

**GREEN EXCHANGE, LLC  
APPLICATION FOR CONTRACT MARKET DESIGNATION  
COMPLIANCE WITH DESIGNATION CRITERIA AND CORE PRINCIPALS**

<b>Contract Market Criteria For Designation</b>	<b>Green Exchange, LLC (“GreenEx” or the “Exchange”) Application</b>	<b>Relevant GreenEx Documents, Rule or Agreements</b>
<p><b>Sec. 5(a) Applications</b> – “A board of trade applying to the Commission for designation as a contract market shall submit an application to the Commission that includes any relevant materials and records the Commission may require consistent with this Act.”</p>	<p>See GreenEx’s Application for Designation as a Contract Market dated April 23, 2010 and the Exhibits thereto (the “Application”).</p>	
<p><b>Sec. 5(b) CRITERIA FOR CONTRACT MARKET DESIGNATION</b></p>		
<p><b>Designation Criterion 1</b> <i>In General</i> – “To be designated as a contract market, the board of trade shall demonstrate to the Commission that the board of trade meets the criteria specified in this subsection.”</p>	<p><i>See generally</i> the Application.</p>	
<p><b>Designation Criterion 2</b> <i>Prevention of Market Manipulation</i> – “The board of trade shall have the capacity to prevent market manipulation through market surveillance, compliance, and enforcement practices and procedures, including methods for</p>	<p>GreenEx has contracted with Chicago Mercantile Exchange, Inc. (“CME”), pursuant to the General Services Agreement (“GSA”), to perform certain surveillance, investigative, and regulatory functions under the GreenEx Rules. GreenEx retains ultimate decision-making responsibility with respect to any functions contracted to CME under the GSA. <i>See Rule 213</i> (Regulatory Services Agreement with the Regulatory Services Provider).</p>	<p>General Services Agreement GreenEx Rules Chapter 2 GreenEx Rules Chapter 5</p>

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<p>conducting real-time monitoring of trading and comprehensive and accurate trade reconstructions.”</p>	<p>Under the GSA, CME will provide the extensive market regulation services described in Part II to Exhibit A of the GSA. Such market regulation services will include the use of computerized surveillance programs to monitor and detect the following types of trading abuses: (A) trading ahead and pre-arranged trading; (B) wash trades; (C) abusive trading at the high or low; (D) fraudulent trading; (E) abusive cross trades; and (F) certain other categories of trading abuses as requested by GreenEx. CME will also provide monitoring and analysis of open positions and trading to guard against corners and squeezes.</p> <p>If CME detects any trading abuses, it will conduct a preliminary investigation and confer with GreenEx to determine appropriate enforcement action to be taken in accordance with GreenEx Rules.</p> <p>Under the GSA, CME is required to provide the market regulation services with due care and to exercise a degree of skill and care that is consistent with applicable industry standards, and at substantially similar service standards and levels achieved by CME in performing these services with respect to its own products. Because CME is also providing trading facility services and clearing services to GreenEx, it will be able to perform its GreenEx market supervision and analysis directly, in substantially the same manner it provides supervision and analysis for its own products. Under the GSA and the GreenEx Rules, GreenEx retains ultimate decision-making authority with respect to any functions that are contracted to CME.</p> <p>The Regulatory Oversight Committee, which is comprised of three GreenEx directors that are “public directors,” will oversee GreenEx’s trade practice and market surveillance activities and will review the performance of CME under the GSA. <i>See Rule 206</i> (Regulatory Oversight Committee).</p> <p>The Chief Regulatory Officer will be responsible for enforcing the</p>	

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	<p>GreenEx Rules, including rules relating to market manipulation. The Chief Regulatory Officer will have available the resources of the Regulatory Oversight Department (which includes those resources of the CME designated under the GSA). The Chief Regulatory Officer is supervised by the Regulatory Oversight Committee. <i>See</i> <b>Rule 209</b> (Chief Regulatory Officer).</p> <p>GreenEx Rules broadly prohibit fraudulent acts, market disruption, market manipulation, and misstatements of material fact. <i>See, e.g.,</i> <b>Rule 504</b> (Rule Violations); <b>Rule 505</b> (Fraudulent Acts); <b>Rule 506</b> (Fictitious, Wash or Non-Competitive Transactions); <b>Rule 507</b> (Market Disruption); <b>Rule 508</b> (Market Manipulation); <b>Rule 509</b> (Prohibition of Misstatements); <b>Rule 511</b> (Adherence to Law); <b>Rule 521</b> (Trading Against Customers’ Orders; prohibiting trading against a Customer’s Order); <b>Rule 522</b> (Disclosing Orders Prohibited); <b>Rule 523</b> (Simultaneous Buy and Sell Orders For Different Beneficial Owners; establishing standards for such orders); <b>Rule 524</b> (Wash Sales Prohibited); <b>Rule 526</b> (Prearranged, Pre-Negotiated and Noncompetitive Trades Prohibited); <b>Rule 527</b> (Responsibility for Customer Orders; establishing the standard of responsibility for Customer Orders); <b>Rule 528</b> (Simultaneous Spread and Combination Transactions; establishing standards for such transactions); <b>Rule 530</b> (Priority of Execution; establishing the priority of Order execution an Authorized Trader must follow); and <b>Rule 532</b> (Position Limits And Exemptions; describing position limits and exemptions).</p> <p>GreenEx has the ability to actively monitor trading activity and Participants in order to prevent market manipulation, and has requirements to ensure that Participants maintain and make available information regarding their trading activity. GreenEx expects to enter into such information-sharing arrangements as the Chief Regulatory Officer determines are necessary to monitor trading activity across exchanges. <i>See</i> <b>Rule 206</b> (Regulatory Oversight Committee) <b>Rule 211</b> (Maintenance of Books and Records by the Exchange; describing the requirement that the</p>	

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	<p>Board maintain books and records of GreenEx in accordance with CEA and CFTC Regulations); <b>Rule 212</b> (Information-Sharing Agreements; describing GreenEx’s ability to enter into Information-Sharing Agreement with outside entities in order to coordinate market surveillance); <b>Rule 308</b> (Recording of Communications; authorizing GreenEx to record communications between GreenEx and Participants); <b>Rule 401(k)</b> (Duties and Responsibilities of Participants; describing Participants’ obligation to keep complete and accurate books and records pursuant to CEA and CFTC Regulations); <b>Rule 403</b> (Inspections by the Exchange; authorizing inspections by GreenEx); <b>Rule 404</b> (Minimum Financial and Related Reporting Requirements); <b>Rule 525.B(2)</b> (Recordkeeping Requirements for Globex); <b>Rule 532</b> (Position Limits And Exemptions); <b>Rule 533</b> (Position Accountability); <b>Rule 534</b> (Reports of Large Positions); <b>Rule 604</b> (Recordkeeping Requirements for Privately Negotiated Trades); <b>Rule 707</b> (Answer to Notice of Charges; requiring Participants to provide records to GreenEx during disciplinary proceedings).</p> <p>GreenEx has the authority to enforce compliance with GreenEx’s anti-market manipulation rules. Separately, GreenEx has the ability, at any time, to revoke, suspend, limit, condition, restrict, or qualify the trading privileges of any Participant, if in the sole discretion of GreenEx, such action is in the best interest of GreenEx. GreenEx also may, in its sole discretion, revoke or suspend the designation of an authorized trader of the Participant. <i>See</i> <b>Rule 304(a)</b> (Limitations of Trading Privileges); <b>Rule 306</b> (Authorized Traders); <b>Rule 311</b> (Application of Rules and Jurisdiction; specifying that by becoming a Participant or by accessing, or entering an Order or Contract on the GreenEx platform, a Person submits to the jurisdiction of the Exchange); <b>Rule 504</b> (Rule Violations; stating that it is an offense to violate any GreenEx Rule) and <b>Rule 513</b> (Supervision; requiring Participants to monitor their authorized traders and supervised persons to ensure they comply with GreenEx Rules and applicable law).</p>	

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	<p>Finally, GreenEx has enforcement procedures in place in the event that Participants do not comply with GreenEx’s anti-market manipulation rules. <i>See Chapter 7</i> (Disciplinary Rules); <b>Disciplinary Procedures</b>, <i>infra</i> Designation Criterion 6.</p>	
<p><b>Designation Criterion 3</b>  <i>Fair and Equitable Trading</i> – “The board of trade shall establish and enforce trading rules to ensure fair and equitable trading through the facilities of the contract market, and the capacity to detect, investigate, and discipline any person that violates the rules. The rules may authorize – (A) transfer trades or office trades; (B) an exchange of (i) futures in connection with a cash commodity transaction; (ii) futures for cash commodities; or (iii) futures for swaps; or (C) a futures commission merchant, acting as principal or agent, to enter into or confirm the execution of a contract for the purchase or sale of a commodity for future delivery if the contract is reported, recorded, or cleared in accordance with the rules of the contract market or a derivatives clearing organization.</p>	<p>GreenEx has contracted with CME to provide trading facility services under the Trading Facility Services Agreement (the “TFSA”). Under the TFSA, CME will provide trade-matching services via its Globex system.</p> <p>The Globex system will receive bids and offers from GreenEx Participants and will register such orders in the order book for matching. Such bids and offers will be matched in accordance with the trade-matching algorithm applicable to the relevant GreenEx Contract.</p> <p>Pursuant to the Intellectual Property and Market Data Agreement, GreenEx is licensing its market data regarding GreenEx Contracts to CME for public dissemination on the GreenEx website and for distribution to GreenEx Participants through the Globex system in accordance with the CME Customer Connection Agreement. Market data will be made available to GreenEx Participants on an equal basis; no GreenEx Participant will have greater or earlier access to market data than any other GreenEx Participant.</p> <p>The GreenEx Rules relating to trading are intended to ensure fair and equitable trading on GreenEx. As discussed above with respect to Designation Criterion 2, GreenEx Rules broadly prohibit fraudulent acts, market disruption, market manipulation and misstatements of material fact, and GreenEx has mechanisms in place for surveillance of the contract market and enforcement of the GreenEx Rules.</p> <p>GreenEx has rules in place in the event that errors occur in the Globex System or if trades need to be cancelled. <i>See Rule 516</i> (Errors and Omissions in Handling Orders); <b>Rule 540</b> (Globex Control Center;</p>	<p>Trading Facility Services Agreement</p> <p>GreenEx Rules Chapter 5</p> <p>Description of Allocation Algorithms</p> <p>Intellectual Property and Market Data Agreement</p> <p>CME Customer Connection Agreement</p> <p>CFTC Technology Questionnaire</p>

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	<p>describing the Globex Control Center, which is responsible for problem management); <b>Rule 541</b> (Phantom Orders); <b>Rule 542</b> (Trade Cancellations and Price Adjustments).</p> <p>In addition to the Globex System for competitive trading, GreenEx Participants that meet regulatory requirements will have the ability to submit privately negotiated transactions for clearing through the CME’s ClearPort Clearing system (“CPC”), which will be provided to GreenEx under the CSA. Transactions submitted to GreenEx through CPC must be submitted in accordance with <b>Rule 601</b> (CME ClearPort Clearing: Procedures for Trade Submission). The types of transactions permitted for submission through CPC are block trades, an exchange for physical, an exchange for risk, and an exchange of options for options. <i>See</i> <b>Rule 602</b> (Block Trades) and <b>Rule 603</b> (Exchange of Futures for Related Positions). All such transactions are subject to additional recordkeeping requirements. <b>Rule 604</b> (Recordkeeping Requirements for Privately Negotiated Trades).</p> <p>GreenEx places access restrictions on both its Globex System and CPC Trade Portal, and requires Clearing Members assistance in monitoring potential violations. <i>See</i> <b>Rule 537</b> (Globex Access Restrictions); <b>Rule 605</b> (CPC Access Restrictions).</p>	
<p><b>Designation Criterion 4</b>  <i>Trade Execution Facility</i> – “The board of trade shall (A) establish and enforce rules defining, or specifications detailing, the manner of operation of the trade execution facility maintained by the board of trade, including rules or specifications describing the operation of any electronic matching platform; and (B)</p>	<p>GreenEx’s competitive trading facility will be the Globex system provided by CME pursuant to the TFSA. The rules detailing the matter of operation of the trading facility are set forth in Chapter 5 of the GreenEx Rules.</p> <p>GreenEx is providing the CFTC with a response to the CFTC Technology Questionnaire, Operational Services Guidelines, and Internal Audit Reports which demonstrate that Globex operates in accordance with the GreenEx Rules.</p>	<p>GreenEx Rules – Chapter 5</p> <p>Trading Facility Services Agreement</p> <p>CFTC Technology Questionnaire</p> <p>Operational Services Guidelines</p> <p>CME Internal Audit Reports</p>

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demonstrate that the trade execution facility operates in accordance with the rules or specifications.		
<p><b>Designation Criterion 5</b>  <b><i>Financial Integrity of Transactions</i></b> – “The board of trade shall establish and enforce rules and procedures for ensuring the financial integrity of transactions entered into by or through the facilities of the contract market, including the clearance and settlement of the transactions with a derivatives clearing organization.”</p>	<p>GreenEx requires that its Participants and Clearing Members be of good reputation and business integrity and maintain adequate financial resources and credit, among other requirements designed to ensure the financial integrity of the Exchange. <i>See</i> <b>Rule 301</b> (Criteria for Becoming a Participant) and <b>Rule 902</b> (Qualifications of Clearing Members). Participants registered with a Self-Regulatory Organization (“SRO”) are required to comply with the minimum financial requirements and reporting obligations of such SRO. Such Participants are required to concurrently provide GreenEx with copies of any reports required to be filed with the SRO or the CFTC. <b>Rule 404</b> (Minimum Financial and Related Reporting Requirements).</p> <p>CME will monitor Participants that are Clearing Members to ensure that they maintain adequate financial resources. Additionally, Participants are required to notify GreenEx when there are material changes to the Participant’s finances or in an instance of bankruptcy or insolvency. <i>See</i> <b>Rule 402</b> (Required Disclosures to the Exchange).</p> <p>A Participant that conducts a customer business is required to enter into a written agreement with the customer and comply with applicable law relating to the treatment of customer funds and the maintenance of books and records with respect thereto. <i>See</i> <b>Rule 407</b> (Customers); <b>Rule 408</b> (Treatment of Customer Funds and Securities).</p> <p>Transactions on GreenEx are cleared through the CME Clearing House in accordance with the Clearing Services Agreement (the “CSA”). <i>See</i> <b>Rule 901</b> (Clearing of Contracts). CME Clearing House is a registered derivatives clearing organization.</p> <p>The clearing of Contracts on GreenEx, including performance bond and</p>	<p>GreenEx Rules Chapter 3</p> <p>GreenEx Rules Chapter 9</p> <p>GSA</p> <p>CSA</p>

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	<p>default procedures, is performed in accordance with the rules of CME Clearing House. GreenEx will establish performance bond requirements from time to time and Participants must call for performance bond from their customers and post performance bond with the CME Clearing House. <i>See Rule 903</i> (Clearing House Rules).</p>	
<p><b>Designation Criterion 6</b> <b>Disciplinary Procedures</b> – “The board of trade shall establish and enforce disciplinary procedures that authorize the board of trade to discipline, suspend, or expel members or market participants that violate the rules of the board of trade, or similar methods for performing the same functions, including delegation of the functions to third parties.”</p>	<p>The Regulatory Oversight Department, in conjunction with CME pursuant to the GSA, has the authority to investigate violations of GreenEx Rules and to enforce disciplinary procedures. <i>See Chapter 7</i> (Disciplinary Rules). A Participant agrees to be bound by the GreenEx Rules and consents to the jurisdiction of GreenEx. <i>See Rule 311</i> (Application of Rules and Jurisdiction).</p> <p>Upon becoming aware of potential violations, the Regulatory Oversight Department will initiate and conduct inquiries and investigations, in which all Participants are obligated to assist. <b>Rule 702</b> (Inquiries and Investigation). After the Regulatory Oversight Department completes its investigation, the Chief Regulatory Officer will decide whether or not to initiate disciplinary proceedings. <b>Rule 705</b> (Review of Investigative Reports). If the Chief Regulatory Officer determines that disciplinary proceedings are necessary, it will issue and serve a notice of charges to which the respondent will have 20 days to answer. <b>Rule 706</b> (Notice of Charges) and <b>Rule 707</b> (Answer to Notice of Charges). The respondent can either settle with the Regulatory Oversight Department or proceed to a disciplinary hearing. <b>Rule 709</b> (Settlements). All disciplinary proceedings will be conducted at a hearing before the Disciplinary Panel. <b>Rule 710</b> (Disciplinary Panel) and <b>Rule 711</b> (Convening Hearings of Disciplinary Proceedings). The respondent will be given the opportunity to review evidence before the Disciplinary Panel. <b>Rule 712</b> (Respondent Review of Evidence). At the hearing, the Regulatory Oversight Department will present its case supporting the allegations and the respondent will have an opportunity to participate and present evidence and facts, call and examine witnesses and cross-examine witnesses. <b>Rule</b></p>	<p>GreenEx Rules Chapter 7  GSA</p>



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	<p><b>713</b> (Conducting Hearings of Disciplinary Proceedings). At the conclusion of the disciplinary hearing, the disciplinary panel will issue its decision on the matter. <b>Rule 714</b> (Decision of Disciplinary Panel). After notice and an opportunity to be heard, GreenEx may impose sanctions or remedies against a Participant found to have violated a GreenEx Rule. Such sanctions include, among other things, a limitation on trading privileges, a suspension of trading privileges, and a termination of trading privileges. <i>See</i> <b>Rule 715</b> (Sanctions). The respondent has the right to appeal the decision of the disciplinary panel, and the Chief Regulatory Officer will convene an Appeals Panel to review and consider any such appeals. <b>Rule 716</b> (Appeal from Disciplinary Panel Decision, Summary Impositions of Fines and Other Summary Actions).</p> <p>In certain circumstances, the Chief Regulatory Officer has the authority to impose summary fines or suspensions, which the Trading Participant may appeal. <b>Rule 717</b> (Summary Imposition of Fines) and <b>Rule 718</b> (Summary Suspensions and Other Summary Actions).</p> <p>Separately, GreenEx has the ability, at any time, to revoke, suspend, limit, condition, restrict or qualify the trading privileges of any Participant, if in the sole discretion of GreenEx, such action is in the best interest of the GreenEx. GreenEx also may, in its sole discretion revoke or suspend the designation of an authorized trader of the Participant. <i>See</i> <b>Rule 304(a)</b> (Limitations of Trading Privileges); <b>Rule 306</b> (Authorized Traders).</p>	
<p><b>Designation Criterion 7</b> <b>Public Access</b> – “The board of trade shall provide the public with access to the rules, regulations, and contract specifications of the board of trade.”</p>	<p>GreenEx will provide public access on its website to its rules, all amendments thereto, and notices and policies thereunder, as well as the specifications for all contracts traded. <i>See</i> <b>Rule 309</b> (Notices to Participants).</p>	<p>GreenEx Rule 309</p>
<p><b>Designation Criterion 8</b></p>	<p>GreenEx Participants are required to maintain complete and accurate</p>	

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<p><i>Ability to Obtain Information</i> – “The board of trade shall establish and enforce rules that will allow the board of trade to obtain any necessary information to perform any of the functions described in this subsection, including the capacity to carry out such international information-sharing agreements as the Commission may require.”</p>	<p>books and records in accordance with the CEA, CFTC Regulations, and GreenEx Rules and must make such books and records available for inspection by GreenEx. <i>See Rule 401(k)</i> (Duties and Responsibilities of Participants).</p> <p>Additionally, GreenEx may inspect the Participants’ systems, equipment, and software to ensure compliance with GreenEx Rules. <i>See Rule 403</i> (Inspections by the Exchange).</p> <p>During an investigation, a Participant is required to produce books and records requested by the Regulatory Oversight Department. <i>See Rule 702</i> (Inquiries and Investigation).</p> <p>GreenEx may enter into information-sharing agreements or other arrangements to coordinate surveillance with other markets on which contracts or financial instruments related to the GreenEx Contracts trade. Additionally, GreenEx may enter into any arrangement with any person or body that exercises or enforces a legal or regulatory function. <i>See Rule 212</i> (Information-Sharing Agreements).</p>	
<p><b>SEC. 5(d) – CORE PRINCIPLES FOR CONTRACT MARKETS</b></p>		
<p><b>Core Principle 1</b></p> <p><i>In General</i> – “To maintain the designation of a board of trade as a contract market, the board of trade shall comply with the core principles specified in this subsection. The board of trade shall have reasonable discretion in establishing the manner in which it</p>	<p><i>See generally</i> the Application.</p>	

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complies with the core principles.”		
<p><b>Core Principle 2</b></p> <p><i>Compliance with Rules</i> – “The board of trade shall monitor and enforce compliance with the rules of the contract market, including the terms and conditions of any contracts to be traded and any limitations on access to the contract market.”</p>	<p>GreenEx has contracted with CME to perform certain surveillance, investigative, and regulatory functions under the GreenEx Rules. GreenEx retains ultimate decision-making responsibility with respect to any functions contracted to CME under the GSA. <i>See Rule 213</i> (Regulatory Services Agreement with the Regulatory Services Provider). Under the GSA, CME is required to provide the market regulation services with due care and to exercise a degree of skill and care that is consistent with applicable industry standards, and at substantially similar service standards and levels achieved by CME in performing these services with respect to its own products. Because CME is also providing trading facility services and clearing services to GreenEx, it will be able to perform its GreenEx market supervision and analysis directly in substantially the same manner it provides supervision and analysis for its own products. GreenEx retains ultimate decision-making responsibility with respect to any functions contracted to CME under the GSA.</p> <p>The trade practice surveillance system is described in Part II of Exhibit A to the GSA and includes the use of computerized surveillance programs to monitor and detect the following types of trading abuses: (A) trading ahead and pre-arranged trading; (B) wash trades; (C) abusive trading at the high or low; (D) fraudulent trading; (E) abusive cross trades; and (F) such other categories of trading abuses as requested by GreenEx to be detected and separately identified as a category of trading abuses by CME’s surveillance activity with respect to its own products. CME will also provide monitoring and analysis of open positions and trading to guard against corners and squeezes.</p> <p>GreenEx Participants are required to maintain complete and accurate</p>	<p>GreenEx Rules Chapter 4</p> <p>GreenEx Rules Chapter 7</p> <p>GSA</p> <p>TFSA</p> <p>CFTC Technology Questionnaire</p>

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	<p>books and records in accordance with the CEA, CFTC Regulations and GreenEx Rules and must make such books and records available for inspection by the Exchange. <i>See</i> <b>Rule 401(k)</b> (Duties and Responsibilities of Participants).</p> <p>Additionally, the Exchange may inspect a Participant’s systems, equipment, and software to ensure compliance with GreenEx Rules. <i>See</i> <b>Rule 403</b> (Inspections by the Exchange).</p> <p>After notice and an opportunity to be heard, GreenEx may impose sanctions or remedies against a Participant found to have violated a GreenEx Rule. Such sanctions include, among other things, a limitation on trading privileges, a suspension of trading privileges, a termination of trading privileges, and fines. <i>See</i> <b>Rule 715</b> (Sanctions). The respondent has the right to appeal the decision of the disciplinary panel, and the Chief Regulatory Officer will convene an Appeals Panel to review and consider any such appeals. <b>Rule 716</b> (Appeal from Disciplinary Panel Decision, Summary Impositions of Fines and Other Summary Actions).</p> <p>In certain circumstances, the Chief Regulatory Officer has the authority to impose summary fines or suspensions, which the Participant may appeal. <b>Rule 717</b> (Summary Imposition of Fines) and <b>Rule 718</b> (Summary Suspensions and Other Summary Actions).</p> <p>Separately, GreenEx has the ability, at any time, to revoke, suspend, limit, condition, restrict, or qualify the trading privileges of any Participant, if in the sole discretion of GreenEx, such action is in the best interest of the GreenEx. GreenEx also may, in its sole discretion revoke or suspend the designation of an authorized trader of the Participant. <i>See</i> <b>Rule 304(a)</b> (Limitation of Trading Privileges); <b>Rule 306</b> (Authorized Traders).</p>	
<p><b>Core Principle 3</b></p> <p><i>Contracts Not Readily Subject to</i></p>	<p>Trading on the GreenEx will be limited to Futures or Options on Futures contracts that are not readily susceptible to manipulation. GreenEx intends the contracts to be used for environmental risk management and trading.</p>	

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<p><i>Manipulation</i> – “The board of trade shall list on the contract market only contracts that are not readily susceptible to manipulation.”</p>	<p>The underlying products for the initial contracts are various emission allowances for carbon dioxide, nitrous oxide, and sulfur dioxide and GreenEx anticipates that it will base future contracts on similar allowances, carbon credits, and renewable energy credits.</p> <p>Each contract listed by GreenEx will either be self-certified under Commission Regulation 40.2 or submitted for Commission approval under Commission Regulation 40.3.</p> <p>Additionally, Participants are prohibited from engaging in any attempted or contemplated manipulation of the market in any GreenEx Contract. <i>See</i> Rule 508 (Market Manipulation). <i>See also</i> GreenEx response to Designation Criterion 2.</p>	
<p><b>Core Principle 4</b></p> <p><i>Monitoring of Trading</i> – “The board of trade shall monitor trading to prevent manipulation, price distortion, and disruptions of the delivery or cash-settlement process.”</p>	<p>GreenEx has engaged CME as its Regulatory Services Provider, pursuant to the GSA, to perform certain surveillance, investigative, and regulatory functions under the GreenEx Rules. CME will monitor and analyze open positions and trading to guard against corners and squeezes. Additionally, CME will monitor position limits and collect, assemble, and monitor large trader positions for concentrations of ownership and potential collusive or concerted activity by Participants. CME also will monitor for compliance with GreenEx Rules relating to position limits. <i>See</i> <b>Rule 532</b> (Position Limits And Exemptions); <b>Rule 533</b> (Position Accountability; requiring Participants or Clearing Members to disclose information regarding aggregate positions that exceed Position Limits it controls); <b>Rule 534</b> (Reports of Large Positions; providing general provisions for the reporting of large positions).</p>	<p>GreenEx Rules 560 and 561 GSA</p>
<p><b>Core Principle 5</b></p> <p><i>Position Limitations or Accountability</i> – “To reduce the potential threat of market manipulation or congestion,</p>	<p>In order to diminish potential problems arising from excessively large speculative positions, and to facilitate orderly liquidation of expiring futures contracts, the GreenEx Rules set forth position limits that are in accordance with the general criteria set forth in Appendix B to Part 38 of the Commission Regulations. <i>See</i> <b>Rule 532</b> (Position Limits And</p>	<p>GreenEx Rule 559 GSA</p>

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<p>especially during trading in the delivery month, the board of trade shall adopt position limitations or position accountability for speculators, where necessary and appropriate.”</p>	<p>Exemptions) and <b>Rule 533</b> (Position Accountability). CME, pursuant to the GSA, will monitor for compliance with GreenEx Rules relating to position limits.</p> <p>A Participant may apply to the Regulatory Oversight Department to seek an exemption from the position limits. The Regulatory Oversight Department may grant exemptions from the position limits for positions qualifying as bona fide hedge positions, for risk management positions, or arbitrage and spread positions. <i>See</i> <b>Rule 532</b> (Position Limits And Exemptions).</p> <p>In determining whether a Participant violated the Position Limits, the Regulatory Oversight Department will aggregate any position of which a Participant directly or indirectly has control. <b>Rule 532.D.</b> (Aggregation of Positions). Such aggregation will not apply to eligible entities that have independently controlled positions. <b>Rule 532.E.</b> (Limited Exceptions to Aggregation for Independently Controlled Positions).</p> <p>A Participant who holds or controls aggregate positions in excess of the position limits must provide certain information to the Regulatory Oversight Department upon request, may not further increase positions that exceed the position limits and must liquidate the positions in an orderly manner. <b>Rule 533</b> (Position Accountability).</p>	
<p><b>Core Principle 6</b></p> <p><i>Emergency Authority</i> – “The board of trade shall adopt rules to provide for the exercise of emergency authority, in consultation or cooperation with the Commission, where necessary and appropriate, including the authority to – “(A) liquidate or transfer open positions</p>	<p>The GreenEx Rules set forth have clear procedures and guidelines for decision-making regarding emergency intervention in the market, including procedures and guidelines to avoid conflicts of interest while carrying out such decision-making. <i>See</i> <b>Rule 210</b> (Emergency Rules) and <b>Rule 208</b> (Conflicts of Interest and Misuse of Material, Non-Public Information). The measures available to GreenEx in the case of an emergency include the ability to place into immediate effect temporary rules, order the liquidation of contracts, order the fixing of the settlement price or liquidation-only trading, suspending or limiting trading, extending / shortening the expiration date or month, modifying trading hours,</p>	<p>GreenEx Rules 208 and 210</p>

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<p>in any contract; (B) suspend or curtail trading in any contract; and (C) require market participants in any contract to meet special margin requirements.”</p>	<p>imposing position or price limits, and requiring Participants to meet special margin requirements. <i>See Rule 210</i> (Emergency Rules).</p> <p>GreenEx will use reasonable efforts to notify the Commission prior to implementing, modifying, or terminating an Emergency Rule and will comprehensively document the decision-making process related to any action in response to an Emergency. <i>See Rule 210(d)</i> and <i>Rule 210(e)</i>.</p>	
<p><b>Core Principle 7</b></p> <p><i>Availability of General Information</i> – “The board of trade shall make available to market authorities, market participants, and the public information concerning – (A) the terms and conditions of the contracts of the contract market; and (B) the mechanisms for executing transactions on or through the facilities of the contract market.”</p>	<p>See Designation Criteria 7 above.</p>	
<p><b>Core Principle 8</b></p> <p><i>Daily Publication of Trading Information</i> – “The board of trade shall make public daily information on settlement prices, volume, open interest, and opening and closing ranges for actively traded contracts</p>	<p>GreenEx will comply with Section 16.01 (Trading volume, open contracts, prices, and critical dates) of the CFTC Regulations.</p> <p>For each Contract, GreenEx will publish a daily settlement price and information regarding volume, open interest, and opening and closing ranges. <b>Rule 905</b> (Settlement Price).</p> <p>CME will provide market data dissemination services to GreenEx pursuant</p>	<p>GreenEx Rule 906</p> <p>GSA</p> <p>IPMDA</p>

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on the contract market.”	to the GSA.	
<p><b>Core Principle 9</b></p> <p><i>Execution of Transactions</i> – “The board of trade shall provide a competitive, open, and efficient market and mechanism for executing transactions.”</p>	<p>As described in Designation Criteria 3 and 4 above, competitive orders for Contracts will be entered into the Globex system provided to GreenEx by CME pursuant to the TFSA. Globex will receive bids and offers and other related messages (such as cancellations and/or mass quotes from designated market makers) from GreenEx Trading Participants and will register or modify active orders in the Globex System order book for matching.</p>	<p>TFSA</p> <p>CFTC Technology Questionnaire</p> <p>Operational Services Guidelines</p> <p>Disaster Recovery Overview</p>
<p><b>Core Principle 10</b></p> <p><i>Trade Information</i> – “The board of trade shall maintain rules and procedures to provide for the recording and safe storage of all identifying trade information in a manner that enables the contract market to use the information for purposes of assisting in the prevention of customer and market abuses and providing evidence of any violations of the rules of the contract market.”</p>	<p>GreenEx will have arrangements and resources for recording of full data entry and trade details and the safe storage of audit trail data. CME will maintain records associated with CME’s provision of market regulation services pursuant to the GSA and the transaction audit trail.</p> <p>Clearing Members that guarantee a connection to Globex are required to maintain the Order routing/front end audit trail for all electronic orders, which must be maintained for a minimum of 5 years and produced to the Regulatory Oversight Department upon request. <b>See Rule 525</b> (Recordkeeping Requirements for Globex).</p> <p>GreenEx will provide the Commission with trade data on a T+1 basis, either directly or through its agent, in a form, content, and manner acceptable to the Commission. GreenEx acknowledges the Commission’s transition to a new FIXML data standard and commits to use of such standard within 60 days of the Commission Staff’s formal written request.</p>	<p>GSA</p> <p>Audit Trail Procedures</p>
<p><b>Core Principle 11</b></p> <p><i>Financial Integrity of Contracts</i> –</p>	<p>See Designation Criteria 5 above.</p>	



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<p>“The board of trade shall establish and enforce rules providing for the financial integrity of any contracts traded on the contract market (including the clearance and settlement of the transactions with a derivatives clearing organization), and rules to ensure the financial integrity of any futures commission merchants and introducing brokers and the protection of customer funds.</p>		
<p><b>Core Principle 12</b></p> <p><i>Protection of Market Participants –</i>  ““The board of trade shall establish and enforce rules to protect market participants from abusive practices committed by any party acting as an agent for the participants.”</p>	<p>As discussed above with respect to Designation Criterion 2, the GreenEx Rules prohibit conduct by intermediaries that is fraudulent, noncompetitive, unfair, and other abusive practices in connection with the execution of trades.</p> <p>Participants that carry and account for a customer must comply with applicable law relating to the treatment of customer funds and the maintenance of books and records with respect thereto. <b>Rule 408</b> (Treatment of Customer Funds and Securities).</p> <p>Additionally, any Participant that participates in any GreenEx equity incentive program must disclose in writing to its Customers that it has a financial interest in GreenEx and may claim a credit against its revenue commitments for the Customer’s orders. <b>Rule 409</b> (Disclosure Requirements).</p> <p>GreenEx has established rules to protect market participants from abusive practices in the clearing of Contracts. <i>See Rule 903</i> (Clearing House Rules) which incorporates the Clearing House Rules with respect to the clearing of Contracts.</p>	<p>GreenEx Rules Chapter 4</p> <p>GreenEx Rules Chapter 5</p> <p>GSA</p>

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	As described in the response to Designation Criteria 2 above, GreenEx has contracted with CME to provide market surveillance services to protect Participants.	
<p><b>Core Principle 13</b></p> <p><i>Dispute Resolution</i> – “The board of trade shall establish and enforce rules regarding and provide facilities for alternative dispute resolution as appropriate for market participants and any market intermediaries.”</p>	Chapter 8 of the GreenEx Rules provides for the mandatory resolution of disputes through arbitration between or among Participants, Authorized Traders, and other Supervised Persons. The GreenEx Rules also provide customer dispute resolution procedures that are fair and equitable and available on a voluntary basis to customers that are not Participants. <i>See Rule 801</i> (Disputes Subject to Arbitration) and <b>Rule 802</b> (Customer Claims Against Participants).	GreenEx Rules Chapter 8
<p><b>Core Principle 14</b></p> <p><i>Governance Fitness Standards</i> – “The board of trade shall establish and enforce appropriate fitness standards for directors, members of any disciplinary committee, members of the contract market, and any other persons with direct access to the facility (including any parties affiliated with any of the persons described in this</p>	<p>A director or officer of GreenEx must meet the qualifications set forth in the Exchange Operating Agreement. Additionally, any director, officer, or member of a disciplinary or appeal panel must not have a significant history of serious disciplinary offenses, including those that would be disqualifying under CFTC Regulation 1.63. <b>Rule 203</b> (Qualifications of Directors and Officers). Each director will be required to submit to the Exchange a certified director questionnaire, and will be required to re-submit such questionnaire to the Exchange on an annual basis. Additionally, the operating agreements of GreenEx and GreenEx Holdings provide for the automatic removal of a director in the event that it is subject to any statutory disqualification.</p> <p>Applicants as a Participant must demonstrate to the satisfaction of</p>	<p>Exchange Operating Agreement</p> <p>GreenEx Rule 203</p> <p>GreenEx Rule 301 and 302</p> <p>Director Questionnaire</p> <p>Participant Application</p>

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paragraph).”	GreenEx that it meets the qualifications set forth in <b>Rule 301</b> (Criteria for Becoming a Participant). An applicant as a Participant must submit a complete Participant Application, agree in writing to abide by the GreenEx Rules and applicable law, and provide such other information as requested by GreenEx.	
<p><b>Core Principle 15</b></p> <p><i>Conflicts of Interest</i> – “The board of trade shall establish and enforce rules to minimize conflicts of interest in the decision-making process of the contract market and establish a process for resolving such conflicts of interest.”</p>	<p>The GreenEx Rules minimize conflicts of interest in decision-making processes and contain methods to ascertain the presence of conflicts of interest and to make decisions in the event of such a conflict. No person that knowingly has a “material conflict of interest” between his or her position may participate in any deliberations or vote involving his or her personal interest. Additionally, the GreenEx Rules provide limitations on the use or disclosure of material non-public information gained through the performance of official duties by board members, committee members, and GreenEx employees or gained through an ownership interest. <i>See Rule 208</i> (Conflicts of Interest and Misuse of Material, Non-Public Information).</p> <p>At least thirty-five percent of the directors of GreenEx will be public directors. <b>Rule 201</b> (Board). Each special committee of the GreenEx Board will be thirty-five percent public directors. <b>Rule 207(a)</b>(Additional Board Committees and Exchange Panels).</p> <p>The Board will establish a Regulatory Oversight Committee as a standing committee that consists of only public directors. The Regulatory Oversight Committee will oversee the Exchange’s regulatory program on behalf of the Board. It will make such recommendations to the Board that will, in its judgment, best promote the interests of the Exchange. <b>Rule 206</b> (Regulatory Oversight Committee).</p> <p>An appeal panel appointed by the Board to consider appeals under Chapter 7 of the GreenEx Rules also will have one member that meets the independence requirements of a public director. <i>See</i> Definition of Appeal</p>	GreenEx Rules Chapter 2

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	Panel.	
<p><b>Core Principle 16</b></p> <p><i>Composition of Boards of Mutually Owned Contract Markets</i> – “In the case of a mutually owned contract market, the board of trade shall ensure that the composition of the governing board reflects market participants.”</p>	Not applicable.	
<p><b>Core Principle 17</b></p> <p><i>Recordkeeping</i> – “The board of trade shall maintain records of all activities related to the business of the contract market in a form and manner acceptable to the Commission for a period of 5 years.”</p>	<p>GreenEx will maintain records of all activities related to its business and CME will also retain all records created in connection with its service provided under the TFSA, CSA, and GSA, for the time period specified in and in accordance with Commission Regulation § 1.31. <b>Rule 211</b> (Maintenance of Books and Records by the Exchange). Each Participant is obliged to maintain all requisite books and records for in accordance with Commission Regulations. <b>Rule 401(k)</b> (Duties and Responsibilities of Participants).</p>	
<p><b>Core Principle 18</b></p> <p><i>Antitrust Considerations</i> – “Unless necessary or appropriate to achieve the purposes of this Act, the board of trade shall endeavor to avoid – “(A) adopting any rules or taking any actions that result in any unreasonable restraints of trade; or (B) imposing any material</p>	<p>GreenEx believes that its Rules and business plan have been designed to avoid unreasonable restraints of trade or the imposition of any material anticompetitive burden on trading. In particular, access to GreenEx will not require the acquisition of any equity interest but will be available to a broad range and potentially unlimited number of Participants on a fair, equitable and timely basis. The GreenEx System will operate through precise and predetermined electronic algorithms, without discrimination among different users or user groups. GreenEx will disseminate trade information to Participants and to the public on a continuous basis.</p>	IPMDA

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anticompetitive burden on trading on the contract market.”		