

**ELX Futures, L.P. Application for Contract Market Designation
Compliance with Designation Criteria and Core Principles***

| Contract Market Criteria For Designation | ELX Futures, L.P. (“ <u>ELX</u> ”) Application | Relevant ELX Documents, Rule or Agreements |
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| <p>Sec. 5(a) Applications – “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 ELX’s Application for Designation as a Contract Market dated November 26, 2008 and Appendices thereto (the “<u>Application</u>”).</p> | |
| <p>Sec. 5(b) CRITERIA FOR CONTRACT MARKET DESIGNATION</p> | | |
| <p>Designation Criterion 1 <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>Designation Criterion 2 <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 conducting real-time monitoring of trading and comprehensive and accurate trade reconstructions.”</p> | <p>ELX has contracted with National Futures Association (“<u>NFA</u>”), ELX’s designated Regulatory Services Provider, to perform many of ELX’s trading and market surveillance, audit and investigatory functions. These functions will be supported by ELX’s technology, which will collect, array and transmit bid, offer and trade data to NFA. The Compliance Director will supervise these functions and will act as the NFA liaison, all with oversight by the Regulatory Oversight Committee (the “<u>ROC</u>”) of ELX. As described in greater detail in <i>Appendix D-1, Regulatory Services Agreement</i>. NFA will provide ELX with Participant application processing services, market and trade practice surveillance and ongoing surveillance of the financial and operational status of Participants.</p> <p>Market supervision staff of ELX will be responsible for market supervision and will monitor trading on a real-time basis. They will coordinate with NFA to ensure such real-time monitoring is integrated with the NFA’s surveillance</p> | <p>ELX Futures, L.P. Rules (the “<u>Rules</u>”, <i>Appendix B-1</i>): Rule II-5; Chapter VII (Discipline and Enforcement)</p> <p>Regulatory Services Agreement (the “<u>Regulatory Services Agreement</u>”) with NFA (<i>Appendix D-1</i>), Schedule A, Section I to V</p> |

* Capitalized terms used but not defined in this Appendix have the meanings assigned to them in the Rules (see *Appendix B-1*). References to Appendices refer to the documents submitted with ELX’s application for contract market designation.

| Contract Market Criteria For Designation | ELX Futures, L.P. (“ELX”) Application | Relevant ELX Documents, Rule or Agreements |
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| | <p>functions.</p> <p>Pursuant to Rule II-5, the ROC will have the authority to monitor ELX’s regulatory program for sufficiency, effectiveness and independence, and to oversee all facets of ELX’s regulatory program, including (1) trade practice and market surveillance, (2) audits, examinations, and other regulatory responsibilities with respect to Participants and their Supervised Persons (including ensuring compliance with any financial integrity, financial reporting, sales practice, recordkeeping, and other requirements) and (3) the conduct of investigations and review of disciplinary actions.</p> <p>Discipline and enforcement rules designed to deter abuses are contained in Chapter VII of the Rules. The Compliance Director, Disciplinary Panel and Appeals Panel of ELX will enforce compliance with the Rules in conjunction with the surveillance services provided by NFA. Under Rule VII-5, the Compliance Director will review investigation reports submitted to him or her by NFA and decide on the initiation of disciplinary action. The Disciplinary Panel will conduct disciplinary hearings and render a decision following each hearing pursuant to the procedures detailed in Chapter VII. Under Rule VII-16, the decisions of the Disciplinary Panel may be appealed before the Appeals Panel. The ROC will supervise the Compliance Director, who will report to the ROC.</p> <p>In addition, ELX will provide a series of risk related functionality ranging from order size limits to position limits that will apply to all customers (“<u>Customer</u>”) of registered futures commission merchants that are Participants. Prior to ELX granting access to any Customer, the trades of such Customer must be guaranteed by a clearing member (a “<u>Clearing Member</u>”) of the Options Clearing Corporation and the Customer’s Clearing Member must establish the initial set of risk controls for such Customer. ELX risk controls are provided to the Clearing Member, such that it can administer the desired type and level of risk controls for all Customer orders for which it provides a guarantee. All orders submitted to ELX are subject to satisfying risk controls prior to their acceptance by the ELX System.</p> | |

| Contract Market Criteria For Designation | ELX Futures, L.P. (“ELX”) Application | Relevant ELX Documents, Rule or Agreements |
|--|---|--|
| | <p>Each Clearing Member will be provided access to the ELX risk system through a secure user interface. The risk system allows each Clearing Member to administer risk controls for each of its Customers and to monitor the Customer’s trading activity.</p> <p>Functionality of the ELX risk system includes:</p> <ul style="list-style-type: none"> • Customer Setup -- Administration of all Customer risk controls. • View & Pull -- Allows Clearing Member to view all pending orders and permit the cancellation of specific orders or all orders of a particular Customer or group of Customers (i.e. pull buy orders, pull sell orders, pull all orders) • Suspend & Resume -- Allows Clearing Member to suspend and resume Customer trading privileges. <p>The phase I risk controls, which ELX will provide as part of its initial product offering, consist of Buy/Sell Privileges, Disable/Enable and Maximum Quantity Constraints, each as described below.</p> <ul style="list-style-type: none"> • Buy/Sell Privileges -- Separate buy and sell flags control what actions each Customer is permitted to perform. • Disable/Enable -- Customers which are disabled will not be permitted to submit any orders to ELX. Enabled users will only be able to submit orders subject to the risk controls applicable to such users, including their specific Buy and Sell privileges. • Max Quantity -- Max Quantity limits the size of individual orders that will be accepted by ELX for each Customer. Max Quantity limits may be applied to individual Customers, groups of Customers or all Customers. ELX provides the flexibility to allow the Clearing Member to define different Max Quantity limits for each contract for each Customer. <p>The phase II risk controls, which are anticipated to be available following ELX’s initial product offering, will be additional advanced risk controls consisting of Net Position Limits, Alerts, Net Position Value, Risk Interface</p> | |

| Contract Market Criteria For Designation | ELX Futures, L.P. (“ELX”) Application | Relevant ELX Documents, Rule or Agreements |
|---|--|---|
| | <p>and Max Order Frequency.</p> <ul style="list-style-type: none"> • Net Position Limits – Defines the maximum allowable net position a Customer may maintain for a specific contract or group of contracts. Net Position is determined as the aggregate net position of pending orders, open positions and the incoming order. • Alerts -- Allows the Clearing Member to configure alerts which are generated as Customers meet or exceed a defined threshold of their position limits or other risk levels. • Net Position Value -- Defines maximum allowable net position value a Customer may maintain for a specific contract or group of contracts. Net Position Value is determined calculating the aggregate risk value of pending orders, open position and the incoming order. The value associated with each contract will be determined by a margin rate associated with that particular contract. • Risk Interface -- Programmatic access to Customer risk controls will be available to Clearing Members to integrate with their proprietary or vendor provided risk management solutions. <p>Risk Interface will also allow Clearing Members to monitor pending orders which satisfy the initial risk controls in real-time post-acceptance by ELX.</p> <p>The program interface will allow Clearing Members to integrate their automated risk monitoring systems with the ELX system and will provide access to allow a Clearing Member to apply its own risk constraints.</p> <ul style="list-style-type: none"> • Max Order Frequency -- Limits the maximum frequency with which orders may be submitted to the exchange for each Customer. | |
| <p>Designation Criterion 3 <i>Fair and Equitable Trading</i> – “The board of trade shall establish and enforce trading rules to ensure fair and equitable trading through the</p> | <p>ELX will establish and enforce trading rules to ensure fair and equitable trading. Orders will be executed impartially by the ELX System in accordance with the principles set forth in Chapter IV of the Rules and the procedures described in <i>Appendix C-3, CFTC Technology Questionnaire</i>. Under Rule VI-</p> | <p>Rules: Chapter IV (Trading Standards); Rule VI-12 (Pre-Arranged Trades);</p> |

| Contract Market Criteria For Designation | ELX Futures, L.P. (“ELX”) Application | Relevant ELX Documents, Rule or Agreements |
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| <p>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>12, pre-arranged trades will be prohibited, except in accordance with the policies and procedures for pre-execution discussion from time to time adopted by ELX. Rule IV-17 limits pre-discussed trades and Cross Trades. The Rules also contain other rules to prevent trading-related abuses. ELX will permit Exchange of Futures for Related Positions and Block Trade transactions on the terms set forth in Rules IV-15 and IV-16, respectively, which specify the recordkeeping requirements with respect to the relevant trading or transactions. As described in greater detail in <i>Appendices C-8(i), eSpeed C/C++ Application Program Interface – Reference Guide</i>, and <i>C-8(vii), External Application Certification Process</i>, all Participants will have equal access to the ELX System, including information regarding prices, bids and offers.</p> <p>Compliance with ELX trading rules will be monitored as described under <i>Designation Criterion 2</i> above. NFA will implement and enforce procedures to detect abuses such as wash trading, direct and indirect crossing trades, trading ahead and other types of market manipulation or fraud (see <i>Appendix D-1, Regulatory Services Agreement</i>). ELX will investigate violations through NFA’s Compliance Department and bring charges where appropriate pursuant to Chapter VII of the Rules.</p> | <p>Rule VII (Discipline and Enforcement)</p> <p>CFTC Technology Questionnaire (<i>Appendix C-3</i>)</p> <p>eSpeed C/C++ Application Program Interface – Reference Guide (<i>Appendix C-8(i)</i>)</p> <p>External Application Certification Process (<i>Appendix C-8(vii)</i>)</p> <p>Regulatory Services Agreement, Schedule A, Sections I – V</p> |
| <p>Designation Criterion 4 <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) demonstrate that the trade execution facility operates in accordance with the rules or specifications.”</p> | <p>Trading standards and rules of ELX are specified in Chapter IV of the Rules. Among others, Rules IV-4, IV-5 and IV-6 describe the Order entry procedures, acceptable Order types, and Order modification and cancellation procedures, respectively. Rule IV-7 sets up the general principles underlying the trade-matching algorithms. Additional details regarding the trade-matching algorithms are set forth in <i>Appendices C-3, CFTC Technology Questionnaire</i>, and <i>C-4, ELX System Requirements</i>.</p> <p>ELX will establish its trade execution facility, the ELX System, by utilizing a network architecture system provided and operated by eSpeed Technology Services, L.P. (“eSpeed”), the technology services provider, pursuant to the Technology Services Agreement (see <i>Appendix C-1</i>). <i>Appendix C-4, ELX System Requirements</i>, and other documents included in <i>Part C</i> of the <i>Appendices</i> describe the functionality of the ELX System. The capabilities of the ELX System with respect to quotation, Order placement, cancellation and</p> | <p>Rules: Chapter IV (Trading Standards)</p> <p>Technology Services Agreement, by and among eSpeed Technology Services, L.P., ELX, eSpeed, Inc. (now called BGC Partners, Inc.) and ESX Futures Holdings, LLC (now called ELX Futures Holdings, LLC)(the “<u>Technology Services Agreement</u>”, <i>Appendix C-</i></p> |

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|---|--|--|
| | <p>matching are detailed in <i>Appendix C-3, CFTC Technology Questionnaire</i>.</p> <p>Information on the objective testing and review carried out on the ELX System is contained in <i>Appendices C-3, CFTC Technology Questionnaire, C-6, Test Plan and Matrix, and C-7, Test Scenarios</i>.</p> | <p>1)</p> <p>CFTC Technology Questionnaire (<i>Appendix C-3</i>)</p> <p>Test Plan and Matrix (<i>Appendix C-6</i>)</p> <p>Test Scenarios (<i>Appendix C-7</i>)</p> |
| <p>Designation Criterion 5 <i>Financial Integrity of Transactions</i> – “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>All clearing services with respect to Contracts will be provided by Options Clearing Corporation (“OCC”), pursuant to a binding letter of intent with OCC (see <i>Appendix E-1</i>), to be superseded by a Clearing Agreement. As provided in Rule IV-23(a), each Participant must have a Primary Clearing Privilege Holder, which, through a written agreement in a form prescribed by ELX, guarantees and assumes financial responsibility for such Participant’s transactions on ELX. If a Primary Clearing Privilege Holder revokes its guarantee with respect to a Participant, that Participant may not enter any Order until either the filing with ELX of a written reinstatement from the terminating Primary Clearing Privilege Holder or establishing a relationship with a new Primary Clearing Privilege Holder (Rule IV-23(c)). Clearing Privilege Holders must be participants of OCC (see the definition of Clearing Privilege Holders in Rule I-1). The general financial and other eligibility criteria and default fund contribution obligations established by OCC for its members will apply (see Rule X-1).</p> <p>Pursuant to Rules III-5 and V-1, each user of ELX will either be itself a Clearing Member or be ultimately guaranteed by a Clearing Member, and each such Clearing Member will be required to comply with the minimum financial and related recordkeeping requirements established by OCC. NFA will provide monitoring services on an ongoing basis to ensure compliance with minimum financial requirements, including analyzing the financial statements submitted</p> | <p>Rules: Definition of “Clearing Privilege Holders” and “Primary Clearing Privilege Holder Authorization” in Rule I-1; Rule III-5 (Eligibility); Rule IV-23 (Primary Clearing Privilege Holder Authorization); Rule V-1 (Books and Records; Cooperation in Proceedings); Chapter X (Clearing)</p> <p>Regulatory Services Agreement, Schedule A, Section V</p> <p>Binding Letter of Intent between ELX and OCC (<i>Appendix E-1</i>)</p> |

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| | <p>by the Participants. (<i>See Appendix D-1, Regulatory Services Agreement</i>).</p> <p>Risk-based margin requirements will be set by OCC.</p> | |
| <p>Designation Criterion 6 <i>Disciplinary Procedures</i> – “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>In the case of rule violations, Participants will be subject to ELX’s disciplinary authority, which will be exercised in accordance with the procedures set forth in Chapter VII of the Rules. As described in response to <i>Designation Criterion 2</i>, the Compliance Director and Disciplinary Panel of ELX, in conjunction with the Compliance Department of NFA, will administer disciplinary proceedings. The Disciplinary Panel will conduct hearings in connection with any disciplinary proceeding and has broad authority to impose sanctions it deems fitting under the circumstances. Rule VII-15 specifies that sanctions imposed by the Disciplinary Panel may include the termination or suspension of Trading Privileges. Rule III-5 authorizes ELX to revoke or condition the Trading Privileges of any Participant for the causes specified in that Rule (including inability to demonstrate the capacity to adhere to ELX’s and OCC’s rules and applicable laws, bringing ELX into disrepute, the failure to meet any qualification requirements or conditions for Trading Privileges, and violation of any agreement with ELX) or such other causes as ELX reasonably may decide).</p> <p>The ROC will oversee ELX’s regulatory program, including supervising the Compliance Director who will report to the ROC. The ROC will have the authority to monitor the conduct of investigations and review of disciplinary actions pursuant to Rule II-5.</p> | <p>Rules: Rule II-5 (Regulatory Oversight Committee); Rule III-5 (Eligibility); Chapter VII (Discipline and Enforcement)</p> <p>Regulatory Services Agreement, Schedule A, Section III</p> |
| <p>Designation Criterion 7 <i>Public Access</i> – “The board of trade shall provide the public with access to the rules, regulations, and contract specifications of the board of trade.”</p> | <p>The Rules, all amendments thereto and notices and policies thereunder, as well as the specifications for all Contracts from time to time traded on ELX, will be publicly available on ELX’s website. In addition, ELX will notify Participants of any new or modified rules of ELX and any other relevant information.</p> | |
| <p>Designation Criterion 8 <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</p> | <p>Pursuant to Rules V-1 and V-2, Participants and Supervised Persons will be required to prepare and keep current all books and records pursuant to the Commodity Exchange Act, the Commodity Futures Trading Commission’s regulations promulgated under the Commodity Exchange Act (the</p> | <p>Rules: Rule II-12 (Regulatory Cooperation); Rule V-1 (Books and Records;</p> |

| Contract Market Criteria For Designation | ELX Futures, L.P. (“ELX”) Application | Relevant ELX Documents, Rule or Agreements |
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| <p>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>“<u>Commission Regulations</u>”) and the Rules, and to make such books and records available for ELX and NFA upon request. Rule VII-2 also provides that each Participant, Authorized Trader or other Supervised Person under ELX’s jurisdiction is required to respond to interrogatories and furnish documentary materials and other information requested by ELX in connection with disciplinary investigations. Furthermore, Rule II-12 enables ELX to enter into such information-sharing arrangements as ELX may consider necessary or appropriate or as the Commodity Futures Trading Commission (the “<u>Commission</u>”) may require, including the International Organization of Securities Commissions (IOSCO) information sharing guidelines.</p> | <p>Cooperation in Proceedings); Rule V-2 (Cooperation with the RSP); Rule VII-2 (Inquires and Investigation)</p> |

| Contract Market Core Principles | ELX Application | Relevant ELX Documents, Rule or Agreements |
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| <p>Sec. 5c – COMMON PROVISIONS FOR REGISTERED ENTITIES</p> | | |
| <p>Sec. 5c(b) – Delegation of Functions Under Core Principles (1) In General – “A contract market, derivatives transaction execution facility, or electronic trading facility with respect to a significant price discovery contract may comply with any applicable core principle through delegation of any relevant function to a registered futures association or a registered entity that is not an electronic trading facility.”</p> <p>(2) Responsibility – “A contract market, derivatives transaction execution facility, or electronic trading facility that delegates a function under paragraph (1) shall remain responsible for carrying out the function.”</p> <p>(3) Noncompliance – “If a contract market,</p> | <p>ELX will remain responsible for compliance with all designation criterion and core principles, including those items that are delegated contractually to the NFA, as the Regulatory Service Provider.</p> | <p>Regulatory Services Agreement, Section 17(j)</p> |

| Contract Market Core Principles | ELX Application | Relevant ELX Documents, Rule or Agreements |
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| <p>derivatives transaction execution facility, or electronic trading facility that delegates a function under paragraph (1) becomes aware that a delegated function is not being performed as required under this Act, the contract market, derivatives transaction execution facility, or electronic trading facility shall promptly take steps to address the noncompliance.”</p> | | |
| <p>SEC. 5c(c) – New Contracts, New Rules, and Rule Amendments</p> | | |
| <p>(1) In General – “Subject to paragraph (2), a registered entity may elect to list for trading or accept for clearing any new contract or other instrument, or may elect to approve and implement any new rule or rule amendment, by providing to the Commission (and the Secretary of the Treasury, in the case of a contract of sale of a government security for future delivery (or option on such a contract) or a rule or rule amendment specifically related to such a contract) a written certification that the new contract or instrument or clearing of the new contract or instrument, new rule, or rule amendment complies with this Act (including regulations under this Act).”</p> <p>(2) Prior Approval – (A) In General – “A registered entity may request that the Commission grant prior approval to any new contract or other instrument, new rule, or rule amendment.”</p> | <p>Chapter IX of the Rules prescribes the procedures ELX will follow in establishing Contracts for trading on ELX. Rule IX-3 sets forth specifications for the U.S. Treasury Bond Futures Contract, the Long Term (6 ½ to 10 year) U.S. Treasury Note Futures Contract, the Medium Term (5 Year) U.S. Treasury Note Futures Contract and the Short Term (2 Year) U.S. Treasury Note Futures Contract.</p> | <p>Rules: Chapter IX (Contracts)</p> |
| <p>SEC. 5(d) – CORE PRINCIPLES FOR CONTRACT MARKETS</p> | | |

| Contract Market Core Principles | ELX Application | Relevant ELX Documents, Rule or Agreements |
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| <p>Core Principle 1 <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 complies with the core principles.”</p> | <p><i>See generally</i> the <i>Appendices</i> submitted with the Application.</p> | <p>.</p> |
| <p>Core Principle 2 <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>Rules regarding discipline and enforcement are set forth in Chapter VII of the Rules. ELX has delegated many of its trading and market surveillance, audit and investigatory functions to NFA, as its Regulatory Services Provider. These functions will be supported by ELX’s technology, which will collect, array and transmit bid, offer and trade data to NFA. The Compliance Director will supervise these functions and will act as the NFA liaison, all with oversight by the ROC.</p> <p>NFA will have the authority to investigate any potential rule violations and to submit investigation reports to ELX’s Compliance Director. As described in response to <i>Designation Criterion 2</i>, the Disciplinary Panel will conduct a hearing to make findings and impose sanctions. Appeals of any decisions by the Disciplinary Panel will be held before the Appeals Panel in accordance with Rule VII-16.</p> <p>ELX will retain supervisory authority with respect to the functions delegated to NFA, pursuant to Rule II-13 and the Regulatory Services Agreement. The ROC will oversee ELX’s regulatory program, including supervising the Compliance Director, as described in <i>Designation Criterion 2</i> above.</p> | <p>Rules: Rule II-13 (Regulatory Services Agreement with RSP); Chapter VII (Discipline and Enforcement)</p> <p>Regulatory Services Agreement, Schedule A, Section I to V</p> |
| <p>Core Principle 3 <i>Contracts Not Readily Subject to Manipulation</i> – “The board of trade shall list on the contract market only contracts that are not readily susceptible to manipulation.”</p> | <p>Trading on or through ELX will be limited to Futures or Options on Futures that are not readily susceptible to manipulation.</p> | |

| Contract Market Core Principles | ELX Application | Relevant ELX Documents, Rule or Agreements |
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| <p>Core Principle 4 <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>ELX and NFA, as ELX’s Regulatory Services Provider under the Regulatory Services Agreement, will implement practices and procedures to monitor trading, including large trader positions, to prevent manipulation, price distortion and disruptions of the delivery or cash-settlement process (see <i>Appendices D-1, Regulatory Services Agreement</i>). The market supervision staff of ELX will monitor trading on a real-time basis. ELX and NFA will have access to the positions and trading of all Participants.</p> | <p>Regulatory Services Agreement, Schedule A, Section I and II</p> |
| <p>Core Principle 5 <i>Position Limitations or Accountability</i> – “To reduce the potential threat of market manipulation or congestion, 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>Position limits and position accountability will be set by ELX (Rules IV-10, IV-11 and IX-3), and will comply with the general criteria set forth in Appendix B to Part 38 of the Commission Regulations.</p> <p>Rule IV-10 regarding position limits contemplates exemptions for certain qualified hedge transactions. Paragraph (e) of that Rule provides for aggregation (i.e., all positions in accounts for which such Person controls trading shall be included in determining whether any Person has exceeded the position limits established by ELX; and position limits shall apply to positions held by two or more Persons acting pursuant to an agreement or understanding in the same manner as if such positions were held by a single Person), and paragraph (g) provides the applicable parameters for determining whether “control” exists in a particular case. NFA will monitor for compliance with the position limits and position accountability as provided in the Regulatory Services Agreement (see <i>Appendix D-1, Regulatory Services Agreement, Schedule A, Section II</i>). Violations of these Rules will be sanctioned in accordance with Rule VII-15.</p> <p>ELX intends initially to list for trading Contracts on underlying U.S. Treasury debt obligations or other financial instruments and/or values, for which position accountability procedures are applicable. (See Rules IV-11 and IX-3, and <i>Appendix C-4, ELX System Requirements</i>.)</p> | <p>Rules: Rule IV-10 (Position Limits); Rule IV-11 (Position Accountability); Rule VII-15 (Sanctions); Rule IX-3 (Contract Rules)</p> <p>ELX System Requirements (<i>Appendix C-4</i>)</p> <p>Regulatory Services Agreement, Schedule A, Section II</p> |
| <p>Core Principle 6 <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</p> | <p>Procedures and guidelines for the exercise of emergency authority by ELX are set forth in Rule IV-19. Among other things, that Rule requires ELX to notify the Commission of any emergency action taken, or proposed to be taken, and to document its decision-making process and reasons for using its emergency action authority. Any conflicts of interest arising in connection with</p> | <p>Rules: Rule II-11 (Conflict of Interest); Rule IV-19 (Emergencies)</p> |

| Contract Market Core Principles | ELX Application | Relevant ELX Documents, Rule or Agreements |
|--|--|---|
| <p>necessary and appropriate, including the authority to – “(A) liquidate or transfer open positions 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>emergency actions will be addressed in accordance with the principles set forth in Rule II-11. The measures available to ELX in the case of an emergency include each of the items listed in Appendix B to Part 38 of the Commission Regulations. In addition, measures available to ELX concerning system redundancy, reliability and disaster recovery are further detailed in <i>Appendices C-3, CFTC Technology Questionnaire and C-9 (i), ELX Business Continuity Plan.</i></p> | <p>CFTC Technology Questionnaire (<i>Appendix C-3</i>)</p> <p>ELX Business Continuity Plan (<i>Appendix C-(9)(i)</i>)</p> |
| <p>Core Principle 7 <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 <i>Designation Criterion 7</i> above.</p> | |
| <p>Core Principle 8 <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 on the contract market.”</p> | <p>ELX will publish information regarding settlement prices, volume, open interest and opening and closing ranges for actively traded Contracts on its website on the Business Day immediately after the relevant trading day, as provided in Rule IV-3.</p> <p>ELX will also make readily available to the public, in printed form at its office and on its website, the method used by ELX in determining normal prices and settlement prices, and other related information as provided in Rule IV-20.</p> | <p>Rules: Rule IV-3 (Publication of Trading Information); Rule IV-20 (Information Regarding Nominal Prices and Settlement Prices)</p> |
| <p>Core Principle 9 <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 the responses to <i>Designation Criteria 3 and 4</i> above, Orders, of the types permitted by Rule IV-4, will be entered into the ELX System in accordance with Rules IV-5 and IV-6 and executed impartially in accordance with the principles set forth, and the procedures referred to, in Rule IV-7. The block trading procedures reflected in Rule IV-16 are designed to ensure that block trading will not compromise the integrity of prices or price discovery in the relevant market. Ongoing testing and review procedures with respect to the ELX System are summarized in <i>Appendices C-3, CFTC Technology</i></p> | <p>Rules: Chapter IV (Trading Standards)</p> <p>CFTC Technology Questionnaire (<i>Appendix C-3</i>)</p> <p>Test Plan and Matrix</p> |

| Contract Market Core Principles | ELX Application | Relevant ELX Documents, Rule or Agreements |
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| | <i>Questionnaire</i> , and <i>C-6, Test Plan and Matrix</i> (see also <i>Appendix C-7, Test Scenarios</i> , regarding results of recent testing). | <i>(Appendix C-6)</i> Test Scenarios (<i>Appendix C-7</i>) |
| <p>Core Principle 10 <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>The ELX System will automatically create a full and accurate record of all bids and Orders entered into the system, all matched transactions and all entries in the system allowing for a comprehensive audit trail. The data backup procedures include the following features, as further described in <i>Appendix C-9(x), GCC Manage Data US 2008</i>.</p> <ul style="list-style-type: none"> • Data processed through the ELX System is backed up to tape daily. All systems are backed up. • Data is backed up incrementally Monday through Friday, with full backups each weekend. • Following completion of backup each day, tapes are catalogued, boxed and picked up from the data center by the offsite data storage vendor, Recall Total Information Management (“<u>RTIM</u>”) • Tapes are recalled online or through calling the RTIM dispatch center. Tapes are normally recalled within 24 hours, but can be expedited to 3 hours in the case of an emergency. <p>The trading data will also be maintained by the OCC in accordance with its rules. NFA will also retain all records created in connection with its services provided under the Regulatory Services Agreement for the time period specified in the Commission Regulation §1.31, and keep all audit trail data readily accessible for a minimum of one year and offsite for four additional years. Each Participant is obliged to maintain all requisite books and records for five years from the date such books and records were prepared, as provided in <i>Rule V-1</i>.</p> | <p>Rules: Rule V-1 (Books and Records; Cooperation in Proceedings)</p> <p>Regulatory Services Agreement, Schedule A, Section VII</p> <p>GCC Manage Data US 2008 (<i>Appendix C-9(x)</i>)</p> |
| <p>Core Principle 11 <i>Financial Integrity of Contracts</i> – “The board of trade shall establish and enforce rules providing for the financial integrity of any contracts traded</p> | See <i>Designation Criterion 5</i> above | |

| Contract Market Core Principles | ELX Application | Relevant ELX Documents, Rule or Agreements |
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| <p>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>Core Principle 12 <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 described in response to <i>Designation Criterion 3</i> above, the Rules limit pre-discussed trades and Cross Trades in Rule IV-17 and prohibit disclosing Orders and pre-arranged trades as specified in Rules VI-11 and VI-12, respectively. The Rules also address the general trading standards (Rule VI-13) and contain a broad prohibition against fraudulent acts and market manipulation (Rule VI-2 and VI-5).</p> <p>In addition, as described in response to <i>Designation Criterion 2</i> above, ELX has contracted with NFA to perform many of ELX’s trading and market surveillance functions to protect market participants. These functions will be supported by ELX’s technology, which will collect, away and transmit bid offer and trade data to NFA. The Compliance Director will supervise these functions and will act as the NFA liaison, all with oversight by the ROC.</p> | <p>Rules: Chapter IV (Trading Standards); Chapter VI (Business Conduct); Chapter VII (Discipline and Enforcement)</p> <p>Regulatory Services Agreement, Schedule A, Section VI</p> |
| <p>Core Principle 13 <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> | <p>Chapter VIII of the Rules provides for the resolution of disputes between or among any Participants, Authorized Traders and other Supervised Persons, and disputes between Participant or its Supervised Persons and their Customers, through arbitration conducted by NFA, pursuant to NFA’s Code of Arbitration or NFA’s Member Arbitration Rules, as applicable. ELX understands that NFA as an institution and the dispute resolution mechanisms administered by it satisfy the pertinent criteria set forth in Appendix B to Part 38 of the Commission Regulations.</p> <p>The submission of any such dispute to arbitration will be voluntary on the part of any Customer who is not an eligible contract participant pursuant to Rule VIII-4.</p> | <p>Rules: Chapter VIII (Arbitration)</p> <p>Regulatory Services Agreement, Schedule A, Section VI</p> |
| <p>Core Principle 14</p> | <p>Rule II-7 of the Rules sets forth the eligibility criteria for persons serving as</p> | <p>Rules: Chapter II</p> |

| Contract Market Core Principles | ELX Application | Relevant ELX Documents, Rule or Agreements |
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| <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 paragraph).”</p> | <p>members of the Board, including the Public Directors, and any other “disciplinary committee”, “arbitration panel” or “oversight panel” (all as defined in Commission Regulation § 1.63). Rule II-5 sets forth the special criteria for persons serving on the Regulatory Oversight Committee. The Management Board of ELX will comply with the Core Principles and the ROC will comply with the Commission’s rules.</p> <p>A Person may qualify for Trading Privileges by satisfying the requirements specified in Rule III-5 and in accordance with the procedure set forth in Rule III-6. Each Participant may appoint one or more Authorized Traders in accordance with Rule III-4. Participants may also from time to time grant its User IDs to any Customer, and such Customer shall be entitled to exercise Trading Privileges subject to the terms and conditions of the Rules, as set forth in Rule III-4.</p> <p>See <i>Appendix F-7, Analysis of ELX Futures L.P. Corporate Structure and Governance for Compliance with the Act’s Core Principals</i>, for a summary of ELX’s corporate governance structure.</p> | <p>(Governance of the Exchange); Chapter III (Trading Privilege)</p> <p>Analysis of ELX Futures L.P. Corporate Structure and Governance for Compliance with the Act’s Core Principals (<i>Appendix F-7</i>)</p> |
| <p>Core Principle 15 <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>ELX’s methods to identify the existence of conflicts of interest and to make decisions in the event of such conflicts are described in Rule II-11. Limitations on the use or disclosure of material non-public information gained through the performance of official duties by Board or committee members or ELX employees or agents are contained in Rule II-10.</p> | <p>Rules: Rule II-10 (Restrictions on Certain Persons Who Possess Material, Non-Public Information); Rule II-11 (Conflict of Interest)</p> |
| <p>Core Principle 16 <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> | <p>Not applicable.</p> | |
| <p>Core Principle 17 <i>Recordkeeping</i> – “The board of trade shall maintain records of all activities related to the</p> | <p>ELX will maintain records of all activities related to its business and NFA will also retain all records created in connection with its service provided under the Regulatory Services Agreement, for the time period specified in and in</p> | <p>Rules: Rule V-1 (Books and Records; Cooperation in Proceedings)</p> |

| Contract Market Core Principles | ELX Application | Relevant ELX Documents, Rule or Agreements |
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| business of the contract market in a form and manner acceptable to the Commission for a period of 5 years.” | accordance with Commission Regulation § 1.31. NFA will keep all audit trail data readily accessible for a minimum of one year and offsite for four additional years. Each Participant is obliged to maintain all requisite books and records for five years from the date such books and records were prepared (see Rule V-1). | Regulatory Services Agreement, Schedule A, Section VII |
| Core Principle 18 <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 anticompetitive burden on trading on the contract market.” | ELX 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 ELX 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 ELX System will operate through precise and predetermined electronic algorithms, without discrimination among different users or user groups. Trade information will be disseminated both to Participants and to the public on a continuous basis. | <i>See generally</i> Rules and other agreements contained in the Application |