



Nodal Exchange Rulebook

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

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SECTION I DEFINITIONS

- 1.1 **Account Administrator.** Either or both of a Level 1 Account Administrator and/or a Level 2 Account Administrator, as the context may require.
- 1.2 **Affiliate.** A Person who directly or indirectly, controls, is controlled by, or is under common control with another Person.
- 1.3 **Applicable Law.** With respect to any Person, any statute, law, regulation, rule or ordinance of any governmental or self-regulatory authority applicable to such Person, including the CEA and CFTC Regulations.
- 1.4 **Auction Engine.** The set of algorithms through which orders are matched.
- 1.5 **Auction Lot Size.** The minimum order volume increments allowed for a specified auction. The Auction Lot Size may vary depending on the Nodal Contracts available in the auction, auction date, or other factors determined by the Exchange and set forth on the Nodal Exchange website at www.nodalexchange.com.
- 1.6 **Auction Platform.** The electronic trading facility operated by Nodal Exchange to provide Participants with the ability to execute Auction Transactions from the interaction of multiple bids and multiple offers within a predetermined, nondiscretionary automated trade matching and execution algorithm.
- 1.7 **Auction Transaction.** A Nodal Contract executed through the Auction Engine.
- 1.8 **Audit Trail** has the meaning set forth in Rule 4.10.1.
- 1.9 **Authorized Broker.** A regulated intermediary approved by the Exchange to submit Block Trades accepted on behalf of Participants to clear through specific accounts set up by Clearing Members.
- 1.10 **Authorized User.** A natural person who is either employed by or is an agent of a Clearing Member, a Participant or Authorized Broker and who is authorized by the Exchange as an Authorized User in accordance with Rule 3.6.
- 1.11 **Block Trade.** A privately-negotiated transaction in a Nodal Contract that meets certain quantity thresholds and that is permitted to be executed off of the Exchange and reported in accordance with Rule 4.5.
- 1.12 **Board.** The Board of Directors of Nodal Exchange, LLC.
- 1.13 **Board of Appeals.** A panel comprised of a chair and two individuals appointed by the Board to consider appeals under Section VII.
- 1.14 **Business Day.** Any day on which the Exchange is open for trading.

- 1.15 *CEA.* The Commodity Exchange Act, as it may be amended from time to time.
- 1.16 *CFTC* or *Commission.* The Commodity Futures Trading Commission.
- 1.17 *CFTC Regulations.* The regulations of the CFTC, as they may be amended from time to time.
- 1.18 *Chairman.* The Chairman of the Board.
- 1.19 *Chief Executive Officer.* The individual appointed by the Board to serve as the Exchange’s chief executive officer.
- 1.20 *Chief Regulatory Officer.* The individual appointed by the Board to serve as the Exchange’s chief regulatory officer.
- 1.21 *Clearing House.* LCH.Clearnet Limited or such additional or successor central counterparties as the Exchange may designate from time to time to provide clearing services with respect to any or all of its Nodal Contracts. A Clearing House is registered with the CFTC as a derivatives clearing organization.
- 1.22 *Clearing Member.* An entity meeting the requirements of, and approved for, clearing membership at the Clearing House that is authorized pursuant to the Clearing House Rules to clear trades in any or all Nodal Contracts. Except for those Clearing Members that clear solely for their own proprietary accounts (each, an “**Individual Clearing Member**”) all other Clearing Members must be registered with the CFTC as FCMs (each, an “**FCM Clearing Member**”).
- 1.23 *Code.* The Participant Code of Conduct set forth in Section VI of these Rules.
- 1.24 *Compliance Department* has the meaning set forth in Rule 7.2.1.
- 1.25 *Commodity Type.* The form of commodity price against which a Nodal Contract is financially settled. Commodity Type includes, but is not limited to: Day Ahead Power (Locational Marginal Price), Real Time Power (Locational Marginal Price or the Market Clearing Price for Energy as defined in the Contract Specifications on the Nodal Exchange website www.NodalExchange.com), and natural gas indices or exchange listed contracts.
- 1.26 *Contract Class.* A designation that informs the lot size of the Nodal Contract. Nodal Contracts on power are grouped into multiple classes, which include, but are not limited to: On-Peak and Off-Peak. These classes have variable lot sizes that are defined by each ISO and determined by the set of hours in the ISO market against which the Nodal Contract settles. Other Nodal Contracts, such as natural gas, have fixed lot sizes as specified in the Contract Specifications on the Nodal Exchange website www.NodalExchange.com.

- 1.27** *Contract Location.* The location or locations against which a Nodal Contract settles. For example, the Contract Location for Nodal Contracts on power is the Contract Node against which the Nodal Contract settles.
- 1.28** *Contract Node.* For power contracts, the Nodes or Nodes against which the Nodal Contract settles.
- 1.29** *Contract Specifications.* The descriptions of the contractual items for each Nodal Contract as set forth in the document available on the Nodal Exchange website at www.NodalExchange.com. Items described in the Contract Specifications referenced in this Rulebook include “Last Trading Day,” “Daily Settlement Price,” and “Final Settlement Price.”
- 1.30** *Contract Term.* The length of the settling period for the Nodal Contract, including, but not limited to, monthly, weekly and daily Nodal Contracts.
- 1.31** *Daily Settlement Price* has the meaning set forth in Rule 4.9.1.
- 1.32** *Director.* An individual serving on the Board.
- 1.33** *Disciplinary Action* has the meaning set forth in Rule 7.1.
- 1.34** *Disciplinary Committee.* A function of the Compliance Department to fulfill various adjudicative responsibilities and duties described in Rule 7.2.1.
- 1.35** *EFP* has the meaning set forth in Rule 4.6.1.
- 1.36** *EFRP* has the meaning set forth in Rule 4.6.1.
- 1.37** *EFS* has the meaning set forth in Rule 4.6.1.
- 1.38** *Eligible Contract Participant* has the meaning set forth in Section 1a(18) of the CEA and in the CFTC Regulations .
- 1.39** *Emergency* means the occurrences or circumstances which, in the opinion of the Board, require immediate action to be taken in accordance with Rule 4.1.2, and which threaten, or may threaten, the fair and orderly trading in, or the settlement or integrity of, any Nodal Contract, including, without limitation, the following:
- (i) any circumstance that may materially affect the performance of a Nodal Contract, including failure of the Clearing House system;
 - (ii) any action taken by any United States or foreign regulatory, self-regulatory, judicial, arbitral, or governmental (whether national, state or municipal) or quasi-governmental authority, or any agency, department, instrumentality, or sub-division thereof; or other Person exercising, or entitled to exercise any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power; or any other contract market, clearing house, board of

trade, or other exchange or trade association (foreign or domestic) that may have a direct impact on trading on the Exchange or the settlement legality or enforceability of any Nodal Contract;

(iii) any actual, attempted or threatened corner, squeeze, congestion, manipulative activity or undue concentration of positions in a Nodal Contract;

(iv) any circumstance that may have a severe, adverse effect upon the functions and facilities of the Exchange, including, but not limited to, acts of God, fire, flood or other natural disasters, bomb threats, acts of terrorism or war, severely inclement weather, or failure or malfunction of all or a portion of the Auction Platform, or other system breakdowns or interruptions such as power, computer, communication or transportation systems or the Internet;

(v) the bankruptcy or insolvency of any Clearing Member or the imposition of any injunction or other restraint by any government agency, clearing house, court or arbitrator upon a Clearing Member which may affect the ability of a Clearing Member to trade in or perform on a Nodal Contract;

(vi) any circumstance in which it appears to the Board that a Clearing Member or any other Person:

(A) has failed to perform on a Nodal Contract;

(B) is insolvent; or

(C) is in a financial or operational condition or is conducting business such that the Clearing Member or Person cannot be permitted to continue in business without jeopardizing the safety of Participants, other Clearing Members, the Exchange or the Clearing House; or

(vii) any other unusual, unforeseeable or adverse circumstance as determined by the Exchange.

1.40 *EPT.* Eastern Prevailing Time.

1.41 *Exchange Official.* Any Officer or employee of the Exchange and any member of the Board, a committee established by the Board, a Hearing Panel or Board of Appeals.

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

1.43 *Expiry.* A Nodal Contract with a specific date of expiration.

- 1.44** *Final Settlement Price.* The price for each Nodal Contract supplied by the Exchange to the Clearing House as the final Settlement Price for the Expiry as specified in the Contract Specifications.
- 1.45** *FCM.* A futures commission merchant as defined in the CEA and CFTC Regulations and registered with the CFTC as such.
- 1.46** *Governmental Authority.* Any domestic or foreign government (or political subdivision), governmental or regulatory authority, agency, court, commission or other governmental or regulatory entity (including any Self-Regulatory Organization).
- 1.47** *Independent Systems Operator (ISO).* The organization that manages the power grid and sets the pricing against which Nodal Contracts settle. As used in these Rules, the term ISO also applies to regional transmission organizations (RTOs), such as PJM Interconnection, and state reliability councils, such as the Electric Reliability Council of Texas (ERCOT).
- 1.48** *Individual Trading Account.* A trading account to be separately tracked and margined by a Participant's Clearing Member.
- 1.49** *Individual Trading Mnemonic or ITM.* An identifying code assigned by the Exchange to each Individual Trading Account.
- 1.50** *Insolvency and Insolvent* means the occurrence of any of the following events with respect to a Person:
- (i) the Person is determined to be insolvent by a Government Agency or Self-Regulatory Organization;
 - (ii) if the Person is a member of the Securities Investor Protection Corporation, a court of competent jurisdiction finds that the Person meets any one of the conditions set forth in clauses (A), (B), (C) or (D) of Section 5(b)(1) of the Securities Investor Protection Act of 1970;
 - (iii) in the event of the entry or the making of a decree or order by a court, Government Agency or other supervisory authority of competent jurisdiction (i) adjudging the Person as bankrupt or insolvent, (ii) approving as properly filed a petition seeking reorganization, arrangement, liquidation, dissolution, adjustment or composition of or in respect of the Person under the Bankruptcy Code or any other applicable federal, state or other U.S. or non-U.S. law, including any bankruptcy, insolvency, reorganization, liquidation, dissolution or similar law, (iii) appointing a receiver, custodian, liquidator, provisional liquidator, administrator, provisional administrator, assignee, trustee, sequestrator or other similar official for the Person or for any substantial part of its property, (iv) ordering the winding up or liquidation of the Person's affairs or (v) consenting to the institution by the Person of proceedings to be adjudicated as a bankrupt or insolvent;

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

- 1.51** *Intra-day Settlement Price* has the meaning set forth in Rule 4.9.1 of these Rules.
- 1.52** *Last Trading Day* is the last day an Expiry may be traded and is defined in the Contract Specifications.
- 1.53** *Level 1 Account Administrator.* An officer or employee of a Participant appointed pursuant to Rule 3.10.1.
- 1.54** *Level 2 Account Administrator.* An officer or employee of a Participant appointed pursuant to Rule 3.10.2.
- 1.55** *LLC Agreement.* The Limited Liability Company Agreement of the Exchange as amended or restated from time to time.
- 1.56** *Nodal Contract.* Any contract available on Nodal Exchange for the sale or purchase of a Commodity Type for future delivery that is settled financially, defined in terms of a specific Contract Location, Contract Term and Contract Class, including Auction Transactions and Block Trades.
- 1.57** *Nodal Exchange* or *Exchange.* Nodal Exchange, LLC, a Delaware limited liability company designated by the CFTC as a contract market.
- 1.58** *Node.* A physical location or group of locations on the power network, as defined by the applicable ISO. As used in these Rules, “Node” means and includes (depending on the context), hubs, zones and similar concepts and terms as used by the relevant ISO.
- 1.59** *Officer* has the meaning given to it in Rule 2.2.1.
- 1.60** *Order* means any order to buy or sell a Nodal Contract on or subject to the Rules of the Exchange.
- 1.61** *Participant.* An entity that has signed the Participant Agreement for purposes of entering into Transactions for its own account. In addition, an FCM Clearing Member who does not enter into Transactions for its own account shall be

deemed a Participant hereunder solely for the purpose of accessing the Exchange in order to liquidate Transactions and any resulting positions previously submitted to the Clearing House for the account of such FCM Clearing Member on behalf of a Participant that is in default for failure to perform its obligations to the Exchange or such FCM Clearing Member (to the extent applicable).

- 1.62** *Participant Agreement.* An agreement between Nodal Exchange and a Participant which must be signed in order for a Participant to have access to Nodal Exchange for the execution of trades involving commodity derivative products and related financial instruments.
- 1.63** *Person* has the meaning set forth in Section 1a(38) of the CEA and in the CFTC Regulations .
- 1.64** *Position Transfer.* A transaction in a Nodal Contract(s) that is executed by Exchange personnel for administrative purposes outlined in Rule 4.7.1.
- 1.65** *Public Director.* An Director having the qualifications set out in Rule 2.1.5.
- 1.66** *Regulatory Services Agreement.* The agreement(s) between the Exchange and the Regulatory Service Provider(s) whereby certain functions mandated under the CEA, such as market monitoring and trade practice surveillance, are delegated to the Regulatory Services Provider(s).
- 1.67** *Regulatory Services Provider.* The National Futures Association and such other organizations, if any, that provide regulatory services to the Exchange, together with any such organization’s employees and agents.
- 1.68** *Respondent.* A Participant under investigation for alleged Rule violation(s) or against which charges have been filed.
- 1.69** *Rules.* Any rule, interpretation, stated policy, or instrument corresponding to any of the foregoing, including these Rules, in each case as adopted from time to time by the Exchange.
- 1.70** *Self-Regulatory Organization* has the meaning given that term in CFTC Regulation 1.3(ee) and includes a derivatives clearing organization that is registered as such with the CFTC.
- 1.71** *Settlement Price.* The price for each Nodal Contract supplied by the Exchange to the Clearing House at the end of each Exchange auction (Intra-Day Settlement Price) or trading day (Daily Settlement Price).
- 1.72** *Surveillance Team.* A Compliance Department unit whose function is to fulfill various the enforcement responsibilities and duties described in Rule 7.2.1.
- 1.73** *Trade Group.* A set of Expiries in a Block Trade designated to be checked against each Participant’s Trade Risk Limit together rather than individually.

- 1.74** *Transaction.* An Auction Transaction or Block Trade.
- 1.75** *Trade Risk Limit* has the meaning set forth in Rule 4.4.8 of these Rules.
- 1.76** *Trading Hours.* For any Business Day, the hours specified on the trading calendar at www.nodalexchange.com.
- 1.77** *Volume Matching Auction.* An auction in which all orders must be submitted at prices provided by the Exchange.

SECTION II GOVERNANCE

2.1 Composition of the Board; Board Powers

- 2.1.1 The Board is authorized to manage the day-to-day business operations of the Exchange in accordance with the LLC Agreement.
- 2.1.2 The Board will determine which Nodal Contracts are available from time to time for trading subject to the Rules, and will approve Rules containing specifications of such Nodal Contracts, provided that the Board may delegate the authority to approve such Rules to a Board Committee or one or more Officers of the Exchange, provided further that certifications or applications with respect to such rules will be submitted to the CFTC as required by Applicable Law.
- 2.1.3 The Board has the power to call for review, and to affirm, modify, suspend or overrule, any and all decisions and actions of committees or special committees of the Board or any panel of the Exchange’s officers related to the day-to-day business operations of the Exchange.
- 2.1.4 At all times not less than thirty-five percent (35%) of the Directors, but not fewer than two individuals, shall be Public Directors.
- 2.1.5 To qualify as a Public Director, an individual must be found, by action of the Board, to have no material relationship with the Exchange. The Board must make such finding upon the nomination or appointment of the Director and as often as necessary in light of all circumstances relevant to such Director, but in no case less than annually. A “material relationship” is one that reasonably could affect the independent judgment or decision-making of the Director. The Board need not consider previous service as a Director of the Exchange to constitute a “material relationship.” A Director shall be considered to have a “material relationship” with the Exchange if any of the following circumstances exist or have existed within the past year:
 - (a) such Director is or was an Officer or an employee of the Exchange, or an officer or an employee of an Affiliate of the Exchange;
 - (b) such Director is or was a Participant or Owner of the Exchange;

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

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

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

- 2.1.8 The Board shall establish arrangements to permit consideration of Participants in connection with the functioning of the Exchange and with additions or amendments to the Rules and shall make a description of such arrangements available to the public and to the CFTC.

2.2 Officers

- 2.2.1 Subject to the oversight of the Board, the Exchange shall appoint from time to time one or more individuals to serve as the Chief Executive Officer, Chief Regulatory Officer and may further appoint such other officers of the Exchange or any subsidiary of the Exchange (each, an “**Officer**”) as deemed necessary or appropriate, with such titles, duties, and authority as the Exchange shall approve, to carry out the business of the Exchange or any subsidiary of the Exchange, and upon such terms and conditions as the Board shall determine.
- 2.2.2 Any Officer may also be a director, officer, partner or employee of the Exchange or of any of its Affiliates.
- 2.2.3 The Officers shall have such powers and duties in the management of the Exchange as the Board may prescribe from time to time, subject to the terms of the LLC Agreement.

2.3 Eligibility/Fitness

- 2.3.1 An individual may not serve as a Board member, or serve on a committee established by the Board, a Hearing Panel or a Board of Appeals, or hold a 10% or more ownership interest in the Exchange, if the individual:
- (a) within the prior three (3) years has been found, by a final decision in any action or proceeding brought in a court of competent jurisdiction, the CFTC, or any Self-Regulatory Organization, to have committed a disciplinary offense;
 - (b) within the prior three (3) years has entered into a settlement agreement in which any of the findings or, in the absence of such findings, any of the acts charged, included a disciplinary offense;
 - (c) is currently suspended from trading on a Contract Market, is suspended or expelled from membership in a Self-Regulatory Organization, is serving any sentence or probation, or owes any portion of a fine or penalty related to either: (A) a finding of a disciplinary offense by a final decision in any action or proceeding brought in a court of

competent jurisdiction, the CFTC, or any Self-Regulatory Organization; or (B) a settlement agreement in which any of the findings or, in the absence of such findings, any of the acts charged included a disciplinary offense;

- (d) is currently subject to an agreement with the CFTC or Self-Regulatory Organization not to apply for registration with the CFTC or for membership in the Self-Regulatory Organization;
- (e) is currently, or within the past three (3) years has been, subject to a revocation or suspension of registration by the CFTC;
- (f) has been convicted of a felony listed in Section 8a(2)(D)(ii) through (iv) of the CEA; or
- (g) is currently subject to a denial, suspension or disqualification from serving on a disciplinary committee, arbitration panel or governing board of any self-regulatory organization as that term is defined in Section 3(a)(26) of the Securities Exchange Act of 1934; or
- (h) is subject to a statutory disqualification pursuant to Section 8a(2) of the CEA.
- (i) For purposes of this Rule 2.3.1, the terms “disciplinary offense,” “final decision” and “settlement agreement” have the meaning given those terms in CFTC Regulation 1.63(a).

2.3.2 Prior to nomination to the Board, each individual shall certify he/she is not disqualified pursuant to Rule 2.3.1. Upon appointment, each member of the Board shall provide to the Exchange, where applicable, changes in registration information within 30 days and certification of compliance accordingly. In addition, each member will certify on at least an annual basis regarding their continued compliance with Rule 2.3.1. The Exchange shall verify information supporting Board compliance with eligibility criteria.

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

2.4 Committees

- 2.4.1 The Board shall have at least the three following standing committees: the Nominating Committee, the Exchange Participant Committee, and the Regulatory Oversight Committee, each with the roles and responsibilities set out below.
- 2.4.2 Nominating Committee. The Nominating Committee of the Board shall consist of at least 51% Public Directors. The Nominating Committee reports to the Board and shall be chaired by a Public Director. The Nominating Committee shall be responsible for (i) identifying individuals qualified to serve on the Board, consistent with the criteria that the Board require and any composition requirement that the Commission promulgates; and (ii) administering a process for the nomination of individuals to the Board.
- 2.4.3 Exchange Participant Committee. The Exchange Participant Committee of the Board reports to the Board and shall consist of at least 35% Public Directors. The Exchange Participant Committee is responsible for (i) determining the standards and requirements for initial and continuing Participant eligibility, (ii) reviewing appeals of staff denials of Participant applications, and (iii) approving Rules that would result in different categories or classes of Participants receiving disparate access to the Exchange. The Exchange Participant Committee shall not, and shall not permit the Exchange to, restrict access or impose burdens on access in a discriminatory manner, within each category or class of Participants or between similarly-situated categories or classes of Participants.
- 2.4.4 Regulatory Oversight Committee. The Regulatory Oversight Committee of the Board shall report to the Board and consist of 100% Public Directors. The Regulatory Oversight Committee shall oversee the Exchange's regulatory program on behalf of the Board with the authority to (i) monitor the regulatory program of the Exchange for sufficiency, effectiveness, and independence and (ii) oversee all facets of the regulatory program, including:
- (a) trade practice and market surveillance; audits, examinations, and other regulatory responsibilities with respect to Participants (including compliance with, if applicable, financial integrity, financial reporting, sales practice, recordkeeping, and other requirements); and the conduct of investigations;

- (b) reviewing the size and allocation of the regulatory budget and resources, and the number, hiring, termination, and compensation of regulatory personnel;
- (c) supervising the Chief Regulatory Officer of the Exchange, who will report directly to the Regulatory Oversight Committee;
- (d) recommending changes that would ensure fair, vigorous, and effective regulation; and
- (e) reviewing all regulatory proposals prior to implementation and advising the Board as to whether and how such changes may impact regulation.

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

2.5 Confidentiality

2.5.1 No member of the Board or any committee established by the Board or by or pursuant to the Rules will use or disclose any material non-public information obtained in connection with such member's participation in the Board or such committee for any purpose other than the performance of his or her official duties as a member of the Board or such committee.

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

2.6 Conflicts of Interest

2.6.1 Named Party In Interest Conflict

- (a) No member of the Board, any Hearing Panel, any Board of Appeals or any other disciplinary committee of the Exchange will knowingly participate in such body's deliberations or voting in any matter involving a named party in interest where such member (i) is the named party

in interest in the matter, (ii) is an employer, employee or fellow employee of a named party in interest, (iii) has any other significant, ongoing business relationship with a named party in interest, excluding relationships limited to Nodal Contracts, or (iv) has a family relationship with a named party in interest.

- (b) Prior to consideration of any matter involving a named party in interest, each member of the deliberating body who does not choose to abstain from deliberations and voting will disclose to the Chief Regulatory Officer whether such member has one of the relationships listed in clause (a) above with a named party in interest.
- (c) The Chief Regulatory Officer will determine whether any member of the relevant deliberating body who does not choose to abstain from deliberations and voting is subject to a conflicts restriction under this paragraph (c). Such determination will be based upon a review of the following information: (A) information provided by such member pursuant to clause (b) above; and (B) any other source of information that is held by and reasonably available to the Exchange.

2.6.2 **Financial Interest in a Significant Action Conflict**

- (a) No member of the Board, any Hearing Panel, any Board of Appeals or any other disciplinary committee of the Exchange will participate in such body's deliberations and voting on any significant action if such member has a direct and substantial financial interest in the result of the vote, as determined pursuant to clause (c) below.
- (b) Prior to consideration of any significant action, each member of the deliberating body who does not choose to abstain from deliberations and voting will disclose to the Chief Regulatory Officer any information that may be relevant to a determination of whether such member has a direct and substantial financial interest in the result of the vote.
- (c) The Chief Regulatory Officer will determine whether any member of the relevant deliberating body who does not choose to abstain from deliberations and voting is subject to a conflicts restriction under this paragraph (c). Such determination will be based upon a review of the following information: (A) the most recent large trader reports and

clearing records available to the Exchange; (B) information provided by such member pursuant to clause (b) above; and (C) any other information reasonably available to the Exchange, taking into consideration the exigency of the significant action being contemplated.

- (d) Any member of the Board, any Hearing Panel, any Board of Appeals or any other disciplinary committee of the Exchange who would otherwise be required to abstain from deliberations and voting pursuant to clause (a) above may participate in deliberations, but not voting, if the deliberating body, after considering the factors specified below, determines that such participation would be consistent with the public interest; provided, however, that before reaching any such determination, the deliberating body will fully consider the information specified in clause (b) above which is the basis for such member's substantial financial interest in the significant action that is being contemplated. In making its determination, the deliberating body will consider: (A) whether such member's participation in the deliberations is necessary to achieve a quorum; and (B) whether such member has unique or special expertise, knowledge or experience in the matter being considered.

2.6.3 The minutes of any meeting to which the conflicts determination procedures set forth in this Rule apply will reflect the following information:

- (a) the names of all members of the relevant deliberating body who attended such meeting in person or who otherwise participated in such meeting;
- (b) the name of any member of the relevant deliberating body who voluntarily recused himself or herself or was required to abstain from deliberations or voting on a matter and the reason for the recusal or abstention, if stated;
- (c) the information that was reviewed for each member of the relevant deliberating body; and
- (d) any determination made in accordance with clause (d) of Rule 2.6.2 above.

2.7 Maintenance of Books and Records by the Exchange

2.7.1 The Exchange shall keep, or cause to be kept, complete and accurate books and records of accounts of the Exchange, including

all books and records required to be maintained pursuant to the CEA, and the CFTC Regulations.

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

2.8 Information-Sharing Arrangements

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

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

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

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

2.9 Regulatory Services Provider

- 2.9.1 The Exchange may contract with a Regulatory Services Provider to provide certain regulatory services to the Exchange pursuant to a Regulatory Services Agreement. In accordance with the relevant

Regulatory Services Agreement, a Regulatory Services Provider may perform certain surveillance, investigative, and regulatory functions under the Rules and the Exchange may provide information to such Regulatory Services Provider in connection with the performance by such Regulatory Services Provider of those functions.

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

2.10 Use of Proprietary Data and Personal Information

- 2.10.1 The Exchange may not use for business or marketing purposes any proprietary data or personal information collected or received, from or on behalf of any Person, for the purpose of fulfilling its regulatory obligations; provided, however, that the Exchange may use such data or information for such purposes with the consent of the Person from whom such data or information is collected or received.
- 2.10.2 Notwithstanding the provisions of Rule 2.10.1, the Exchange may share such proprietary data or personal information with one or more registered entities (as such term is defined in CFTC Regulations).
- 2.10.3 Access to the Exchange may not be conditioned upon the use of proprietary data or personal information for business or marketing purposes.

2.11 Reporting Requirements

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

SECTION III MEMBERSHIP

3.1 Jurisdiction

- 3.1.1 By accessing, or entering any Order into, the Exchange, and without any need for any further action, undertaking or agreement, a Participant, Authorized User or Authorized Broker agrees (i) to be bound by, and comply with, the Rules and Applicable Law, in each case to the extent applicable to it, him or her, and (ii) to become subject to the jurisdiction of the Exchange with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Participant or Authorized User.
- 3.1.2 Any Participant or Authorized User whose right to access the Exchange is revoked or terminated pursuant to these Rules will remain bound by the Rules and Applicable Law, in each case to the extent applicable, and subject to the jurisdiction of the Exchange with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Participant or Authorized User prior to such revocation or termination.

3.2 Participants

- 3.2.1 Each Participant will have the right to access the Exchange, including the right to place Orders for each of its proprietary accounts. The access rights of a Participant hereunder may not be transferred, assigned, sold or leased.
- 3.2.2 A Participant will not be a limited liability company member of the Exchange and will not obtain any equity or other interest in the Exchange, including voting rights or rights to receive any dividends or other distributions, whether arising from a dissolution, merger or consolidation involving the Exchange or otherwise.

3.3 Requirements for Participants

- 3.3.1 A Participant must be admitted to the Exchange and deliver an executed Participant Agreement. To be eligible for admission, the Participant must demonstrate to the Exchange that it:
- (a) is of good reputation and business integrity;
 - (b) complies with the financial responsibility, recordkeeping and reporting requirements set out in Rule 3.4;

- (c) is validly organized, in good standing, and authorized by its governing body and, if relevant, documents of organization, to trade Nodal Contracts;
 - (d) is not Insolvent;
 - (e) is not prohibited from using the services of the Exchange for any reason whatsoever;
 - (f) holds all registrations required under Applicable Law, if any, including any FCM, Supervisory Person and/or Associated Person registration, as applicable;
 - (g) is not subject to statutory disqualification under Section 8a(2) of the CEA;
 - (h) satisfies any other criteria that the Exchange may require from a Participant.
- 3.3.2 As part of the application procedure, the Exchange may request such information and documentation as it may reasonably require in order to determine whether the Exchange's eligibility requirements have been satisfied. Any Participant organized or located outside of the United States shall enter into a written agreement acceptable to the Exchange appointing a third party as its U.S. agent for service of process for purposes of CFTC Regulation 15.05, and shall provide the Exchange with a copy of the agreement.
- 3.3.3 The Exchange may deny, condition, suspend, or terminate Participant status of any entity that:
- (a) is unable to satisfactorily demonstrate its ability to satisfy the eligibility criteria to become or remain compliant as a Participant;
 - (b) is unable to satisfactorily demonstrate its capacity to adhere to all applicable Rules;
 - (c) would bring the Exchange into disrepute as determined by the Exchange in its sole discretion; or
 - (d) shows such other cause as the Exchange may reasonably determine.
- 3.3.4 If the Exchange decides to deny or condition an applicant's application, the Exchange shall promptly notify the applicant in

writing to the address provided by the applicant on the Exchange application form.

- 3.3.5 If the Participant is not itself a Clearing Member, the Participant must also be party to an agreement with a Clearing Member in accordance with Rule 5.2.1.
- 3.3.6 A person approved as a Participant shall be subject to all of the Rules of the Exchange.
- 3.3.7 Each applicant and each Participant agrees (i) promptly to provide, or procure the provision of, such information and documents as the Exchange may reasonably request, and (ii) that the Exchange, without being prevented by any duty of confidentiality by any holder of information, may obtain such information and documents from any Clearing Member or from the Clearing House.
- 3.3.8 The Exchange shall grant access to independent software vendors that meet the requirements for Participants set out in this Rule 3.3.

3.4 Minimum Financial Requirements

- 3.4.1 A Participant that is not registered with the CFTC as an FCM must:
 - (a) maintain a net worth (excluding personal assets) of not less than \$1,000,000; and
 - (b) immediately notify the Exchange or the Regulatory Service Provider, if any, if its net worth (excluding personal assets) declines below \$1,500,000, and provide the Exchange or the Regulatory Service Provider, if any, with monthly financial statements by the tenth calendar day of each month thereafter until the Participants net worth exceeds \$1,500,000 for two consecutive months.

For purposes of this Rule 3.4.1, “net worth” means the Participant’s total assets (excluding personal assets) less total liabilities as computed by generally accepted accounting principles applied on a consistent basis.

- 3.4.2 A Participant that is registered with the CFTC as an FCM must remain in compliance with the minimum financial and related reporting requirements of CFTC Regulations. A copy of any notice or written report that a Participant is required to file with the Commission pursuant to Commission Regulation 1.12 must also be filed with the Exchange. A Participant that violates any of the aforementioned Commission Regulations will be deemed to have violated this Rule 3.4.2.

- 3.4.3 A Participant that is an organization but not registered with the CFTC must submit to the Exchange or the Regulatory Service Provider, if any, annual audited financial statements certified by a certified independent public accountant (or by a Person having similar qualifications if the Participant's books of account are kept outside the United States) within ninety calendar days of the Participant's fiscal year-end.
- 3.4.4 A Participant that is registered with or authorized or supervised by a Governmental Authority shall comply with the rules and regulation of such Governmental Authority relating to minimum financial and related reporting and recordkeeping requirements and shall provide to the Exchange and to the Regulatory Services Provider, if any, a copy of such Participant's regulatory capital report, reasonably contemporaneously with the filing of such report and substantially in the form such report was filed with such government agency. A Participant that is not subject to such filing requirements shall provide the Exchange with such financial information as the Exchange may require from time to time.

3.5 Duties and Responsibilities of Participants

- 3.5.1 Each Participant shall, and shall cause its Authorized Users to:
- (a) access the Exchange in a responsible manner and not for any improper purpose;
 - (b) access the Exchange only to conduct business that is subject to the Rules and the Exchange Requirements and in a manner consistent with the Rules and the Exchange Requirements;
 - (c) comply with the Rules and the Exchange Requirements and act in a manner consistent with the Rules and the Exchange Requirements;
 - (d) comply with the rules of the Clearing House that accepts for clearing a Nodal Contract traded by the Participant on the Exchange, to the extent applicable to such Participant and such Nodal Contract;
 - (e) observe high standards of integrity, market conduct, commercial honor, fair dealing, and just and equitable principles of trade while conducting or seeking to conduct any business connected with or concerning the Exchange;

- (f) not knowingly mislead or conceal any material fact or matter in any dealings or filings with the Exchange or in connection with a Disciplinary Action;
- (g) cooperate promptly and fully with the Exchange in any investigation, inquiry, audit, examination or proceeding regarding compliance with the Rules or any Disciplinary Action or arbitration;
- (h) comply with any order issued by the Exchange;
- (i) keep all User IDs, account numbers and passwords related to the Exchange confidential; and
- (j) keep, or cause to be kept, complete and accurate books and records, including, without limitation, all books and records required to be maintained pursuant to the Applicable Law, for at least five (5) years, and make such books and records available for inspection by a representative of the Exchange, the CFTC or the U.S. Department of Justice.

3.5.2 In addition to the requirements of Rule 3.5.1, each Participant shall employ practices to monitor and enforce compliance with its internal risk limits and shall be responsible for all Orders and Transactions effected on the Exchange by or for the account of such Participant, its Authorized Users or by any Person using its or their User IDs.

3.6 Authorized Users

- 3.6.1 Each Participant and Authorized Broker that is not a natural Person must designate at least one of its employees as an Authorized User.
- 3.6.2 By agreeing to become an Authorized User, an individual agrees to be bound by the duties and responsibilities of an Authorized User set out in Rule 3.7 and to be subject to, and comply with Applicable Law and the Rules.
- 3.6.3 To designate an Authorized User, a Participant must follow the procedures established by the Exchange. The Exchange may establish criteria that individuals must fulfill to become an Authorized User. Without limiting the generality of the foregoing, each Participant will ensure on an ongoing basis that (i) none of its Authorized Users is subject to a disqualification pursuant to any Applicable Law (unless an appropriate exemption has been obtained with respect thereto) and (ii) each of its Authorized Users is technically proficient and conducts its business in a fair and equitable manner.

- 3.6.4 The Exchange will promptly notify a Participant in writing of the approval of designated Authorized User(s) or if the Exchange declines to approve the nomination of an Authorized User.
- 3.6.5 The Exchange will maintain a list of all designated Authorized Users for each Participant.
- 3.6.6 The Exchange may, in its sole discretion revoke or suspend the designation of an individual as an Authorized User and shall promptly notify the Participant and its Clearing Member of such action.
- 3.6.7 To request the termination of the designation of an individual as an Authorized User, the Participant must follow the procedures established by the Exchange. The Exchange may, in its sole discretion, refuse to accept a request to terminate the registration of an Authorized User or may postpone the effective date of the termination of registration if the Exchange considers it necessary for the protection of the Participant or in the Exchange's best interest. Based on the information provided to, and other information gathered by, the Exchange regarding the request to terminate the registration of an Authorized User, the Exchange will determine whether to:
 - (a) accept the request to terminate such registration;
 - (b) postpone the effective date of termination of the registration; and/or
 - (c) impose any terms or conditions before or after the effective date of termination of the registration.

3.7 Duties and Responsibilities of Authorized Users

- 3.7.1 By agreeing to act as an Authorized User, such Person agrees to be bound by the duties and responsibilities of and Authorized User and to be subject to, and comply with, the Rules.
- 3.7.2 An Authorized User must:
 - (a) ensure that activity conducted under the User IDs assigned to it and any of its personnel complies with Applicable Law and the Rules;
 - (b) have the authority, at the Exchange's request, to adjust or withdraw any Order submitted under such User IDs;

- (c) have and maintain during all necessary regulatory approvals and/or licenses to operate as an Authorized User;
- (d) cooperate promptly and fully with the Exchange in any investigation, inquiry, audit, examination or proceeding regarding compliance with the Rules or any Disciplinary Action or arbitration proceeding;
- (e) comply with any order issued by the Exchange; and
- (f) agree to such other terms and conditions as may be established by the Exchange from time to time.

3.8 Clearing Members Accessing the Exchange

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

3.9 Required Notices

3.9.1 Each Participant shall immediately notify the Exchange upon becoming aware of any of the following events:

- (a) any material changes to the information provided to the Exchange by the Participant;
- (b) any damage to, or failure or material inadequacy of, the systems, facilities or equipment of the Participant used to effect Transactions on the Exchange;
- (c) any refusal of admission to, or withdrawal by the Participant of any application for membership in, any Self-Regulatory Organization;
- (d) any denial or withdrawal of an application for registration or license by or from any governmental agency, and any revocation, suspension or conditioning of a registration or license granted by any Governmental Authority;
- (e) the commencement of any judicial or administrative proceeding against the Participant by a Governmental Authority or the imposition of any fine, cease and desist order, denial of trading privileges, censure or other sanction or remedy (whether through an adverse determination,

voluntary settlement or otherwise) imposed by any Governmental Authority;

- (f) the indictment or conviction of, or any confession of guilt or plea of guilty or nolo contendere by, the Participant or any of its officers for any felony or misdemeanor involving, arising from, or related to, the purchase or sale of any commodity, security, futures contract, option or other financial instrument, or involving or arising from fraud or moral turpitude; and
- (g) the Insolvency of the Participant or any of its Affiliates.

3.9.2 Each Participant that is not a natural person shall notify the Exchange at least ten business days prior to any merger, acquisition, consolidation, combination, sale or other material change of ownership.

3.9.3 Nothing in this Rule 3.9 is intended to substitute for or limit any other reporting obligations that a Participant may have to the Exchange or any regulatory agency or Self-Regulatory Organization.

3.10 Account Administrators

3.10.1 Each Participant shall appoint at least one Level 1 Account Administrator, who shall be responsible for monitoring the Participant's participation on the Exchange, the compliance of the Participant with the Rules and communication with the Exchange.

3.10.2 Each Participant may appoint one or more Level 2 Account Administrators, who shall be entitled to access the Exchange for risk management, audit and other back-office purposes as specified by the Exchange from time to time.

3.10.3 Account Administrators shall not have trading privileges on the Exchange.

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

3.11 Access Requirements and Terms

3.11.1 Access to the Exchange will be Internet-based. Participant accounts will be issued user names, passwords, and digital certificates for secure access. The Participant is responsible for the security of these items, and any misuse is the responsibility of the Participant.

3.11.2 Certificates, passwords are for the Participant's use only and shall not be shared with other parties.

3.11.3 A Participant must notify the Exchange immediately upon any suspicion of theft of a password or certificate, or any unauthorized access.

3.12 Dues and Fees

3.12.1 Exchange dues and fees are posted at www.nodalexchange.com and updated from time to time.

3.13 Inspections by the Exchange

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

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

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

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

3.14 Liquidity Provider Program

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

3.15 Authorized Brokers

3.15.1 Participants may submit Block Trades to the Exchange through an Authorized Broker acting on their behalf.

3.15.2 An Authorized Broker:

- (a) must be registered with the CFTC as a futures commission merchant or an introducing broker;
- (b) must enter into the applicable Authorized Broker Agreement with the Exchange and agree to be subject to and to comply with the Rules;
- (c) must agree to effect Block Trades on behalf of a Participant only in accordance with these Rules and procedures established by the Exchange;
- (d) must have and maintain during all necessary regulatory approvals and/or licenses to submit Block Trades on behalf of Participants to the Exchange;
- (e) must maintain adequate financial resources in accordance with Rule 3.4; and
- (f) must agree to such other terms and conditions as may be established by the Exchange from time to time.

3.15.3 The Authorized Broker shall be responsible to the Exchange for any failure by such Authorized Broker (or its employees or agents) to comply with the Rules.

3.15.4 The Exchange will maintain a list of all designated Authorized Brokers for each Participant. The Exchange may, in its sole discretion revoke or suspend the designation of an individual as an Authorized Broker and shall promptly notify the appropriate Participants and its Clearing Member of such action.

SECTION IV MARKET OPERATIONS

4.1 Market Hours and Operation

4.1.1 Market Hours

The Exchange will be open for trading on all business days during the market hours specified in the trading calendar, which is available at www.nodalexchange.com. During non-trading hours, Exchange systems will allow users to submit, modify and cancel orders as defined in this Section IV. Block Trades submitted during non-trading hours will be queued and cleared in the order of submission when the market is next opened. Block Trades that are submitted during the auction process will be queued and cleared after all Auction Transactions have been cleared.

4.1.2 Procedures

With respect to trading on or through the Exchange, the Exchange may adopt, without limitation, procedures relating to Transactions in Nodal Contracts and trading on the Exchange, including procedures to:

- (a) disseminate the prices of bids and offers and the prices of trades in Nodal Contracts;
- (b) record and account for Nodal Contracts;
- (c) perform market surveillance and regulation on matters affecting Nodal Contracts;
- (d) establish limits on the number and/or size of Orders that may be submitted by a Participant or Authorized User to the Exchange;
- (e) establish limits on the number of Nodal Contracts that may be traded by a Participant or customer on the Exchange;
- (f) establish a limit on the maximum daily price fluctuations for any Nodal Contracts and provide for any related restriction or suspension of trading in such Nodal Contracts; and
- (g) require a suspended or expelled Participant, or a Participant with restricted trading rights, to cause Nodal Contracts to be executed for such Participant's account to reduce or eliminate such Participant's open positions.

4.1.3 Market Suspension and Emergencies

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

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

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

Before any Emergency Rule may be adopted and enforced, a required vote of the Board must approve the enforcement of such Emergency Rule at a duly convened meeting. Directors may attend such a meeting by teleconference. If the Chief Executive Officer, or another authorized Officer, determines that Emergency Rules must be implemented with respect to an Emergency before a meeting of the Board can reasonably be

convened, then the Chief Executive Officer or such Officer shall have the authority, without Board action, to implement any Emergency Rules with respect to such Emergency that he or she deems necessary or appropriate to respond to such Emergency. In such circumstances, the Chief Executive Officer or such Officer must convene a meeting as soon as practicable.

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

The Exchange will use reasonable efforts to notify the CFTC prior to implementing, modifying or terminating an Emergency Rule. If such prior notification is not possible or practicable, the Exchange will notify the CFTC as soon as possible or reasonably practicable.

Upon taking any action in response to an Emergency, the Exchange will document the decision-making process related to such action. Such documentation will be kept for at least five years following the date on which the Emergency ceases to exist or to affect the Exchange, and all such documentation will be provided to the CFTC upon request.

4.2 Nodal Contracts Offered

4.2.1 Nodal Contracts/Expiries

Contract Specifications are set forth on the Exchange website at www.nodalexchange.com. Contract Specifications are subject to revision or amendment from time to time. Revised Contract Specifications may be listed for trading by self-certification in accordance with CFTC Regulation 40.2, sent electronically to the CFTC for receipt by the open of business on the business day preceding the contract's listing, which shall include: (1) a description of the contract and its rules related to its terms and conditions, (2) the intended listing date, (3) certification by the Exchange that the contract to be listed complies with the CEA and the CFTC Regulations thereunder, (4) a concise explanation and analysis of the product and its compliance with applicable provisions of the CEA, including core principles, and the CFTC Regulations thereunder, including supporting documentation, and (5) certification that the Exchange posted a notice of pending product certification with the Commission on its website

with a copy of the submission, with confidential treatment requests as appropriate.

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

Nodal Contracts on power may settle against the pricing at a single physical location (a “**Node**”) on the physical network, as defined by the ISO, or against multiple Nodes on this network. For Nodal Contracts on power which settle against a Contract Node that is the consolidation of multiple physical Nodes, the Settlement Price shall be the simple average of all the included Nodes for the duration of the Expiry period as provided in Rule 4.9 (“**Expiry Settlement**”) and the appropriate Contract Class.

Natural gas Expiries will settle against the last Settlement Price for the Expiry as determined by either an index or exchange listed contract as specified in the Contract Specification for the Nodal Contract.

For Nodal Contracts on power, in the event the Exchange determines that an ISO will no longer price a Node that is a component of the Contract Node, the Exchange may eliminate the Node from the Contract Node. In the event the Exchange determines that an ISO will no longer price a Node that is the whole of the Contract Node, the Exchange will substitute a successor Contract Node that, in the Exchange's judgment, is reasonably

comparable to the Contract Node no longer being priced, or if no open interest exists, the Exchange will discontinue the Nodal Contract.

4.2.2 Trading Status

Expiries may have four trading statuses in the market as defined below: Active, Restricted, Suspended, and Closed.

Active. All Expiries will have a status of Active upon being entered into the market for trading. Active Expiries are available for unrestricted trading as Block Trades and on the Auction Platform if offered.

Restricted. In the case where all initial Settlement Price data is available, the Expiry is set to Restricted status at the end of the day. The Restricted status allows the Exchange to capture additional ISO revisions to the components of Locational Marginal Price up to the Last Trading Day as defined by the Contract Specifications. For example, a monthly off-peak day ahead power Expiry would become Restricted at the end of the second to last day of the month – which is the day that all Settlement Price data become available for the Expiry in question. During the Restricted period, an Expiry can only be traded as a Block Trade within a narrowly defined band as determined by the Exchange (e.g., plus or minus one percent of the announced initial Settlement Price). Restricted Expiries cannot be traded on the Auction Platform.

Suspended. Expiries may be suspended at any time, in order to prevent further trading. This may occur on a power Nodal Contract in response to the decision of an ISO to stop providing pricing of the relevant Contract Nodes. A Suspended status may also be used to end trading within the Last Trading Day of an expiring natural gas Expiry once trading has ceased and pricing is known on the Final Settlement Price, as detailed in the Contract Specification.

Closed. Upon determination of the Final Settlement Price, the Expiry is Closed, all trading is ended and the Final Settlement Price is fixed.

4.3 Use of User IDs

- 4.3.1 Each Participant must request one or more ITMs as needed to accommodate the nature and volume of the Participant's business.
- 4.3.2 Each Participant and its Authorized Users must have a unique, Exchange-assigned, registered User ID.
- 4.3.3 Each Order entered will contain a system-assigned User ID that identifies the Authorized User that entered the Order.

- 4.3.4 No Person may use a User ID to place any Order except as permitted by these Rules, nor may any Person knowingly permit or assist the unauthorized use of a User ID. Each Participant and Authorized User shall ensure that no User ID is used by any Person not authorized by these Rules. Each Participant that is not an individual must have in place policies and procedures acceptable to the Exchange to ensure the proper use and protection of User IDs.
- 4.3.5 Each Participant shall ensure the accuracy of the registration information of its Authorized Users at all times.
- 4.3.6 Each Participant shall be solely responsible for controlling and monitoring the use of all User IDs issued to it and its Authorized Users of the Exchange.
- 4.3.7 Each Participant shall notify the Exchange promptly upon becoming aware of:
- (a) any unauthorized disclosure or use of any User ID assigned to it or any of its Authorized Users and of any other reason for deactivating a User ID; and
 - (b) any unauthorized access to the Exchange by any Authorized User or by any Person using a User ID assigned to such Participant or Authorized User.
- 4.3.8 Each Participant and its Authorized Users shall be bound by any actions taken through the use of a User ID assigned to such Participant or Authorized User (other than any such actions resulting from the fault or negligence of the Exchange), including the submission of Orders and/or execution of Transactions, whether or not such actions were taken or authorized by such Participant or Authorized User, as the case may be.

4.4 Auction Trading

4.4.1 Order Requirements

To be valid, an order must consist of the following information:

Auction: Each order must specify which auction to which it is being submitted.

Order ID. Customers must provide a unique identifier for each order in a given auction. This identifier, along with the auction identifier, may then be used to modify, cancel or review any previously submitted orders.

Order volume. Orders must be submitted in increments of the Auction Lot Size for that auction. Each order must be submitted with a volume in units of megawatts (MW) or MMBtu. The MW volume in a power order represents all the megawatt-hours (MWh) within the Expiry term (e.g., an order of 5MW on an on-peak monthly Expiry is an order for 5MW for every on-peak hour during the settlement month).

Order price. Each order must be submitted with a price in units of \$/MW or \$/MMBtu. If the order is a buy, this price represents the maximum a Participant is willing to pay to obtain one unit of the desired position for ordered Expiry. If the order is a sell, the price represents the minimum a Participant is willing to receive to provide one unit of the desired position for each ordered Expiry. For power, order price is the total value of 1MW of each long position less the total value of 1MW of each short position. For natural gas, order price is the total value of MMBtus bid multiplied by the price per MMBtu. For Volume Matching Auctions, all Orders must be submitted at the price provided by the Exchange.

Expiry List. Each order must have a list of desired positions, containing at least one Expiry. Each Expiry must be identified by the type of position the Participant would like to obtain, long or short. For example, to submit an order that represents a spread between two Expiries, one Expiry should be listed as “long” and the other as “short.”

4.4.2 Order Types

The following types of orders are allowed on the Exchange. An order with multiple Expiries selected will be awarded only on a conditional basis; an order will not be awarded unless all the Expiries in the order can be awarded (at least in part). Orders for multiple Expiries that are not awarded in full will be awarded, across all such Expiries, in the proportions (rounded, as appropriate, to the Auction Lot Size) set forth in the Participant’s order.

Simple Outright Orders. Orders submitted with only one Expiry listed. These orders allow a Participant to bid or offer on a single Expiry, with the awarded price determined by the price limits defined in the order.

Aggregate Orders. Orders submitted with multiple Expiries allow a Participant to simultaneously bid or offer on several Expiries with the total price for all Expiries specified. Positions on each Expiry in the order will be awarded equally up to the order volume limit. These orders can be used to create ‘strip’ orders across multiple settlement periods or physical locations.

Spread Orders. Orders submitted with at least one Expiry designated “long” and at least one Expiry designated “short” allow a Participant to

bid on or offer a spread Transaction. These orders specify the total price difference between the long and short Expiries. Spread orders can be between any Expiries - both locational (across two physical locations) and temporal (across two settlement periods) spreads are permitted. Awarded orders receive equal volume amounts on all expiries in the order.

Blended Orders. Any combination of the above order types can be created into more complex order types.

All-or-Nothing Orders. “All-or-Nothing” refers to a specified number of lots that can be submitted to the auction which indicates that order is not to be considered for partial fills. Orders submitted at the All-or-Nothing number of lots will either receive the full ordered volume or not be awarded; partial fills are not allowed for All-or-Nothing orders. Any order received at the All-or-Nothing number of lots will be considered an All-or-Nothing order. The All-or-Nothing number of lots is published at www.nodalexchange.com, and may be adjusted from time to time by the Exchange.

4.4.3 Submission

Submission of an Order to the Auction Platform constitutes a representation by the submitting Participant that it is acting as principal in respect of such Order.

Orders may be submitted to the Auction Platform through one of two Internet-based submission options:

- (a) An Order can be submitted individually or in a batch through web-based forms. These Orders will be subject to immediate validation.
- (b) Multiple Orders can also be submitted in a batch by uploading a file of multiple Orders in a format specified by Nodal Exchange. Subsequent to the submission, the Exchange will validate all Orders in the file, accepting all valid orders and rejecting any invalid orders.

4.4.4 Order Validation

All Orders are validated before they are considered submitted for a given auction. The following fields are validated:

Auction: The Order must be submitted for an auction that is currently accepting orders (the Auction Platform ordinarily will accept Orders for the next three consecutive auctions).

Order ID: Must be present, for identification purposes.

- Volume:* Must be a positive integer greater than 0 and less than 1,000,000. Volume must be in increments of the Auction Lot Size for that auction.
- Price:* In United States Dollars. Orders submitted with fractional-cent pricing will be rounded to two-decimals in all Exchange systems. For Volume Matching Auctions, Order prices will be verified against the Exchange provided price.
- Expiry-list:* Each Expiry must be active and open for trading on the day of the desired auction. As some auctions may be run using a subset of all Expiries available on the Exchange, Orders must only include Expiries that are designated to trade in that auction.

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

The Exchange may not offer all Nodal Contracts and Expiries in a particular auction, and Orders submitted for Nodal Contracts and/or Expiries that are not included in that auction will be rejected. Normally, the Exchange will offer daily auctions with a subset of the Contract Nodes available in the Auction Platform, while an auction incorporating all the Contract Nodes will normally occur once per week.

The Exchange reserves the right to change the Contract Nodes and Expiries offered in any given auction and the auction schedule. A schedule of auctions and Contract Nodes and Expiries available in those auctions will be available at www.nodalexchange.com.

4.4.5 Order Modification

Previously submitted Orders can be modified at any time prior to the start of the designated auction. Once the Order submission window has closed for a given auction, Orders for that auction are considered final and may no longer be modified.

4.4.6 Order Cancellation

Orders can be cancelled at any time prior to the start of the designated auction. Once Order submission for the auction has closed, an order cannot be cancelled.

Orders can be cancelled individually, or in groups, through the web-interface.

4.4.7 Order Submission Window

Normally, the Exchange will begin accepting Orders three business days before the planned auction date and stop accepting Orders at the auction close time (indicated on the trading calendar at www.nodalexchange.com). The Exchange reserves the right to modify this schedule. All submissions, modifications or cancellations will receive confirmation after Exchange processing if they have been accepted into the desired auction.

Any submissions performed via file upload that have been submitted as of the auction close time will be accepted into the Auction Platform and incorporated into the desired auction.

A file upload will be considered submitted (in its entirety) if the file submission was initiated prior to the deadline for order submission.

4.4.8 Auction Trade Matching

The Nodal Exchange auction matches and awards Orders based on an algorithm designed to maximize the economic surplus of the auction. Higher prices bids and lower priced sells are given priority for awards.

Orders are awarded in Auction Lot Size increments up to the full volume specified in the order, unless the order is an All-or-Nothing order, in which case it can only be awarded at the specified volume size. If multiple Expiries are a part of a single Order, then all Expiries in the Order will have an equal volume award, up to the Order volume, or matching the Order volume for All-or-Nothing orders.

For each Expiry offered in the auction, a single auction price will be calculated, based on the marginal supply or demand for that Expiry. All awarded simple outright and spread bids or offers for that Expiry will be at the auction price; prices for aggregate Orders may be shown at a weighted average price based on the constituent Expiries; however, any averaged prices will equal the volume weighted average of the individual Expiry auction award prices.

For Volume Matching Auctions, Nodal Exchange will provide prior to the auction, the price at which all bids and offers for identified expiries in the auction must be submitted. Orders on those expiries that are not at the Exchange provided price will not be considered in the auction.

The auction engine applies the following rules in the event of matching Orders with identical prices:

- (a) Volume is first awarded pro rata to the tied Orders based on their share of combined Order volume, rounded down to the nearest Auction Lot Size increment. For example, if an auction with a 25 MW Auction Lot Size has a bid for 125 MW and two matching, equally priced offers for 200 MW and 100 MW, the auction will first award the offers 75 MW and 25 MW respectively based on this first tie breaking rule. This results because the offers represent a 2/3 and 1/3 split of combined volume, making their shares of the available bid volume 83.3 MW and 41.7 MW, which round down to 75 MW and 25 MW, respectively. 25 MW of bid volume would remain and be awarded via the process below.
- (b) Any remaining volume is next given award priority based on the original Order volume size. In the example above, the 200 MW offer is prioritized over the 100 MW offer, and thus receives the remaining 25 MW. Thus, in the example above, the final awards are 100 MW and 25 MW for the 200 MW offer and 100 MW offer, respectively.
- (c) Any final tie-breaking required to award volume among equally sized orders is based on prioritizing the earlier Order submission time into the auction. Modifications to Orders re-establish the time of entry for the affected orders.

All awarded transactions generated by the Auction Engine are checked against the dollar amount set by the Participant's Clearing Member establishing the maximum position risk that the Participant is allowed to assume on the Exchange (the "**Trade Risk Limit**"). Awarded transactions in excess of a Participant's Trade Risk Limit will not be matched, will be excluded from the auction, and will not be submitted to the Clearing House. If the Participant enters the auction already exceeding the Participant's Trade Risk Limit (because of changes in the risk profile of such Participant's existing positions or otherwise), then any awarded transactions that reduce or eliminate that violation will be matched and submitted to the Clearing House.

4.4.9 Clearing

All matched trades generated by the Auction Engine after the application of Trade Risk Limits give rise to binding Auction Transactions between the applicable Participants, which will be automatically submitted to the Clearing House for registration and novation, as described in Section V of these Rules. Upon registration at the Clearing House, the Exchange will make available, via a web interface, the Participant's cleared trades. Further description of Clearing House procedures and rules can be found

in the Clearing House rulebook. The Exchange reserves the right to cancel erroneous trades submitted to the Clearing House in accordance with Rule 4.8.

4.4.10 Trading Information

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

4.5 Block Trades

4.5.1 The Exchange shall designate the Nodal Contracts in which Block Trades shall be permitted and determine the minimum block size for such transactions as described herein. Appendix A to these Rules (“Minimum Block Sizes for Nodal Exchange Contracts”) sets forth a listing of minimum block sizes for Nodal Contracts.

4.5.2 The following rules shall govern Block Trades:

- (a) 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 unless expressly permitted under Applicable Law.
- (b) Each Participant entering into a Block Trade must be an Eligible Contract Participant.
- (c) An Authorized Broker may submit a Block Trade to the Exchange on behalf of Participants that have specified that such Order has been executed as a Block Trade subject to the Rules of the Exchange.
- (d) The price at which a Block Trade is executed must be fair and reasonable in light of (i) the size of the Block Trade, (ii) the prices and sizes of other transactions in the same contract at the relevant time, (iii) the prices and sizes of transactions in other relevant markets, including the related swap markets, at the relevant time, and (iv) the circumstances of the markets or the Participants to the Block Trade.
- (e) Block Trades shall not affect Auction Transactions on the Exchange.
- (f) Parties to a Block Trade must ensure that each Block Trade is submitted without delay upon execution of the trade, in

no event later than fifteen (15) minutes after execution via an approved submission method. The submission must include the Nodal Contract(s), contract month(s), price, quantity of the Transaction, time of execution, the respective FCM Clearing Member, as well as any other information that the Exchange may require. The Exchange shall promptly publish price and volume information separately from the reports of Auction Transactions.

- (g) Authorized Brokers and Participants involved in the execution of Block Trades must maintain written or electronic records of all such Block Trades, including an electronic timestamp reflecting the date and time each such Order was received as well as an electronic timestamp reflecting the date and time such Order was executed or cancelled.

4.5.3 Trade Entry

Block Trades may be accepted from Participants or Authorized Brokers.

For Block Trades that are submitted directly by Participants, Exchange staff will facilitate trade entry via an email template, where both Participants must confirm the Block Trades, specifying the identical Expiry(s) to be traded, the volume and price, and the buyer and seller.

An Authorized Broker must specify the Expiry(s) to be traded, the volume and price, the buyer and seller and their respective Clearing Members. Both buyer and seller must be Participants.

4.5.4 Modification and Cancellation

Block Trades submitted during the Exchange's Trading Hours are subject to immediate confirmation by the Exchange and may not be modified or cancelled by either Authorized Brokers or Participants. If erroneous information has been submitted as part of a Block Trade, the Exchange should be notified as soon as the error is detected. If appropriate, the Exchange will facilitate the modification of the trade on a discretionary basis; any trade modification the Exchange agrees to submit to the Clearing House will be done during normal Trading Hours.

Block Trades submitted outside of Trading Hours, either during the auction process or when the market is closed, and queued for clearing as described in Rule 4.4.9 above, may be cancelled directly on the web platform as long as the cancellation occurs before the Exchange reopens for regular Trading Hours.

4.5.5 Risk Limit Validation and Clearing

All Block Trades submitted by either an Authorized Broker or Participant will be subject to Trade Risk Limit verification. Upon verification that the Block Trade will not cause any party to the Block Trade to exceed its Trade Risk Limit, the Block Trade will be submitted to the Clearing House for registration and novation, as described in Section V of these Rules. Upon Clearing House registration, the Exchange will make available, via a web interface, confirmation that the Block Trade has been accepted. Further description of Clearing House procedures and rules can be found in the Clearing House rulebook.

A Participant that has exceeded its Trade Risk Limit (because of changes in the risk profile of such Participant's existing positions or otherwise) may be party to a Block Trade only if such Block Trade will reduce the Trade Risk Limit violation.

4.6 Exchange for Related Position (EFRP)

4.6.1 Categories of EFRP

Participants may enter into the following types of Exchange for Related Position transaction (“**EFRP**”) in accordance with the provisions of this Rule:

- (a) an Exchange for Physical transaction (“**EFP**”), which is a privately negotiated and simultaneous exchange of a futures position in a Nodal Contract for a corresponding cash position; and
- (b) an Exchange for Swap transaction (“**EFS**”), which is a privately negotiated and simultaneous exchange of a futures position in a Nodal Contract for a corresponding swap position.

4.6.2 EFRP Requirements

An EFRP shall consist of two discrete but related simultaneous transactions in which one Participant must be the buyer of (or the holder of the long market exposure associated with) the related position and seller of the corresponding Nodal Contract, and the other Participant must be the seller of (or the holder of the short market exposure associated with) the related position and the buyer of the corresponding Nodal Contract. The related position must involve the commodity underlying the Nodal Contract (or any derivative, by-product or related product that has a reasonable degree of price correlation to the Nodal Contract) in a quantity that is approximately equivalent to the quantity covered by the Nodal Contract.

The accounts involved in the execution of an EFRP must be:

- (a) independently controlled with different beneficial owners;
or
- (b) independently controlled accounts of separate legal entities with the same beneficial owners, provided that the account controllers operate 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 owners.

The parties to an EFRP shall maintain all documents relevant to the Nodal Contract and the related position, including all documents customarily generated in accordance with the relevant market practices, including, as applicable, copies of the documents evidencing title to, or the contract or contracts to buy or sell, the underlying commodity (or the derivative, by-product or related product) involved in such EFRP, and master swap agreements and any supplements thereto. Any such documents and information shall be furnished to the Exchange upon request.

4.6.3 Reporting Requirements

The parties to an EFRP shall cause the EFRP to be identified and reported to the Exchange in accordance with such procedures as are determined by the Exchange from time to time.

4.6.4 Clearing Requirements

All Nodal Contracts effected as part of EFRPs shall be cleared in accordance with these Rules.

4.7 Position Transfers

4.7.1 Position Transfer Process

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

4.8 Trade Cancellations; Trade Reviews

4.8.1 Trade Cancellation Authority

The Exchange may adjust trade prices or cancel (bust) trades when such action is necessary to mitigate market disrupting events caused by the improper or erroneous use of the Exchange or by system defects or malfunctions. Notwithstanding any other provision of this Rule 4.8.1, the Exchange may adjust trade prices or cancel any trade if the Exchange determines that allowing the trade to stand as executed may have a material, adverse effect on the integrity of the market. Any decision of the Exchange with respect to an adjustment or cancellation subject to this Rule 4.8.1 shall be final.

4.8.2 Review of Trades

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

4.9 **Expiry Settlement**

4.9.1 Daily Settlement

The Exchange will provide the Clearing House with Settlement Prices twice per day for use by the Clearing House in settling trades and positions. The first of these Settlement Prices (the “**Intra-day Settlement Price**”) will be determined immediately after the Exchange auction, and the second (the “**Daily Settlement Price**”) shall be determined at the close of business each day. Settlement Prices will be calculated primarily based on that day’s Exchange auction and Block Trades as well as relevant trading in other markets, as outlined in the Contract Specifications on the Nodal Exchange website www.NodalExchange.com. For power Expiries not offered in the daily auction and with no Block Trades, the Exchange will employ an extrapolation methodology to calculate the Settlement Prices. This extrapolation methodology relies on creating a relationship, through a regression of historical price movements, of each Nodal Contract at a non-trading Contract Node and a Nodal Contract at a traded

Contract Node, usually a hub or zone. For natural gas Expiries, Settlement Prices will be calculated based on that day's relevant auction and Exchange Block Trading as well as relevant trading in other markets.

The Exchange reserves the right to adjust Daily Settlement Prices as it deems necessary based on current market conditions or otherwise, per the Contract Specifications.

Without limiting the foregoing, the Exchange reserves the right to subject Block Trades priced more than a certain percentage set by the Exchange above or below the Settlement Price to a review pursuant to Rule 4.8.2 to determine whether the Exchange believes it is appropriate to include the Block Trade in that day's Intra-day Settlement Price or Daily Settlement Price calculation.

4.9.2 Final Settlement

All power Expiries on the Exchange will ultimately settle in cash against prices in the physical markets as determined by the definitional characteristics of the Expiry (Contract Node, Commodity Type, Contract Term, Contract Class and Expiry date) and will post in dollars per megawatt-hour (\$/MWh), as specified in the relevant Contract Specifications. As such, the price for an Expiry is determined by averaging all of the applicable hours as defined in the Expiry. In the case where a Contract Node is composed of multiple physical Nodes, the prices of all the constituent Nodes are averaged together to determine final settlement pricing.

For power Expiries, the Exchange will first calculate an initial Settlement Price on the last date contained in the Contract Term. On the Last Trading Day, the Final Settlement Price will be calculated, with any adjustments to the underlying pricing data reflected in the Final Settlement Price. During the period between the last date in the Contract Term and the Last Trading Day, trading on the Expiry will be restricted, as provided in Rule 4.2.2.

Natural gas Expiries will settle against the relevant exchange listed contract or industry index as detailed in its Contract Specification, and prices shall be posted in \$/MMBtu. Natural gas Nodal Contracts will cease trading on the Last Trading Day, as outlined in the Contract Specification.

4.10 **Recordkeeping; Audit Trail**

4.10.1 Participants that access the Exchange electronically are responsible for maintaining or causing to be maintained an audit trail for all electronic Orders, which shall include Order entry, modification, and cancellation (the "**Audit Trail**"). Such Audit Trail shall include Orders submitted and the times of Order entry and of any Order modification or cancellation. Times that are so captured

must not be capable of being modified by the Person entering the Order and must reflect all necessary data fields specified by the Exchange from time to time. For executed Orders, the Audit Trail must record the execution time of the trade along with all award information.

- 4.10.2 Participants shall maintain Audit Trail information for a minimum of five (5) years and must have the ability to produce Audit Trail data in a standard format upon request of the Exchange.

4.11 Information Regarding Orders

- 4.11.1 The Exchange will make information regarding Orders (including prices bid or offered), trades and any other matters it may deem appropriate available to Participants and other Persons at such times and in such manner (whether through the Exchange, financial information services or otherwise) as it may consider necessary or advisable from time to time.
- 4.11.2 Each Participant or other Person receiving any such information referred to in Rule 4.11.1 above shall not redistribute such information other than to the extent and in the manner as may be expressly permitted by the Exchange in writing from time to time.

4.12 Disaster Recovery; Business Continuity

- 4.12.1 Each Participant shall have written disaster recovery and business continuity policies and procedures in place to ensure it is able to perform certain basic operational functions in the event of a significant internal or external interruption to its operations. At a minimum, the following areas must be addressed in the Participant's policies and procedures:
- (a) the Participant must have procedures in place to allow it to continue to operate during periods of stress or to transfer accounts to another fully operational Participant with minimal disruption to the Exchange.
 - (b) the Participant must perform periodic testing of disaster recovery and business continuity plans, duplication of critical systems at back up sites and periodic back-up of critical information and provide the Exchange with information regarding the foregoing upon request; and
 - (c) the Participant must maintain and, at the request of the Exchange, provide accurate and complete information for its key personnel. A Participant must inform the Exchange

in a timely manner whenever a change to its key personnel is made.

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

SECTION V CLEARING

5.1 Submission to Clearing House

5.1.1 Auction Transactions

Immediately upon execution of an Auction Transaction as provided in Rule 4.4.8, such Auction Transaction shall be discharged and novated in accordance with the rules of the Clearing House.

5.1.2 Block Trades

A Block Trade that has been submitted to the Exchange and that will not cause any party to the Trade to exceed its Trade Risk Limit, or in the case where the Participant already exceeds its Trade Risk Limit will reduce its Trade Risk Limit violation, will be discharged and novated in accordance with the rules of the Clearing House.

5.2 Clearing Members

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

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

5.2.3 For clearing purposes, the Participant must specify Individual Trading Accounts that it wishes to be separately tracked and margined by its Clearing Member. The Exchange will give each of these accounts an ITM for use by the Clearing House and its Clearing Members.

5.2.4 The Clearing Member will set risk limits for each of the Participant's ITMs, and has the right to suspend trading by a Participant on the Exchange.

5.3 Responsibility of Participants

5.3.1 Each Participant must assist its FCM Clearing Member, if any, and the Clearing House in the clearing of its Transactions in Nodal Contracts. Without limiting the generality of the foregoing, each Participant must: provide its FCM Clearing Member, if any, a telephone number so that

such Participant may be reached at any time during the day in the event that there is a discrepancy in the clearing of its Transactions; If neither the Participant nor any such representative is present at the time specified above, such Participant's FCM Clearing Member, if any, will be authorized to resolve any discrepancy in the manner it deems appropriate, but such resolution will not be relevant to the determination of the liability of any party to the trade.

5.4 Clearing Services

5.4.1 Whenever the Exchange designates a clearing organization other than the Clearing House for the clearance of Nodal Contracts with respect to which there are open positions, each Clearing Member must, as of the close of business on the second Business Day prior to the effective date of such designation, either become a clearing member of such new organization, or cause any such open Nodal Contracts carried by it either to be transferred to a clearing member of such new clearing organization or to be liquidated.

5.5 Rules of the Clearing House

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

5.5.2 Open positions in any Nodal Contract may only be offset by opposite Transactions in the same Nodal Contract that are executed either (A) on the Exchange or (B) through Block Trade transactions allowed under the Rules and any Notices issued from time to time by the Exchange.

5.6 Notice of Arbitration

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

5.7 Additional Terms Applicable to Clearing

5.7.1 The Clearing House shall have the right to reject Nodal Contracts that arise from Transactions and to suspend clearing of such

Transactions without notice, in accordance with the rules of the Clearing House; and

- 5.7.2 A Clearing Member may transfer a Nodal Contract to another Clearing Member only upon notice to the Exchange and in accordance with the rules of the Clearing House.

SECTION VI PARTICIPANT CODE OF CONDUCT

Preamble

This Participant Code of Conduct (the “**Code**”) defines and reaffirms the values, principles and internal controls that Participants, their representatives (including Authorized Users) and Authorized Brokers, as applicable, must follow in conducting their business activities on the Exchange. The Code is intended to complement the internal principles and practices of a Participant and to guide a Participant as it submits bids and offers, executes Transactions, and uses other services on the Exchange. Compliance with the Code allows Participants to assure the Exchange, regulators, the public and other market Participants that their business activities on the Exchange are, and will continue to be, conducted with integrity. In addition, compliance with the Code by Participants gives Participants assurance that unlawful and unethical trading practices are not tolerated, that public disclosures of trading information are accurate, and that they and other Participants will abide by these ethical standards and maintain sound trading practices.

Violations of this Code may result in penalties including, but not limited to, temporary or permanent loss of access to the Exchange.

6.1 Ethical Standards

Conducting trading activities in an honorable and principled manner consistent with the Code is the essence of ethical conduct with respect to the Exchange. Participant shall act, and shall cause its Authorized Users to act, in accordance with these standards of ethics with regard to its Exchange activity:

- 6.1.1 **Regulatory Compliance.** No Participant (or any of its Authorized Users) shall engage in conduct that is a violation of the CEA or CFTC Regulations, the Rules of the Exchange or the rules of the Clearing House and will conduct its business in accordance with all applicable laws, regulations, tariffs and rules, and in good faith, with a commitment to honest dealing.
- 6.1.2 **Fraud.** No Participant (or any of its Authorized Users) shall engage in any fraudulent act or engage in any scheme to defraud, deceive, trick or mislead in connection with or related to any Exchange or Clearing House activity.
- 6.1.3 **Good Faith.** No Participant (or any of its Authorized Users) shall knowingly enter, or cause to be entered, bids or offers into the system other than in good faith for the purpose of executing bona fide transactions
- 6.1.4 **Transaction Integrity.** Participants (and their Authorized Users) shall honor the terms and conditions of the Participant Agreement and will transact in Nodal Contracts only for legitimate business

purposes, such as managing business risk or that otherwise have economic substance.

- 6.1.5 **Antitrust.** No Participant (or any of its Authorized Users) shall collude with other market Participants to affect the price or supply of any commodity, allocate territories, customers or Nodal Contracts, or otherwise unlawfully restrain competition.
- 6.1.6 **Risk Management.** Participants (and their Authorized Users) shall adopt, adhere to and enforce risk management and other policies and structures that are designed to ensure that trading activities are conducted in accordance with this Code.

6.2 Sound Trading Practices

Commodity markets reflect the constantly changing dynamics of supply and demand. Efficient business operations in such an environment demand practices that can manage risk and discover market prices. Such practices must be consistent with the guiding Ethical Standards of this Code. Participant will act in accordance with these standards of sound trading practices with regard to its Exchange activity:

- 6.2.1 **Skills.** Each Participant is responsible for understanding all factors that influence the energy markets, in order to maintain a high level of competence in its trading. All Participants must actively and continually work to upgrade their skills, knowledge, and expertise in order to maintain a high standard of professional knowledge.
- 6.2.2 **Rules.** Nodal Exchange will provide updates to these Rules and memos regarding the application and interpretation of these Rules. It is the obligation of each Participant to ensure these documents are read and understood. It shall be prohibited for a Participant or any of its Authorized Users to violate any Rule or any agreement made with the Exchange, or to engage in fraud, dishonorable or dishonest conduct, or conduct which is inconsistent with just and equitable principles of trade.
- 6.2.3 **Price Manipulation, Fictitious, Non-Competitive or Artificial Transactions.** No Participant shall effect or induce the purchase or sale of any Nodal Contract for the purpose of creating or inducing a false, misleading, or artificial appearance of activity in such Nodal Contract, or for the purpose of unduly or improperly influencing the market price of such Nodal Contract or for the purpose of making a price which does not reflect the true state of the market in such Nodal Contract. No Participant shall arrange and execute simultaneous offsetting buy and sell Orders in a Nodal Contract with intent to artificially affect reported revenues, trading volumes or prices.

- 6.2.4 **Market Manipulation.** No Participant shall attempt to manipulate or manipulate the market in any Nodal Contract. No Participant shall directly or indirectly participate in or have any interest in the profit of a manipulative operation or knowingly manage or finance a manipulative operation. This includes any pool, syndicate, or joint account, whether in corporate form or otherwise, organized or used intentionally for the purposes of unfairly influencing the market price of any Nodal Contract.
- 6.2.5 **Market Disruption.** Orders entered on Nodal Exchange for the purpose of upsetting the equilibrium of the market in any Nodal Contract or creating a condition in which prices do not or will not reflect fair market values are prohibited, and any Participant who makes or assists in entering any such order with knowledge of the purpose thereof or who, with such knowledge, in any way assists in carrying out any plan or scheme for the entering of any such order, will be deemed to have engaged in an act detrimental to the Exchange.
- 6.2.6 **Gratuities.** Except with the prior written approval of the Chief Regulatory Officer, no Participant shall, directly or indirectly, give or permit to be given anything of value, including gifts and gratuities, to an Exchange Official in an amount that exceeds the maximum value permitted by the Exchange's gifts and entertainment policy .
- 6.2.7 **Disruptive Trading Practices.** No Participant shall engage in any trading, practice, or conduct that constitutes a "disruptive trading practice," as such term is defined by the CEA or CFTC Regulations.
- 6.2.8 **Rumors.** No Participant shall knowingly circulate, in any manner, rumors of a character which might affect market conditions in any Nodal Contract; provided, however, that this shall not prohibit discussion of unsubstantiated information, so long as its source and unverified nature are disclosed.
- 6.2.9 **False Reports.** No Participant shall make any knowing misstatement of a material fact to the Exchange, any Exchange Official, or any Board committee or Exchange panel. No Participant shall knowingly disseminate false or misleading reports regarding Transactions, the Exchange or one or more power markets.
- 6.2.10 **Wash Sales.** No Participant shall place or accept buy and sell Orders in the same product and expiration month, where known or reasonably should know that the purpose of the orders is to avoid

taking a bona fide market position exposed to market risk (transactions commonly known or referred to as wash sales). Buy and sell Orders by Participants that are entered with the intent to negate market risk or price competition shall be deemed to violate the prohibition on wash trades. Additionally, no Participant shall knowingly execute or accommodate the execution of such Orders by direct or indirect means.

6.2.11 **Financial Condition.** No trading will be conducted for the purpose of misrepresenting the financial condition of the Participant.

6.2.12 **Acts Detrimental to the Exchange.** No Participant shall engage in any act that is detrimental to the Exchange. Misuse of Nodal Exchange is strictly prohibited. It shall be deemed an act detrimental to the Exchange to permit unauthorized use of the Exchange, to assist any Person in obtaining unauthorized access to Nodal Exchange, to trade on Nodal Exchange without an agreement and an established account with a Clearing Member, to alter the equipment associated with Nodal Exchange (except with the Exchange's consent), to interfere with the operation of Nodal Exchange, to intercept or interfere with information provided thereby, or in any way to use Nodal Exchange in a manner contrary to the Rules.

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

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

6.3 Pre-Arranged, Pre-Negotiated and Noncompetitive Trades Prohibited

6.3.1 No Person shall prearrange or pre-negotiate any purchase or sale or noncompetitively execute any Transaction, except as provided in Rule 6.3.2 or Rule 6.3.3.

- 6.3.2 The foregoing restriction shall not apply to Block Trades effected pursuant to Rule 4.5.
- 6.3.3 Participants and Authorized Users may engage in pre-execution communications with regard to transactions executed or to be executed on the Exchange if one party (the first party) wishes to be assured that a contra party (the second party) will take the opposite side of the first party's Order, subject to the following restrictions:
- (a) A party may not engage in pre-execution communications with other market participants on behalf of another party unless the party for whose benefit the trade is being made has previously consented to permit such communications.
 - (b) Parties to pre-execution communications shall not disclose to a non-party the details of such communications or enter an Order to take advantage of information conveyed during such communications except in accordance with this rule.
 - (c) The first party's Order must be entered into the Exchange first, and the second party's Order may not be entered into the Exchange until a period of fifteen (15) seconds has elapsed from the time entry of the first Order.

6.4 Disciplinary Procedures; Termination of Connection

- 6.4.1 All access denials, suspensions, expulsions and other restrictions imposed upon a Participant or any of its Authorized Users by the Exchange pursuant to a Disciplinary Action shall restrict with equal force and effect, access to, and use of, the Exchange.
- 6.4.2 The Exchange, at its sole discretion, shall have the right to summarily terminate the connection of any Participant or the access of any ITM or User ID to the Exchange. Additionally, the Exchange, at its sole discretion, shall have the right to direct a Participant to immediately terminate access to the Exchange any of such Participant's Authorized Users.

6.5 Position Limits

- 6.5.1 The Exchange may adopt position limits for Nodal Contracts, and grant exemptions from position limits for bona fide hedging transactions and positions, in accordance with CFTC Regulations. A Person seeking an exemption from position limits must apply to the Compliance Department in the form and manner required by the Exchange.

- 6.5.2 The CFTC may also from time to time establish position limits for Nodal Contracts traded pursuant to these Rules. For any such Nodal Contract subject to a position limit set by the CFTC, the Exchange shall not set its position limit at a level higher than the CFTC's limit.
- 6.5.3 A Person who exceeds a position limit as a result of maintaining positions at more than one Clearing Member shall be deemed to have waived confidentiality regarding its positions and the identity of the Clearing Members at which those positions are maintained.
- 6.5.4 The position limit levels for those Nodal Contracts with position limits are set forth in Appendix B.

6.6 Position Accountability

- 6.6.1 A Person who holds or controls aggregate positions in a Nodal Contract in excess of the position accountability levels relating to that Nodal Contract set out in Appendix B shall be subject to the following provisions:
 - (a) Such Person shall provide, in a timely manner upon request by the Compliance Department, information regarding the nature of the position, trading strategy, and hedging information if applicable.
 - (b) Such Person shall, if so ordered by the Compliance Department, acting in its discretion, liquidate or not increase further the positions which exceed such levels.
 - (c) Such positions must be initiated and liquidated in an orderly manner.
 - (d) This Rule shall not limit the jurisdiction of the Exchange to take action that it determines necessary or appropriate in respect of any positions on the Exchange.

6.7 Reports of Large Positions

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

6.8 Aggregation of Positions

For purposes of Rule 6.5, Rule 6.6 and Rule 6.7, positions in Nodal Contracts shall be aggregated in accordance with CFTC Regulations.

6.9 Reporting Levels, Position Accountability Levels and Position Limits

The reporting levels, position accountability levels and position limits for Nodal Contracts are found in Appendix B.

6.10 Information Disclosure and Documentation

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

Participant will act in accordance with these practices for information disclosure and documentation with regard to its Exchange activity:

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

6.11 Compliance

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

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

- 6.11.1 Provide for proper training of personnel on the provisions of this Code.
- 6.11.2 Maintain internal policies and procedures to promote compliance with this Code.
- 6.11.3 Promptly disclose to the Exchange the details of any violations of this Code involving Participant's activities on the Exchange or provision of market information to the Exchange or any of its Affiliates.
- 6.11.4 Provide an environment that encourages employees within the Participant's organization to engage in safe and confidential discussions and to disclose to senior management any trading practices that might violate this Code.

- 6.11.5 Require any consultant, contractor and/or subcontractor to disclose all financial affiliations and conflict of interests with Participants, the Exchange and its affiliates. Ensure that consultants, contractors or subcontractors do not cause any disclosure of information in violation of the Code and that confidentiality agreements are in effect where appropriate.
- 6.11.6 Establish clear lines of accountability for the Participant's trading practices, including provisions relating to the responsibilities of corporate officers, with appropriate oversight by the Participant's board of directors or other senior corporate management committee.

SECTION VII DISCIPLINE AND ENFORCEMENT

7.1 Disciplinary and Enforcement Procedures – General

All Participants and their Authorized Users, and Authorized Brokers are subject to the Exchange’s jurisdiction. Any Participant or any other person using any of its User IDs that are alleged to have violated, to have aided and abetted a violation, to be violating, or to be about to violate, any Rule of the Exchange or applicable law for which the Exchange maintains disciplinary jurisdiction is subject to this Section VII. No Exchange Official will interfere with or attempt to influence the process or resolution of any inquiry, investigation, disciplinary proceeding, appeal from a disciplinary proceeding, summary imposition of fines, summary suspension or other summary action (collectively, “**Disciplinary Action**”), except to the extent provided under Exchange Rules with respect to a proceeding in which the director is a member of the relevant Board of Appeals. Participants may be represented by counsel during any Disciplinary Action pursuant to this Section VII.

7.2 Process Considerations

7.2.1 Compliance Department

The Compliance Department is appointed and authorized by the Chief Executive Officer of the Exchange to provide market surveillance and investigation of trading activities on the Exchange to ensure compliance with Exchange Rules and applicable laws. The Compliance Department consists of two functions:

Enforcement shall be conducted by the Surveillance Team, which will operate to identify exceptions that may indicate a possible basis for finding that a violation of Exchange Rules has occurred or will occur. The staff of the Surveillance Team shall consist of Exchange employees and/or persons hired on a contract basis, except for Exchange Participants or other persons whose interests conflict with enforcement duties. The Surveillance Team may not operate under the direction or control of any person(s) with trading privileges. The Surveillance Team is authorized to:

- initiate and conduct investigations;
- prepare investigative reports and make recommendations concerning initiating disciplinary proceedings; and
- prosecute alleged violations within the Exchange’s disciplinary jurisdiction.

The **Disciplinary Committee** shall at a minimum consist of the Chief Regulatory Officer, but may include other Exchange employees, except for members of the Surveillance Team. The Disciplinary Committee shall be responsible for discharging the duties allocated to it in Rule 7.3.

7.2.2 Third-Party Enforcement

The Exchange may delegate any of its rights and responsibilities herein to a Regulatory Services Provider.

7.2.3 Expense Liability

At the discretion of the Exchange, any Participant found in violation of the Rules may be required to pay to the Exchange any and all expenses incurred as a result of the investigation of the violation and prosecution of the Participant. This assessment is in addition to any monetary fines imposed for the Rule violation(s).

7.3 Disciplinary Matters

7.3.1 Investigations

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

Upon request by a member of the Surveillance Team, a Participant:

- (1) is obligated to appear and testify and respond in writing to interrogatories within a reasonable specified time period in connection with:
 - i. the Rules;
 - ii. any inquiry or investigation; or
 - iii. any preparation by and presentation during a Disciplinary Action;
- (2) is obligated to produce books, records, papers, documents or other tangible evidence in its, his or her possession, custody or control within a reasonable specified time period in connection with:
 - i. the Rules;
 - ii. any inquiry or investigation; or
 - iii. any preparation by and presentation during a Disciplinary Action;

- (3) may not impede or delay any Disciplinary Action.

7.3.2 Reports of Investigations

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

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

7.3.3 Review of Reports of Investigations

The Disciplinary Committee will determine whether a reasonable basis exists to believe that a violation within the Exchange’s jurisdiction has occurred or is about to occur. The Disciplinary Committee will determine for each Respondent whether to authorize:

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

7.3.4 Opportunity to Respond

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

7.3.5 Service of Notice of Charges

Once the Disciplinary Committee authorizes disciplinary proceedings, the Compliance Department will prepare and serve a notice of charges that will provide as follows:

- (1) state the acts, practices or conduct that the Respondent is alleged to have engaged in;
- (2) state the Exchange Rule or provision of applicable law alleged to have been violated or about to be violated;
- (3) state the proposed sanctions;
- (4) advise the Respondent of its right to a hearing;
- (5) advise the Respondent that he has the right to be represented by legal counsel or any other representative of its choosing in all succeeding stages of the disciplinary process
- (6) state the period of time within which the Respondent can request a hearing on the notice of charges, which will not be less than twenty (20) days after service of the notice of charges;
- (7) advise the Respondent that any failure to request a hearing within the period stated, except for good cause, will be deemed to constitute a waiver of the right to a hearing; and
- (8) advise the Respondent that any allegation in the notice of charges that is not expressly denied will be deemed to be admitted.

The service of notice upon the Respondent shall be deemed complete either personally or by leaving the notice at his or her place of business; by deposit in the United States mail, postage prepaid, via registered or certified mail addressed to the Respondent at the address as it appears in the Participant Agreement. Service will be deemed complete via electronic mail to the electronic mail address as it appears on the books and records of the Exchange or in the Participant Agreement.

7.3.6 Answer to Service of Notice of Charges

If the Respondent decides to answer a notice of charges, the Respondent must file answers within twenty (20) days after being served with such notice, or within such other

time period as stated in such notice of charges. The Respondent must answer the notice of charges in writing as follows:

- (1) specify the allegations that the Respondent denies or admits;
- (2) specify the allegations that the Respondent does not have sufficient information to either deny or admit;
- (3) specify any specific facts that contradict the notice of charges;
- (4) specify any affirmative defenses to the notice of charges; and
- (5) sign and serve the answer on the Chief Regulatory Officer.

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

7.3.7 Settlement Offers

At any time after a notice of charges has been issued, a Respondent may at any time submit to the Compliance Department a written offer of settlement related to anticipated or instituted disciplinary proceedings. The Disciplinary Committee may, in its discretion, permit the Respondent to settle disciplinary proceedings without admitting or denying the rule violations if the Respondent consents to the entry of findings and sanctions imposed. If an offer of settlement is accepted, the Disciplinary Committee shall issue a written decision specifying the rule violations it has reason to believe were committed and any penalties imposed.

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

7.3.8 Hearing Panel

Participants may request a formal hearing on charges denied in the Respondent's answer to the notice of charges per Rule 7.3.6. The Hearing Panel, appointed by the Board at the recommendation of the Chief Regulatory Officer, shall be composed of not less than three individuals from among Participants, and/or other individuals with knowledge and experience in the electric power or financial markets, who are not involved in the conduct giving rise to the alleged Rule violations. The individuals on the Hearing Panel will serve until the related proceedings are completed. The chair of the Hearing Panel will be an individual qualified to be a Public Director.

The Respondent will be notified of the appointment of the Hearing Panel and must respond within 10 days by serving notice to the Chief Regulatory Officer if the Respondent seeks to disqualify any individual names to the Hearing Panel for reasonable grounds including that such individual has a financial interest in the matter. Legal counsel, other than the Chief Regulatory Officer, will decide the merits of any request for disqualification within his or her sole discretion. Such decision will be final and not subject to appeal.

Prior to the commencement of the hearing, the Respondent will be given the opportunity to review all books, records, documents, transcripts of testimony and other tangible evidence in the possession or under the control of the Exchange to be used by the Compliance Department to support the allegations and proposed sanctions in the notice of charges, except for information protected by attorney-client privilege. The Compliance Department may redact, edit or code information that could adversely affect the competitive position of the person providing the information or if such information might compromise other investigations being conducted by the Compliance Department. However, the Compliance Department may not redact, edit or code information that would impair the Respondent's ability to defend against allegations or proposed sanctions in the notice of charges.

The following rules shall apply in each case presented before the Hearing Panel:

- (i) The Compliance Department shall prosecute the case.
- (ii) Formal rules of evidence do not apply.
- (iii) The Respondent has the choice of being represented by legal counsel or other representative.
- (iv) The Respondent has the power to cross-examine witnesses and present documentary evidence.
- (v) The burden of proof is on the Compliance Department.
- (vi) A majority vote of the Hearing Panel is needed to find a violation of the Rules.

No Person shall serve on the Hearing Panel unless that Person has agreed in writing that he or she will not publish, divulge, or make known in any manner, any facts or information regarding the business of any person or any other information which may be obtained while serving as a member of the Hearing Panel, except for disclosures when reporting to the Board, the Compliance Department, upon request by the Commission or other governmental agency, or when compelled to testify in a judicial or administrative proceeding. Furthermore, no Person shall serve on the Hearing Panel if such Person has already been involved in the Disciplinary Action for any reason. The hearing will be conducted privately and confidentially. Notwithstanding the confidentiality of the hearings, the Hearing Panel may appoint an expert to attend any hearing and assist in

deliberations if such expert agrees to be subject to an appropriate confidentiality agreement.

The chair of the Hearing Panel shall conduct the hearing as he or she may deem appropriate. The chair of the Hearing Panel will determine all procedural and evidentiary matters, including the admissibility and relevance of any evidence proffered. Legal counsel, other than the Chief Regulatory Officer, will provide guidance to the chair of the Hearing Panel on the conduct of the hearing. At the hearing, the Hearing Panel or the Compliance Department and each Respondent may:

- (1) present evidence and facts determined relevant and admissible by the chair of the Hearing Panel;
- (2) call and examine witnesses; and
- (3) cross-examine witnesses called by other parties.

If the Respondent fails to file an answer, has filed a general denial, or if any or all of the allegations in the notice of charges are not expressly denied in the Respondent's answer, the chair of the Hearing Panel may limit evidence concerning any allegations not expressly denied in determining the sanctions to impose. If a Respondent fails to file an answer but appears at the hearing, the Respondent may not participate in the hearing (by calling or cross-examining witnesses, testifying in defense, presenting evidence concerning the notice of charges, or otherwise) unless the Hearing Panel determines that the Respondent had a compelling reason for failing to timely file an answer. If the Hearing Panel determines that the Respondent had a compelling reason for failing to timely file an answer, the Hearing Panel will adjourn the hearing and direct the Respondent to promptly file a written answer.

Reasonable notice, confirmed in writing, specifying the date, time, and place of the hearing will be given to persons entitled or required to appear before the Hearing Panel. The Hearing Panel may impose sanctions on any person that impedes or delays the progress of the hearing. Interlocutory appeals of rulings by the Hearing Panel or the chair of the Hearing Panel are not permitted.

If the Respondent is found to have violated one or more Rules, the written decision shall state the disciplinary action to be taken by the Exchange as well as the effective date thereof. The Hearing Panel may in such a case:

- (i) issue a warning letter;
- (ii) issue a cease and desist order;
- (iii) suspend the Participant's rights to engage in Exchange Transactions;
- (v) expel the Participant from the Exchange; and/or

- (vi) impose any other sanction deemed appropriate under the circumstances.

The Respondent may appeal the Hearing Panel decision within twenty (20) days of receiving the order by filing a written notice of appeal pursuant to Rule 7.4. The order of the Hearing Panel’s decision will become final upon expiration of twenty (20) days after the order is served on the Respondent.

7.3.9 Settlement

At any time prior to the issuance of the written decision of the Hearing Panel, the Respondent may submit an offer of settlement to the Compliance Department for review. The Disciplinary Committee will determine whether to accept or reject the offer and forward the basis for its recommendation to the Hearing Panel for final determination. If the Hearing Panel agrees, the Chief Regulatory Officer will conditionally accept the settlement offer, which will become final upon the expiration of twenty (20) days after the order of the Hearing Panel consistent with the terms of the settlement offer is served on the Respondent. The offer of settlement must detail the rule violations, including the basis for the Hearing Panel’s conclusions and any sanction to be imposed, which must include full customer restitution where customer harm is demonstrated. If applicable, the decision must also include a statement that the Respondent has accepted the sanctions imposed without either admitting or denying the rule violations. The acceptance of a settlement offer and the related final order by the Hearing Panel constitutes a waiver of the Respondent’s right to notice, opportunity for a hearing and review, and appeal under Exchange Rules. If the settlement offer is not accepted, fails to become final, or is withdrawn by the Respondent, the matter will proceed as if the offer had not been made and the offer and all documents related to it will not become part of the record.

7.3.10 Sanctions

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

- (1) censure;
- (2) limitation on trading privileges, ability to otherwise access Nodal Exchange, and/or other activities, functions or operations;
- (3) suspension of trading privileges and/or ability to otherwise access the Nodal Exchange;
- (4) fine;

- (5) restitution or disgorgement;
- (6) termination of trading privileges and/or ability to otherwise access Nodal Exchange; or
- (7) any other sanction or remedy deemed to be appropriate.

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

7.4 Summary Actions

7.4.1 Summary Suspensions

At any time, the Chief Regulatory Officer, in consultation with the Regulatory Oversight Committee of the Board, may summarily suspend, revoke, limit, or condition a Participant's privileges on the Exchange. The Chief Regulatory Officer must reasonably believe that the business, conduct or activities of the Participant in question is not in the best interest of the Exchange or the marketplace, based on relevant circumstances including (but not limited to) any of the following reasons:

- (a) failure to satisfy applicable requirements under the CEA and/or the regulations of the Commodity Futures Trading Commission;
- (b) failure to pay fees or fines or arbitration awards; and/or
- (c) there is a reasonable basis for believing the best interest of the public or the Exchange is at risk and immediate action is necessary.

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

- a. the exact action taken,
- b. the reasons for the action, and
- c. the time and date the action has or is to become effective as well as the duration of the action.

The Respondent may file a notice of appeal filed pursuant to Rule 7.4 seeking reinstatement within twenty (20) days after the notice of action is served on the Respondent. Otherwise, the summary action becomes final twenty (20) days after the notice of action is served on the Respondent. The Respondent shall have the right to be represented by legal counsel in all proceedings subsequent to summary action taken pursuant to this Rule 7.4.1.

7.4.2 Summary Imposition of Fines

The Compliance Department may summarily impose a fine, not to exceed \$5,000 for each violation, against any Participant for:

- a. failure to cooperate with the Compliance Department as required by Exchange Rules;
- b. failure to make timely and accurate submissions to the Exchange of notices, reports or other information required by Exchange Rules; or
- c. failure to keep any books and records required by Exchange Rules.

The Compliance Department will give notice of any fine imposed that will specify:

- a. the violation of the Exchange Rule for which the fine is being imposed;
- b. the date of the violation for which the fine is being imposed; and
- c. the amount of the fine.

Within twenty (20) days of the service of the notice of the fine imposed, the Participant may either pay the fine or file a notice of appeal pursuant to Rule 7.5.1. Unless timely notice of appeal is filed, the fine will become final upon expiration of twenty (20) days after the notice of fine is served on the Participant. The Respondent shall have the right to be represented by legal counsel in all proceedings subsequent to summary action taken pursuant to this Rule 7.4.2.

7.5 Appeal from Hearing Panel Decisions and Summary Actions

7.5.1 Appeal Procedures

A Respondent found by the Hearing Panel to have violated an Exchange Rule or applicable law or who is subject to any summary action imposed pursuant to Rule 7.4 may appeal the decision within twenty (20) days of receiving the order of the Hearing Panel decision or notice of summary action by filing a notice of appeal with the Chief Regulatory Officer. Except for summary suspensions imposed pursuant to Rule 7.4.1, Hearing Panel decisions and summary imposition of fines shall be suspended while the appeal is pending.

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

- (1) the order or decision was arbitrary, capricious, an abuse of discretion, or not in accordance with Exchange Rules;
- (2) the order or decision exceeded the authority or jurisdiction of the Hearing Panel, the Disciplinary Committee or the Exchange;
- (3) the order or decision failed to observe required procedures;

- (4) the order or decision was unsupported by the facts or evidence; or
- (5) the imposed sanctions, remedies or costs are inappropriate or unsupported by the record.

The Chief Regulatory Officer will forward copies of any notice of appeal received by it to all parties to the disciplinary proceeding or summary action, as the case may be, except the appellant. On or before the 20th day after filing a notice of appeal, the appellant must file with the Chief Regulatory Officer and serve on the Compliance Department a brief supporting the notice of appeal and documents supporting the brief. On or before the 20th day after the date on which the appellant serves supporting brief, the appellee must file and serve its brief in opposition with the Compliance Department.

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

7.5.2 Review by the Board of Appeals

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

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

As promptly as reasonably possible following its review, the Board of Appeals will issue a written decision based on the weight of the evidence before the Board of Appeals. The decision of the Board of Appeals will include a statement of findings of fact and conclusions for each finding, sanction, remedy and cost reviewed on appeal, including each specific Exchange Rule and provision of applicable law that the Respondent is found to have violated, if any, and the imposition of sanctions, remedies and costs, if any, and the effective date of each sanction, remedy or cost. The order by the Board of Appeals will be the final action of the Exchange and will not be subject to further appeal within the Exchange.

7.6 Rights and Responsibilities After Suspension or Termination

- 7.6.1 When the Participant's right to access the Exchange, or the association of an Authorized User or Authorized Broker with a Participant, is suspended for a period of 12 months or less, none of its rights (including the right to hold oneself out to the public as a Participant; enter orders into the Exchange; and receive Participant rates for fees, costs, and charges) will apply during the period of the suspension, except for the right of the Participant, Authorized User, or Authorized Broker in question to assert claims against others as provided in the Rules. Any such suspension will not affect the rights of creditors under the Rules or relieve the Participant, Authorized User, or Authorized Broker in question of its, his, or her obligations under the Rules to perform any Transactions entered into before the suspension, or for any Exchange fees, costs, or charges incurred during the suspension. The Exchange may discipline a suspended Participant or Authorized User under this Section VII for any violation of Applicable Law committed by the Participant before, during, or after the suspension.
- 7.6.2 When the Participant's right to access the Exchange, or the association of an Authorized User or Authorized Broker with a Participant, is terminated, all of its rights will terminate, except for the right of the Participant, Authorized User, or Authorized Broker in question to assert claims against others, as provided in the Rules. Any such termination will not affect the rights of creditors under the Rules. A terminated Participant or Authorized User may only seek to reinstate its right to access the Exchange by filing an application in accordance with Section III of the Rules. The Exchange will not consider the application of a terminated Participant, Authorized User, or Authorized Broker if such Participant or Authorized User continues to fail to appear at Disciplinary Actions without good cause, or continues to impede the progress of Disciplinary Actions.
- 7.6.3 A suspended or terminated Participant, Authorized User, or Authorized Broker remains subject to the Rules and the jurisdiction of the Exchange for acts and omissions prior to the suspension or termination, and must cooperate in any inquiry, investigation, Disciplinary Actions, appeal of Disciplinary Actions, summary suspension, or other summary action as if the suspended or terminated Participant, Authorized User, or Authorized Broker still had the right to access the Exchange, or was still associated with a Participant, as the case may be.

7.7 Notice to the Respondent, the CFTC, and the Public

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

SECTION VIII ARBITRATION

8.1 In General

- 8.1.1 Participants shall arbitrate through JAMS, Inc. all disputes, controversies or claims between or among themselves that relate to or arise out of any Nodal Contract or otherwise arise out of one or more Transactions made or to be made on the Exchange or subject to the Rules and that are based upon facts and circumstances that occurred at a time when the parties were Participants.
- 8.1.2 The arbitration will be conducted in New York, New York, by an arbitrator operating in accordance with the provisions of JAMS Streamlined Arbitration Rules and Procedures in effect at the time of filing of the claim for arbitration. The arbitrator shall have the authority to award any remedy or relief that a court of competent jurisdiction could order or grant, including the issuance of an injunction.
- 8.1.3 The fees and expenses of such arbitration shall be borne by the non-prevailing Party, as determined by such arbitration.
- 8.1.4 Except as necessary in court proceedings to enforce this arbitration provision or an award rendered hereunder, or to obtain interim relief, neither a Party nor an arbitrator may disclose the existence, content or results of any arbitration hereunder without the prior written consent of the Parties.

8.2 Exceptions

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

8.3 Penalties

- 8.3.1 Any failure on the part of a Participant to arbitrate a dispute subject to this Section VIII, or the commencement by any such person of a suit in any court prior to arbitrating a case subject to this Section VIII, violates the Rules and shall subject such Participant to Disciplinary Action pursuant to Section VII.
- 8.3.2 The Exchange may summarily suspend, pursuant to Rule 7.4.1, a Participant that fails to timely satisfy an arbitration award rendered in any arbitration pursuant to this Section VIII.

SECTION IX MISCELLANEOUS**9.1 Trading by Exchange Officials Prohibited; Misuse of Material, Non-Public Information**

- 9.1.1 Terms used in this Rule 9.1 and not otherwise defined in the Rules shall have the meanings set forth in CFTC Regulations 1.3 and 1.59. As used in this Rule 9.1, the term “Exchange Official” does not include any member of the Board, a committee established by the Board, a Hearing Panel or Board of Appeals if such Person is not also an officer or employee of the Exchange.
- 9.1.2 No Exchange Official may trade, directly or indirectly, (i) any Nodal Contract traded on or subject to the Rules or any related financial instrument, or (ii) any Nodal Contract or financial instrument where such Exchange Official has access to material non public information concerning such Nodal Contract or financial instrument.
- 9.1.3 The Chief Regulatory Officer (or, in the case of the Chief Regulatory Officer, the Board) may grant exemptions from the provisions of paragraph (a) to Exchange Officials on a case-by-case basis under circumstances which are not contrary to the purposes of this rule and CFTC Regulation 1.59. Such circumstances may include, but are not necessarily limited to:
- (a) participation in pooled investment vehicles where such Exchange Official has no direct or indirect control over Transactions effected by or for the account of the pool;
 - (b) service by such Exchange Official as an executor or administrator of an estate;
 - (c) service by such Exchange Official in any other fiduciary capacity, such as an officer of a charitable organization, in which such Exchange Official receives no pecuniary benefit from the trading of Nodal Contracts or other financial instruments;
 - (d) trading in Nodal Contracts or financial instruments executed on or subject to the rules of a swap execution facility, a designated contract market or a national securities exchange under circumstances in which such Exchange Official’s access to material non-public information in respect of such financial instruments is sufficiently minimal or attenuated so as to be insignificant; and

- (e) such other circumstances as the Chief Regulatory Officer (or, in the case of the Chief Regulatory Officer, the Board) may determine.
- 9.1.4 For the avoidance of doubt, participation by an Exchange Official in a retirement plan sponsored by the Exchange shall not be deemed to constitute trading directly or indirectly in a Nodal Contract or financial instrument, notwithstanding such plan's trading of Nodal Contracts or financial instruments.
- 9.1.5 Any Exchange Official that has received an exemption under Rule 9.1.3(b) must:
- (a) furnish to the Exchange (or, in the case of the Chief Regulatory Officer, to the Board) account statements and other documents relevant to the trading activities that are so exempted; and
 - (b) inform the Chief Regulatory Officer (or, in the case of the Chief Regulatory Officer, the Board) within one business day of any material change of information that may affect such Exchange Official's qualification for such exemption.
- 9.1.6 Exchange Officials, agents and independent contractors of the Exchange are prohibited from disclosing material non-public information obtained as a result of their employment, agency relationship or engagement with the Exchange where the Exchange Official, agent or independent contractor expected or should have reasonably expected that the information disclosed may assist a Person in trading any Nodal Contract, any Nodal Contract traded on another designated contract market or other market, or any related underlying commodity or security.

9.2 Market Data

- 9.2.1 Each Participant, on behalf of itself and each of its Affiliates, Authorized Users and other Persons affiliated with any of the foregoing, hereby acknowledges and agrees that the Exchange owns and shall retain all right, title and interest in and to the Exchange, all components thereof, including without limitation all related applications, all application programming interfaces, user interface designs, software and source code and any and all intellectual property rights therein, including, without limitation all registered or unregistered, as applicable (a) copyright, (b) trade mark, (c) service mark, (d) trade secret, (e) trade name, (f) data or database rights, (g) design rights, (h) moral rights, (i) inventions, whether or not capable or protection by patent or registration, (j)

rights in commercial information or technical information, including know-how, research and development data and manufacturing methods, (k) patent, and (l) other intellectual property and ownership rights, including applications for the grant of any of the same, in or to the Exchange and all other related proprietary rights of the Exchange and/or any of its Affiliates (together, with any and all enhancements, corrections, bug fixes, updates and other modifications to any of the foregoing and any and all data or information of any kind transmitted by means of any of the foregoing, including, without limitation, the market data, the “Proprietary Information”). Each Participant, on behalf of itself and each of its Affiliates, Registered Users and other Persons affiliated with any of the foregoing, further acknowledges and agrees that the Proprietary Information is the exclusive, valuable and confidential property of the Exchange. Each Participant acknowledges and agrees that it shall not and shall not permit its Affiliates, Authorized Users and other Persons affiliated with any of the foregoing to, reverse engineer, copy, bug fix, correct, update, transfer, reproduce, republish, broadcast, create derivative works based on or otherwise modify, in any manner, all or any part of the Exchange or the Proprietary Information. Each Participant, further agrees to and to cause each of its Affiliates, Authorized Users and other Persons affiliated with any of the foregoing to, keep the Proprietary Information confidential and not to transfer, rent, lease, loan, sell or distribute, directly or indirectly, all or any portion of the Exchange or any Proprietary Information.

- 9.2.2 Notwithstanding any other provision of this Rule 9.2, each Participant retains such rights as it may enjoy under applicable law with respect to market data solely in the form such market data was submitted to the Exchange by such Participant and its Authorized Users.
- 9.2.3 Subject to the provisions of paragraph (a), all Participants, Authorized Users and other Persons affiliated with either of the foregoing hereby acknowledge and agree that the Exchange is the owner of all rights, title and interest in and to all intellectual property and other proprietary rights (including all copyright, patent, trademark or trade secret rights) in market data, and all derivative works based thereon, and further agree not to distribute, create derivative works based on, or otherwise use or commercially exploit market data and any such derivative works, provided that Participants, Registered Users and such other Persons may use market data for their own internal business purposes. Without limiting the generality of the foregoing, Participants, Authorized Users and other Persons affiliated with any of the foregoing may

not distribute, sell or retransmit market data Exchange to any third party.

- 9.2.4 Each Participant hereby grants the Exchange a non-exclusive, perpetual, freely transferable, world-wide and royalty-free license to use, distribute, sub-license, disclose and sell market data, in any manner, media and jurisdiction, for the benefit of the Exchange and/or its Affiliates; provided that, except as may otherwise be required by law or permitted by Rule 2.8 or in any written agreement between the Exchange and such Participant, the Exchange shall not disclose market data other than on an aggregated basis that does not directly or indirectly identify individual Participants.

9.3 Recording of Communications

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

9.4 Confidentiality

Except as provided in Rule 9.2, all information provided by a Participant to the Exchange shall be held in confidence and shall not be made known to any other Person except as follows:

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

(g) as otherwise permitted under the Rules.

9.5 Force Majeure

Notwithstanding any other provision of the rules, the Exchange shall not be obligated to perform its obligations under the rules or any agreement with a Participant, or to compensate any Person for losses occasioned by any delay or failure of performance, to the extent a delay or failure of performance is the result of circumstances that the Exchange determines, in its sole discretion, may have an adverse effect upon the functions and facilities of the Exchange, including, but not limited to, acts of God, fire or other natural disasters, bomb threats, acts of terrorism or war or severely inclement weather.

9.6 Extension or Waiver of Rules

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

9.7 Effect of Amendment, Repeal or New Rule

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

9.8 Signatures

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

9.9 Governing Law; Legal Proceedings

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

9.9.2 Any action, suit or proceeding against the Exchange, its officers, directors, limited liability company members, employees, agents,

or any member of any committee must be brought with in one (1) year from the time that a cause of action has accrued. Any such action, suit or proceeding shall be brought in the State or Federal courts located within Borough of Manhattan in the City of New York. Each Participant expressly consents, for itself and its Authorized Users, to the jurisdiction of any such court, waives any objection to venue therein, and waives any right it may have to a trial by jury.

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

9.10 LIMITATION OF LIABILITY; NO WARRANTIES

PARTICIPANT'S USE OF THE SERVICES, THE SYSTEM, THE NODAL PROPERTY AND ANY OTHER INFORMATION AND MATERIALS PROVIDED BY NODAL, IS AT PARTICIPANT'S OWN RISK, AND THE SERVICES, THE NODAL PROPERTY AND ANY OTHER INFORMATION AND MATERIALS PROVIDED BY NODAL HEREUNDER ARE PROVIDED ON AN "AS IS" AND "AS AVAILABLE" BASIS, WITHOUT WARRANTIES OR REPRESENTATIONS OF ANY KIND, EXPRESS OR IMPLIED, BY STATUTE, COMMON LAW OR OTHERWISE INCLUDING ALL IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NON-INFRINGEMENT AND ANY WARRANTIES ARISING FROM A COURSE OF DEALING, USAGE OR TRADE PRACTICE. NODAL DOES NOT GUARANTEE THAT (i) THE NODAL PROPERTY OR THE SERVICES WILL OPERATE IN AN ERROR FREE, SECURE OR UNINTERRUPTED MANNER, OR (ii) ANY INFORMATION OR MATERIALS PROVIDED BY NODAL OR ACCESSIBLE THROUGH THE NODAL PROPERTY WILL BE ACCURATE, COMPLETE, RELIABLE, OR TIMELY, OR (iii) THE NODAL PROPERTY OR ANY ASPECTS OF THE SERVICES WILL BE FREE FROM VIRUSES OR OTHER HARMFUL COMPONENTS. NODAL SHALL HAVE NO LIABILITY FOR THE CREDITWORTHINESS OF ANY PARTICIPANT OR FOR THE ACTS OR OMISSIONS OF ANY AUTHORIZED BROKER UTILIZING THE SERVICES OR ANY ASPECT OF THE SERVICES OR SYSTEM. PARTICIPANT IS SOLELY RESPONSIBLE FOR THE SECURITY AND INTEGRITY OF THE PARTICIPANT TECHNOLOGY. PARTICIPANT ACKNOWLEDGES THAT PARTICIPANT'S ACCESS TO THE SYSTEM AND THE SERVICES IS INTERNET-BASED AND

THAT NODAL HAS NO CONTROL OVER THE INTERNET OR PARTICIPANT'S CONNECTIONS THERETO. PARTICIPANT FURTHER ACKNOWLEDGES THAT THE INTERNET, COMPUTER NETWORKS, AND COMMUNICATIONS LINKS AND DEVICES NECESSARY TO ENABLE PARTICIPANT TO ACCESS AND USE THE SYSTEM AND THE SERVICES ARE INHERENTLY INSECURE AND VULNERABLE TO ATTEMPTS AT UNAUTHORIZED ENTRY AND THAT NO FORM OF PROTECTION CAN ENSURE PARTICIPANT'S DATA, HARDWARE, OR SOFTWARE OR THE SYSTEM OR OTHER NODAL PROPERTY WILL BE FULLY SECURE. FURTHERMORE, NODAL SHALL HAVE NO OBLIGATION TO MONITOR OR VERIFY ANY INFORMATION DISPLAYED THROUGH THE SYSTEM.

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

ANY CLAIM FOR REDRESS OR DAMAGES HEREUNDER SHALL BE FILED IN A COURT OF COMPETENT JURISDICTION WITHIN TWO (2) YEARS OF THE DATE ON WHICH SUCH CLAIM ALLEGEDLY AROSE. FAILURE TO INSTITUTE LITIGATION WITHIN SUCH TIME PERIOD SHALL BE DEEMED TO BE A WAIVER OF SUCH CLAIM AND THE CLAIM SHALL BE OF NO FURTHER FORCE OR EFFECT. THE ALLOCATIONS OF LIABILITY IN THIS RULE 9.10 REPRESENT THE AGREED AND BARGAINED FOR UNDERSTANDING OF THE

PARTIES, AND EACH PARTY ACKNOWLEDGES THAT THE OTHER PARTY'S RIGHTS AND OBLIGATIONS HEREUNDER REFLECT SUCH ALLOCATIONS. THE PARTIES AGREE THAT THEY WILL NOT ALLEGE THAT THIS REMEDY FAILS ITS ESSENTIAL PURPOSE.

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

**APPENDIX A –
MINIMUM BLOCK SIZES
FOR NODAL EXCHANGE CONTRACTS**

The minimum sizes for Block Trades are as follows:

Nodal Exchange Contract Description	Minimum Block Size (Lots)
All contracts (RT LMP, DA LMP, Energy, Energy plus Congestion) settling to peak hours of the month and trading as an outright	25
All contracts (RT LMP, DA LMP, Energy, Energy plus Congestion) settling to peak hours of the month and trading as part of an inter-contract spread	10
Western Hub RT Off-Peak trading as an outright	10
Western Hub RT Off-Peak trading as part of an inter-contract spread	1
All other contracts (RT LMP, DA LMP, Energy, Energy plus Congestion) settling to off-peak hours of the month and trading as an outright or as part of an inter-contract spread	1
Henry Hub	25

**APPENDIX B –
REPORTING LEVELS, POSITION ACCOUNTABILITY LEVELS AND
POSITION LIMITS**

Position Accountability

Nodal Exchange Contract	Spot Month Accountability Level	Single Month Accountability Level	All-Month Accountability Level	Reportable Level
All power contracts	500 lots	500 lots	5,000 lots	25 lots

Position Limits and Accountability

Nodal Exchange Contract	Spot Month Position Limit	Single Month Accountability Level	All-Month Accountability Level	Reportable Level
Henry Hub	20,000 lots	120,000 lots	240,000 lots	200 lots