place.

(1) A description of the regulatory regime/authority's structure, resources, staff, and scope of authority; the regulatory regime/authority's authorizing statutes, including the source of its authority to supervise the foreign board of trade; the rules and policy statements issued by the regulator with respect to the authorization and continuing oversight of markets, electronic trading systems, and clearing organizations; and the financial protections afforded customer funds.

Regulatory structure

In the U.K., the ultimate authority for financial services legislation rests with the Parliament. Parliament holds the regulatory authorities to account for performance of their functions. Broad economic policy lies with Her Majesty's Treasury and the Chancellor of the Exchequer, who is responsible for the regulatory framework. The U.K. regulatory system, as modified by the Financial Services Act 2012, vests in the Bank of England the responsibility to protect and enhance the stability of the U.K. financial system. The Bank of England authorizes and oversees clearing houses under this authority.

The Financial Policy Committee was formed within the Bank of England to identify and monitor system risks and to take action to remove or reduce such risks through direction to two new regulatory authorities, the Prudential Regulatory Authority ("PRA") (a subsidiary of the Bank of England) and the Financial Conduct Authority ("FCA"). These authorities are the successors to the former Financial Services Authority ("FSA").

The FSA was a quasi-judicial body responsible for the regulation of the financial services industry in the United Kingdom between 2001 and 2013. Its board was appointed by the Treasury, although it operated independently of government. It was structured as a company limited by guarantee and was funded entirely by fees charged to the financial services industry.

The PRA, one of the successors to the FSA, is a limited company wholly owned by the Bank of England. It is responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms. It sets standards and supervises financial institutions at the level of the individual firm. The FCA is also a successor to the FSA. It is responsible for regulating the conduct of investment business and for providing investor protection, and is the regulator of the Exchange.

FCA

The FCA is one of the successor authorities to the FSA, and is the regulatory authority of the Exchange (Clearing House regulation is discussed in Supplement S-1). The FCA is an independent regulator that is self-funding through fees paid by the regulated entities. The FCA is organized as a company limited by guarantee and is governed by a Board appointed by the Treasury.

The Board is composed of twelve members, including a Chairman and a Chief Executive. The majority of the Board members are non-executive. The Board is responsible for setting FCA priorities and policy and holding the organization accountable in its operations. The Board's Executive Committee (and not the Board itself) is responsible for day-to-day operations.

The staff are overseen by a Chief Executive. Staff are organized into the following units:

- Authorizations, the unit that authorizes firms wanting to do business in the U.K.
- Communications and International, the unit that is responsible for information dissemination;
- Corporate Services, the unit that assists in the administration of the Board and complaints;
- Enforcement and Financial Crime, the unit that investigates suspected misconduct and compliance failures
- General Counsel, the unit providing legal advice
- Internal Audit, the unit which assesses the effectiveness of the FCA's programs and processes
- Markets, the unit responsible for spotting trends and potential risks to ensure markets are stable, protect consumer money and assets, and establish required standards of conduct.
- Operations, the unit that manages physical operations
- Policy, Risk and Research, the unit charged with helping to promote effective competition in the interest of consumers, and
- Supervision, the unit that supervises over 25,000 firms to ensure that they continue to adhere to the regulatory requirements

The FCA employs approximately 2,500 staff.

The mission of the FCA has been devolved from its predecessor agency, the FSA. However, in restructuring the regulatory framework after the financial crises, Treasury intended that the FCA be more focused in its mission. In addition, the Treasury in a consultation paper leading to the restructuring, suggested that the FCA should take a “more proactive approach to conduct regulation, with a clear focus on consumer outcomes.”¹ The intention is that the FCA has wide discretion over the interpretation of its objectives and that it seek to ensure high standards of conduct across the financial services industry.

The Financial Services and Markets Act 2000 (“FSMA”), as amended (including those amendments introduced by the Financial Services Act 2012 and resulting subordinate legislation) regulate the carrying on of regulated activities in the UK. In particular, the FSMA (Regulated Activities) Order 2001, as amended (“RAO”), defines the scope of financial services regulation by listing the activities which, when carried on in relation to specified investments, constitute regulated activities. These regulated activities include, among other things, dealing in investments as principal or agent, arranging deals, establishing or operating a collective investment scheme, and giving investment advice. The RAO also stipulates a number of exclusions from regulation for various circumstances.

Carrying out a regulated activity in the UK is prohibited unless the entity is “authorized” by the FCA or there is an applicable exemption or exclusion. The Exchange has applied to the FCA to conduct business as a Recognized Investment Exchange (“RIE”). That application is pending at this time, but is expected to be issued by the FCA shortly. In addition, members need to confirm that they comply with all applicable regulations. All those conducting investment activities on an RIE, such as the Exchange, are subject to the rules and trading procedures of the RIE.

Regulation of RIEs

RIEs are exempted persons for the purposes of FSMA and do not require authorization for their activities with respect to the operation of their markets. In order to be recognized and subsequently to maintain the status of RIE, an exchange must satisfy the FCA on an ongoing basis that it meets all the requirements of FSMA and subordinate regulations, including Parts I and II to the FSMA (Recognition Requirements for Investment Exchanges and Clearing Houses) Regulations 2001 (“RRRs”) and the Specialist Sourcebook of the FCA Handbook which applies to recognition and ongoing regulation of RIE’s (“REC”)².

Recognition requires an exchange to ensure that business conducted by means of its facilities is conducted in an orderly manner and so as to afford proper protection to investors. Furthermore, the exchange is required to have in place adequate systems and controls concerning, in particular, the transmission of information, the assessment and management of risks to the performance of the exchange’s functions and the effecting and monitoring of on-exchange transactions. The exchange is also required to provide clearing and settlement of on-

¹ A New Approach to Financial Regulation: the Blueprint for Reform, Cm 8083 (June 2011).

² The FCA Handbook is available at <http://fshandbook.info/FS/html/FCA>

exchange transactions, either directly or through the use of a third-party that is a Recognized Clearing House ("RCH") or third country CCP (or has been approved by the FCA/Bank of England). The recognition requirements set out in Part II of the RRRs require RIEs to have default rules to deal with the default of one or more of their members.

RIEs are subject to oversight by the FCA. The FCA is responsible for ensuring that RIEs comply, on an ongoing basis, with the recognition requirements discussed above. The FCA meets this responsibility in a number of ways. The central element of the FCA's oversight is an ongoing assessment of whether an RIE's rules, procedures and practices are adequate for the protection of investors and the maintenance of an orderly market. RIEs are required by FSMA to report changes to their rules and procedures to the FCA. In practice, the Exchange notifies the FCA of significant changes to its rules or procedures before they are implemented. Accordingly, FSMA makes RIEs accountable for their actions to the FCA and the FCA is able to exercise the power of direction over an RIE. Although there is no legal provision requiring RIEs to seek FCA approval for changes to their rules or for introducing new contracts, as a practical matter, RIEs, including the Exchange, consult with the FCA regarding the introduction of new products and trading mechanisms as part of FCA's supervisory relationship with the exchanges that it supervises. Under §293 of the FSMA, the FCA must be notified of changes to rules without delay and it can: (a) issue directions under §295, or (b) revoke recognition under §296 if it disagrees with the change that has been made. Thus, each Product that the Exchange proposes to launch on the RIE goes through a no objection process in order to avoid the FCA objecting to the launch of a contract and thereby prevent its trading. The FCA carries out an annual risk assessment of RIEs to identify regulatory risks. The FCA expects to address these findings and mitigate risks that have been identified.

Regulation of Exchange Members

Trading on the Exchange generally constitutes carrying on a regulated activity. Accordingly, most UK-based members of the Exchange, including those that trade on behalf of customers, are subject to FCA's rules. Authorized persons must satisfy various requirements initially and on a continual basis thereafter, including a "fit and proper" and a financial resource requirement, which varies depending upon the type of institution. The FCA may evaluate a number of factors, including the applicant's integrity, honesty, competence, and financial soundness in determining whether an applicant is fit to trade on the Exchange.

The FCA has also established Principles for Business ("Principles"), which are conduct standards expected of all UK-regulated firms. These cover integrity, skill, care and diligence, internal management and controls, financial resources, market conduct, customers' interests, communications with clients, conflicts of interest, clients' assets and relationship with regulators. The FCA has detailed conduct of business rules, which apply to FCA-authorized firms, including rules relating to: (1) the handling and recording of customer complaints; (2) the responsibility of a firm for its employees and agents; (3) solicitation, advertising and publishing, including detailed restrictions on cold-calling; (4) risk and product information disclosure; (5) contents of customer agreements, including provisions for discretionary accounts; (6) "know your customer" and suitability of investment products for private customers; (7) disclosure of material interests; and (8) disclosure of charges and other remuneration. The FCA has disciplinary authority to address violations of these requirements.

Self-regulatory requirements

An RIE is required to monitor compliance with and enforce its rules. It must carry out surveillance of its markets for market abuse and orderly trading. In addition, it must monitor for compliance with its rules by its members and of their fulfillment of their settlement obligations.

(2) A description of and, where applicable, copies of the laws, rules, regulations and policies applicable to:

(i) The authorization, licensure or registration of the foreign board of trade.

As discussed above, FSMA requires that exchanges in traded derivatives be recognized.

(ii) The regulatory regime/authority's program for the ongoing supervision and oversight of the foreign board of trade and the enforcement of its trading rules.

As provided under REC 4 of the FCA Handbook, the FCA exercises continuing supervisory oversight authority to ensure that RIEs remain in compliance with the recognition requirements. The FCA use a risk-based approach to allocating its supervisory resources, paying particular regard to the special position of recognized entities.

The FCA supervises recognized entities expecting to have a cooperative and constructive relationship with them and to exercise a broad perspective over the recognized entity's activities and compliance with the recognition requirements. Under its supervisory authority, the FCA conducts periodic meetings between the Markets Division and key exchange personnel. The frequency of these meetings varies depending upon the risk profile of the recognized body. In addition, the recognized entities are required under section 293 of FSMA and as expounded upon in REC 3, to notify FCA in a variety of circumstances.

In this regard, the FCA has authority under section 293A of FSMA to require a UK recognised body to give such information as FCA reasonably requires to satisfy itself that the UK recognised body is complying with any directly applicable EU regulation made under the EU Markets in Financial Instruments Directive ("MiFID"). As a recognized body alters its business, the manner in which it satisfies the recognition requirements is likely to change as well. FCA expects a UK recognised body to ensure that it will continue to satisfy the requirements when considering changes to its business or operations. FCA expects that UK recognised bodies will keep the FCA informed of all significant developments and to provide FCA with appropriate assurance that the requirements will continue to be satisfied.

Under section 296 of FSMA, the FCA has authority to give directions to a recognised body to take specified steps in order to secure compliance with the recognition requirements. In the case of a UK RIE the FCA would issue such direction if it considers that:

(1) there has been, or was likely to be, a failure to satisfy one or more of the recognised body requirements which has serious consequences;

(2) compliance with the direction would ensure that one or more of the recognised body requirements is satisfied; and

(3) the recognised body is capable of complying with the direction.³

(iii) The financial resource requirements applicable to the authorization, licensure or registration of the foreign board of trade and the continued operations thereof.

The financial resource requirement is set forth in REC 2.3. REC 2.3.1 sets forth the general requirement as follows:

(1) The UK RIE must have financial resources sufficient for the proper performance of its relevant functions as a UK RIE.

(2) In considering whether this requirement is satisfied, the FCA may. . . take into account all the circumstances, including the UK RIE's connection with any person, and any activity carried on by the UK RIE, whether or not it is an exempt activity.

This standard is supplemented with detailed guidance found in REC 2.3.3. This guidance lists seven factors that the FCA takes into consideration with respect to determining that an RIE has adequate financial resources. These include, other risks to which the RIE is exposed, whether it acts as a guarantor, the amount of liquid assets, other financial resources, exposures from other persons and the nature and extent of transactions on the RIE.

(iv) The extent to which the IOSCO Principles are used or applied by the regulatory regime/authority in its supervision and oversight of the foreign board of trade or are incorporated into its rules and regulations and the extent to which the regulatory regime/authority reviews the applicable trading systems for compliance therewith.

As the Commission previously recognized, the Securities Investment Board (“SIB”), a predecessor agency of the FCA, endorsed the IOSCO Principles. These Principles have been embedded in U.K. regulatory practice since that time.

Most recently, the European Securities Market Authority (“ESMA”) has adopted trading guidelines (<http://www.esma.europa.eu/da/node/55706>). The trading guidelines adopted by ESMA address the issues covered by the IOSCO Principles. ESMA Guidelines are binding on the FCA (per Art. 16(3) of EU Regulation 1095/2010) unless the FCA notes and explains its non-compliance. That the FSA (the predecessor to the FCA) published these guidelines on its website demonstrated that the FCA will comply with these guidelines (available at: <http://www.fsa.gov.uk/static/pubs/other/esma-guidelines.pdf>). These guidelines provide for regulatory protections related to screen based trading systems.

(v) The extent to which the regulatory regime/authority reviews and/or approves the trading rules of the foreign board of trade prior to their implementation.

³ See, REC 4.6.3

All changes to the rules need to be sent to the FCA – and the initial rulebook is part of the application for recognition process.

(vi) The extent to which the regulatory regime/authority reviews and/or approves futures, option or swap contracts prior to their being listed for trading.

As noted above, the FCA conducts prior review of rule changes and new products as a matter of the exercise of its general supervisory oversight. RIEs are encouraged to, and do, file material amendments to their business or operational rules and new products before making them effective.

New products need to be approved and compliance with recognition requirements need to be demonstrated.

Also as noted above, the FCA exercises an objection regime over new products. Specifically, under section 313A of FSMA, the FCA may require a UK RIE to suspend or remove a financial instrument from trading in order to protect the interests of investors or the orderly functioning of the financial markets. A formal procedure for suspending or removing a financial instrument from trading is provided for under FSMA, including review of the matter by a Tribunal. This authority, combined with its supervisory authorities is sufficient to achieve prior consultation by the RIEs in respect of material rule changes and the introduction of new products.

(vii) The regulatory regime/authority's approach to the detection and deterrence of abusive trading practices, market manipulation, and other unfair trading practices or disruptions of the market.

As mentioned above, a condition of recognition is that the RIE ensures that appropriate measures (including the monitoring of transactions effected on the RIE) are adopted to reduce the extent to which the RIE's facilities can be used for a purpose connected with market abuse or financial crime and to facilitate their detection and monitor their incidence.⁴ In meeting this requirement, RIEs are expected to have market regulation departments to monitor the market. Monitoring is required to be able to detect patterns of suspicious behavior as well as to detect possible instances of market abuse or financial crime. RIEs are required to communicate suspicious activity to regulatory or criminal authorities and to cooperate with all relevant bodies in the prevention, investigation and pursuit of market abuse and financial crime.

Market abuse is prohibited. Certain types of behaviour, such as insider dealing and market manipulation, can amount to market abuse. Types of conduct constituting market abuse are set out in section 118 of the Financial Services and Markets Act 2000 and in the Market Abuse Directive. The Code of Market Conduct (contained within the FCA Handbook under the Market Conduct Regulations) prohibits certain actions, including insider dealing, misuse of information, manipulative and market distorting activities.

⁴ See REC 2.10

The FCA has authority to take action against such violations of the market abuse regime. It is authorized to fine, suspend, prohibit, order injunctions, bring criminal prosecutions or take other action to prevent market abuse. The FCA has additional authority to make a public announcement when it begins disciplinary action against a firm or individual and to publish details of warning notices. In addition, the FCA works closely with law enforcement agencies to combat financial crime.

(3) A description of the laws, rules, regulations and policies that govern the authorization and ongoing supervision and oversight of market intermediaries who may deal with members and other participants located in the United States, including:

Market intermediaries located in the U.K. are subject to a Commission Rule 30.10 Order.⁵ In that Order, the Commission exempts U.K. Intermediaries from registration as an FCM in their intermediation of futures and option contracts on U.K. futures exchanges. The first 30.10 Order applicable to U.K. intermediaries was issued in 1989, and has been updated to reflect changes to the U.K. regulatory framework since that time. The current, extended version of the U.K. 30.10 Order was issued in 2003. As the Commission notes, the revised 30.10 Order was issued in light of the changes to the U.K. regulatory system engendered by passage of FSMA:

On December 1, 2001, pursuant to the Financial Services and Markets Act 2000 (“2000 Act”), the Financial Services Authority (“FSA”), as the successor organization to SIB, assumed its role as the single U.K. regulator directly responsible for the regulation of investment business, including the offer and sale of commodity futures and options. Prior to the enactment of the 2000 Act, the responsibility for supervising commodity futures markets and intermediaries rested with FSA and certain SROs, including the SFA and IMRO. Pursuant to the 1986 Financial Services Act (“FSAct”), FSA regulated the U.K. financial markets and established general standards for investor protection. The SROs conferred the status of authorization for intermediaries and promulgated general fitness standards, financial requirements, sales practice rules and rules designed to ensure the integrity of the market. With the enactment of the 2000 Act, the responsibility for each of these tasks has been assumed by FSA as the single supervisory authority, the U.K. SROs have been wound up, and the members of these now-defunct organizations are deemed to have been authorized by FSA. In addition, the FSA Handbook replaces all prior rules and regulations regarding firm conduct and operations.⁶

The 30.10 Order is based on the Commission’s finding that the U.K. regulatory system under FSMA can be substituted for compliance with various provisions of the Commodity Exchange Act and exempts U.K. Intermediaries from a number of Commission rules subject to specified conditions.⁷

(i) Recordkeeping requirements.

⁵ See “Foreign Futures and Options Transactions,” 68 Fed. Reg. 58583 (October 10, 2003).

⁶ 66 Fed. Reg. at 58584.

⁷ Id. at 58585.

As previously found by the Commission, U.K. regulatory scheme under FSMA provides for:

*(4) Recordkeeping and reporting requirements pertaining to financial and trade information including, without limitation, order tickets, trade confirmations, monthly customer account statements, customers' segregation records, accounting records for customer and proprietary trades.*⁸

At the time of the Commission's Order (10 October 2003) the provisions relating to client assets were contained in the Handbook at COB 9. These provisions have since been substantially revised and now appear in a dedicated chapter of the Handbook called CASS. Compliance with, and developments to, the CASS rules are overseen by a dedicated team at the FCA.

(ii) The protection of customer funds.

In addition, the Commission has found that the U.K. under the FSA (now the FCA) has:

*(3) A system for the protection of assets of appropriate customers that is designed to preclude the use of such customer assets to satisfy house obligations and requires separate accounting for such assets, augmented by a compensation scheme designed to compensate customers whose assets are segregated and who have suffered a loss as a result of fraud and/or insolvency of a firm.*⁹

These requirements were not amended by the FSA and are in effect the same as in 2003 when the Commission's Order was issued.

(iii) Procedures for dealing with the failure of a market intermediary in order to minimize damage and loss to investors and to contain systemic risk.

The U.K. framework includes specific provisions addressing default of a market intermediary. REC 2.17 deals exclusively with various default scenarios. Specifically, REC 2.17.2 requires a U.K. RIE to have default rules which provide for the procedure that it will use in addressing a default. It provides that the default rules must provide as follows:

(a) for all rights and liabilities of the defaulter under or in respect of unsettled market contracts to be discharged and for there to be paid by or to the defaulter such sum of money (if any) as may be determined in accordance with the default rules;

(b) for the sums so payable by or to the defaulter in respect of different contracts entered into by the defaulter in one capacity for the purposes of section 187 of the Companies Act [1989] to be aggregated or set off so as to produce a net sum;

(bb) if relevant, for that sum to be aggregated with, or set off against, any sum owed by or to the investment exchange by or to a recognized clearing house or another recognized

⁸ Id. at 58586

⁹ Id.

investment exchange of whom a Participant Member is a member under an indemnity given or reimbursement or similar obligation in respect of a margin set off agreement in which the defaulter chose to participate so as to produce a net sum;

(c) for the net sum referred to in (2)(b) or, if relevant, the net sum referred to in (2)(bb)

(i) if payable by the defaulter to the exchange, to be set off against

(aa) any property provided by or on behalf of the defaulter as cover for margin (or the proceeds of realisation of such property);

(bb) to the extent (if any) that any sum remains after set off under (aa), any default fund contribution provided by the defaulter remaining after any application of such contribution;

(ii) to the extent (if any) that any sum remains after set off under (i), to be paid from such other funds, including the default fund, or resources as the exchange may apply under its default rules;

(iii) if payable by the exchange to the defaulter, to be aggregated with

(aa) any property provided by or on behalf of the defaulter as cover for margin (or the proceeds of realisation of such property);

(bb) any default fund contribution provided by the defaulter remaining after any application of such contribution; and

(d) for the certification by or on behalf of the UK RIE of the sum finally payable or, as the case may be, of the fact that no sum is payable.

(4) A description of the regulatory regime/authority's inspection, investigation and surveillance powers; and the program pursuant to which the regulatory regime/authority uses those powers to inspect, investigate, and enforce rules applicable to the foreign board of trade.

Please see discussion above of the FCA's inspection, investigation and surveillance powers.

(5) For both the foreign board of trade and the clearing organization (unless addressed in Supplement S-1), a report confirming that the foreign board of trade and clearing organization are in regulatory good standing, which report should be prepared subsequent to consulting with the regulatory regime/authority governing the activities of the foreign board of trade and any associated clearing organization. The report should include:

(i) Confirmation of regulatory status (including proper authorization, licensure and registration) of the foreign board of trade and clearing organization.

(ii) Any recent oversight reports generated by the regulatory regime/authority that are, in the judgment of the regulatory regime/authority, relevant to the foreign board of trade's status as a registered foreign board of trade.

(iii) Disclosure of any significant regulatory concerns, inquiries or investigations by the regulatory regime/authority, including any concerns, inquiries or investigations with regard to the foreign board of trade's arrangements to monitor trading by members or other participants located in the United States or the adequacy of the risk management controls of the trading or of the clearing system.

(iv) A description of any investigations (formal or informal) or disciplinary actions initiated by the regulatory regime/authority or any other self-regulatory, regulatory or governmental entity against the foreign board of trade, the clearing organization or any of their respective senior officers during the past year.

A report has been requested of the FCA.

(6) For both the foreign board of trade and the clearing organization (unless addressed in Supplement S-1), a confirmation that the regulatory regime/authority governing the activities of the foreign board of trade and the clearing organization agree to cooperate with a Commission staff visit subsequent to submission of the application on an “as needed basis,” the objectives of which will be to, among other things, familiarize Commission staff with supervisory staff of the regulatory regime/authority; discuss the laws, rules and regulations that formed the basis of the application and any changes thereto; discuss the cooperation and coordination between the authorities, including, without limitation, information sharing arrangements; and discuss issues of concern as they may develop from time to time (for example, linked contracts or unusual trading that may be of concern to Commission surveillance staff).

The Exchange confirms that it will cooperate with any on-site visit by the Commission as has been coordinated with its home country regulator, the FCA.

FORM FBOT—EXHIBIT G-1

Request:

Attach, as Exhibit G-1, a description of the foreign board of trade’s regulatory or compliance department, including its size, experience level, competencies, duties and responsibilities.

Response:

The staff dedicated to ensure the Exchange’s compliance with applicable laws and prevent market abuse re:

- (a) The Chief Regulatory & Surveillance Officer (“CRSO”);
- (b) The CME Europe Market Regulation Team (“CEMRT”); and
- (c) CME Inc.’s Market Regulation Department (“MRD”), in accordance with outsourcing agreements between CME Inc. and the Exchange.

A description of each appears below.

I. Chief Regulatory & Surveillance Officer

The CRSO, Paul Richardson, is responsible for ensuring compliance with the Exchange’s regulatory responsibilities. Mr. Richardson is an experienced market professional with previous experience in the field of compliance, including serving as a technical specialist for the Financial Services Authority for over a decade.

The CRSO’s responsibilities include:

- (a) Overseeing the market regulation and compliance function of the Exchange;
- (b) Setting (and approving all decisions regarding) the parameters for all market monitoring programs;
- (c) Determining if and when to halt or suspend trading;
- (d) Deciding whether to initiate a disciplinary process;
- (e) Keeping a record of any decisions and actions taken in relation to information escalated to the CRSO from the CEMRT (described below), including (i) any actions taken, or (ii) if no action is taken, the rationale;¹
- (f) Reviewing escalated reports of unusual behavior arising from monitoring; and
- (g) Communicating with Regulatory Authorities, including, when appropriate, making Regulatory Authorities aware of suspicious activity reports, investigations, disciplinary actions, etc.²

II. Compliance and Market Regulation Team

¹ As noted below, the CEMRT is also responsible for maintaining related records.

² To minimize conflicts of interests, the CRSO reports directly to the CEO (with a dotted line report to the Risk and Audit Committee), and is independent of, and has separate reporting lines from, the commercial and marketing functions of the Exchange.

The CRSO is assisted by the Exchange's Market Regulation Team ("CEMRT"), which is comprised of three members. The CEMRT has two sub-functions: (a) Compliance and (b) Market Regulation.

A. Compliance function

The Compliance function is responsible for identifying and managing regulatory risk in relation to the operations and business of the Exchange, on a day-to-day basis. Those duties include:

- (a) Monitoring and assessing the Exchange's compliance with its RIE requirements;
- (b) Investigating and pursuing inquiries from the FCA and other regulatory bodies;
- (c) Coordinating the disciplinary and complaints processes;
- (d) Overseeing maintenance of the Exchange's website;
- (e) Coordinating and participating in Member visits;
- (f) Coordinating the onboarding of new Members, including background checks;
- (g) Receiving and checking Member reports (e.g., accounts);
- (h) Being the first point of contact for Users, regarding market regulation and compliance matters;
- (i) Maintaining a record of any activity on the Exchange that the CEMRT considers escalating to the CRSO, including: (i) whether the escalation is in fact made; (ii) and if not, why not;³ and
- (j) Maintaining, including amending, Exchange Rules.

As noted above, the team, assisted by the Legal Department, is responsible for the maintenance of the Exchange Rules, and reports to the Board in respect of this role. These duties include:

- (a) Notifying the Board of any proposed amendments to the Exchange Rules for the Board's consideration (i.e., a "consultation");
- (b) Reviewing and analyzing all responses received from the Board to any consultation, and considering whether it would be appropriate to proceed with an Exchange Rule change and, if so, whether to make any modifications to it;
- (c) If the Board's responses to a consultation indicate that the proposed rule must be amended, making such amendments (and obtaining legal advice in relation to them, where necessary);
- (d) Submitting the final draft of any proposed amendments to the Exchange Rules to the Board for final approval; and
- (e) If the Board refuses to approve the amendment (in which case the Board must provide the CEMRT with its reasons for such refusal and an explanation of what changes are necessary to obtain its approval), following the Board's instructions as to how to proceed.

B. Market Regulation function

The Market Regulation function monitors market activity on the Exchange in order to detect possible instances of market abuse. Its duties include the following:

³ As noted above, the CRSO is responsible for maintaining related records.

- (a) Aiding the CRSO in addressing inquiries from regulators;
- (b) Monitoring market abuse using CME Inc.'s SMART, Large Trader and RAPID applications;
- (c) Coordinating market regulation oversight with the MRD, including participating in weekly calls;
- (d) Organizing training on market abuse for relevant departments;
- (e) Receiving ongoing training from MRD on the market monitoring applications;
- (f) Coordinating training of MRD's core staff and supervisors about UK market abuse and financial crime regime; and
- (a) Maintaining ongoing product understanding, and contributing to product development.

A comprehensive description of the CEMRT's surveillance for market abuse, including data collected on market activity, appears in Exhibit G-4.

III. CME Inc. Market Regulation Department

The MRD provides systems and investigations assistance to the Exchange under the Globex Services Agreement (Exhibit A-3(2)) and the Market Regulation Service Level Document (Exhibit A-3(3)). The Exchange uses three of the CME Inc.'s in-house proprietary applications to monitor the market and detect possible instances of market abuse: SMART, Large Trader and RAPID, on a T+1 basis. In addition to the market regulation monitoring systems, the Globex Command Centre provides a number of alerts to CMRT in relation to the real time monitoring of orderly trading conditions on the Exchange. A comprehensive description of the surveillance program, including the routine reports and alerts that the MRD utilizes on a daily basis to monitor market activity for abusive behavior, appears in Exhibit G-4.

CME Inc. is itself a Designated Contract Market, established in the U.S., and is also a Recognised Overseas Investment Exchange in the UK. As one of the world's largest derivatives exchanges, CME Inc. has sufficient resources to provide the services which are being outsourced by the Exchange. Most of the services are performed alongside those performed for CME Inc. itself. This outsourcing arrangement is monitored on a day to day basis by the CEO and the CEMRT, which is in frequent contact with their counterparts at the MRD and receives regular reports on the provision of the market regulation services. The Exchange's Board, however, has ultimate oversight over the services provided by CME Inc.

FORM FBOT—EXHIBIT G-2

Request:

Attach, as Exhibit G-2, the following:

A description of the foreign board of trade's trade practice rules, including but not limited to rules that address the following –

- (1) Capacity of the foreign board of trade to detect, investigate, and sanction persons who violate foreign board of trade rules.
- (2) Prohibition of fraud and abuse, as well as abusive trading practices including, but not limited to, wash sales and trading ahead, and other market abuses.
- (3) A trade surveillance system appropriate to the foreign board of trade and capable of detecting and investigating potential trade practice violations.
- (4) An audit trail that captures and retains sufficient order and trade-related data to allow the compliance staff to detect trading and market abuses and to reconstruct all transactions within a reasonable period of time.
- (5) Appropriate resources to conduct real-time supervision of trading.
- (6) Sufficient compliance staff and resources, including those outsourced or delegated to third parties, to fulfill regulatory responsibilities.
- (7) Rules that authorize compliance staff to obtain, from market participants, information and cooperation necessary to conduct effective rule enforcement and investigations.
- (8) Staff investigations and investigation reports demonstrating that the compliance staff investigates suspected rule violations and prepares reports of their finding and recommendations.
- (9) Rules determining access requirements with respect to the persons that may trade on the foreign board of trade, and the means by which they connect to it.
- (10) The requirement that market participants submit to the foreign board of trade's jurisdiction as a condition of access to the market.

Response:

The Exchange Rules contain many provisions that empower the Exchange to detect and address potential manipulation and other forms of market abuse. The Exchange reviews the Exchange Rules at least annually to ensure that the Exchange Rules remain up to date and to consider whether they need to incorporate any changes or new developments in the legal or regulatory framework or the way in which the Exchange operates.

(1) Capacity of the foreign board of trade to detect, investigate, and sanction persons who violate foreign board of trade rules.

The Exchange Rules provide the Exchange with several means to detect, investigate and sanction persons who violate its rules. First, as described in Exhibit G-3, Chapter 8 of the rulebook has comprehensive rules pertaining to the disciplinary process, including surveillance, investigations, and sanctions. Second, in addition to those rules, the Exchange Rules enable the Exchange to suspend or terminate trading of Members or their customers in order to prevent or halt violative behavior. As described in Exhibit G-3, the Exchange's Rules allow the Disciplinary Panel, to suspend a Member or deny a Member access to the Exchange and/or the Globex Platform if it finds such Member has breached the Exchange Rules and/or Applicable Law.^{1/}

Third, under Exchange Rule 3.4.3., if the Exchange suspects that a Customer is conducting trading activities in violation of the Exchange Rules or in a manner that otherwise threatens the integrity or liquidity of any product traded on the Exchange, the Exchange can request that the Customer submit to the disciplinary processes under Chapter 8. If a Customer refuses to cooperate with the Exchange's request (or to address other violative conduct), the Exchange has the power to order the Clearing Member to promptly suspend or terminate the Customer's or a Non-Clearing Member's access to the Globex Platform.^{2/} If a Clearing Member does not suspend or terminate a Non-Clearing Member's or a Customer's access to the Globex Platform in a reasonable time frame, the Exchange or the CME Inc.'s Global Command Centre ("GCC"), in the case of a system issue, and in response to instruction from the Exchange, may take such action as is required to immediately suspend or terminate the Non-Clearing Member's or Customer's access to the Exchange or Globex.^{3/}

Fourth, under its Emergency Actions authority, the Chief Executive Officer ("CEO"), Chief Regulatory and Surveillance Officer ("CRSO"), or one of their delegates, can take emergency action if

it appears that a Member or any other person has failed to perform any obligations it may have under any Transactions, Contracts or Back-Off Transactions or the Member or such person is in such financial or operational condition or is conducting business in such a manner that the Member or such person cannot be permitted to continue in business without jeopardizing the safety of Members or the Exchange^{4/}

Under its emergency action authority, the CEO, CRSO, or their delegates can take a range of measures, including

- (a) terminate trading;
- (b) limit or deny access to the Exchange or the Globex Platform;
- (c) limit trading to liquidation of Transactions, Contracts or Back-Off Transactions only;
- (d) impose or modify position limits and/or order liquidation of all or a portion of a Member's or

^{1/} Exchange Rule 8.4.14.

^{2/} Exchange Rule 3.8.1.

^{3/} Exchange Rule 3.8.3.

^{4/} Exchange Rule 3.13(d).

- (e) Customer's account;
- (f) order liquidation of positions as to which the holder is unable or unwilling to make or take

delivery;

- (g) confine trading to a specific price range;
- (h) modify price limits;
- (i) modify the Trading Sessions;
- (j) modify conditions of delivery;
- (k) establish the Settlement Price and/or the final settlement price of any Transactions, Contracts or Back-Off Transactions;
- (l) amend any Contract Specifications; or
- (m) order any other action to address or relieve the emergency.^{5/}

And last, the Exchange may also impose position limits,^{6/} or require that position accountability reports, in which Members must provide information relating to their positions.^{7/} Violation of the position limits or position accountability levels can result in the Exchange reducing the Member's positions.^{8/} Thus, the Exchange has a number of rules that allow and provide it with the capacity to monitor and address potential violative conduct by its Members and/or their customers.

(2) Prohibition of fraud and abuse, as well as abusive trading practices including, but not limited to, wash sales and trading ahead, and other market abuses.

The Exchange Rules prohibit the use of the Exchange's facilities for abusive or improper purposes and prohibits market abuse, insider dealing, market manipulation, money laundering, fraud or a breach of any similar Applicable Law. For instance, per Exchange Rule 3.11.1, a Member is prohibited from engaging in the following behaviors:

- (a) breaching any Applicable Law or requirements of a Regulatory Authority or any of the Exchange Rules;
- (b) engaging in any behavior which amounts to market abuse, insider dealing, market manipulation, money laundering, bribery or corruption, fraud or which is in breach of any similar Applicable Law and, which in the reasonable opinion of the Exchange, would be likely to have a material adverse effect on the Member's suitability as a Member;
- (c) engaging in any other practice which the Exchange reasonably considers to be capable of impairing the integrity of the Exchange;
- (d) taking any action which is likely to bring the Exchange or any of the Members into disrepute or otherwise damage the reputation of the Exchange;
- (e) using any of the facilities provided by the Exchange in contravention of the Exchange Rules or other than for the purpose of conducting its business as a Member; or

^{5/} Exchange Rule 3.13.1. The Exchange shall notify the FCA of any actions taken pursuant to Exchange Rule 3.13.3.

^{6/} Exchange Rule 6.16.

^{7/} Exchange Rule 6.16.7 Information can include, but is not limited to, the nature and size of the position, the trading strategy employed with respect to the position, and hedging information, if applicable. Exchange Rule 6.17.2.

^{8/} Exchange Rule 6.17.4.

- (f) failing to supervise properly its representatives and customers and their representatives in their use of the Exchange.^{9/}

Similarly, Exchange Rule 6.11 prohibits Members from engaging in a number of abusive trade practices including:

- (a) Reporting or publication of false information about Orders or Transactions;
- (b) Transactions or Back-Off Transactions in which a party is improperly indemnified against losses;
- (c) Orders and Transactions which create a false appearance of trading activity or are intended to do so as further detailed in Exchange Rule 6.12 and the Trading Procedure;
- (d) Cross trades executed otherwise than in accordance with Exchange Rule 6.13;
- (e) Prearranging or pre-negotiating a Transaction made or intended to be made on the Exchange, except a Transaction made or to be made under Exchange Rule 6.10 or Exchange Rule 6.15;
- (f) Knowingly (or having reason to know) entering into a Transaction or Back-Off Transaction in an attempt to conceal a potential or actual trading abuse by the Member or another person;
- (g) Entering into a Transaction or Back-Off Transaction which the Member or the other party does not intend to close out or settle;
- (h) Assigning a Transaction or Back-Off Transaction due to a Customer to another account;
- (i) Executing one or more Transactions for the purpose of effecting a monetary transfer between accounts in a concealed manner without creating or eliminating open interest or for no legitimate purpose;
- (j) Engaging in disorderly trading;^{10/} and
- (k) Engaging in wash trades.^{11/}

Exchange Rules 3.11 and 6.11, thus prohibit the full range of market manipulation and other forms of market abuse. And, as noted in Exhibit G-4,¹ the Exchange has the controls and systems in place to enforce these rules.^{12/}

(3) A trade surveillance system appropriate to the foreign board of trade and capable of detecting and investigating potential trade practice violations and appropriate resources to conduct real-time supervision of trading.

Under the Exchange rules, Members are required to ensure that they have adequate systems and controls to appropriately monitor the submission of orders to the Exchange, including controls required to ensure that those who submit orders on the exchange are adequately supervised.^{13/} Exchange Rule 3.6 also requires that Members that provide direct

^{9/} Exchange Rule 3.11.1.

^{10/} Exchange Rule 6.11.

^{11/} Exchange Rule 6.12.

^{12/} Relevant rules also appear in the Compliance Manual (Exhibit A-6(5) - see section 20 for the money laundering, insider dealing, market abuse and suspicious transaction reporting policies, section 30 for the fraud policy and section 38 for the bribery and corruption policy) and the Anti-Money Laundering Manual (Exhibit A-6(6)) set out guidance on these areas for Exchange employees.

^{13/} Exchange Rule 3.2.1(k).

market access to the Exchange have the capacity to monitor orders sent to the exchange, namely Members:

- (a) Are held accountable for any Orders submitted via Direct Market Access; all such orders will be deemed to have been submitted by the Member providing the service as principal and the Exchange may take disciplinary action, in accordance with Chapter 8, against a Member for failure to ensure that the provision of the Direct Market Access complies with the Exchange rules.
 - (b) Must have systems and controls in place, including pre-trade and post-trade controls, to ensure the provision of Direct Market Access does not cause the Member to breach any Exchange Rule, lead to disorderly trading or facilitate conduct that may involve market abuse;
 - (c) Must satisfy themselves that any Customer to which they provide Direct Market Access is permitted to access Direct Market Access services from that Member and has the relevant level of fitness and propriety, financial, operational, technical and risk management capacity and competence to submit Orders via Direct Market Access.^{14/}
- (4) An audit trail that captures and retains sufficient order and trade-related data to allow the compliance staff to detect trading and market abuses and to reconstruct all transactions within a reasonable period of time.**

Exchange Rule 6.21.3 requires that Clearing Members maintain an order routing/front-end audit trail for all electronic orders, including order entry, modification, cancellation and responses to such messages, entered into the Globex Platform through the CME iLink gateway. Members are responsible for maintaining audit trail records for five years and making them available to the Exchange upon request.^{15/} The Exchange rules further specify the elements that must be recorded in the audit trail.^{16/}

As described in Exhibit G-4, the Exchange employs RAPID, an efficient and effective system to create an audit trail database of all orders submitted to the Globex Platform.

(5) Appropriate resources to conduct real-time supervision of trading.

As described above, Exchange Rules 3.2.1(k) and 3.6.3 require Members to have adequate systems to monitor orders entered by themselves and those to whom they provide direct market access. Furthermore, as noted in Exhibit G-4, the Exchange utilizes three of the CME Inc.'s in-house proprietary applications to monitor the market and detect possible instances of market abuse: SMART, Large Trader and RAPID, on a T+1 basis.

(6) Sufficient compliance staff and resources, including those outsourced or delegated to third parties, to fulfill regulatory responsibilities.

^{14/} Exchange Rule 3.6.3.

^{15/} Exchange Rule 6.21.3.

^{16/} These include order entry, including Transaction date, Product, Exchange code, Contract Month, quantity, Order type, Order qualifier, price, buy/sell indicator, stop/ trigger price, Order number, unique Transaction number, account number, session ID, User ID, host Order number, trader Order number, Clearing Member, type of action, action status code, Customer type indicator, origin, and timestamps. Exchange Rule 6.21.4(a).

As noted in Exhibit G-1, the Exchange maintains sufficient compliance staff and resources to fulfill its regulatory responsibilities. Compliance is handled by the: (a) The Chief Regulatory and Surveillance Officer (“CRSO”); (b) The CME Europe Market Regulation Team (“CEMRT”); and (c) CME Inc.’s Market Regulation Department (“MRD”) (which has 151 Members), in accordance with outsourcing agreements between CME Inc. and the Exchange.

The CMERT is responsible for monitoring and overseeing the use of the Exchange’s facilities, assisted by the GCC in London and Chicago, which will refer certain information to the Compliance and Market Regulation Team, and Market Regulation Department under the Globex Services Agreement. All cases of potential misuse of the facilities and non-compliance with the Exchange Rules regarding use of the Exchange’s facilities are reported to the CRSO.

(7) Rules that authorize compliance staff to obtain, from market participants, information and cooperation necessary to conduct effective rule enforcement and investigations.

The Exchange has several rules that allow the compliance staff to obtain the information necessary to conduct effective rule enforcement. First, under Exchange Rule 3.9, Members are required to notify the Exchange immediately and in writing of potential breaches to the Exchange’s rules including if:

- (a) The Member ceases to be able to satisfy any of the Membership Criteria and, if applicable, the Clearing Membership Criteria, or reasonably believes it may cease to do so;
- (b) There are any material changes made to the information previously provided to the Exchange;
- (c) The Member is notified that a Regulatory Authority will investigate any of its affairs or those of any of its Parent Undertakings or Guarantors which is material in terms of the overall size of its group or take disciplinary or other formal action against it or a Parent Undertaking or Guarantor or the Member has reason to believe that a Regulatory Authority is considering the same; and
- (d) Anything else relating to the Member of which the Exchange would reasonably expect notice.^{17/}

Second, the Exchange has a right to audit its Members at any time. And, at such audits, Members are required to:

- (a) Provide such information, books and records as the Exchange may reasonably request; and
- (b) Cooperate with the Exchange in the same way as set out in Exchange Rule 8.2.2 for such purposes save that the Member shall not be required to permit access without notice to its business premises.^{18/}

^{17/} Exchange Rule 3.9.1.

^{18/} Exchange Rule 3.10.1.

Third, each Member is required to enter into an Exchange Membership Agreement with the Exchange, which binds the Member to the Exchange Rules. Fourth, the Exchange Rules require Members to cooperate fully with any investigation, provide information requested by the Exchange and permit the Exchange to interview their representatives regarding any Exchange Complaints and investigations. Specifically, Members are obliged under Exchange Rule 8.2.2 to cooperate fully with all investigations (whether or not such Member or person is the direct subject of such investigation). In particular, Members must:

- (a) Provide to the Exchange such information in whatsoever form as the Exchange may reasonably request, within the time period specified;
- (b) Permit representatives of the Exchange access, with or without notice, during business hours to any of the Member's business premises in order to carry out the Investigation;
- (c) Make its representatives readily available for meetings with the representatives of the Exchange conducting the Investigation, and use its best endeavors to procure that such persons answer truthfully, fully and promptly, all questions that are put to them;
- (d) Produce and give the representatives of the Exchange conducting the Investigation reasonable access to documents, records, files, tapes, computer systems and any other pertinent information which are within the Member's possession or control and provide any facilities which such representatives may reasonably request; and
- (e) Print information in the Member's possession or control which is held on computer or otherwise convert it into a readily legible document or any other record that may be reasonably requested by the representatives of the Exchange conducting the Investigation.^{19/}

Fourth, Exchange Rule 2.5.2 requires Members to agree to permit the Exchange to disclose information it receives from the Member where required to do so by any regulatory authority or pursuant to the Applicable Law. Fifth, Exchange Rule 8.1.3 allows the Exchange to provide details to a Regulatory Authority about any Complaint, matter or concern which it considers requires investigation and about any outcome of an Investigation or Disciplinary Proceeding. And last, under Exchange Rule 3.4.2(c), Members must also require that each of their Customers cooperates with the Exchange in the event of action being taken against the Member in the same way as described above save that the Customers are not required to permit access to their business premises.

(8) Staff investigations and investigation reports demonstrating that the compliance staff investigates suspected rule violations and prepares reports of their finding and recommendations.

Rules regarding staff investigations and investigations reports are thoroughly described in Exhibit G-3. Generally, the Exchange, in the first instance, investigates complaints made about the conduct of persons in the course of using the Exchange's facilities. The CMERT, assisted by CME Inc.'s Market Regulation Department as requested by the Exchange, analyze and make recommendations in response to any Complaints. If necessary, and as requested by the

^{19/} Exchange Rule 8.2.2.

Exchange, the CME Inc., the Market Regulation Department conducts further investigation of the Complaint by analyzing trade and market data.

(9) Rules determining access requirements with respect to the persons that may trade on the foreign board of trade, and the means by which they connect to it.

As noted in Exhibit B, the Exchange has comprehensive rules regarding the criteria that persons must meet in order to be Members of the Exchange.^{20/} In addition to those rules, and as noted above, the Exchange rules specify requirements for Members who provide direct market access to the Exchange.^{21/} And last, the Exchange (Chief Executive Officer or the Chief Regulatory and Surveillance Officer of the Exchange or any of their delegates) is also able to deny Members or customers access to the Exchange at any time if they determine that immediate action is required to protect the best interests of the Exchange.^{22/}

(10) The requirement that market participants submit to the foreign board of trade's jurisdiction as a condition of access to the market.

As noted above, Exchange Rule 8.2.2, requires that Members cooperate with any Exchange investigation, including by supplying documents, providing access to its premises, and make its representatives available for interview. Also, under Clause 2.1 of the Membership Agreement, the Member agrees to comply with the provisions of the Exchange Rules. Further, the Exchange has jurisdiction over all Members and their employees and agents throughout the duration of their Membership, and the Exchange retains disciplinary authority over any Member for one year after that Member has ceased to be such a Member.^{23/} Additionally, the Membership Agreement contains a representation that all the obligations assumed by the Member in the Membership Agreement, the Exchange Rules and each Transaction, Contract and Corresponding Contract it enters into are legal, valid, binding and enforceable obligations (Clause 4.1.6).

^{20/} Exchange Rule 3.2.

^{21/} Exchange Rule 3.6.2.

^{22/} Exchange Rule 3.12.1. Members are able to request that the matter be referred to a Disciplinary Panel for review. Exchange Rule 3.12.2.

^{23/} Exchange Rule 3.11.3(b).

FORM FBOT—EXHIBIT G-3

Request:

Attach, as Exhibit G-3, the following:

A description of the foreign board of trade's disciplinary rules, including but not limited to, rules that address the following –

- (1) **Disciplinary authority and procedures that empower staff to recommend and prosecute disciplinary actions for suspected rule violations and that provide the authority to fine, suspend, or expel any market participant pursuant to fair and clear standards.**
- (2) **The issuance of warning letters and/or summary fines for specified rule violations.**
- (3) **The review of investigation reports by a disciplinary panel or other authority for issuance of charges or instructions to investigate further, or findings that an insufficient basis exists to issue charges.**
- (4) **Disciplinary committees of the foreign board of trade that take disciplinary action via formal disciplinary processes.**
- (5) **Whether and how the foreign board of trade articulates its rationale for disciplinary decisions.**
- (6) **The sanctions for particular violations and a discussion of the adequacy of sanctions with respect to the violations committed and their effectiveness as a deterrent to future violations.**

Response:

- (1) **Disciplinary authority and procedures that empower staff to recommend and prosecute disciplinary actions for suspected rule violations and that provide the authority to fine, suspend, or expel any market participant pursuant to fair and clear standards.**

Generally, the Exchange's investigation and disciplinary powers and processes are set out in Chapter 8 of the Exchange Rules. The Exchange's disciplinary procedure has two stages—Investigations and Disciplinary Proceedings. The powers available to the Exchange at the conclusion of each stage differs. A thorough description of the process the Exchange utilizes once it receives a complaint is in the Complaints Procedure Flow Chart (*see* Exhibit A-6(4)).

The assessment of any non-compliance with the Exchange Rules by Members and Customers is the responsibility of the CME Europe Market Regulation Team ("CEMRT").

The Chief Regulatory & Surveillance Officer ("CRSO") decides whether to conduct an Investigation or Disciplinary Proceedings as described in Exchange Rule 8.2.1 and 8.4.1, but

both the CMERT Team and CME Inc. departments under the Market Regulation Service Level Document assist as requested, for example by checking details of the Member's historic activities through its databases and preparing reports.^{1/}

Pursuant to Exchange Rule 8.2.2, members are obliged to cooperate fully with all investigations (whether or not such Member or person is the direct subject of such investigation). Members are required to provide to the Exchange such information as the Exchange may reasonably request and to permit the Exchange access, with or without notice, during business hours to any of the Member's business premises. Members are also required to make their representatives readily available for meetings with the Exchange and to provide the Exchange with access to documents records, files, tapes, computer systems and other pertinent information which are within the Member's possession or control.^{2/}

The CRSO and the CMERT carry out an investigation and make recommendations to the Disciplinary Panel about what action to take. The disciplinary powers which the Exchange may exercise at this investigative stage are limited to those provided in Exchange Rule 8.3.1., and enable the Exchange to:

- conclude that no further action should be taken;
- issue a private written warning to the Member;
- carry out further enquiries if the investigation indicates that this is necessary in order to conclude satisfactorily the investigation;
- commence a Disciplinary Proceeding in accordance with Exchange Rule 8.4; or
- refer all or a portion of the investigation to a Regulatory Authority.

Before making a decision, the Exchange may send to the relevant Member a notice setting out its preliminary factual conclusions and its intended course of action in relation to the alleged breach. The Exchange may also invite the Member to either attend a meeting with it or to provide it with written comments, in either case to allow the Member the opportunity to correct any factual error it considers to be contained before the Exchange issues a finalized version of its initial findings in writing.

(2) The issuance of warning letters and/or summary fines for specified rule violations.

As noted above, a warning letter may be issued at the conclusion of an investigation. Summary fines may not be issued at this time. If the Exchange determines that further action is

^{1/} The Exchange also has a complaints procedure. This procedure is governed by Rule 8.1. A Compliant may result in the institution of an investigation and disciplinary action by the Exchange, or referral of the matter to the appropriate regulatory authority. As set out in Exchange Rule 8.1 and the Exchange's Complaints Procedure any Complaint must be made in writing and submitted to the CRSO. Upon receipt, the substance of any Complaint received is discussed at the Exchange's next scheduled Senior Management Meeting. If the Exchange considers that the Complaint (or any other matter or concern) requires investigation, it will commence an Investigation as set out in Exchange Rule 8.2.1.

^{2/} Under Exchange Rule 3.4.2(c), Members must also procure that each of their Customers cooperates with the Exchange in the event of action being taken against the Member in the same way as described.

appropriate, a further inquiry may be commenced, referral made to a regulatory authority, or a Disciplinary Proceeding initiated in accordance with Exchange Rule 8.4.

(3) The review of investigation reports by a disciplinary panel or other authority for issuance of charges or instructions to investigate further, or findings that an insufficient basis exists to issue charges.

Based upon a review of the Investigation, or otherwise, the Exchange may decide to commence a Disciplinary Proceeding where it is reasonably satisfied that a Member has breached an Exchange rule. In order to commence a Disciplinary Proceeding, the Exchange will send the Member a written notice setting out details of the alleged breach and sufficient information to enable the Member to understand and respond to the allegations.

The Member has 20 Business Days from receipt of this notice to provide a statement of Defense to the Exchange in respect of the allegations. The statement of Defense should set out its plea and any admissions of fact. After due consideration of the Defense, the Exchange may decide either to proceed with or terminate the Disciplinary Proceeding or amend the Disciplinary Notice. A Disciplinary Notice may be amended under Rule 8.4.7 as long as the amendment is relevant to the allegation of breach, the essential character of the allegation is unchanged, and that the amendment would not prejudice the Member's defense.

(4) Disciplinary committees of the foreign board of trade that take disciplinary action via formal disciplinary processes.

Under Exchange Rule 8.4.3 the Board of Directors nominates the members to serve on a Disciplinary Panel. Each Disciplinary Panel is required to be comprised of any two of the Exchange's independent non-executive directors joined by any two Members that do not have a conflict of interest relating to the subject of the proceeding, chosen at random. A Member chosen to serve on a Disciplinary Panel is required to provide a representative to do so.

The Disciplinary Panel will hear submissions on the matter of the alleged breach of the Exchange Rules, determine whether there has been a breach and, if so, which sanctions should be imposed. In carrying out this function, the Disciplinary Panel has a certain degree of flexibility in how to conduct proceedings. The Disciplinary Panel may:

- order the disclosure by the Exchange or the Member of such further information, documents or other evidence as may be necessary;
- issue directions and take such other steps as it considers appropriate to clarify the facts and issues and determine the case;
- decide to determine the case upon written submissions and evidence placed before it (although this requires the express agreement of the Exchange and the Member concerned);

- in all other cases, give the opportunity to, or require, the Exchange and the Member to attend hearings before the Disciplinary Panel (the Exchange and the Member may call witnesses to give evidence and be questioned);
- allow the Member and the Exchange to be assisted or represented by any person, whether or not legally qualified;
- require hearings to be held in private unless the Member or the Exchange requests otherwise and the other party consents; and
- appoint its own legal advisers.

Upon review of the file, the Disciplinary Panel applies the civil standard of proof on the balance of probabilities. The Disciplinary Panel communicates its findings and the sanction imposed in writing to the Member concerned and to the Exchange. Such findings and sanction may be appealed under the provisions of Exchange Rule 8.5.

Appeal Process

Exchange Rule 8.5 sets out an appeal procedure. Either the Member which is subject to the Disciplinary Proceedings or the Exchange, or both, may file a written appeal of the Disciplinary Panel's decision within ten Business Days of receipt. The grounds of the appeal may be based on a claim that the Disciplinary Panel's decision was:

- arbitrary, capricious, or an abuse of its discretion; or
- based on a clearly erroneous application or interpretation of the Exchange Rules.

As set out in Exchange Rule 8.5.4, an Appeals Body will be nominated by the Centre for Effective Dispute Resolution in London ("CEDR").^{3/} The Appeals Body shall consist of one or more persons that is independent of the Exchange, has appropriate experience of the European derivatives exchange market and has knowledge of the Exchange, Exchange Rules and Applicable Law. Exchange Rule 8.5.5 provides that an Appeals Body may adopt such procedures as it thinks fit. The appellant and the respondent shall be entitled to appear, make representations and (subject to any restriction on adducing new evidence), call witnesses, who may be examined and cross-examined at any hearing, which will not be held in public.

After review, the Appeals Body will issue a final decision in writing. The Appeals Body may affirm, revoke or vary the sanction, or order such other action as it deems proper, including directing a re-hearing before a differently constituted Disciplinary Panel. Generally, the Appeals Body tries to conduct its proceedings and provide its final decision within 20 Business Days of referral to it of the notice of appeal. However, this is subject to the availability of an appropriate expert.

(5) Whether and how the foreign board of trade articulates its rationale for disciplinary decisions.

^{3/} CEDR is a third-party, professional mediation and dispute resolution service.

Under Exchange Rule 8.4.13 the Disciplinary Panel communicates its findings and the sanction to be imposed in writing to the Exchange and to the Member concerned. Such findings and sanctions are deemed conclusive and binding unless appealed within the applicable time for appeal. Except for those sanctions which must be made public (such as a public censure) the findings and sanctions are not made public.

As noted above, decisions regarding any appeal are also made in writing. Exchange Rule 8.5.6 provides that, unless otherwise agreed by the parties, the outcome of any hearing conducted by an Appeals Body is not made public.

(6) The sanctions for particular violations and a discussion of the adequacy of sanctions with respect to the violations committed and their effectiveness as a deterrent to future violations.

Generally, the Disciplinary Panel has discretion as to the appropriate sanction in each case and need not necessarily select the same sanction in relation to similar cases if there is a reason to differentiate between them. The Disciplinary Panel may take into account factors including whether the breach was deliberate or negligent, the seriousness of the consequences, any impact on Customers and whether the Member has taken action to remedy the breach or prevent a recurrence. The Disciplinary Panel may impose one or more of the following sanctions:^{4/}

- issue a private written warning to the Member;
- issue of a public notice of censure;
- impose a fine of any amount;^{5/}
- the disgorge of any gain made by the Member or its representatives in connection with the breach of the Exchange Rules;
- deny the Member access to the Exchange and/or the Globex Platform;

^{4/} In addition to the Disciplinary Panel's discretion, Exchange Rule 3.9 allows the CEO or the CRSO (or any of their delegates) to deny access to the Exchange to any Member or Customer where there are substantial reasons to believe that such immediate action is necessary to protect the best interests of the Exchange. Upon such an order the relevant Member or Customer will be informed of the order having been made, the reasons why and the effective date, time and duration of the access denial. If a Member wishes to have its access restored before the end of the specified period it may request that the matter be referred to the Disciplinary Committee (Exchange Rule 3.9.2). If a Customer wishes to have its access restored before the end of the specified period it may request that the Exchange refer the matter to the Disciplinary Committee providing that the Customer submits to the Disciplinary Process as set out in Chapter 8 of the Exchange Rules (Exchange Rule 3.9.3). In either case the Disciplinary Panel shall have the right to extend the period for which access is denied.

^{5/} Exchange Rule 8.6.1 sets out the purposes for which the Exchange may impose financial penalties on Members. If the Exchange imposes any significant fines, it will undertake an accounting of its expenses incurred in the Investigation and Disciplinary Proceedings and, if appropriate, appeal in respect of the relevant violation and apply the fine towards such costs. Any excess and the proceeds of small fines will be deposited in a separate account and the Exchange will consider how to use any such amount on an annual basis. It may either contribute it to a project of benefit to the Members, or if no such project exists, donate the money to charity. The Exchange will not levy upon or collect financial penalties from Members for the purpose of raising revenue for the Exchange and will not allow any sums received in the way of financial penalties to accrue for the benefit of the Exchange.

- order the relevant Clearing Member not to enter into any new Transactions in relation to the Member;
- order the relevant Clearing Member to liquidate all or any portion of a Member's Contracts;
- recommend to the Exchange to suspend or terminate the membership of the Member with immediate effect; or
- issue an order requiring the Member to take such steps including making an order for compensation, as the Disciplinary Panel may direct, to remedy the situation caused by the breach of the Exchange Rules.

As noted above, the Disciplinary Panel has power to recommend to the Exchange that a Member's membership should be suspended or terminated with immediate effect as a result of Disciplinary Proceedings.^{6/} The consequences of suspension are set out in Exchange Rule 3.12 and those of termination are set out in Exchange Rule 3.11. The Disciplinary Panel is generally the decision maker on the finding and award of penalties in Disciplinary Proceedings and the Board has delegated that power to it. However, the Exchange considers it appropriate for the Disciplinary Panel to refer the decision back to the Exchange in case of suspension or termination recommendations because it is such a significant outcome. It is intended that the Exchange would act in accordance with the Disciplinary Panel's recommendation unless it felt that different remedy would be more appropriate, in which case it would refer the matter back to the Disciplinary Panel.

The Exchange views the range of available sanctions as establishing a credible deterrent against future violations.

^{6/} There is no power to suspend a Member as a result of an Investigation.

FORM FBOT—EXHIBIT G-4

Request:

Attach, as Exhibit G-4, a description of the market surveillance program (and any related rules), addressing the following—

The dedicated market surveillance department or the delegation or outsourcing of that function, including a general description of the staff; the data collected on traders' market activity; data collected to determine whether prices are responding to supply and demand; data on the size and ownership of deliverable supplies; a description of the manner in which the foreign board of trade detects and deters market manipulation; for cash-settled contracts, methods of monitoring the settlement price or value; and any foreign board of trade position limit, position management, large trader or other position reporting system.

Response:

I. Exchange's Market Surveillance Staff

As noted in Exhibit G-1, the Exchange has an in-house CME Europe Market Regulation Team ("CEMRT"), which has three members, and also contracts market regulation services from the CME Inc.'s Market Regulation Department ("MRD"). CEMRT aids and reports to the CRSO, and is responsible for:

- (a) Monitoring market abuse using CME Inc.'s SMART, Large Trader and RAPID applications;
- (b) Coordinating market regulation oversight with the MRD, including participating in weekly calls;
- (c) Organizing training on market abuse for relevant departments;
- (d) Receiving ongoing training from MRD on the market monitoring applications;
- (e) Coordinating training of MRD's core staff and supervisors about UK market abuse and financial crime regime; and
- (f) Maintaining ongoing product understanding, and contributing to product development.

The CEMRT escalates any issues regarding market abuse or financial crime to the CRSO. The CRSO is then responsible for determining whether any further investigation of the issue is needed and whether to disclose any information to the FCA or other relevant body.^{1/}

The MRD, which has 151 employees, provides systems and investigations assistance to the Exchange under the Globex Services Agreement (Attachment []) and the Market Regulation Service Level Document (Attachment []). CME Inc. – a Designated Contract Market, and a Recognised Overseas Investment Exchange in the UK – is one of the world’s largest derivatives exchanges, CME Inc. has sufficient resources to provide these market regulation services to the Exchange. This outsourcing arrangement is monitored on a day-to-day basis by the CEO and the CEMRT, which is in frequent contact with their counterparts at the MRD and receives regular reports on the provision of the market regulation services.^{2/} To ensure that the MRD is equipped to effectively monitor trading on the Exchange, the CEMRT arranges ongoing training about the UK market abuse and financial crime regime, for the core team of MRD staff who are likely to perform services for the Exchange under the outsourcing arrangements, and their supervisors.

II. Exchange’s Market Surveillance Practices

A. Electronic Surveillance Systems – SMART and RAPID

The Exchange uses three of the CME Inc.’s in-house proprietary applications to monitor the market and detect possible instances of market abuse: SMART, RAPID, and Large Trader (described below in Position Limits section), on a T+1 basis.

SMART System: SMART serves as the primary trade practice application for the CEMRT. The system consists of: (a) a collection of back-end processes that profile and mine the data on a daily basis to identify patterns of trading and (b) a feature-rich front- end interface that facilitates robust analysis and efficient interaction with large volumes of transactional data. The SMART application allows the user to selectively view and filter detail trade data, and view volumetric and quotation information. Additionally, the SMART platform also produces pre-programmed exception reports, which help isolate items of regulatory interest. The parameters for the exception reports are set by the Exchange’s CRSO. At a minimum the following data items are recorded for each Exchange transaction: trade date, product code, expiration month, firm ID, buy/sell indicator, trade quantity, trade price, trade identifier, client account number, trade type, trade submit time, trader order number.

RAPID System: The RAPID system captures all order, trade and market data messaging from the Globex electronic system on a real-time basis and stores this information online. The

^{1/} The CMRT keeps a record of any activity on the Exchange that they have considered escalating to the Chief Compliance Officer. The record includes whether the escalation was in fact made, and if not why not, and if it was escalated to the Chief Compliance Officer. Also, the CRSO keeps a record of any decisions and actions taken in relation to the escalated information, including if no further action was taken, and the reasons for this. CME Inc. electronically stores all Transaction and Order data for at least five years. The previous two years of data is readily available for the Compliance and Market Regulation Team to access, with older data being archived and available when needed.

^{2/} The Chief Compliance Officer, assisted by the Compliance and Market Regulation Team at the Exchange, will have access to and be trained in the market monitoring applications, and will be responsible for making the decision to further investigate and report any suspicions or evidence of market abuse to the relevant authority.

application allows analysts to view, analyze, summarize and reconstruct Globex activity. The retained information includes all orders, all order modifications, cancellation, and fill messages. Additionally, each order contains the date, time to the nearest millisecond, order price, quantity, product, expiration date, buy/sell indicator, account number, and Operator code. Each order is numbered, and these numbers can be used to track an order's history and all changes or cancellations thereto. The system independently records these messages. The data recorded cannot be accessed by any trader or trading firm, and once recorded data elements cannot be changed.

B. Targeted Monitoring Practices for Potential Market Abuse Practices

As part of its market monitoring duties, the CEMRT has defined potential market abuses, based on the FCA's "Code of Market Conduct" ("MAR"),^{3/} and designated means to monitor Exchange activity for such abuses, on a daily basis, using a variety of systematic and human processes. The potential market abuses and monitoring approaches appear below:

<u>Potential Market Abuse (from MAR)</u>	<u>How it is monitored</u>
Insider dealing - i.e., dealing on the basis of inside information (§118(3)).^{4/}	
Executing transactions ahead of market announcements / information about underlying being made public.	<p>SMART application shows market and participant activities. The CEMRT is able to look at a particular moment in the market, e.g., which Users were in the market at a particular time, which orders were submitted etc.</p> <p>The CEMRT may see a market spike through their own reviews using the SMART application or may be alerted to one by Users, other Exchange employees, outside news etc.</p>
Front running (i.e., executing a transaction for own benefit ahead of a customer order to benefit from expected impact of customer order)	SMART application has an exception report which looks for this. The timing of this report is on T+1 basis.
orders or transactions which give a false or misleading impression of supply, demand or price, or secure price at an abnormal or artificial level (§118(5)).	
Buying or selling derivatives at close of	The Settlement Department alerts CEMRT

^{3/} Available at, <http://fshandbook.info/FS/html/handbook/MAR/1>.

^{4/} References are to sections of the Financial Services and Markets Act of 2000.

market, otherwise than for legitimate reasons.	if they see anything odd at the close. CME Inc. (described below) is in the process of developing a batch exception report to address this behavior.
Wash trades (i.e., sale or purchase of derivatives where there is no update in beneficial interest or risk or where transfer is between colluding parties).	SMART exception report. The application is set to run on a wide set of parameters and the CEMRT is able to narrow these to further identify / investigate anything contained within the exception report.
Painting the tape (i.e., entering into a series of transactions for the purpose of giving the impression of activity or price movement).	Violations are detected utilizing a variety of SMART exception reports.
orders or transactions to secure dominant position over supply or demand which fix prices or create other unfair trading conditions (can be colluding parties).	Monitoring performed on an ad hoc basis. The Large Trader application can be used to analyze positions, volumetric reports to analyze Transactions. This is not an exceptions process and is based on daily reviews by analysts.
Entering buy or sell orders at same time or nearly same time with same price and quantity (can be colluding parties), unless carried out in accordance with the Exchange Rules.	SMART exception report. This will be automatically set at a wide set of parameters and the CEMRT narrows these to further identify / investigate anything.
Entering small orders at prices higher than previous bid or lower than previous offer to move price.	Violation is under review for future enhancement to the SMART application.
Abusive squeezes (i.e., a person with significant influence over supply, demand or delivery mechanism of the underlying, has a position in derivatives under which underlying is deliverable and engage in behavior to distort price at which others must make or take delivery).	Monitoring performed on an ad hoc basis. Large Trader application can be used to analyze positions; volumetric reports can be used to analyze transactions. This is not an exceptions based process; it is based on daily reviews by analysts.
Trading to improperly influence price of a similar derivative on another prescribed market.	The Exchange does not expect this type of abuse to be a problem at launch due to the expected product list and expected volumes.
orders or transactions which employ fictitious devices or another form of deception or	

contrivance (§118(5)).	
Voicing an opinion about a derivative in which a position is held without disclosing the conflict to profit from its impact.	This is prohibited under Exchange Rule 3.8.1(b). Ad hoc monitoring - for example the Exchange will investigate if they receive reports of a Participant doing this.
“Pump and dump” (i.e., taking a long position in a derivative and disseminating misleading positive information to increase its price).	This is prohibited under Exchange Rule 3.8.1(b). Ad hoc monitoring - for example the Exchange will investigate if they receive reports of a Participant doing this.
“Trash and cash” (i.e., taking a short position on a derivative and disseminating misleading negative information to reduce its price).	This is prohibited under Exchange Rule 3.8.1(b). Ad hoc monitoring - for example the Exchange will investigate if they receive reports of a Participant doing this.
Behavior likely to give a false or misleading impression or distort the market and does not observe reasonably expected.	
E.g., movement of physical commodity stocks or an empty cargo ship	This is prohibited under Exchange Rule 3.8.1(b). Ad hoc monitoring - for example the Exchange will investigate if they receive reports of a Participant doing this.

C. Routine Market Regulation Reports Utilized by MRD

The table below details the routine reports and alerts that the MRD utilizes on a daily basis to monitor market activity for abusive behavior. These tools are applied by the MRD to monitor abusive behavior within the UK market abuse regime.

Report / alert	Description of behavior
Account Wash/Money Pass I	
Account Wash Trade/Money Pass I exceptions are	<u>Direct Wash</u> Direct Wash exceptions occur when the same firm/account

intended, respectively, transactions.	combination appears on both the buy and sell side of a single trade.
	<p><u>Indirect Money Pass I</u></p> <p>Indirect Money Pass I exceptions occur when Firm A/Account A buys or sells contracts opposite Firm B/Account B in a given product at a given price and, within x minutes of the first trade, Firm A/Account A offsets contracts opposite Firm B/Account B in the same contract and at a price different from the first trade.</p>
Directly Crossing orders	
The Directly Crossing orders identifies single trade exceptions where either a trader or firm directly crosses a buy and a sell order.	<p><u>Broker Direct Cross</u></p> <p>Broker Direct Cross exceptions occur when a given broker acronym for open outcry or Tag 50 for Globex appears on both the buy side and the sell side of a single trade and neither the buy or sell side is a personal trade.</p>
	<p><u>Firm Direct Cross</u></p> <p>Firm Direct Cross exceptions occur when a given firm appears on both the buy side and the sell side of a single trade and neither the buy or sell side is a personal trade.</p>
Front Running	
<p>Front Running exceptions occur when a front running candidate trade is executed on Globex within a pre-defined period (x seconds) prior to the execution of an identified Aggregated Market Moving Aggressor order (“AMMAO”).</p> <p>An AMMAO is defined as being an aggressor order that trades through multiple prices when it is executed or an aggressor order that is not filled in full upon order entry.</p> <p>The front running candidate is executed as an aggressor trade in the same instrument and on the same side of the market as an identified AMMAO; the order quantity of the front running candidate is less than or equal to the order quantity of the AMMAO; the VWAP of the front running candidate must be better or equal to the worst fill price received by the AMMAO; and the firm/account on the front running candidate is not equal to the firm/account on the AMMAO.</p> <p>For each identified front running candidate, the back-end process shall look to identify the first potential offsetting electronic trade, if one exists, that was executed by the front running candidate firm/account in the cited instrument on the opposite side of the market from any time after the front running candidate until the end of the trading day.</p>	

5/15 'Super Cross' Crossing Analysis

5/15 Super Cross exceptions occur when Globex orders are entered on opposite sides of the market for a given instrument within less than x-seconds of each other for futures and less than y-seconds of each other for options and the two orders immediately match in full or in part against the other and the accounts for the buy and sell sides are not equal.

Account Position Alert

Account Positions Alerts are generated if the absolute value of the net position accumulated by a specific, identified account, in a product, at any point during a trading session, exceeds the defined position alerting threshold assigned to that account.

Account Volume Alert

Account Volume Alerts are generated when the volume traded by a specific, identified account, in a product, exceeds the defined volume alerting threshold assigned to that account during the trading session.

D. Functionalities of the Globex Platform Designed to Ensure Stable, Orderly Markets

In keeping with the trade practice rules described in Exhibit G-3, the Exchange has established the following procedures to ensure fair, stable and orderly market activity:

- (a) **Price limits:** Daily price limits and circuit breakers, where appropriate, are established by the Exchange on a product by product basis and implemented by GCC on its behalf. The price limits are stated in terms of the previous or prior settlement price, plus or minus the specific trading unit limit. The circuit breakers allow for normal limits to be expanded by a specific amount, and are reassessed quarterly. Price limits refer to high or low price limit assigned to a given instrument. It is a precautionary measure enforced by Globex to prevent abnormal market movements. Price limits are set based on product specifications. Once a futures price has increased by its daily limit, there can be no trading at any higher price until the next day of trading. Conversely, once a futures price has declined by its daily limit, there can be no trading at any lower price until the next day of trading.
- (b) **Price banding:** To ensure a fair, stable and orderly market all orders submitted to the Globex Platform will be subjected to price verification using a process called price banding. Price banding prevents bid orders being entered at a price that is well above the market or offer orders being entered at a price that is well below the market. Without this control such erroneous orders could trigger a sequence of market-moving transactions that would require subsequent price adjustments. For futures products, a price band variation value is assigned to each product and applied to both the upside (for bids) and downside (for offers) to determine the price band variation range. With each price change

the price band variation range is recalculated and a new range applied. The Globex Platform automatically rejects all bids and offers outside the price band variation range. The price bands for each of the products are set out in the Procedures. Price banding does not: (i) prevent Users from entering bids below the market or entering offers above the market; (ii) restrict how far below or above the market a Participant may wish to trade; or (iii) hinder the market's depth in any way. Price Banding only prevents a Participant from bidding or offering prices that appear to be unrealistic and potentially damaging to the marketplace.

(c) **Stop Spike Logic:** Stop Spike Logic is a functionality of the Globex Platform designed to prevent excessive, improper price movements. In volatile markets, the bid and ask prices can experience significant price changes. Such changes can result from general market conditions but can also be generated as a result of cascading stop price orders. Cascading stop price orders are triggered by a spike in market prices that triggers stop orders, which in turn causes the market to trigger other stop orders, inappropriately moving the markets. The Stop Spike Logic functionality detects market movement due to the triggering, election and trading of stop price orders. When this situation causes a condition where the market triggers and trades additional stop price orders at extreme market prices the Stop Spike Logic is engaged. The result of this is that a momentary pause is applied to the market, which allows new orders to be entered and matched against the triggered stops in an algorithm similar to market opening.

(d) **Trade cancellation and price adjustment:** In addition to the functionalities described above the Exchange Rules also detail the trade cancellation and price adjustment powers of the Exchange.^{5/} The Exchange may review a trade based on its analysis of market conditions or a request for review by a Participant. Such a request must be made within eight minutes of the execution of the order. The GCC department promptly determines whether the trade is subject to review based on Exchange supplied parameters. If the trade is potentially outside the non-reviewable range the GCC promptly issues an alert, to all Users, indicating that the trade is under review. The Exchange grants the GCC the authority to review trades reported more than one hour following execution if it determines that the trade price was egregiously out of line with fair value. In order to cancel or price adjust a trade, the GCC first determines if the trade is within the non-reviewable range for the particular product. If a trade is within it, the trade will stand and cannot be cancelled or price adjusted. If the trade is outside of this, the GCC sends a message to all registered contacts at the Users alerting them that the trade has been cancelled, adjusted or stands. The GCC also attempts to contact directly all parties involved in the trade.

In accordance with the above, the CEMRT receives a number of alerts from the GCC in relation to the real time monitoring of orderly trading conditions on the Exchange, including:

Alert/System	What it shows
Price banding	Alerts are received when orders are rejected

^{5/} Exchange Rule 6.20.

	by the Globex Platform due to price banding. Generally, order rejects for price banding are to confirm that the banding values are correct based on the current market. If not, the bands are adjusted to appropriate levels to allow orders to be accepted. Another potential reason is an error in price format caused when a single Member/Customer is submitting orders outside the market.
Price limits	Alerts are received when orders are rejected due to the order violating price limits.
Market maker protections	Alerts are received when market maker protection values are reached. These are informational alerts only, no action would be taken.
Stop Spike Logic (please see the response to REC 2.7.4(2) for a description of this tool)	Alerts are received when a stop spike is triggered. Stop spike events will be investigated.
Cancel on Disconnect (please see the response to REC 2.7.4(2) for a description of this tool)	Alerts are received when a Cancel on Disconnect event is triggered. This is an informational alert only.
Market Activity Surveillance System	This application allows the Globex Command Centre to monitor products based on configurable volume and price movement thresholds. An alert is triggered when a threshold is met. If trading continues to happen above that threshold, the application stores order and matched Transaction information until trading falls back below the threshold (another alert is sent at this point). This application links directly into the RAPID application.

The CRSO works with the Globex Command Centre to determine the parameters to be set for such alerts for activities on the Exchange and the frequency with and format in which GCC supplies such reports of such alerts to the CEMRT.

III. Position Limits

A. Exchange Rules

The Exchange has rules regarding position limits and position accountability levels. In regard to position limits, the Exchange can impose limits on the size of a position on any product at any

time.^{6/} If a Member or its customer exceeds such limits (or makes a bid or offer that, if fulfilled, would exceed such limits), they are considered in violation of Exchange rules.^{7/}

In regard to position accountability, at any time, the Exchange can require a person trading on its system to provide information about their positions,^{8/} including, but not limited to: (a) the nature and size of the position, (b) the trading strategy employed with respect to the position, and (c) hedging information, if applicable.^{9/} If such information is not provided, the Exchange can order the reduction of such position.^{10/}

B. Electronic Surveillance System – Large Trader System

The Exchange uses the Large Trader System, a CME Inc. in-house proprietary application, to monitor positions on the Exchange, and thus any violations of position limits or position accountability levels. The Large Trader System contains information regarding the open positions of market participants which exceed a certain size threshold. This application is used to monitor large position holders and spot potential market manipulation. The Large Trader System tracks positions at each Clearing Member, broken down by the specific Client account numbers.

Using the Client account number that is submitted on each transaction, the Large Trader Database is updated after each night's clearing cycle. The net buys and sells are added to the accounts' open position, aggregated by maturity dates within each product. In the event that an account is not registered and therefore is not known to CEMRT, a call will be made to the relevant Clearing Member requesting that they identify the unknown client. The Large Trader Database shows date, product code, expiration month, coupon rate, Clearing Member name, client account number, client account name (if known), aggregate number long or short, and net change from the prior day.

C. GCC Alerts

The CEMRT also receives the following alerts from the GCC about violations of position limits or position accountability levels:

Alert / System and What it Shows
Over the Limit Report
The Over The Limit Report identifies Participants with aggregate positions in excess of the internally defined speculative limits or position accountability levels for the product or Contract based on programmatic analysis of Large Trader positions and the ownership and control relationships.
The Over The Limit Report uses a rules engine to programmatically analyze the aggregate

^{6/} Exchange Rule 6.16.1.

^{7/} Exchange Rule 6.16.3.

^{8/} Exchange Rule 6.17.1.

^{9/} Exchange Rule 6.17.2.

^{10/} Id.

position data reported for each Participant (by way of pre-defined Participant IDs allocated by the Exchange) and apply the complex product-specific and Contract lifecycle-specific rules and thresholds to identify those Participants with aggregate positions in excess of speculative limits or with aggregate positions above position accountability levels. When a position reaches or exceeds the internally defined speculative limits or position accountability levels, the MRD allocates responsibility for monitoring the relevant Participant's account, which includes data to allow a Participant's activities on the Exchange to be monitored in aggregate rather than on a Clearing Member by Clearing Member basis.

Watch OTL Report

The Watch OTL Report identifies Participants with aggregate positions that are potentially in excess of the internally defined speculative limits or position accountability levels for the product or Contract based on programmatic analysis of Large Trader positions using analyst defined "watch" relationships between Members and accounts.

The Watch OTL report uses the same rules engine and back end parameters and thresholds used by the Over The Limit Report to identify exceeded position limits and position accountability, but the Watch OTL Report allows analysts to more flexibly define what Participant account relationships are included for the purposes of monitoring aggregate positions. The key difference between the Watch OTL and Over The Limit monitoring processes is that the Watch OTL system can include more complex relationships between related, potentially related, or similar position accounts that are broader than the account relationships captured by the registered ownership and control relationships caught by the standard Over The Limit Report analysis.

Intraday OTL Report

The Intraday OTL Report identifies Participants with aggregate intraday positions that breach the defined speculative limits or position accountability levels for the product or Contract at any time during the trading day, even if the Participant subsequently ends the day below the relevant position limits or accountability levels, based on programmatic analysis of Large Trader positions, cleared trade data, and the ownership and control relationships.

The Intraday OTL report uses the same rules engine and back end parameters and thresholds used by the Over The Limit Report to identify position limit violations or position accountability, to analyse the imputed "high water mark" long or short intraday position calculated for each Participant to determine, if at any time during the trading day, the Participant exceeded the defined position limits or accountability levels for the traded product or Contract. The intraday position is calculated based on the Participant's start of day position and the results of the aggregated trading activity for all accounts associated with the Participant. For Participants that do not carry open positions, the start of day position is zero and the intraday position is calculated solely based on the Participant's cleared trade activity during the given trade date.

Position Accountability Report

The Position Accountability Report identifies Participants with aggregate positions in excess of the internally defined position accountability levels for the product or Contract based on programmatic analysis of reported Large Trader positions and the ownership and control relationships.

The Position Accountability report uses the same rules engine and backed parameters and thresholds used by the Over The Limit Report to identify position accountability results, but also provides additional context within the results and functionality on the front-end to facilitate the effective analysis and review of identified positions. The Position Accountability Report also identifies any participants that increased their position in violation of a Market Regulation issued Do Not Increase order.

Live Alerts

The Live Alerts system listens “live” to the Globex trading engine and analyzes matched trade activity for every active firm/account in real-time to generate alerts for any instances where an account deviates from its established volume or position averages or where an account exceeds defined product-specific thresholds for position or volume.

Absolute Position Alert

Absolute Position Alerts are generated if the absolute value of the net position accumulated by a given firm/account, in a product, at any point during a trading session, exceeds the defined position threshold.

Absolute Volume Alert

Absolute Volume Alerts are generated when the total volume traded by a given firm/account, in a product, exceeds the defined volume threshold during the trading session.

Moving Average Position Alert

Moving Average Position Alerts are generated if the absolute value of the net position accumulated by a given firm/account, in a product, at any point during a trading session, exceeds the account’s moving 50-day average position in that product multiplied by the defined position multiple for that product and the absolute value of the account’s net position is greater than the minimum position threshold for the product.

Moving Average Volume Alert

Moving Average Volume Alerts are generated when the total volume traded by a given firm/account, in a product, exceeds the account’s moving 50-day average volume in that product multiplied by the defined volume multiple for that product during the trading session and the account’s total volume traded is greater than the minimum volume threshold for the product.

	<p><u>Account Position Alert</u></p> <p>Account Positions Alerts are generated if the absolute value of the net position accumulated by a specific, identified account, in a product, at any point during a trading session, exceeds the defined position alerting threshold assigned to that account.</p>
	<p><u>Account Volume Alert</u></p> <p>Account Volume Alerts are generated when the volume traded by a specific, identified account, in a product, exceeds the defined volume alerting threshold assigned to that account during the trading session.</p>

The Exchange, therefore has robust surveillance system that is well-designed to prevent, detect and deter market manipulation and other disruptive, and unfair trade practices.

FORM FBOT—EXHIBIT H

Request:

Attach, as Exhibit H, the following:

(1) A description of the arrangements among the Commission, the foreign board of trade, the clearing organization, and the relevant foreign regulatory authorities that govern the sharing of information regarding the transactions that will be executed pursuant to the foreign board of trade's registration with the Commission and the clearing and settlement of those transactions. This description should address or identify whether and how the foreign board of trade, clearing organization, and the regulatory authorities governing the activities of the foreign board of trade and clearing organization agree to provide directly to the Commission information and documentation requested by Commission staff that Commission staff determines is needed:

(i) To evaluate the continued eligibility of the foreign board of trade for registration.

(ii) To enforce compliance with the specified conditions of the registration.

(iii) To enable the CFTC to carry out its duties under the Act and Commission regulations and to provide adequate protection to the public or registered entities.

(iv) To respond to potential market abuse associated with trading by direct access on the registered foreign board of trade.

(v) To enable Commission staff to effectively accomplish its surveillance responsibilities with respect to a registered entity where Commission staff, in its discretion, determines that a contract traded on a registered foreign board of trade may affect such ability.

(2) A statement as to whether and how the foreign board of trade has executed the International Information Sharing Memorandum of Understanding and Agreement.

(3) A statement as to whether the regulatory authorities governing the activities of the foreign board of trade and clearing organization are signatories to the International Organization of Securities Commissions Multilateral Memorandum of Understanding. If not, describe any substitute information-sharing arrangements that are in place.

(4) A statement as to whether the regulatory authorities governing the activities of the foreign board of trade and clearing organization are signatories to the Declaration on Cooperation and Supervision of International Futures Exchanges and Clearing Organizations. If not, a statement as to whether and how they have committed to share the types of information contemplated by the International Information Sharing Memorandum of Understanding and Agreement with the Commission, whether pursuant to an existing memorandum of understanding or some other arrangement.

Response:

As a general matter, the Exchange's regulator, the FCA, as the successor agency to the FSA, abides by international information-sharing agreements with other regulators, including the Commission. U.K. regulators in general, have been in the forefront, with the Commission, in entering into such arrangements.

The Exchange has initiated the process to join the relevant international sharing arrangements under which it will be able to share information with other exchanges. This process will be completed shortly.

(1) A description of the arrangements among the Commission, the foreign board of trade, the clearing organization, and the relevant foreign regulatory authorities that govern the sharing of information regarding the transactions that will be executed pursuant to the foreign board of trade's registration with the Commission and the clearing and settlement of those transactions. This description should address or identify whether and how the foreign board of trade, clearing organization, and the regulatory authorities governing the activities of the foreign board of trade and clearing organization agree to provide directly to the Commission information and documentation requested by Commission staff that Commission staff determines is needed:

The CME Group is committed to sharing information with regulators where required. CME Inc. is party to an information sharing agreement with the Commission and with the SEC under which it agrees to share information about itself and its members with regulatory bodies.

As discussed below, the Exchange is aware of the MoU between FSA and the Commission. The Exchange stands ready to share information with the Commission under the arrangements and through the channels of communication established under the MoUs.

The Exchange also is aware that if it lists for trading linked contracts and makes such contracts available for direct access from the U.S., various reporting requirements will attach. The Exchange is further aware that other exchanges located in the U.K. have entered into arrangements with the Commission to fulfill these requirements. If the Exchange were to list such linked contracts, it equally would be able legally to fulfill these requirements under similar arrangements.

The FCA (through its predecessor agencies) and other relevant U.K. regulatory authorities have entered into agreements with the Commission for the sharing of information for regulatory purposes. These agreements provide a ready channel for providing information to the Commission as required to fulfill its regulatory obligations. These MoUs entered into by U.K. regulatory authorities include the following:

- (a) Memorandum of Understanding Concerning Consultation, Cooperation and the Exchange of Information of the International Organization of Securities Commissions, (2003)(FSA).

- (b) Memorandum of Understanding concerning cooperation and the exchange of information related to the supervision of cross-border clearing organizations, (2009) (FSA).
- (c) Memorandum of Understanding concerning consultation, cooperation and the exchange of information related to market oversight, November 17, 2006 (FSA).
- (d) Arrangement on Warehouse Information to facilitate exchanges of information for surveillance and enforcement purposes regarding deliverable commodities, (2000) (FSA).
- (e) Memorandum of Understanding concluded jointly with the U.S. Securities and Exchange Commission, (1997).
- (f) Declaration on Cooperation and Supervision of International Futures Exchanges and Clearing Organizations (as amended) (Boca Declaration), (1996) (FSA).
- (g) Financial Information-Sharing Memorandum of Understanding (1988,1989) (FSA).

2) A statement as to whether and how the foreign board of trade has executed the International Information Sharing Memorandum of Understanding and Agreement.

The Exchange has initiated the process to become a signatory and expects to complete the process during the pendency of the review of this Application.

(3) A statement as to whether the regulatory authorities governing the activities of the foreign board of trade and clearing organization are signatories to the International Organization of Securities Commissions Multilateral Memorandum of Understanding. If not, describe any substitute information-sharing arrangements that are in place.

The FSA was a signatory and its successor continues the commitment of that agreement.

(4) A statement as to whether the regulatory authorities governing the activities of the foreign board of trade and clearing organization are signatories to the Declaration on Cooperation and Supervision of International Futures Exchanges and Clearing Organizations. If not, a statement as to whether and how they have committed to share the types of information contemplated by the International Information Sharing Memorandum of Understanding and Agreement with the Commission, whether pursuant to an existing memorandum of understanding or some other arrangement.