

**Small Exchange, Inc.  
Rulebook**

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## Chapter 1: Definitions

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Except where the context requires otherwise, as used herein: (a) use of the singular shall include the plural and vice versa; (b) the term “include” means “include without limitation”; (c) reference to the masculine, feminine or neuter gender includes each other gender; (d) any reference to a number of days shall mean calendar days unless Business Days are specified; (e) any reference to a time shall mean the local time in Chicago, IL unless otherwise specified; (f) any reference to dollars, \$ or USD shall mean U.S. dollars; (g) any reference to a Rule, Chapter, Appendix or Exhibit refers to a Rule, Chapter, Appendix or Exhibit of these Rules; and (h) any reference to these Rules, and the words herein, hereof, hereto and hereunder and words of similar import refer to these Rules as a whole and not to any particular Rule.

The following terms shall have the following meanings when used herein:

**Account** means a segmented ledger used to track Exchange trade related activity under a Member, Related Party or Participant for a particular purpose, Customer, strategy, or any other reason as desired by the Member.

**Advisory Committees** has the meaning set forth in Rule 204.

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

**Appeal Panel** means a panel comprised of a chairperson and two individuals appointed by the Board in accordance with Rule 716 to consider appeals under Chapter 7.

**Applicable Law** means, with respect to any Person, any statute, law, regulation, rule or ordinance of any governmental or Self-Regulatory Organization applicable to such Person, including the CEA and CFTC Regulations.

**Associated Person** has the meaning set forth in CFTC Regulation 1.3.

**Authorized Trader** means a Person who is either employed or is an agent of a Member and who is authorized to access the Trading System under Rule 304.

**Board** means the Board of Directors of the Exchange, which manages the Exchange and is constituted from time to time in accordance with Exchange bylaws.

**Business Day** means any day which the Exchange is open for trading.

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

**CFTC or Commission** means the U.S. Commodity Futures Trading Commission or any successor regulatory body.

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

**Clearing Firm** or **Clearing Member** means an entity: (a) approved by the Exchange and the Clearing House for clearing membership at the Clearing House and is authorized pursuant to the Clearing House Rules to clear trades in any or all of the Exchange's Contracts; and (b) that meets the criteria prescribed for a Clearing Firm in Chapter 3.

**Clearing House** means such Derivatives Clearing Organization or organizations as the Exchange has designated from time to time to provide clearing services with respect to any or all of its Contracts. To the extent that the Exchange designates multiple DCOs to provide clearing services at any given time, the term Clearing House shall refer to any DCO designated to provide such services with respect to the Contract or Clearing Firm in question.

**Compliance Staff** means Exchange staff responsible for the Exchange's internal compliance and oversight of Exchange employees. Compliance is a part of the Regulatory Department.

**Contract** means any Future, Option or any other agreement approved for trading on the Trading System pursuant to Exchange Rules.

**CLOB ("Order Book")** means central limit order book and part of the Exchange Trading System.

**Contract Specifications** means the specified terms and conditions for each Contract.

**Control** means, the possession, direct or indirect, of the power to direct or cause the direction of the affairs or management of a Person, whether through the ownership of securities, as trustee, personal representative or executor, by Contract, credit arrangement or otherwise.

**CRO** or **Chief Regulatory Officer** means the individual appointed by the President as the Chief Regulatory Officer of the Exchange and approved by the Board.

**CTI Code** means the Customer type indicator described in CFTC Regulation 1.35(g), which identifies the type of Customer for which each Trade is executed. The CTI codes are described in Rule 524(d).

**Customer** means a Person that is a Customer, as defined in CFTC Regulation 1.3.

**Daily Settlement Price** means the official daily closing price for a Contract calculated each Business Day, as determined in accordance with Rule 904 and used for all open positions at the close of the daily settlement cycle.

**DCM** means a Designated Contract Market, which has the meaning set forth in CEA Section 5.

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

**Derivatives Clearing Organization (DCO)** means an entity that enables each party to an agreement, contract, or transaction to substitute, through novation or otherwise, the credit of the DCO for the credit of the parties; arranges or provides, on a multilateral basis, for the settlement or netting of obligations; or otherwise provides clearing services or arrangements that mutualize or transfer credit risk among participants.

**Direct Market Access Participant** means any associated party or Customer of a Member that is approved by the Exchange and sponsored by the Member for direct trading access to the Exchange. Clearing Member assumes responsibility for the Direct Market Access Participant.

**Director** means any member of the Board.

**Disciplinary Action** means a disciplinary proceeding, summary imposition of fines, summary suspension or any other summary action.

**Disciplinary Panel** means the panel appointed pursuant to Rule 709 to conduct hearings in connection with Disciplinary Action (other than summary impositions of fines pursuant to Rule 717), make findings, render decisions, and impose sanctions pursuant to Chapter 7 of the Rules. The Disciplinary Panel must meet the composition requirements set forth in CFTC Regulations, Appendix B to Part 38, Acceptable Practices to Core Principle 16, Section (b)(4) Disciplinary panels.

**Emergency** means any occurrence or circumstance that, in the opinion of the Board, or a Person or Persons duly authorized to issue such an opinion on behalf of the Board under circumstances and pursuant to procedures that are specified, requires immediate action and threatens or may threaten such things as the fair and orderly trading in, or the liquidation of or delivery pursuant to, any agreements, contracts, or Transactions or the timely collection and payment of funds including: (a) any manipulative or attempted manipulative activity; (b) any actual, attempted or threatened corner, squeeze, congestion or undue concentration of positions; (c) any circumstances which may materially affect the performance of agreements, contracts, or Transactions, including failure of the payment system or the bankruptcy or insolvency of any Member; (d) any action taken by any Governmental Agency, or any other registered entity, board of trade, market or facility which may have a direct impact on trading and settlement; and (e) any other circumstance which may have a severe, adverse effect upon the functioning of the Exchange.

**Emergency Action** means temporary emergency procedures and rules implemented pursuant to Rule 211.

**Exchange** means Small Exchange, Inc., an intermediated market, or any successor thereto.

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

**Execution** means an agreement by the parties (whether orally, in writing, electronically, or otherwise) to the terms of a Contract that legally binds the parties to such Contract terms under Applicable Law.

**FCM or Futures Commission Merchant** has the meaning set forth in CEA Section 1a(28) and CFTC Regulation 1.3(p).

**Force Majeure Event** means a delay or failure that is the result of an act of God, lightning, earthquake, fire, epidemic, landslide, drought, hurricane, tornado, storm, explosion, flood, nuclear radiation, act of a public enemy or blockade, insurrection, riot or civil disturbance, strike or labor disturbance, or any other cause beyond the Exchange's reasonable control (whether or not similar to any of the foregoing).

**Future(s)** means any Contract for the purchase or sale of a commodity for future delivery.



**Government Agency or Regulatory Agency** means any governmental entity (including the United States, a U.S. State, or a foreign government agency or instrumentality).

**IB or Introducing Broker** has the meaning set forth in CFTC Regulation 1.3(mm) and CEA Section 1a (31).

**Independent Software Vendor or ISV** means any organization that offers services that provide connectivity and/or access to the Trading System. In order to provide access to the Trading System, the ISV must enter into an agreement and be certified and approved by the Exchange.

**Indirect Access** means utilizing an Exchange authorized and Exchange approved ISV to access the Exchange Trading System.

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

**Joint Compliance Committee or JCC** means a committee comprised of senior compliance officials from all of the domestic futures exchanges and the NFA, formed to foster improvements and uniformity in their systems and procedures used for trade practice compliance.

**Margin** means the amount of money or collateral deposited by a Customer with their broker, by a broker with a Clearing Member, or by a Clearing Member with a DCO.

**Market Data** means any and all price, quantity, and time data from any and all Orders submitted to, and trades executed by or through the Trading System, any data derived from the foregoing, the format and presentation of any such data or information, and the transmissions of such data or information to Participants, any party that has entered into an agreement with the Exchange to distribute the above-described data or information or any other Person.

**Member** means any entity or individual that has been granted, and continues to have, Trading Privileges under Exchange Rules. Exchange Members include Clearing Members, Corporate Members and Individual Members.

**Member Documentation** means any agreement or other documentation that the Exchange may require a Member to execute or provide to the Exchange in order to access the Exchange for purposes of executing Transactions, in the form specified by the Exchange from time to time.

**Member ID** means each unique identifier assigned to a Member by the Exchange for access to the Trading System.

**Member User Administrator** means the individual or individuals designated as such pursuant to Rule 307.

**NFA** means the **National Futures Association**. The NFA is also the regulatory service provider for the Exchange.

**Notice to Members** means a communication sent by or on behalf of the Exchange to all Members as described in Rule 310.

**Obligation** means each Exchange Rule, order or procedure issued by the Exchange, including Notice to Members, contractual obligations, and other requirements implemented by the Exchange under Exchange Rules.

**Officer(s)** means an individual approved by the Board in accordance with Exchange bylaws to manage the Exchange subject to Board direction. Exchange Officers may include, but not are limited to, Chief Executive Officer (“CEO”), Chief Financial Officer (“CFO”), Chief Regulatory Officer (“CRO”), Chief Compliance Officer (“CCO”), Chief Operating Officer (“COO”) and Chief Technology Officer (“CTO”).

**Option** means a Contract whereby one (1) party grants to another the right, but not the obligation, to buy or sell a Futures Contract.

**Order** means any bid or offer.

**Participant** means any Person initiating or executing a Transaction on or subject to the Rules of the Exchange, directly or indirectly through an intermediary, or any Person who is authorized to access or utilize the Exchange pursuant to the applicable Trading System requirements. A Participant also includes a Subscriber.

**Person** means any natural person, proprietorship, corporation, partnership, limited liability company or other organization.

**President** means the individual appointed by the Board as the Exchange President.

**Public Director** means a Director that has been found on the record by the Board to have no material relationship with the Exchange or any of its Affiliates and that satisfies the requirements for a “Public Director” as defined in Part 40 of the CFTC Regulations.

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

**Regulatory Department** means all Exchange Officials, Market Surveillance, Compliance Staff and/or agents of the Exchange (including any Regulatory Services Provider) that assist the Exchange with the implementation, surveillance and enforcement of Exchange Rules and other Obligations.

**Regulatory Services Provider** means the organization, if any, which provides regulatory services to the Exchange pursuant to a Regulatory Services Agreement. The Exchange has supervisory authority over any Regulatory Service Provider.

**Related Party** means, with respect to any Member: any partner, director, officer, branch manager, broker, supervised Person, Authorized Trader, employee or agent of such Member (or any Person occupying a similar status or performing similar functions); any Person directly or indirectly Controlling, Controlled by, or under common Control with, such Member; any ISV of the Exchange; or any Associated Person of such Member.

**Representatives** mean an entity's directors, managers, officers, employees, members of any standing or ad hoc committee formed by that entity, shareholders, board members, agents, consultants and licensors.

**Respondent** means a Person against whom a claim is asserted.

**Rules** means all rules adopted by the Exchange, all Notices to Members published by the Exchange, Member Obligations, interpretations, orders of disciplinary proceedings, advisories, statements of policy, decisions, manuals and directives of the Exchange and all amendments thereto.

**SEC** means the U.S. Securities and Exchange Commission or any successor regulatory body.

**SRO or Self-Regulatory Organization** shall, unless otherwise provided, have the meaning attributed to such term in CFTC Regulation 1.3(ee) and, in addition, shall include any DCO, DCM and registered futures association, such as the NFA.

**Standing Committee** has the meaning set forth in Rule 204.

**Subscriber** means a Participant who is a natural person 18 years of age or older, and who has satisfied the terms of the Exchange's Subscription Offer to participate on the Exchange, as applicable and in existence, if at all, at the time such person applies to take advantage of such offer, and has been approved by the Exchange to be a Subscriber to the Exchange.

**Trade, Trading Activity or Transaction** means any purchase or sale of any Contract made on the Trading System or subject to the Rules.

**Trading Access** means the right granted to an Authorized Trader by a Member to place Orders and/or enter into Transactions for Contracts on the Trading System subject to the Rules.

**Trading Hours** means, for any Exchange Business Day, the hours during which Orders may be placed on the Trading System, as shall be established, and may be revised from time to time by the Exchange in accordance with these Rules.

**Trading Privileges** means the right granted to a Member to transmit Orders for certain Contracts through the Trading System. No Person may exercise Trading Privileges on behalf of a Member during any suspension of such Member's Trading Privileges or if a Person's Member Documentation has not been executed and approved by the Exchange to be in effect.

**Trading System** means: (a) the electronic systems administered by or on behalf of the Exchange which perform the functions set out in the Rules of the Exchange, including controlling, monitoring and recording trading on the Exchange; (b) any connectivity to the foregoing electronic systems that is administered by or on behalf of the Exchange; and (c) the Exchange electronic trading facility, CLOB and interface operated by the Exchange as a Designated Contract Market.

**User ID** means a unique identifier issued to each Member and each Authorized Trader to enable such Member or Authorized Trader to access the Exchange and use the Trading System and which enables the Exchange to identify the individual entering Orders into the Exchange.

**Violation** means a violation of the Rules or other Applicable Law.

**Warning Letter** is a cautionary non-reportable letter that is considered an informal regulatory action. A Warning Letter will be considered for any future violation of similar conduct as being past regulatory history by the Member, Related Party or Participant.

**Written** or **Writing** means printed, lithography, photography, and other modes of representing or reproducing words or data in a visible form, including electronic transmissions.

## Chapter 2: Exchange Ownership and Governance

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### Rule 201. Ownership

Small Exchange, Inc., (“Exchange”) is a registered C-Corporation in the State of Delaware effective October 13, 2017.

### Rule 202. Board

- (a) The business, property, and affairs of the Exchange shall be managed and controlled by the Board, which may exercise all such powers of the Exchange and do all such lawful acts and things as are not by Applicable Law or by the Exchange Bylaws prohibited or required to be exercised or done by the Exchange Members. The Board may adopt such Rules and procedures, not inconsistent with Applicable Law or the Exchange Bylaws, as it may deem proper and appropriate for the conduct of its meetings and the management of the Exchange. The responsibilities of the Board shall include, without implication of limitation, the following:
- (i) Be the governing body of the Exchange;
  - (ii) Be constituted, and shall constitute its committees or subcommittees, to permit consideration of the views of Exchange Members;
  - (iii) Have charge and control of all property of the Exchange;
  - (iv) Provide, acquire and maintain adequate Exchange offices and facilities;
  - (v) Review, approve and monitor major strategic, financial and business activities, Exchange budget, and financial performance;
  - (vi) Evaluate risks and opportunities facing the Exchange and propose options for addressing such issues; and oversee and review recommendations from Exchange committees and its Chief Regulatory Officer (“CRO”);
  - (vii) In consultation with the Exchange’s CRO, resolve any conflicts of interest that may arise and review the Exchange’s compliance with applicable laws, regulations and reviewing the overall adequacy of the Exchange’s regulatory program;
  - (viii) Fix, determine and levy all Member or other fees when necessary;
  - (ix) Review the contracts and the Contract specifications;
  - (x) Approve, adopt, amend and repeal any Rules, with the input of Officers and committees or subcommittees;
  - (xi) Have the power to act in emergencies as detailed in Rule 211;
  - (xii) Have the power to call for review, and to affirm, modify, suspend or overrule, any and all decisions and actions of the officers, committees or subcommittees related to the day-to-day business operations of the Exchange;
  - (xiii) Approve significant Transactions and amendments to material contracts of the Exchange;

- (xiv) Review any Officer's recommendation for the selection of the independent public accountants;
  - (xv) Determine the Exchange's on-going and long-range strategy;
  - (xvi) Monitor the Exchange's performance against its long-range plans and budgets and the financial and operating results of the Exchange;
  - (xvii) Hire and enter into employment arrangements with the CEO/Officers of the Exchange;
  - (xviii) Monitor actions relating to the evaluation of the performance of the CEO/President and such other Officers as needed, and take appropriate action, including removal, when warranted;
  - (xix) Review compensation and succession plans;
  - (xx) Designate one or more committees, subcommittees or panels, made up of one or more Directors, and each with such powers and authority as delegated by the Board;
  - (xxi) Review and monitor actions related to the adoption of policies relating to the integrity of the Exchange's financial statements, accounting, reporting and financial practices; and
  - (xxii) Each Director is expected to comply with all Applicable Laws, Rules, Exchange policies, and promote a culture of compliance by the Exchange and all of its employees. The Board will discharge its responsibilities and exercise its authority in a manner, consistent with applicable legal and regulatory requirements, that promotes the sound and efficient operation of the Exchange and its DCM activities.
- (b) Any authority or discretion by the Rules vested in any Officer or delegated to any committee, subcommittee or panels shall not be construed to deprive the Board of such authority or discretion and, in the event of a conflict, the determination of the matter by the Board shall prevail.
- (c) A majority of the Directors serving on the Board, including at least one Public Director, shall constitute a quorum for the transaction of business of the Board. At all times when the Board is conducting business at a meeting of the Board, a quorum of the Board must be present at such meeting, and the Board may act only by the decision of a majority of the Directors constituting a quorum of the Board by vote at a meeting, by unanimous written consent without a meeting, or as otherwise set forth in Exchange bylaws.
- (d) The Board shall comprise the number of Directors set forth in Exchange bylaws. Each Director (including Public Directors) shall be appointed in accordance with Exchange bylaws and shall serve until his or her successor is duly appointed, or until his or her earlier resignation or removal, with or without cause.
- (e) At least thirty-five (35) percent of the Members of the Board shall be Public Directors. Among other things, Public Directors are persons who:
- (i) are knowledgeable of trading or financial regulation or are otherwise capable of contributing to governing board deliberations;
  - (ii) are neither Exchange Members, Exchange employees nor primarily Exchange service providers other than serving on the Board of Directors;
  - (iii) are not officers, principals or employees of an Exchange Member; and

- (iv) may also serve as Directors of the Contract Market's Affiliate if they otherwise meet the definition of Public Director.
- (f) To qualify as a Public Director, an individual must be found, by the Board and on the record, to have no material relationship, as defined below, with the Exchange or any of its Affiliates. The Board must make such finding at the time the Public Director is elected and as often as necessary in light of all circumstances relevant to such Public Director, but in no case less than annually. A material relationship is one that reasonably could affect the independent judgment or decision-making. 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:
  - (i) 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;
  - (ii) such Director is or was a Member;
  - (iii) such Director is or was a Director, an Officer, or an employee of a Member;
  - (iv) 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;
  - (v) 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. 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;
  - (vi) in the case of a Public Director that is a member of the Regulatory Oversight Committee, Audit Committee or the Exchange Membership 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, Audit Committee or the Exchange Membership Committee, provided that such compensation is in no way contingent, conditioned, or revocable; or
  - (vii) If any of the immediate family of a 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 have a material relationship as defined in paragraph (f) of this Rule, then that material relationship is deemed to apply to such Director.
- (g) The Board shall have procedures, as may be adopted by the Board from time to time, to remove a Director where the conduct of such Director is likely to be prejudicial to the sound and prudent management of the Exchange.
- (h) Each Director is entitled to indemnification pursuant to Exchange bylaws with respect to matters relating to the Exchange.
- (i) The Board shall review its performance and that of its individual Directors annually and shall consider periodically using external facilitators for such review.

## Rule 203. Ineligibility to Serve on Boards and Committees

No individual shall be eligible to serve on the Board or any Committee who:

- (a) Was found within the prior three years by a final decision of a Self-Regulatory Organization, an administrative law judge, a court of competent jurisdiction or the Commission to have committed a disciplinary offense;
- (b) Entered into a settlement agreement within the prior three years in which any of the findings or, in the absence of such findings, any of the acts charged included a disciplinary offense;
- (c) Currently is suspended from trading on any Contract market, is suspended or expelled from membership with any Self-Regulatory Organization, is serving any sentence of probation or owes any portion of a fine imposed pursuant to either:
  - (i) A finding of a disciplinary offense by a final decision of a Self-Regulatory Organization, an administrative law judge, a court of competent jurisdiction or the Commission; or
  - (ii) 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) Currently is subject to an agreement with the Commission or any Self-Regulatory Organization not to apply for registration with the Commission or membership in any Self-Regulatory Organization;
- (e) Currently is subject to or has been subject within the prior three years a Commission registration revocation or suspension in any capacity for any reason, or has been convicted within the prior three years of any of the felonies listed in Section 8a(2)(D) (ii) through (iv) of the CEA; or
- (f) Currently is subject to a denial, suspension or disqualification from serving on a Committee 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, as amended.

## Rule 204. Committees

- (a) The Exchange shall establish three (3) Standing Committees of the Board ("Standing Committees"): the "Audit Committee", the "Member Committee" and the "Regulatory Oversight Committee". The Board may from time to time constitute and appoint such additional Standing Committees as it may deem necessary or advisable.
- (b) The Exchange may from time to time establish one or more Advisory Committees ("Advisory Committees") as it may deem necessary or advisable. Each Advisory Committee may consist of Directors, Officers, Representatives of Members and other Participants, as determined by the Exchange. Advisory Committees may make recommendations to the Board but will not be authorized to make decisions or act on behalf of the Exchange.
- (c) Each member of a Standing Committee or Advisory Committee shall serve until the due appointment of his successor, or until his or her earlier resignation or removal, with or without cause, as a member of such committee.
- (d) Committees shall meet on such schedules and with such frequency as may be established by the Board or, subject to any direction by the Board, by such committee itself.



- (e) Each committee must have a charter approved by the Board.

## **Rule 205. Audit Committee of the Board**

- (a) **Audit Committee Membership**
  - (i) The Audit Committee is a committee of the Board of Directors. Members of the Audit Committee will be appointed by the Board and may be removed by the Board in its discretion. The Board shall designate a Chair of the Audit Committee.
  - (ii) At least thirty-five (35) percent of the Audit Committee shall qualify as a Public Director, but all Audit Committee members shall be independent of management. If there are three (3) or fewer members, then at least one (1) member shall be a Public Director.
  - (iii) The Chief Financial Officer of the Exchange shall present a report to the Audit Committee annually.
  - (iv) At least one member of the Audit Committee shall be an Audit Committee financial expert, as determined by the Board in accordance with Applicable Law.
  - (v) No member of the Audit Committee may have participated in the preparation of financial statements of the Exchange.
- (b) The Audit Committee is responsible for oversight of the Exchange's financial responsibilities and reporting including:
  - (i) Accounting and financial reporting processes as well as the audit and integrity of the Exchange's financial statements;
  - (ii) Qualifications, engagement, compensation, independence and performance of the Exchange's independent auditors;
  - (iii) Performance of the Exchange's internal controls;
  - (iv) Compliance with Applicable Law and other legal and regulatory requirements not covered under the Regulatory Oversight Committee; and
  - (v) Financial risk assessment and risk management.
- (c) The Audit Committee responsibilities and authority are to:
  - (i) Select, hire, supervise, terminate and evaluate performance and independence of the independent auditor;
  - (ii) Approve audit and non-audit services and fees;
  - (iii) Review financial statements and footnotes;

- (iv) Approve significant changes in audit plan;
  - (v) Resolve significant disagreements with management and the independent auditor;
  - (vi) Review reports and communications from the independent auditor;
  - (vii) Approve disclosure controls and procedures;
  - (viii) Approve internal controls;
  - (ix) Discuss major financial risk exposures and steps management has taken to monitor and control them; and
  - (x) Review Related Party Transactions.
- (d) The Audit Committee shall meet as often as it may deem necessary and appropriate in its judgment, but in no event less than once each quarter and shall report directly to the Board and at least annually an internal audit report shall be provided to the Audit Committee.

## **Rule 206. Exchange Member Committee**

- (a) The members of the Member Committee shall be appointed by the Board, and the Board shall designate the Chair in accordance with the By-Laws of the Exchange.
- (b) The Member Committee shall consist of such number of Persons as the Board shall determine from time to time, and at least thirty-five (35) percent of the members of the Member Committee shall qualify as Public Directors. If there are three (3) or fewer members, then at least one (1) member shall be a Public Director.
- (c) Each member of the Member Committee and its Chair shall serve until his or her successor is appointed or until the earlier of his or her resignation or removal.
- (d) The Exchange Member Committee shall have responsibility to:
  - (i) Determine the standards and requirements for initial and continuing Member, Participant, and Clearing Firm eligibility;
  - (ii) Review appeals of denials of applications in accordance with Rule 305;
  - (iii) Approve Rules that would result in different categories or classes of Members receiving disparate access to the Exchange; and
  - (iv) Review such other matters and perform such additional activities, within the scope of its responsibilities, as the Board deems necessary or appropriate.
- (e) The Exchange Member Committee shall have authority to:
  - (i) Conduct its own inquiries;
  - (ii) Consult directly with staff of the Exchange;
  - (iii) Interview employees, officers, and Members of the Exchange;

- (iv) Review all relevant documents;
  - (v) Exercise its independent analysis and judgment to fulfill its regulatory obligations; and
  - (vi) Ask Exchange management staff or others to attend the meeting and provide information.
- (f) In reviewing appeals of staff denials of Member applications, the Exchange Member Committee may not uphold any staff denial if the relevant application meets the standards and requirements that such Committee sets forth.
- (g) The Exchange Member 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 Members or between similarly-situated categories or classes of Members.
- (h) In the event that the Board rejects a recommendation or supersedes an action of the Exchange Member Committee, the Exchange shall submit a written report to the CFTC detailing:
- (i) the recommendation or action of the Exchange Member Committee;
  - (ii) the rationale for such recommendation or action;
  - (iii) the rationale of the Board for rejecting such recommendation or superseding such action; and
  - (iv) the course of action that the Board decided to take contrary to such recommendation or action.

## **Rule 207. Regulatory Oversight Committee**

- (a) The Regulatory Oversight Committee ("ROC") shall consist of members who qualify as Public Directors. The Regulatory Oversight Committee shall report to the Board.
- (b) The Regulatory Oversight Committee shall oversee the regulatory program of the Exchange on behalf of the Board. The Board shall delegate sufficient authority, dedicate sufficient resources and allow sufficient time for the Regulatory Oversight Committee to fulfill its mandate.
- (c) The Regulatory Oversight Committee shall:
- (i) oversee all facets of the Exchange's regulatory program, including trade practice and market surveillance, regulatory audits, examinations, and other regulatory responsibilities with respect to Members (including ensuring compliance with, if applicable, financial integrity, financial reporting, sales practice, recordkeeping and other requirements), and the conduct of investigations; and
  - (ii) review, at least on a quarterly basis, reports provided by vendors who handle regulatory functions for the Exchange;
  - (iii) hold regular meetings to discuss matters of regulatory concern and conduct periodic reviews of the services provided on the Exchange's behalf, such reviews shall be adequately documented and made available to the CFTC on request;
  - (iv) assist the Board in minimizing potential conflicts of interests relating to the Exchange's self-regulatory obligations;

- (v) review the size and allocation of the regulatory budget and resources, and the number, hiring, termination, and compensation of regulatory personnel;
  - (vi) monitor the regulatory program of the Exchange for sufficiency, effectiveness and independence;
  - (vii) review the performance of the Chief Regulatory Officer (in accordance with Core Principle 16 of Section 5(d) of the CEA) and make recommendations with respect to such performance to the Board;
  - (viii) recommend changes that would ensure fair, vigorous and effective regulation;
  - (ix) review all regulatory or compliance proposals prior to implementation and advise the Board as to whether and how such changes may affect regulation or compliance, as applicable;
  - (x) review the Exchange Enterprise Risk Management (“ERM”) policy and ensure compliance; and
  - (xi) prepare an annual report for the Board and the CFTC that assesses the Exchange regulatory program. The report shall set forth the program’s expenses, describe its staffing and structure, catalogue investigations and disciplinary proceedings taken during the year, and review the Disciplinary Panel of the Exchange as established from time to time.
- (d) If the Board rejects a recommendation or supersedes an action of the Regulatory Oversight Committee, the Exchange shall provide a written report to the CFTC detailing:
- (i) the recommendation of or action proposed to be taken by such Committee;
  - (ii) the rationale for such recommendation or proposed action;
  - (iii) the rationale of the Board for rejecting such recommendation or superseding such action; and
  - (iv) the course of action that the Board decided to take contrary to such recommendation or action.
- (e) The Regulatory Oversight Committee shall have the authority, discretion and necessary resources to:
- (i) Conduct its own inquiries;
  - (ii) Obtain or retain independent consultants or advisors in consultation with the Board;
  - (iii) Consult directly with Exchange regulatory staff;
  - (iv) Review all relevant documents;
  - (v) Interview employees, Officers, and Members;

- (vi) Otherwise exercise its independent analysis and judgment to fulfill its regulatory obligations; and
- (vii) Ask Exchange management staff or others to attend meetings and provide information.

## **Rule 208. Chief Regulatory Officer**

- (a) The President shall appoint the Chief Regulatory Officer, (“CRO”), of the Exchange and the Board will approve the CRO. The CRO shall report to the Regulatory Oversight Committee. The Chief Regulatory Officer may only be removed by a majority of the Board. The Exchange shall notify the Commission within two (2) Business Days of appointing any new CRO, whether interim or permanent.
- (b) The CRO shall have the authority and resources to develop and enforce policies and procedures necessary to perform his or her duties under these Rules and Applicable Law. The CRO shall have authority over all staff acting at his or her direction.
- (c) The CRO shall be responsible for performing the following duties and functions:
  - (i) Overseeing and reviewing the Exchange’s compliance with Section 5h of the CEA and the related CFTC Regulations, including without limitation the Core Principles in Part 38 of the CFTC Regulations;
  - (ii) In consultation with the Board or the President, resolving any conflicts of interest that may arise, including: (A) conflicts between business considerations and compliance requirements; (B) conflicts between business considerations and the requirement that the Exchange provide fair, open and impartial access as set forth in Part 38 of the CFTC Regulations; and (C) conflicts between Exchange management and members of the Board;
  - (iii) Establishing and administering written policies and procedures reasonably designed to prevent violations of the CEA and CFTC Regulations;
  - (iv) Taking reasonable steps to ensure compliance with the CEA and CFTC Regulations;
  - (v) Establishing procedures for the remediation of issues identified by the CRO through compliance reviews, look-backs, internal or external audit findings, self-reported errors, or through validated complaints;
  - (vi) Establishing and administering a compliance manual designed to promote compliance with Applicable Law and a written code of ethics designed to prevent ethical violations and to promote honesty and ethical conduct;
  - (vii) Supervising the Exchange’s self-regulatory program with respect to trade practice surveillance, market surveillance, real-time market monitoring, compliance with audit trail requirements, enforcement and disciplinary proceedings, regulatory audits, examinations, and other regulatory responsibilities with respect to Members and Participants (including ensuring compliance with, if applicable, financial integrity, financial reporting, sales practice, recordkeeping and other requirements); and
  - (viii) Performing such other duties not inconsistent with the foregoing as may be designated by the Board from time to time.

- (d) The CRO will be required to meet with the Board at least annually and with the Regulatory Oversight Committee at least quarterly and shall provide any information regarding the Exchange's self-regulatory program that is requested by the Board or such Committee.
- (e) The CRO may not be disqualified from registration pursuant to CEA Sections 8a(2) or 8a(3). The CRO must have the background and skills appropriate for fulfilling the responsibilities of the position.
- (f) Any compliance questions and concerns regarding the Exchange may be submitted to the CRO at the address specified by the Exchange.
- (g) The Exchange will maintain the records relating to the compliance function required by CFTC Regulation 38.950.

### **Rule 209. Officers**

- (a) The Exchange will be managed by or subject to the direction of the Board and such Officers as are appointed or approved by the Board, in each case in accordance with Exchange bylaws. Without limiting the rights, powers, privileges and obligations of the Board as set forth in Exchange bylaws, the Board has the power to review, and to approve, modify, suspend or overrule, any and all decisions of Committees of the Exchange and any Officers, subject to Applicable Law. Qualifications for Officers will be as set forth in the Exchange bylaws and these Rules. No Director may be disqualified from registration pursuant to Sections 8a(2) or 8a(3) of the CEA.
- (b) Any Officer may also be a Director, Officer, partner or employee of the Exchange or of any of its Affiliates, subject to disclosure and resolution of conflicts of interest.
- (c) 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 any limitations set forth in Exchange bylaws.
- (d) Each Officer is entitled to indemnification pursuant to Exchange bylaws with respect to matters relating to the Exchange.
- (e) No Officer or employee of the Exchange shall be admitted as a Member.

### **Rule 210. Conflicts of Interest of Named Persons**

- (a) Definitions. For purposes of this Rule the following definitions shall apply:
  - (i) The term "Family Relationship" shall mean a Person's spouse, former spouse, parent, step parent, child, step child, sibling, step sibling, grandparent, grandchild, uncle, aunt, nephew, niece or in-law.
  - (ii) The term "Named Party" shall mean a Person that is identified by name as a subject of any matter being considered by the Board or a Committee.
- (b) Prohibition. No member of the Board, any Committee which has authority to take action for and in the name of the Exchange (not including any Committee which is only authorized to make recommendations for action by the Board or some other Committee) or any Disciplinary Panel shall knowingly participate in such body's deliberations or voting in any matter involving a Named Party or has material interest where such member:

- (i) is a Named Party or has material interest;
  - (ii) is an employer, employee or fellow employee of a Named Party;
  - (iii) is associated with a Named Party through a broker association;
  - (iv) has a Family Relationship with a Named Party; or
  - (v) has any other significant, ongoing business relationship with a Named Party, excluding relationships limited to executing Transactions opposite each other.
- (c) Disclosure. Prior to consideration of any matter involving a Named Party or having material interest, each member of the deliberating body shall disclose to the CRO, or the CRO's designee, whether such member has one of the relationships listed in paragraph (b) of this Rule with a Named Party.
- (d) Procedure and Determination. The CRO shall determine whether any member of the deliberating body is subject to a conflict or restriction under this paragraph (d) of this Rule. Such determination shall be based upon a review of the following information:
- (i) information provided by the member pursuant to paragraph (b) of this Rule; and
  - (ii) any other source of information that is maintained by and reasonably available to the Exchange.
- (e) Ineligibility of the CRO. In the event that the CRO becomes aware that he or she may be subject to the prohibition under this Rule 210 for having a conflict of interest, the CRO will report the relevant conflict of interest to the Exchange President. If any other Officer, Director, employee or other Person subject to the jurisdiction of these Rules believes that the CRO may have a conflict of interest under this Rule, such Person should promptly inform the President of any relevant information by written or electronic means. In response to any notification that the CRO may have a conflict of interest, the President shall determine whether a conflict exists, and in the event that the President determines that one does, the President will appoint another Officer or employee of the Exchange to act in the CRO's stead. In the event of a conflict between the CRO and President, the CRO will report any potential conflict to the ROC.

## **Rule 211. Emergency Actions**

- (a) During an Emergency, the Board may take temporary emergency action and/or implement temporary emergency procedures and rules ("Emergency Actions"), subject to Applicable Law. In the event that the Exchange is unable to convene a meeting of the Board reasonably promptly, the President or an Officer designated by the President may take Emergency Actions pursuant to this Rule ("Officer Emergency Action"). The Board will be notified in the case of a contemplated or implemented Emergency Action as soon as practicable. The Exchange shall convene a meeting of the Board as soon as practicable thereafter to ratify, modify or rescind such Officer Emergency Action.
- (b) Emergency Action may require or authorize the Exchange, the Board, any Committee of the Board, or the President to take actions necessary or appropriate to respond to the Emergency, on its own or in coordination with another relevant Person, including but not limited to the following actions:
- (i) imposing or modifying position accountability limits;

- (ii) imposing or modifying price limits;
  - (iii) imposing or modifying intraday market restrictions;
  - (iv) imposing special Margin requirements;
  - (v) ordering the liquidation or transfer of open positions in any Contract;
  - (vi) ordering the fixing of a settlement price;
  - (vii) extending or shortening the expiration date or the Trading Hours;
  - (viii) suspending or curtailing trading in any Contract;
  - (ix) transferring Contracts and the Margin associated therewith as permitted by Applicable Law;
  - (x) altering any Contract's settlement terms or conditions;
  - (xi) limiting access to the Trading System by any Member, Participant or ISV; or
  - (xii) taking such other actions as may be directed by the CFTC or other regulatory authority.
- (c) The Exchange will document the decision-making process related to any Emergency Action. The Exchange will promptly notify the CFTC of any Emergency Action, explaining the decision-making process, the reasons for taking such action, and how conflicts of interest were minimized. Such documentation will be maintained in accordance with Applicable Law.

## **Rule 212. Conflicts of Interest in Emergencies**

Whenever any Emergency Action or other significant action which, in the judgment of the deliberating body, is likely to have a material effect upon the price of any Contract or might otherwise have a material impact on the market for such Contracts is being considered by the Board, any Committee which has authority to take action for and in the name of the Exchange (not including any Advisory Committee) or any Disciplinary Panel the following procedures shall apply:

- (a) Disclosure. Prior to consideration of the matter, each member of the Board or Committee who participates in deliberations or voting on such action shall disclose to the Board or Committee position information that is known to such member, with respect to any particular Contracts that are under consideration, and any other positions which the Board or Committee reasonably expects could be affected by the action under consideration. The size of positions shall be disclosed by reference to ranges as determined by the Board or Committee and shall be made with respect to the following categories:
- (i) gross positions in Contracts carried in (1) accounts in which the member's ownership interest is ten (10) percent or greater; (2) "controlled accounts" as defined in CFTC Regulation 1.3(j); and (3) accounts of any individual with whom the Member has a "Family Relationship" as such term is defined in Rule 210;
  - (ii) gross positions in Contracts carried in proprietary accounts, as defined in CFTC regulations, at any Affiliated Member of such Member; and
  - (iii) any other types of positions, whether maintained in Contracts or otherwise, that the Board or committee reasonably expects could be affected by the action being considered.



To the extent that a member desires to make the required disclosures but does not know position information with respect to any of the foregoing categories, the President or his designee shall make the disclosure for such member to the extent that such information can be obtained from data and records readily available to the Exchange under the exigency of the action being contemplated.

- (b) Disqualification. Any member who does not want to make position disclosures must withdraw from the meeting before disclosure by other Members begins and may not participate in the discussion of, or voting on, the matter under consideration. Any Member who has, or whose Affiliated Member has, a position required to be disclosed under paragraph (a)(i) of this Rule (other than a position which the Board or Committee has determined to be *de minimis*) shall be disqualified from voting and must withdraw from the room before a vote is taken. If such withdrawal results in the lack of a quorum, the Board or Committee shall appoint an ad hoc Committee comprised of those Members who are not disqualified from voting and shall delegate to such ad hoc Committee all the powers of the Board or relevant Committee with respect to the matter under consideration. No member shall be disqualified from voting upon the appointment of an ad hoc Committee solely because of positions held by such member or an Affiliated Member of such member.
- (c) Documentation. The minutes of any meeting at which Emergency or other significant action is considered shall reflect the following information:
  - (i) the names of all members who attended the meeting in person or by electronic means;
  - (ii) the name of any member who voluntarily recused himself or was required to abstain from deliberations or voting; and
  - (iii) information on the position disclosures made by each member.

### **Rule 213. Information-Sharing Agreements**

- (a) The Exchange may enter into information sharing arrangements, including the capacity to carry out international information-sharing agreements, as the Commission may require or as it determines necessary or advisable, to coordinate surveillance with other markets where financial products trade that may relate to Exchange products. As part of any information-share agreement, the Exchange may:
  - (i) share trade and market surveillance reports to other markets;
  - (ii) share completed and on-going investigations with other markets;
  - (iii) share information concerning current and former Participants with other markets; and/or
  - (iv) require current and former Participants to provide the Exchange information requested by other markets that are part of an information-share agreement with the Exchange.
- (b) The Exchange may enter into any arrangement with any other Person or body (including, without limitation, any governmental authority, trading facility, Exchange, clearing organization, the Joint Audit Committee, or the Joint Compliance Committee) where the Exchange determines such arrangements exercises a legal or regulatory function under any Applicable Law or considers such arrangement to be in furtherance of the operation or duties of the Exchange under Applicable Law.

- (c) The Exchange may disclose information to any Person or entity concerning or associated with a market Participant or other Person that the Exchange believes is necessary and appropriate in exercising a legal or regulatory function, whether or not a formal arrangement governing the disclosure exists or a request for information was made.

## **Rule 214. Dissemination of Transaction Data**

The Exchange shall be entitled, in its sole discretion, to use Orders, bids, offers and other information concerning Transactions, including all information and content displayed or distributed on the Trading System or otherwise provided to the Exchange (collectively, the "Transaction Data"), to develop and compile market data that the Exchange, or a third-party service provider that the Exchange may utilize for such purpose (including an Affiliate of the Exchange) and may disseminate such Market Data to third parties (including through a Market Data feed) for business purposes without further consent of any Member or other Person, and the Exchange shall be entitled to any and all revenue derived therefrom. By its use of the Exchange, each Member and Participant consents to such use by the Exchange of Transaction Data. Any such market data disseminated by the Exchange, or its third-party service provider, shall be disseminated in an anonymous fashion and shall not identify the Members who provided or entered into such Orders, bids, offers or Transactions.

## **Rule 215. Use of Certain Property and Data**

- (a) All Members, Participants, and Related Parties and all employees, agents, vendors and other Persons affiliated with the foregoing understand and acknowledge that the Exchange has a proprietary interest in:
  - (i) the price and quantity data from each and every Transaction executed on the Exchange, including the time at which the Transaction was executed by, or submitted to, the Trading System;
  - (ii) the price and quantity data for each and every Order, bid, and offer submitted for entry into the Trading System, including the time at which the Order, bid, and/or offer was entered into the Trading System;
  - (iii) the Daily Settlement Price of each Contract;
  - (iv) any data and information derived from (i), (ii), and (iii) and the format and presentation thereof; and
  - (v) the transmissions and dissemination of the data and information to Participants any publisher of the data or information with whom the Exchange has a written agreement, and any other Persons.
- (b) All Members, Participants and Related Parties agree not to:
  - (i) copy, modify, create derivative works from, reverse engineer, reverse assemble or reverse compile any technology provided by the Trading System, or the Transaction Data displayed on, accessed through or derived from the Trading System;
  - (ii) remove or alter any copyright, trademark, patent or other notices on the Exchange;

- (iii) distribute, rent, sell, retransmit, redistribute, release or license the Trading System, Transaction Data, or any part thereof to any third party or otherwise allow access by a third party (other than to its Authorized Traders subject to and in strict accordance with the Rules);
  - (iv) take any action contrary or detrimental to the Exchange's interest and to take reasonable measures to ensure that no such action is taken by any Person affiliated with them;
  - (v) take or authorize any action that could detrimentally interfere with the proper workings of the Trading System, use any robot, spider or other device or process to monitor or copy the Trading System, or knowingly transmit any virus or other potentially harmful device in connection with its use of the Trading System; or
  - (vi) assist or encourage any third party or Related Party in engaging in any activity prohibited under the Rules.
- (c) Other than for its own internal use and in accordance with the Rules, a Member will not communicate, disclose, redistribute, or otherwise furnish (or permit to be communicated, disclosed, redistributed or otherwise furnished) all or any portion of the Transaction Data, in any format, to any third party (other than to its Authorized Traders subject to and in strict accordance with these Rules) for the purposes of constructing or calculating the value of any index or indexed products or for the purpose of creating any derivative works or to make any use whatsoever at any time of the Transaction Data that could compete with the business of the Exchange or its provision of the Trading System or any related services.
- (d) Each Member will ensure that its Authorized Traders and Related Parties maintain sole control and possession of, and sole access to, Transaction Data obtained through the Member's access to the Trading System. Notwithstanding the foregoing, it is understood and agreed that any and all data submitted to the Trading System by a Member or its Authorized Traders (including but not limited to Orders) and all information related to Transactions entered into by a Member or its Authorized Traders through the Trading System shall be the joint and exclusive property of the Exchange and such Member, and the Exchange shall have the right to use, sell, retransmit or redistribute such information, on an anonymous and aggregated basis, subject to the provisions of this Rule.

## **Rule 216. Improper Use or Disclosure of Material Non-Public Information**

No member of the Board or of any Board Committee, no member of any other Committee of the Exchange, no Officer of the Exchange, no employee of the Exchange and no consultant to the Exchange shall:

- (a) trade for such Person's own Account, or for or on behalf of any other Account, in any commodity interest on the basis of any material, non-public information (as defined in CFTC Regulation 1.59) obtained through the performance of such Person's Exchange official duties;
- (b) use or disclose, for any purpose other than the performance of such Person's Exchange official duties, any material, non-public information obtained by such Person as a result of such Person's official duties; provided, however, that this Section shall not prohibit disclosures made by such Person in the course of his or her Exchange official duties or disclosures made to the CFTC, any

Self-Regulatory Organization, a court of competent jurisdiction or any agency or department of the federal or state government; or

- (c) trade, directly or indirectly, in any Contract traded on the Exchange or in any “related commodity interest” as defined in CFTC Regulation 1.59 if such Person has access to material non-public information concerning such Contract or commodity interest.

## **Rule 217. Regulatory Services Provider**

- (a) The Exchange may contract a Regulatory Service Provider to provide certain regulatory services to the Exchange pursuant to a Regulatory Services Agreement. In accordance with such Agreement, the Regulatory Service Provider may perform certain services including, but not limited to surveillance, investigative and regulatory functions under the Rules of the Exchange.
- (b) The Exchange will at all times remain responsible for the performance of any regulatory services received, for compliance with the Exchange’s obligations under the CEA and Commission regulations, and for the regulatory service provider’s performance on behalf of the Exchange.
- (c) The Exchange will retain exclusive authority in decisions involving the cancellation of trades, the issuance of disciplinary charges against members or market participants, and the denials of access to the trading platform for disciplinary reasons. The Exchange must document any instances where its actions differ from those recommended by its regulatory service provider, including the reasons for the course of action recommended by the regulatory service provider and the reasons why the designated contract market chose a different course of action.
- (d) The Exchange may provide information to the Regulatory Service Provider and also receive information from the Regulatory Service Provider in connection with the Regulatory Service Provider’s performance under such Regulatory Service Agreement.

## **Rule 218. Maintenance of Books and Records by the Exchange**

- (a) The Exchange will keep complete and accurate books and records of accounts of the Exchange, including, without limitation, all books and records required to be maintained pursuant to the CEA, the CFTC Regulations, or as otherwise required by regulatory authority.
- (b) The Exchange shall retain all such books and records for at least five (5) years and shall make such books and records readily accessible for inspection by the CFTC and the United States Department of Justice and shall make such records readily accessible during the first two (2) years of such five-year period.

## Chapter 3: Membership and Access

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### Rule 301: Applicability of Rules; Jurisdiction

- (a) Members, Related Parties or Participants that access, or enter any Order or submit any Contract into the Trading System, and without any need for any further action, undertaking or agreement agree:
- (i) to be bound by, and comply with, the Exchange Rules and Obligations, the Clearing House, Rules and Applicable Laws, in each case to the extent applicable to it;
  - (ii) to become subject to the jurisdiction of the Exchange and the DCO with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Member, Related Party or Participant;
  - (iii) that any Member, Related Party or Participant initiating or executing a Transaction on or subject to the Rules of the Exchange, directly or indirectly through an intermediary, and any Member or Person for whose benefit such a Transaction has been initiated or executed, expressly consents to the jurisdiction of the Exchange and agrees to be bound by and comply with the Rules of the Exchange in relation to such Transactions, including, but not limited to, Rules requiring cooperation and participation in investigatory and disciplinary process. Any futures commission merchant, introducing broker, associated person, or foreign Person performing a similar role, that charges a commission or fee in connection with transactions on or subject to the Rules of the Exchange also expressly consent to the Exchange's jurisdiction; and
  - (iv) to assist the Exchange in complying with its legal and regulatory obligations, cooperate with the Exchange (and the Regulatory Service Provider, if applicable), and the CFTC in any inquiry, investigation, audit, examination or proceeding, and authorizes the Exchange to provide information to the Regulatory Services Provider, the CFTC or any U.S. Self-Regulatory Organization authorized by the SEC or CFTC.
- (b) Any Member, Related Party or Participant whose Trading Privileges and/or ability to otherwise access the Trading System are revoked or terminated shall remain bound by the Rules, the DCO Rules, and Applicable Law, in each case to the extent applicable to it, and subject to the jurisdiction of the Exchange and the DCO with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Member and Related Parties prior to such revocation or termination.
- (c) A Member, Related Party or Participant who is suspended for any period remains subject to the Rules, the Obligations and the Exchange's jurisdiction throughout the period of suspension. After revocation or termination, the Member, Related Party or Participant will remain subject to the Rules, the Obligations and the jurisdiction of the Exchange for acts done and omissions made while registered.

## Rule 302: Criteria for Becoming a Member

- (a) To be eligible for admission as a Member on the Exchange, an applicant must demonstrate to the satisfaction of the Exchange that the Member:
- (i) is of good reputation and business integrity;
  - (ii) maintains adequate financial resources and credit;
  - (iii) is validly organized, in good standing, and authorized by its governing body and, if relevant, documents of organization, to trade Contracts (if an entity);
  - (iv) is not subject to statutory disqualification under Section 8a(2) of the CEA;
  - (v) holds all registrations, including any Introducing Broker, Futures Commission Merchant, Supervisory Person and/or Associated Person registration and meets the minimum financial standards required under Applicable Law, including, but not limited to the requirements set forth in 17 CFR 1.17 for any Introducing Broker, Futures Commission Merchant, Supervisory Person and/or Associated Person registration, as applicable if any; is not legally or otherwise prohibited from using the Exchange or entering into Transactions on the Exchange or subject to the Rules;
  - (vi) is not an Officer or employee of the Exchange;
  - (vii) is not an ISV;
  - (viii) complies with the applicable technical access standards, security protocols and technical specifications for connection to the Exchange electronic system as may be specified by the Exchange from time to time;
  - (ix) consents to the Exchange's jurisdiction pursuant to Rule 301; and
  - (x) satisfies such other criteria as the Exchange may specify.
- (b) Each Member must establish a clearing relationship with a Clearing Firm and will immediately notify the Exchange if the clearing relationship changes.
- (c) Once admitted, the Member shall continue to comply with applicable eligibility criteria and immediately notify the Exchange of any material changes.

## Rule 303: Exchange Membership

- (a) Clearing Membership – To the extent offered by the Exchange, firms seeking a Clearing Membership must submit an application in the form prescribed by the appropriate Derivative Clearing Organization and continually satisfy such requirements as may be established by the Exchange and such Derivatives Clearing Organization from time to time. Clearing Membership Requirements and Obligations include but not limited to:
- (i) Must be a member in good standing with the Clearing House;
  - (ii) Must be an FCM registered with the CFTC or a Non-US firm eligible and approved to clear Futures and Options on Futures with the DCO;
  - (iii) Qualify and maintain its NFA registration as an FCM under Section 4f(a)(1) of the CEA;
  - (iv) Minimum Net Capital Requirement of \$2.5 million or the Minimum Net Capital requirement prescribed by the DCO, whichever is greater;
  - (v) Clearing Member must have qualified staff and facilities to clear Futures and Options on Futures and interface with DCO;
  - (vi) On-Site visit by Exchange personnel and the review of systems, books and records and interview of operations and Compliance Staff;
  - (vii) Provide most recent 1FR and or FOCUS report or Certified Audited Financial Statement;
  - (viii) Provide resumes of staff including experience for those responsible for Finance, Operations, Compliance, and Risk;
  - (ix) Clearing Members are subject to periodic financial reporting requirements as well as Financial Surveillance performed by the Exchange Compliance Department, the Exchange Regulatory Service Provider and the DCO;
  - (x) Maintain compliance with all Applicable Law regarding minimum net capital. Clearing Members are subject to CFTC notification requirements for minimum net capital pursuant to Applicable Law, failure to maintain early warning capital, failure to comply with accounting, reporting, financial and or operational requirements. Such notifications must also be sent to the Exchange.
  - (xi) Agree that it will be financially responsible for (A) any Transactions effected on the Exchange and for any use of the Trading System made by Clearing Firm, Clearing Firm's Direct Market Access Participants, and Member Firms for which they are the Clearing Firm

at the Exchange (B) all Orders that are entered using User IDs assigned by the Exchange and for clearing any Trades that are matched as a result of such Orders. Clearing Firm will be responsible to clear such Trades even if the Orders received via the Trading System: (1) exceeded Clearing Firm's credit parameters; (2) were entered as a result of a failure in the security controls and/or credit controls, other than due to the gross negligence of the Exchange; (3) were entered by an unknown or unauthorized user.

- (xii) Agree that it will accept full responsibility for any Transactions effected on the Exchange and for any use of the Trading System made by the Clearing Firm or Clearing Firm's Direct Market Access Participants, and Member Firms for which they are the Clearing Firm at the Exchange.
  - (xiii) Employ practices to monitor and enforce compliance with risk limits for Members and Participants that have Clearing and/or Guarantee Agreements with the Clearing Firm; and
  - (xiv) Provide such information and documentation as may be requested by the Exchange, and follow the rules and procedures established by the Exchange. Additionally, any Clearing Firm organized or located outside of the United States shall enter into a written agreement acceptable to the Exchange appointing a third party as its U.S. agent for service of process for purposes of CFTC Regulation 15.05 and shall provide the Exchange with a copy of the agreement.
- (b) Corporate Membership – To the extent offered by the Exchange, firms seeking Corporate Membership must comply with such application procedures as the Exchange may adopt from time to time. Corporate Firms and Related Parties are subject to a Customer identification process, criminal and regulatory background check, credit check, be of good moral character, good reputation, and not barred by any Self-Regulatory Organization, foreign or domestic, as a market participant for any reason whatsoever for one year prior to application for membership or subject to CFTC or SEC statutory disqualification. Corporate Members and Related Parties must provide such information and documentation as may be requested by the Exchange, and follow the Rules and procedures established by the Exchange.
- (c) Individual Membership – To the extent offered by the Exchange, natural Persons seeking membership with the Exchange must be at least 18 years of age with adequate financial resources to assume responsibilities and privileges of membership. These individuals are subject to a Customer identification process, criminal and regulatory background check, credit check, financial review, be of good moral character, good reputation, and not be barred by any Self-Regulatory Organization foreign or domestic as a market participant for any reason whatsoever for one year prior to application for membership or subject to CFTC or SEC statutory disqualification. The Exchange is an intermediated market which means in order for individual members to gain trading access to the Exchange, there must be a clearing relationship established with a Clearing Member either directly or through an intermediary such as an IB or broker with a clearing relationship with an Exchange Clearing Member. Individual Members must provide such information and documentation as may be requested by the Exchange, and follow the rules and procedures established by the Exchange.



## Rule 304: Authorized Traders

- (a) A Corporate or Clearing Member that will trade must designate one or more Authorized Traders, who will be responsible for any Trading Activity on behalf of the Member.
- (b) The Authorized Trader for an Individual Member is the Individual Member. An Individual Member may only have one User ID solely used by each Individual Member.
- (c) Each Authorized Trader must:
  - (i) be a natural Person;
  - (ii) satisfy any other requirements as may be prescribed by the Exchange from time to time;
  - (iii) have a unique Member and Exchange authorized User ID;
  - (iv) hold all requisite registrations under Applicable Law; and
  - (v) not be statutorily disqualified under Applicable Law, or subject to any suspension or revocation of any registration or licensing requirement by any Governmental Agency or Self-Regulatory Organization.
- (d) Without limiting the foregoing, each Authorized Trader will abide by Exchange Rules and Applicable Law, and each Member will ensure on an ongoing basis that:
  - (i) none of its Authorized Traders are subject to disqualification pursuant to these Rules or any Applicable Law;
  - (ii) each of its Authorized Traders will conduct business in a fair and equitable manner;
  - (iii) each of its Authorized Traders will conduct business in accordance with the Exchange Rules; and
  - (iv) each of its Authorized Traders will provide such information and documentation as may be requested by the Exchange.
- (e) By agreeing to become an Authorized Trader, an individual agrees to be bound by the duties and responsibilities of an Authorized Trader under these Rules, and any other duties and responsibilities the Exchange may impose from time to time, and to be subject to, and comply with, the Exchange Rules and Obligations. Authorized Traders acknowledge and agree that all Trading Activity conducted under any User ID assigned to him or her is the responsibility of such

Authorized Trader. An Authorized Trader must ensure that any Trading Activity conducted under his or her User ID complies with all Applicable Law and Exchange Rules and Obligations.

- (f) The Exchange may terminate, revoke or suspend any Authorized Trader in accordance with the provisions of Chapter 6 of these Rules. Upon such termination, revocation or suspension, the Exchange will disable access of such Authorized Trader to the Exchange.

### **Rule 305: Application for Membership and Termination of Status**

- (a) A Person or Firm that wishes to become a Member must satisfy the following:
  - (i) Provide such information and documentation as may be requested by the Exchange or its Regulatory Services Provider acting on behalf of the Exchange;
  - (ii) Follow the application procedures designated by the Exchange;
  - (iii) Execute the applicable Member Documentation and any other documentation that may be required by the Exchange from time to time;
  - (iv) Designate one or more Member User Administrators, and such Member User Administrator shall identify to the Exchange, all Authorized Personnel;
  - (v) Establish and maintain a valid clearing relationship with a Clearing Firm in good standing at the Exchange;
  - (vi) Enter into any agreement required by the DCO, if applicable;
  - (vii) Any Member 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; and
  - (viii) Agree in writing to abide by the Exchange Rules and Applicable Law.
- (b) The Exchange and/or its Designated Regulatory Service Provider may conduct such investigations or inquiries as it determines appropriate in connection with an application to become a Member or Authorized Trader.
- (c) If the Exchange determines to admit a Member, the Exchange shall promptly notify the applicant and specify the date as of which such status will be effective. The Exchange may accept a Member, subject to conditions as it determines and Applicable Law (in which case the Exchange shall notify the applicant Member of such conditions).

- (d) If the Exchange denies an application for Membership, the Exchange shall promptly notify such Person or Party thereof in writing, stating the reasons for such denial. Within ten (10) Business Days thereafter, such Person may request the Exchange to reconsider such decision (and may provide any relevant statements or information in connection therewith) and/or request that the Member Committee review such denial.
- (e) The Exchange may deny, condition or terminate any membership to any applicant who:
  - (i) Does not meet the qualifications for membership, or is unable to satisfactorily demonstrate its ability to satisfy the eligibility criteria outlined in these Rules or established by the Exchange from time to time;
  - (ii) Is unable to satisfactorily demonstrate its capacity to adhere to all Applicable Laws;
  - (iii) Would bring the Exchange into disrepute as determined by the Exchange in its sole discretion;
  - (iv) Has been denied registration or whose registration has been revoked or is currently suspended by a Government Agency; or
  - (v) Fails to meet any other such condition or qualification as the Exchange may determine in its sole discretion.
- (f) If the Exchange decides to decline or condition an application for admission as a Member, or terminate a Member's status, the Exchange shall promptly notify the Member in accordance with Rule 311. The Member may, within seven (7) Business Days, request in writing that the Exchange provide the reasons for the denial, conditioning or termination of Member's status. Within fourteen (14) Business Days after receiving such written request, the Exchange shall send a written response to the Member setting forth the reasons for the denial, conditioning or termination. Within fourteen (14) Business Days of receiving the Exchange's written response, the Member may request in writing that the Exchange Member Committee reconsider the determination.
- (g) Within thirty (30) Business Days of receiving either the request for reconsideration, the Exchange Member Committee shall either confirm, reverse or modify the denial, conditioning or termination of the Member, and shall promptly notify the Member in writing. The Exchange Member Committee may, within its discretion, schedule a hearing (in-person or by teleconference); request additional information from the Member; or, establish any other process that it believes is necessary and appropriate to consider the request for reconsideration.
- (h) The Exchange Member Committee's decision is the final action and is not subject to appeal.

- (i) In the event of a default that occurs or has occurred in relation to a Member with open positions in any Contract in a proprietary or Customer Account, each Member shall cooperate with the DCO, on a best-efforts basis, to accept the transfer of positions in such Contracts.

### **Rule 306: Withdrawal of Member**

- (a) To withdraw from the Exchange, a Member must notify the Exchange following the procedures established by the Exchange.
- (b) The Exchange may, in its reasonable discretion, refuse to accept a Member's withdrawal request or may postpone the effective date of withdrawal of a Member if the Exchange considers it necessary for the protection of other Members or otherwise in the interests of the Exchange.
- (c) Based on the information provided to, and other information gathered by, the Exchange regarding a Member's withdrawal request, the Exchange will determine whether to: (i) accept the withdrawal request; (ii) postpone the effective date of the withdrawal; and/or (iii) impose any terms or conditions before or after the effective date of withdrawal.
- (d) If the Exchange refuses to accept a Member's withdrawal request or postpones the effective date of withdrawal of a Member, the Exchange may waive the obligation to pay some or all of the fees, costs and charges that the Exchange would have imposed during the period after the date on which the requested withdrawal would have otherwise taken effect.
- (e) When the Exchange accepts the withdrawal of a Member, all rights and privileges of such Member terminate (including, without limitation, the Trading Privileges and ability to access the Trading System). The accepted withdrawal of a Member shall not affect the rights of the Exchange under the Rules or relieve the former Member of its Obligations under the Rules, to perform all contracts involving any Contracts entered into by such, or to pay any the Exchange fees, costs, or charges incurred, before the withdrawal, including any obligations by the Member for activity by its Authorized Traders. Notwithstanding the accepted withdrawal of a Member, the withdrawn Member remains subject to the Rules, the Obligations and the jurisdiction of the Exchange for acts done and omissions made while a Member and must cooperate in any Exchange proceeding as if the withdrawn Member were still a Member.

### **Rule 307: User Administrators for Clearing and Corporate Members**

- (a) Each Clearing and Corporate Member shall have at all times one or more natural Person's identified to the Exchange as responsible for the Obligations outlined in this Rule. Individual Members will be the Member User Administrator, and responsible for the Obligations outlined in this Rule. The User Administrator shall be responsible for requesting User IDs for Authorized Traders and notifying the Exchange of the need to terminate any previously issued User IDs of Authorized Traders for that Member.

- (b) The Member User Administrator shall be responsible for all communications between the Exchange and Member with respect to User IDs and access to the Trading System, and any notices or other communications sent to the Member User Administrator by the Exchange relating to User IDs and other related administrative matters shall be binding on the Member. The Member will promptly notify the Exchange in writing of any change in its Member User Administrators.
- (c) Members acknowledges and agrees that it will be bound by any actions taken through the use of such Member's User IDs including any of those User IDs issued to its Authorized Traders, whether or not such actions were actually authorized. In addition, Member acknowledges that the Exchange may rely upon, and will be fully released and discharged by Member for acting upon, any information, data, Transaction details, Orders, acknowledgements or instructions that are: (i) entered, imported, transmitted or otherwise communicated under its Authorized Trader's User ID (whether or not such action was actually authorized by Member); or (ii) are otherwise reasonably believed by the Exchange to be genuine and to have been communicated or presented on behalf of Member by an Authorized Trader, whether via the Trading System or otherwise.
- (d) In no event may a Member or Authorized Trader enter an Order or permit the entry of an Order by an individual using a User ID other than the individual's own User ID. Member is solely responsible for controlling and monitoring the use of the User IDs. Member will immediately notify the Exchange in writing of any unauthorized disclosure, unauthorized use of the User ID, unauthorized access to the Trading System, or of the need to deactivate any User ID.
- (e) Member agrees to provide the Exchange with information related to the Member's and its Authorized Traders' use of the Trading System upon the Exchange's written request, in order to enable the Exchange to assess the identity of any Person that is accessing the Trading System through a User ID of a Member.

### **Rule 308: Trading Privileges**

- (a) Admission as a Member or Authorized Trader does not confer any right of ownership in, or right to direct the management of or attend or vote at meetings of, the Exchange or right to share in the profits or revenues of the Exchange.
- (b) A Member or Authorized Trader shall not be entitled to assign or transfer its status as such without the prior written consent of the Exchange.
- (c) All Trading Activity entered must be entered by an Authorized Trader designated by the Member, as applicable.
- (d) All Members and Related Parties must comply with the Applicable Law, these Rules, and Obligation in the Members' and Related Parties' use of the Exchange.

## **Rule 309: Dues, Assessments and Fees**

- (a) The Exchange may establish the amounts and times of payments for any Transaction fees, clearing fees, dues, assessments or other charges (“Fees”) to be paid by Members and Participants. The Exchange will notify Members and Participants of changes in the Fees by Notice and/or updates on the Exchange’s website.
- (b) Each Member or Participant shall be responsible for paying all such Fees, and to pay such Fees when due, as established by the Exchange, such fees being comparable for all Members with comparable access to, or obtaining comparable services from, the Exchange.
- (c) The Exchange may deduct Fees at the time of Transaction(s) and/or may provide each Member or Participant an invoice of all such Fees on a monthly or other basis determined by the Exchange from time to time, which amounts shall be due and payable no later than thirty (30) days from the date of such invoice. Late payments shall bear an interest rate per annum equal to the Prime Rate (as published in the Wall Street Journal) plus 1.5%, to the extent that such rate shall not exceed the maximum rate allowed by Applicable Law from the date due until paid in full; provided, however, that if the published Prime Rate is less than zero, the interest rate will be calculated as being equal to zero per annum. In addition and notwithstanding anything herein to the contrary, in the event of any failure by a Member or Participant to pay such Fees and without limitation of any other remedy, the Exchange may temporarily or permanently limit, suspend or terminate such Member’s or Participant’s Trading Privileges and/or access to the Exchange without prior notice to Member or Participant.
- (d) The Exchange may suspend a Member’s or Participant’s Trading Privileges for failure to pay the Exchange Fees no later than thirty (30) days from the date of the invoice.
- (e) Fee Disputes. All disputes concerning Fees assessed by the Exchange must be submitted to the Exchange in writing and must be accompanied by supporting documentation. All disputes related to Fees must be submitted to the Exchange no later than sixty (60) days after the date of the monthly invoice. All Exchange invoices are due in full on a timely basis and payable in accordance with this Rule. Any disputed amount resolved in the Member’s or Participant’s favor will be subsequently credited to the Clearing Member’s Account at the Clearing Corporation.

## **Rule 310: General Notices to Participants**

The Exchange may issue notices to the Exchange Participants and Members generally (including matters arising under the Rules or the operation of the Trading System) from time to time in a form and manner reasonably designed to enable each Member to become aware of the matters set forth therein (“Notice to Members”). Without limiting the foregoing, the Exchange may provide such Notice to Members by way of a published circular posted on the Exchange website and/or electronic mail. Any Notice to Members shall also be deemed to have been made to and received by all Authorized Traders, Related Parties or Participants.

## **Rule 311: Communications Between the Exchange and Members**

- (a) The Exchange may send any notices hereunder (other than notices provided under Rule 310) to a specific Member, Related Parties or Participants in writing and be either: (i) hand-delivered or sent by registered or certified mail; or (ii) sent by electronic mail, in either case to the relevant address provided by such Person for such purpose. Each Member and Participant shall provide to the Exchange and maintain a current electronic mail address and a physical mailing address for the receipt of all such notices.
- (b) All notices to the Exchange hereunder shall be sent by electronic mail to the following address: support@thesmallexchange.com or to such other address or by such other means as the Exchange may specify by notice from time to time.

## **Rule 312: Recording of Communications**

The Exchange may record conversations and retain copies of electronic communications between the Exchange or Exchange staff, on one hand, and Members, Participants, and Related Parties on the other hand, to the extent allowed by Applicable Law. 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 in accordance with Applicable Law and will be treated as proprietary records that belong to the Exchange. Each Member, Related Parties and Participants agree to the recording of communications with the Exchange at the time they make their application to the Exchange.

## **Rule 313: Compliance with the Commodity Exchange Act**

All the Exchange Members, Related Parties and Participants shall comply with all relevant provisions of the CEA and the Rules and regulations duly issued pursuant thereto by the CFTC, including the filing of reports, maintenance of books and records, and permitting inspection and visitation by Authorized Representatives of the CFTC or Department of Justice.

## **Rule 314: Legal Certainty for the Exchange Trades**

A Transaction entered pursuant to the Exchange Rules shall not be void, voidable, subject to rescission, otherwise invalidated, or rendered unenforceable unless granted by the Exchange's Board as a result of:

- (a) a violation by the Exchange of the provisions of Section 5h of the CEA or CFTC Regulations;
- (b) any CFTC proceeding to alter or supplement a Rule, term, or condition under Section 8a(7) of the CEA or to declare an emergency under Section 8a(9) of the CEA; or
- (c) any other proceeding the effect of which is to:
  - (i) alter or supplement a specific term or condition or trading rule or procedure; or

- (ii) require the Exchange to adopt a specific term or condition, trading rule or procedure, or to take or refrain from taking a specific action.

### **Rule 315: Market Maker Program**

The Exchange may adopt the implementation of a market maker or incentive program from time to time to which the program participant may be appointed and authorized to maintain two-sided markets. The terms and conditions of each individual program will be set forth in separate regulatory filings submitted to the CFTC. Any Member that is accepted into the Exchange market maker or incentive program shall be subject to Exchange Rules. Any market maker must be a Corporate or Clearing Member in good standing. Any such program shall specify:

- (a) The qualifications to participate in, and the procedures to apply to, the program;
- (b) The obligations which must be met;
- (c) The benefits that shall accrue to participants in the program; and
- (d) The consequences for failing to meet the program obligations.

### **Rule 316: Independent Software Vendor**

For connections by ISVs to the Exchange, the Exchange will apply criteria governing such access that are impartial, transparent, and applied in a fair and nondiscriminatory manner. An ISV shall be permitted to connect to the Exchange if it meets the following conditions on a continuing basis:

- (a) The ISV applies for connection privileges on such form and with such supporting documents as the Exchange may require;
- (b) The ISV shall be duly organized, existing and in good standing under the laws of its jurisdiction of organization;
- (c) The ISV will maintain and have current all applicable registrations or licenses to do business as an ISV, have good commercial standing and adequate financial resources and credit as reasonably determined by the Exchange;
- (d) The ISV shall have such operational capabilities as the Exchange shall reasonably determine are necessary and appropriate in the performance of ISV's activities;
- (e) An ISV providing a Member, Related Party of Participant Indirect Access to the Trading System is 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 Member, Related Party or Participant, and agrees to assist the Exchange in complying with its legal and regulatory obligations, cooperate with the Exchange (and the Regulatory Service Provider, if applicable), and the CFTC in any inquiry, investigation, audit, examination or proceeding, and authorizes the



Exchange to provide information to the Regulatory Services Provider, the CFTC or any U.S. Self-Regulatory Organization authorized by the SEC or CFTC;

- (f) The ISV shall meet any other criteria the Exchange may from time to time prescribe;
- (g) The ISV shall pay such fees, and pay such Fees when due, as established by the Exchange, such fees being comparable for all ISVs with comparable access to, or obtaining comparable services from, the Exchange;
- (h) Fee Disputes. All disputes concerning Fees assessed by the Exchange must be submitted to the Exchange in writing and must be accompanied by supporting documentation. All disputes related to Fees must be submitted to the Exchange no later than sixty (60) days after the date of the monthly invoice. All Exchange invoices are due in full on a timely basis and payable in accordance with this Rule; and
- (i) The Exchange may suspend an ISV's Trading Privileges for failure to pay any Fees no earlier than thirty (30) days from the date of the invoice.

### **Rule 317: Sanctioned Party**

- (a) A "Sanctioned Party" and collectively, "Sanctioned Parties," are not permitted to access the Exchange, whether directly or indirectly.
  - (i) A Sanctioned Party or Sanctioned Parties are:
    - (A) identified on the Specially Designated Nationals and Blocked Persons List of the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") ("Restricted Persons");
    - (B) 50% or more owned by Restricted Persons;
    - (C) located in a country or territory subject to comprehensive economic sanctions administered by OFAC ("Restricted Country or Territory" or "Restricted Countries or Territories");
    - (D) owned or controlled by the governments of Restricted Countries or Territories;
    - (E) subject to OFAC restrictions where such restriction prohibits a specific activity which would in turn prohibit the party from trading on the Exchange or settling a transaction at the Exchange;
    - (F) subject to restrictions administered or imposed by a state or government authority authorized to issue economic sanctions and blocking measures that has jurisdiction over a Clearing Futures Participant (each a "Sanctioning Body"); or
    - (G) acting on behalf of any of the foregoing.

- (ii) Unless permitted (either not restricted or specifically authorized) by OFAC and/or any Sanctioning Body, as applicable:
  - (A) any Clearing Member that maintains positions or carries an account actively trading on the Exchange for a Person that is or becomes a Sanctioned Party; or
  - (B) any Clearing Member that becomes aware, or has documentary information, that it maintains positions or carries an account actively trading on the Exchange on behalf of a Sanctioned Party, shall immediately take steps to:
    - (1) cancel all direct and indirect access and authorizations issued to such Sanctioned Party and provide written notice to the Exchange of such cancellations; or
    - (2) provide written instructions to the Exchange directing the Exchange to assist and coordinate in the cancellation of all access and authorizations for the Sanctioned Party at the Exchange as may be applicable.

## Chapter 4: Obligations of Members

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### Rule 401: Duties of Members

- (a) Each Member shall (and shall cause all of its Related Parties, Authorized Traders and Participants that directly or indirectly effect a Transaction on the Exchange) if applicable, to:
  - (i) use the Trading System in a responsible manner and not for any improper purpose;
  - (ii) use the Trading System only to conduct Exchange activity;
  - (iii) observe high standards of commercial integrity, market conduct, fair dealing and just equitable principles of trade while conducting any activity on the Exchange and subject to the Rules;
  - (iv) abide by the terms and conditions of any Contract traded on the Exchange and subject to the Rules;
  - (v) comply with Exchange Rules and Obligations and technical standards for access to the Trading System, including security protocols, and act in a manner consistent with each Rule and Obligation;
  - (vi) comply with all DCO Rules, to the extent applicable to it, and act in a manner consistent with the DCO Rules, to the extent applicable;
  - (vii) comply with all NFA Rules, to the extent applicable to it, and act in a manner consistent with the NFA Rules, to the extent applicable;
  - (viii) keep complete and accurate books and records, including without limitation, all books and records of its Exchange activity and his or her activity in the index or instrument used as a reference price, in the underlying commodity, and related derivatives markets, and all books and records required to be maintained pursuant to the CEA, CFTC Regulations and Exchange Rules, for the minimum of five (5) years and in the form and manner as required by Applicable Law, and make such books and records available for inspection by an authorized representative of the Exchange, the applicable Regulatory Service Provider (if any) and, if requested the CFTC;
  - (ix) employ practices to monitor and enforce compliance with risk limits;
  - (x) use Exchange pre-trade risk controls that enable the Clearing Firm to implement appropriate risk limits for Exchange Members and Participants;

- (xi) be responsible for promptly informing the Exchange of any material changes to the information provided to the Exchange by the Member or Related Parties pursuant to Chapter 3;
  - (xii) not knowingly mislead or conceal any material fact or matter in any dealings or filings with the Exchange or in response to any Exchange proceeding;
  - (xiii) be fully liable for: all trading losses, all Orders, all Transactions in Contracts effected by Participants, all Transactions effected on the Trading System and for any use of the Trading System made by Members, Related Parties or Authorized Traders, and all trades even if the Orders received via the Trading System: (1) were entered as a result of a failure in the security controls and/or credit controls, other than due to the gross negligence of the Exchange; or (2) were entered by an unknown or unauthorized user; and
  - (xiv) keep the User IDs, Account numbers and passwords of the Member(s) and Related Parties confidential.
- (b) Each Member's Authorized Traders and Related Parties shall:
- (i) use the Trading System in a responsible manner and not for any improper purpose;
  - (ii) use the Trading System only to conduct Exchange activity;
  - (iii) conduct all the Exchange activity in a manner consistent with Exchange Rules and Obligations;
  - (iv) comply with all Exchange Rules and Obligations and act in a manner consistent with each Rule of the Exchange, Obligation and all Applicable Law;
  - (v) comply with all DCO Rules, to the extent applicable to it, and act in a manner consistent with the DCO Rules, to the extent applicable;
  - (vi) comply with all NFA Rules, to the extent applicable to it, and act in a manner consistent with the NFA Rules, to the extent applicable;
  - (vii) observe high standards of integrity, market conduct, high commercial honor, fair dealing, and just and equitable principles of trade while conducting or attempting to conduct any Trading Activity, or any aspect of any business connected with or concerning the Exchange;

- (viii) not knowingly mislead or conceal any material fact or matter in any dealings or filings with the Exchange or in response to any Exchange proceeding;
- (ix) keep any User IDs, Account numbers and passwords related to the Trading System confidential; and
- (x) be responsible for promptly informing the Exchange of any material changes to the information provided to the Exchange by the Member or Related Party.

## **Rule 402: Required Disclosures**

Members and Related Parties shall immediately notify the Exchange upon becoming aware of any of the following events:

- (a) any material changes to the contact information provided to the Exchange by the Member;
- (b) any damage to, or failure or inadequacy of, the systems, facilities or equipment of the Member to effect Transactions pursuant to the Exchange Rules or to timely perform Member's financial obligations under or in connection with any Contract of such Member;
- (c) any refusal of admission or involuntary withdrawal of the Member for membership in, any Self-Regulatory Organization, SEF, DCM or DCO;
- (d) any revocation, suspension or conditioning of any registration or license of a Member necessary to conduct Trading Activity granted by any Governmental Agency;
- (e) the commencement of any judicial or administrative proceeding against the Member 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 Self-Regulatory Organization, SEF, DCM, DCO or, with respect to Futures Activity, any Governmental Agency;
- (f) any indictment or conviction of, or any confession of guilt or plea of guilty or nolo contendere by, any principals or senior officers of the Member or any Authorized Trader for any felony or misdemeanor involving, arising from, or related to, the purchase or sale of any commodity, futures Contract, swap, option, security, securities futures product or other financial instrument, or involving or arising from fraud or moral turpitude;
- (g) the Member or a ten (10) percent or greater owner of the Member becoming the subject of a petition for bankruptcy;
- (h) the appointment of a receiver, trustee or administrator for the Member or a ten (10) percent or greater owner of the Member;
- (i) the presentment of a petition, or the passing of a resolution, for the Member or a ten (10) percent or greater owner of the Member's termination or withdrawal of membership;

- (j) the commencement of proceedings for the Member's or the ten (10) percent or greater owners of the Member dissolution; or
- (k) the occurrence of an event of insolvency with respect to the Member or any ten (10) percent owner or greater owner of the Member.

### **Rule 403: Right of Inspection**

- (a) Each Member and Related Party agrees that the Exchange (or its authorized representative, including the Regulatory Services Provider) shall be entitled to:
  - (i) inspect or examine the systems, equipment and software operated or used by Member in connection with Trading Activity or subject to the Rules;
  - (ii) have access to the books and records of the Member;
  - (iii) have access to the systems, equipment and software operated or used by Member in connection with Exchange or any futures or related activity, and the premises where the same is located, and any data stored therein; and
  - (iv) remove, copy or reproduce any data to which the Exchange has provided under this Rule.
- (a) Upon request of the Exchange, a Member shall provide such information concerning the Member's (and any of its Customers and Related Parties activities or use of exchange facilities) use of the Exchange Trading System or business conducted on or related to the Exchange in the manner and timeliness requested by the Exchange.
- (b) Upon request of the Exchange, Regulatory Service Provider or DCO each Member shall provide evidence of its financial condition at such times and in such manner as shall be prescribed by the Exchange.

### **Rule 404: Minimum Financial and Related Reporting Requirements**

- (a) Each Member, which includes each Clearing Firm, that is registered with any Government Agency, including the CFTC and the U.S. Securities and Exchange Commission, or a Self-Regulatory Organization shall comply with CFTC Regulation §1.17, applicable DCO Rules and other Applicable Law, including but not limited to the rules and regulations such Government Agency imposes on a Member, which includes each Clearing Firm, relating to minimum financial and related reporting and recordkeeping requirements. Upon request by the Exchange, Member shall produce such records related to this Rule.

- (b) A copy of any notice or written report that a Member, which includes an FCM, IB or any Clearing Firm, is required to file with the CFTC pursuant to CFTC Regulations §1.10 and §1.12 shall be concurrently provided to the Exchange.
- (c) The Exchange (or the Regulatory Service Provider) conducts surveillance and each Member and Related Party must respond timely to any request pursuant to a surveillance exception cited that involves the Member or Related Party.
- (d) A Member or Related Party that violates any provision of Applicable Law (including CFTC Regulations) shall be deemed to have violated this Rule.

### **Rule 405: Member Confidentiality of Financial and Other Information**

All information and data obtained or received by the Exchange from inspections of accounting and other records, quarterly balance sheets and declarations or reports on financial condition will be treated as confidential by the Exchange; however, this Rule does not supplant the Rules in Chapter 6, or any other requirement of Applicable Law or legal process.

### **Rule 406: Authority to Impose Restrictions**

Whenever a Member or Related Party is subject to the early warning requirements set forth in CFTC Regulation § 1.12, the Exchange may impose such conditions or restrictions on the business and operations of such Member or as the Exchange may deem necessary or appropriate for the protection of Customers, other Members, or the Exchange.

### **Rule 407: Customers**

- (a) No Member shall carry an Account for or enter an Order in the name of a Customer unless the Member has entered into a written agreement with the Customer that is in compliance with Applicable Law and Exchange Rules including all applicable anti-money laundering requirements.
- (b) Without prejudice to the generality of paragraph (a) of this Rule, each written agreement with a Customer must incorporate into every Contract carried for the Customer all the terms of the Rules insofar as they are applicable to that Contract.
- (c) No Member shall engage in soliciting or accepting an Order for the Contract for a Member or Customer unless the Member has entered into a written agreement with the Member or Customer obtaining such terms as may from time to time be prescribed in these Rules.

## **Rule 408: Member Treatment of Customer Funds and Securities**

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

## **Rule 409: Disclosure Requirements**

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

## **Rule 410: Information Regarding Orders**

- (a) The Exchange will make information regarding Orders (including prices bid or offered), trades, time and sales and any other matters it may deem appropriate available to Members and other Participants at such times and in such manner (whether through the Trading System, a ticker, financial information services or otherwise) as it may consider necessary or advisable from time to time.
- (b) Each Member or other Participant receiving any such information through the Trading System may redistribute such information only in accordance with these Rules and to such extent and in such manner as may be permitted by the Exchange from time to time.

## **Rule 411: Trading Limitations, Termination and Suspension**

- (a) In accordance with, and subject to, the procedures provided in Chapter 7, the Exchange may, upon the occurrence of any of the following events, impose limitations, conditions and restrictions on a Member or Participant, as applicable, or suspend or terminate any such status if such Person:
  - (i) fails to satisfactorily demonstrate its ability to satisfy the eligibility criteria to become or remain a Member;



- (ii) is unable to satisfactorily demonstrate its ability to adhere to all applicable Exchange Rules;
  - (iii) would bring the Exchange into disrepute as determined by the Exchange in its sole discretion; or
  - (iv) for such other cause as the Exchange may reasonably determine.
- (b) When the Trading Privileges of a Member are terminated, all of a Member's rights and Trading Privileges will terminate (including those of any Related Parties), except for the right of the Member in question to assert claims against others, as provided in Exchange Rules. Any such termination will not affect the rights of creditors under the Exchange Rules.
- (c) A suspended or terminated Member, Related Party or Participant remains subject to Exchange Rules and the jurisdiction of the Exchange for acts and omissions prior to the suspension or termination, and must cooperate in any inquiry, investigation, or disciplinary proceeding, summary suspension or other summary action as if the suspended or terminated Member still had Trading Privileges. The Exchange may discipline a suspended Member or Participant under the Rules for any violation of an Exchange Rule, Obligation, or provision of Applicable Law committed by the Member or Participant before, during or after the suspension.

#### **Rule 412: Access to Position Information**

- (a) Without limiting any provision of these Rules, the Exchange shall have the authority to obtain from any Member information with respect to positions of such Member or any Customer of such Member. This authority shall include the authority to obtain information concerning positions maintained at other firms, and it shall be the obligation of a Member receiving such an inquiry to obtain such information. In the event a Member fails to provide the requested information, the Exchange, in addition to any other remedy under these Rules, may order that the Participant liquidate the positions that are related to the inquiry.
- (b) Members shall submit to the Exchange, upon request, such information as the Exchange may require with respect to the positions the Member or its Customer owns or controls on another venue, in such form and manner as may be specified by the Exchange.

#### **Rule 413. Recordkeeping Requirements of Members**

Members and Related Parties are required to keep complete and accurate books and records, including without limitation, all books and records of its Trading Activity and his or her activity in the index or instrument used as a reference price, in the underlying commodity, and related derivatives markets, and all books and records required to be maintained pursuant to the CEA, CFTC Regulations and Exchange Rules, for the period required by Applicable Law, and make such books and records available for



inspection by an authorized representative of the Exchange, the applicable Regulatory Service Provider (if any) or, upon request of the CFTC.

## Chapter 5: Trading Practices

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### Rule 501. Scope

Rules concerning trading practices while using the Exchange Trading System and facilities and applicable Orders and Transactions.

### Rule 502. Procedures

- (a) With respect to trading on or through the Trading System, the Exchange may adopt, without limitation, procedures relating to Transactions in Contracts and trading on the Trading System, including procedures to:
- (i) determine the daily settlement price of a Contract;
  - (ii) disseminate the prices of bids and offers on, and Trades in, Contracts;
  - (iii) record Contracts and Trading Activity;
  - (iv) perform market surveillance and regulation on matters affecting Contracts and Trading Activity on the Exchange;
  - (v) establish limits on the number and/or size of Orders that may be submitted by a Member or Participant through the Trading System;
  - (vi) establish limits on the number of Contracts that may be held by a Member or Participant;
  - (vii) establish a limit on the maximum daily price fluctuations for any Contract and provide for any related restriction or suspension of trading in the Contract; and
  - (viii) require a suspended or expelled Member or Participant, or a Member or Participant with restricted Trading Privileges, to have Contracts executed for the Member or Participant to reduce or eliminate any open position or exposure to price changes for the Member or Participant in any Contract.
- (b) The Exchange may, in its discretion and at any time, amend any procedures adopted pursuant to Rule 502(a) in accordance with the applicable CFTC procedures, and will publish the amendments in a Notice to Members or in any other manner determined appropriate by the Exchange.

### **Rule 503. Supervision**

A Member shall be responsible for establishing, maintaining and administering reasonable supervisory procedures to ensure that its Related Parties, Authorized Traders, partners, directors, officers, agents, contractors, representatives, and employees comply with Applicable Law and the Rules, and such Member may be held accountable for the actions of such Related Parties, Authorized Traders, partners, directors, officers, agents, contractors, representatives, and employees with respect to the Exchange.

### **Rule 504. Exchange Business Days and Trading Hours**

The Exchange will publish a Notice to Members listing Business Days and the Trading Hours that will be made available on the Exchange website.

### **Rule 505. Contracts Traded on the Exchange**

The Exchange will determine which Contracts are available for trading subject to the Rules of the Exchange from time to time, and approve Rules containing the specifications for such Contracts; provided that certifications or applications with respect to such Rules shall be submitted to the Commission as required by the CEA and the CFTC Regulations thereunder. All trading in Exchange Contracts must occur on or through Exchange facilities and in accordance with Exchange Rules and Applicable Law.

### **Rule 506. Pre-Trade Risk Controls**

- (a) The Clearing Member must designate a natural Person as a risk manager, and such risk manager shall be responsible for initially setting and thereafter adjusting, as appropriate, pre-trade risk controls to a level that is appropriate for the Trading Activity of a Member or Participant for which the Clearing Member Firm is the designated Clearing FCM. Members, Related Parties and Participants should employ other necessary pre-trade risk controls appropriate for such Person's Trading Activity.
- (b) When pre-trade risk parameters have been met or exceeded, the Exchange's Trading System:
  - (i) may reject all new Orders in their entirety; and
  - (ii) may accept new Orders if the Member or Participant cancelled existing Orders, but only to the extent that the pre-trade risk parameter was not met or exceeded.

### **Rule 507. Acceptable Orders**

- (a) At the discretion of the Exchange, any of the following types of Orders, as well as any other types that may be approved from time to time, may be entered into the Trading System with respect to any Contract:

- (b) Market with Protection Order
  - (i) Market with Protection Orders are executed at the best price or prices available in the order book at the time the Order is received by the Trading System but will not execute outside a predefined range of prices referred to as the protected range. For bid Orders, protection points are added to the current best offer price in the order book to calculate the protection price limit. For offer Orders, protection points are subtracted from the current best bid price in the order book to calculate the protection price limit.
  
- (c) Limit Order
  - (i) Limit Orders are Orders to buy or sell a stated quantity at a specified price or at a better price if obtainable. Unless otherwise specified, any residual volume from an incomplete limit Order is retained in the central order book until the end of the day.
  
- (d) Stop with Protection Order
  - (i) The Stop Order type is an Order which, when accepted, does not immediately go on the book, but must be “triggered” by a trade in the market the price level submitted with the Order. Stop Orders with protection prevent stop Orders from being executed at extreme prices. A stop Order with protection is activated when the market trades at or through the stop trigger price and can only be executed within the protection range limit. The Order enters the order book as a market Order with the protection price limit equal to the trigger price plus or minus the pre-defined protection point range.
  
- (e) Stop Limit Order
  - (i) The Stop Order type is an Order which, when accepted, does not immediately go on the Book, but must be “triggered” by a trade in the market the price level submitted with the Order. After the trigger price is traded in the market, the Order enters the Order Book as a limit Order at the Order limit price. The limit price is the highest/lowest price at which the stop Order can be filled. The Order can be filled at all price levels between the trigger price and the limit price. If any quantity remains unfilled, it remains on the Order Book as a limit Order at the limit price.
  
- (f) Time in Force
  - (i) Day Order: An Order that expires automatically at the end of each day’s trading session.
  - (ii) Good ’til Canceled Order (GTC): An Order which is valid until canceled by the Customer.
  - (iii) Immediate or Cancel (IOC): An Order to bid or offer that must be immediately filled and any unfilled portion of the Order is canceled.

- (iv) Fill or Kill Order (FOK): An Order that demands immediate execution or cancellation. Typically involving a designation, added to an order, instructing the broker to offer or bid (as the case may be) one time only; if the Order is not filled immediately, it is then automatically cancelled.

### **Rule 508. Spread Orders**

A spread Order is an Order to simultaneously buy and sell at least two different Contracts in a form permitted by the Exchange. Exchange spreads operate on a Central Limit Order Book and therefore accept a single price and quantity even though they are constructed as combinations of multiple Contracts.

### **Rule 509. Modification and Cancellation of Orders**

Any Order that has been entered into the Trading System may be modified or cancelled, unless and until the Order has been fully executed, by any means allowed by the Trading System.

### **Rule 510. Withholding Orders Prohibited**

Any Member or Related Party entering Orders on the Exchange for its Customer shall not withhold or withdraw from the market any Order, or any part of an Order, for the benefit of any Person other than such Customer. A Member or Related Party must enter into the Trading System all Orders that are immediately acceptable as soon as practicable following receipt.

### **Rule 511. Disclosing Orders Prohibited**

No Member, Related Party or Participant shall disclose the terms of an Order prior to entry onto the Trading System except to a designated Exchange official or pursuant to a request by the applicable regulator, and no Member shall solicit or induce another Person to disclose Order information. No Person shall act or direct another to act based on non-public Order information, however acquired.

### **Rule 512. Responsibility for Customer Orders**

- (a) Standard of Responsibility
  - (i) A Member or Related Party shall exercise due diligence in the handling and execution of Customer Orders. Failure to act with due diligence shall constitute negligence. In the case of a dispute as to whether a Member has exercised due diligence, the appropriate arbitration or disciplinary committee is authorized to determine whether the Member was negligent and, if so whether an adjustment is due to the Customer.

- (ii) A Member or Related Party is prohibited from directly or indirectly guaranteeing the execution of an Order or any of its terms such as the quantity or price. A Member or Related Party may only report an execution that has been affected through the Trading System. This Rule shall not be construed to prevent a Member or Related Party from assuming or sharing in the losses resulting from an error or the mishandling of an Order.
- (b) **Liability for Negligence:** A Member, Related Party or Participant may not credit an adjustment of the price at which an Order was executed or be held responsible for executing or failing to execute an Order unless such Member, Related Party or Participant was negligent or is settling a bona-fide dispute regarding negligence. A Member may not compel an adjustment from another Member in the absence of a bona-fide dispute regarding negligence. Members and Clearing Members shall document all adjustments. Members and Clearing Members shall make and retain a record which contains the date the adjustment was received, the name of the Member making the adjustment, the Account to which the adjustment was credited, the amount of the adjustment, the Order number and the reason for the adjustment. Such records must be provided to the Exchange upon request.

### **Rule 513. Orders of Other Clearing Members**

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

### **Rule 514. Discretionary Orders**

No Member, Related Party or Participant shall submit a discretionary Order to the Trading System for any Account of another Person, without the prior specific written consent of such other Person to the exercise of such discretion.

### **Rule 515. Errors and Omissions in Handling of Customer Orders**

- (a) A Member or Related Party who inadvertently, through error or omission, fails to execute an Order at the time it should have been executed may, upon discovery of such error or omission, execute such Order at the best obtainable price. Such Order shall be competitively executed and should be executed in the next available trading session for the applicable listed Contract, but in any event must be executed no later than the close of the next trading day and shall be reported to the Customer at the price at which the Order was actually executed. If such price is to the advantage of the Customer, the Customer shall receive the benefit thereof; if not, the Customer shall receive such monetary adjustment as will afford the Customer the equivalent of the price at which such Order should and could have been executed.
- (b) Any Clearing Member receiving such report and adjustment with respect to an Order of a Customer shall report to such Customer the execution at the price reported on the Exchange to

such Clearing Member and make the same monetary adjustment for the Account of such Customer. Full details of all Transactions consummated hereunder shall be promptly provided to the Exchange upon request.

## **Rule 516. Exchange Trading System Matching Algorithm**

The Exchange Central Limit Order Book ("CLOB") uses a Price/Time algorithm (also known as the First In, First Out or FIFO method). Under the Price/Time algorithm, Orders will be matched with the earliest bid or offer to arrive in the Trading System at the best price. If there are multiple bids and offers that have the same price, the earliest to arrive in the Trading System will be the bid or offer to which the Order is matched. If the Order exceeds the quantity of the bid or offer, the Participant will be filled at the next, best bid or offer for their Order.

- (a) Except as provided in, and in accordance with, Rule 517, all Transactions on the Exchange will be matched and executed through the operation of the CLOB.
- (b) Trading on the CLOB remains open throughout the Exchange trading day unless a market is paused or halted by the Exchange. Executable Orders shall be displayed separately in the Order Book.
- (c) The CLOB matches Orders using an automated matching algorithm. Bids and offers are matched on the basis of price/time priority; that is, an Order at a better price will always have priority over an Order at an inferior price and older Orders will have priority over newer Orders at the same price.
- (d) Trading on the CLOB begins at the opening time set by the Exchange.
- (e) A Trade is executed on the CLOB when the price of a bid (offer) equals or is greater (less) than the price of an offer (bid) for the same Contract and, if an option Order, the same strike price and option type.
- (f) Details of each Transaction executed on the CLOB or subject to Exchange Rules will be recorded by the Exchange, and confirmation of the Transaction will be displayed on the Trading System for each Member, Authorized Trader or Participant who is a party to the Transaction.
- (g) Failure of the Exchange to broadcast any message in respect of a Transaction on the Exchange or subject to the Rules shall not invalidate such Transaction.
- (h) In the event that the Trading System or any part of the Trading System fails, the Exchange's determination that a Transaction has or has not been made shall be conclusive and binding.

## **Rule 517. Priority of Execution**

Customer Orders received by a Member or Related Party shall be entered into the Trading System in the sequence received. Orders that cannot be immediately entered into the Trading System must be entered when the Orders become executable in the sequence in which the Orders were received.



## **Rule 518. Misuse of the Trading System**

Misuse of the Trading System is strictly prohibited. It shall be deemed an act detrimental to the welfare of the Exchange to engage in unauthorized use of the Trading System, to assist any Person in obtaining unauthorized access to the Trading System, to trade on the Trading System without authorization by the Exchange and an agreement and an established Account with a Clearing Member, to alter the equipment associated with the Trading System, to interfere with the operation of the Trading System, to intercept or interfere with information provided thereby, or in any way to use the Exchange in a manner contrary to the Rules.

## **Rule 519. Exchange Trading System Access Restrictions**

- (a) All Members, Related Parties or Participants permissioned to connect to the Trading System, including direct connections of Members or Direct Access Market Participants, to the extent permitted by the Exchange, must be guaranteed by a Clearing Member that assumes financial responsibility for all activity through the connection. With respect to Trades transferred to other Clearing Members, such guarantee is effective only until such time that the other Clearing Member accepts the Trade. A Trade transferred to another Clearing Member will be deemed to have been accepted by such Clearing Member if the trade is not rejected by the close of business on the next Business Day following the trade date. The acceptance of a Trade by a Clearing Member shall not relieve any Member, Related Party, Participant or Clearing Member of the duty to act in accordance with the Rules and Applicable Law.
- (b) Clearing Members shall assist the Exchange in any investigation into potential violations of the Exchange Rules or the CEA which occur through or with respect to a Trading System connection guaranteed by the Clearing Member. Such assistance must be timely and may include, but not be limited to, requiring any Member or Customer to produce documents, to answer questions from the Exchange, and/or to appear in connection with an investigation. Upon request by the Exchange, Clearing Members shall suspend or terminate a Member's or Customer's access if the Exchange determines that the actions of the Member or Customer threaten the integrity or liquidity of any Contract or violate any Exchange Rule or the CEA, or if the Customer fails to cooperate in an investigation.
- (c) If a Clearing Member has actual or constructive notice of a violation of Exchange Rules in connection with the use of the Trading System by a Member, Direct Access Market Participant, or Customer for which it has authorized a direct connection and the Clearing Member fails to terminate the connection, the Clearing Member may be found to have committed an act detrimental to the Exchange.

## **Rule 520. Identification of Authorized Traders and Related Parties**

Each Authorized Trader and Related Party shall be identified to the Exchange, in the manner prescribed by the Exchange, and shall be subject to Exchange Rules. If User IDs are required to be registered with the Exchange, it is the duty of the Clearing Member to ensure that registration is current and accurate at all times. Each natural Person must use a unique User ID to access the Trading System. In no event may

a Person enter an Order or permit the entry of an Order by an individual using a User ID other than the individual's own unique User ID.

## **Rule 521. Position Limits and Position Accountability Levels**

The Exchange shall designate for each contract applicable position limits and/or accountability levels. Such position limits or accountability levels may be specific to a particular contract or contract expiration. Position limits and position accountability levels will be closely monitored by the Exchange's Regulatory Department. The Exchange will publish position limits and position accountability levels on its website. For any contract that is subject to a position limitation established by the CFTC, pursuant to Section 4a(a) of the CEA, the Exchange shall set the position limitation of the Exchange at a level not higher than the position limitation established by the CFTC.

- (a) **Aggregation of Positions, Position Limits and Position Accountability Levels.** Position limits and accountability levels apply to all positions in accounts under common ownership (ownership interest of 10% or greater) or control. The provisions of this Rule shall apply to positions held by two or more Members or Participants acting pursuant to an expressed or implied agreement or understanding, shall be considered the same as if the positions were held by or the trading of the positions was controlled by a single Member or Participant.

Notwithstanding the provisions of this paragraph, any person that, by power of attorney or otherwise, holds or controls the trading of positions in more than one account or pool with substantially the exact same trading strategies, must aggregate all such positions with all other positions held and trading done by that Participant and the positions held in accounts which the Participant must aggregate in keeping with the provisions of this paragraph.

- (b) **Exemptions from Aggregation of Positions.** Any participant claiming an exemption from Exchange position limits under the provisions of CFTC Regulation 150.4(b)(1)(ii), (b)(2), (b)(3), (b)(4) or (b)(7) must file an aggregation exemption request with the Regulatory Department which sets forth:
  - (i) An identification of the aggregation exemption provision under Commission Regulation 150.4(b)(1)(ii), (b)(2), (b)(3), (b)(4) or (b)(7) pursuant to which disaggregation is requested, a description of the relevant circumstances that warrant disaggregation and any other information as may be required by the Exchange; and
  - (ii) A statement of a senior officer or representative of the Participant certifying that the conditions set forth in the applicable aggregation exemption provision have been met.

An aggregation exemption from Exchange position limits under the provisions of Commission Regulation 150.4(b)(1)(ii), (b)(2), (b)(3), (b)(4) or (b)(7) shall not become effective unless and until an Aggregation Exemption Request has been filed with and approved by the Exchange.

Upon request by the Exchange, any Participant seeking an aggregation exemption or has received an aggregation exemption shall provide any requested information to the Exchange in order to demonstrate that the Participant meets or continues to meet the requirements of the exemption.

In the event of a material change to the information provided in an Aggregation Exemption Request, an updated or amended Aggregation Exemption Request detailing the material change shall promptly be filed with the Exchange in a form and manner prescribed by the Exchange.

The Exchange, in its sole discretion, may determine not to grant or to amend, suspend, terminate or otherwise modify an aggregation exemption in the interest of market integrity.

- (c) “Accountability Level(s)” are position levels which, if exceeded, may trigger enhanced reporting obligations by the Member of the Exchange exceeding such levels.

Position accountability levels may be exceeded without an exemption and will not be deemed a per se violation of this paragraph. Market participants who hold a position in excess of an accountability level may be subject to a position accountability review and asked by the Regulatory Department to provide information regarding the trading strategy, hedging strategy and/or purpose underlying the position. In addition, Exchange rules provide that a market participant holding or controlling a position in excess of a position accountability level automatically consents to not increase further and to decrease such positions when so ordered by the Regulatory Department. Generally, a market participant will be contacted by the Regulatory Department to obtain information about the position before such instructions are issued.

- (d) “Position limit(s)” are position levels that may not be exceeded on an intraday or end-of-day basis unless an exemption has been obtained from Regulatory Department. If a position limit is exceeded without a valid exemption in place, such conduct shall be considered a violation of this Rule.

- (e) Exemptions from Position Limits. A person seeking an exemption from position limits must apply to the Regulatory Department for such an exemption on forms provided by the Exchange. In order to obtain an exemption from position limits, a person must:

- (i) If seeking a qualified bona fide hedge transaction, provide a written representation that such transaction or position satisfies the requirements of Commission Regulation 1.3(z), with a written description of how the transaction would satisfy the requirements of Commission Regulation 1.3(z);

- (ii) If seeking an exemption other than a bona-fide hedge, provide a written description of the exemption sought, including whether the exemption is for risk management positions and/or arbitrage/spread positions;
- (iii) Provide a complete and accurate written explanation of the underlying exposure related to the exemption request;
- (iv) Agree to promptly provide, upon request by the Regulatory Department, information or documentation regarding the participant's financial condition;
- (v) Agree to comply with all terms, conditions or limitations imposed by the Regulatory Department with respect to the exemption;
- (vi) Agree to initiate and liquidate positions in an orderly manner;
- (vii) Agree to promptly submit a supplemental written statement to the Regulatory Department whenever there is a material change to the information provided in the most recent application;
- (viii) Agree that the Regulatory Department may, at any time, modify or revoke the exemption;
- (ix) Provide a written representation that the bona fide hedge, risk management, arbitrage or spread transaction will not be used in an attempt to violate or avoid any Rule of the Exchange; and
- (x) Provide a written representation that such person has complied with all applicable Commission regulations relating to bona fide hedging, risk management, arbitrage or spread transactions.

A person intending to exceed position limits, including limits established pursuant to a previously approved exemption, must file the required application and receive approval from the Regulatory Department prior to exceeding such limits.

The Regulatory Department shall, on the basis of the application and any requested supplemental information, determine whether an exemption from position limits shall be granted. The Regulatory Department may approve, deny, condition or limit any exemption request based on factors deemed by the Department to be relevant, including, but not limited to, the applicant's business needs and financial status, as well as whether the positions can be established and liquidated in an orderly manner given characteristics of the market for which the exemption is sought.

Nothing in this rule shall in any way limit the authority of the Exchange to take emergency action; or the authority of the Regulatory Department to review at any time the positions owned or controlled by any person and to direct that such position be reduced to the position limit.

A person who has received written authorization from the Regulatory Department to exceed position limits must annually file an updated application not later than one year following the approval date of the most recent application. Failure to file an updated application will result in the expiration of the exemption.

- (f) Risk Management Positions. The Regulatory Department may grant exemptions from the position limits for risk management positions. For the purposes of this rule, risk management positions are defined as futures and options positions which are held by or on behalf of an entity or an affiliate of an entity which typically buys, sells or holds positions in the underlying cash market, a related cash market, or a related over-the-counter market and for which the underlying market has a high degree of demonstrated liquidity relative to the size of the positions and where there exist opportunities for arbitrage which provide a close linkage between the futures or options market and the underlying market in question.
- (g) Arbitrage and Spread Positions. The Regulatory Department may grant exemptions from the position limits for arbitrage, intra-commodity spread, inter-commodity spread, and eligible option/option or option/futures spread positions.
- (h) Position Limit Violations. No Person shall own or control, separately or in combination, a net long position or a net short position in a Contract in excess of any position limit established by the Exchange and as designated for a Contract. Any positions, including positions established intraday, in excess of those permitted under the rules of the Exchange, shall be deemed position limit violations.

If a position exceeds position limits as a result of an option assignment, the person who owns or controls such position shall be allowed one business day to liquidate the excess position without being considered in violation of the limits. Additionally, if, at the close of trading, a position that includes options exceeds position limits when evaluated using the delta factors as of that day's close of trading, but does not exceed the limits when evaluated using the previous day's delta factors, then the position shall not constitute a position limit violation.

A customer who exceeds the position limits 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 such positions are maintained. A clearing member carrying such positions shall not be in violation of this rule if, upon notification by the Regulatory Department, it liquidates its pro-rata share of the position in excess of the limits or otherwise ensures that its customer is in compliance with the limits within a reasonable period of time as determined by the Regulatory Department.

## **Rule 522. Position Limits, Accountability Levels, and Reporting Levels**

See Exchange website for current Position Accountability Limits and Reporting Levels.

## **Rule 523. Reports of Large Positions and Ownership and Control Reporting**

- (a) Large Trader Reporting
  - (i) Clearing and/or Corporate Members shall submit to the Exchange a daily report of all aggregate positions required to be reported as set forth in this Chapter. Large Trader reporting requirements will be posted to the Exchange website.
  - (ii) All Large Trader Reports, including intermediated trades, shall be submitted in a form acceptable to the Exchange. The Exchange may require that more than one (1) Large Trader Report be submitted daily. The Regulatory Oversight Committee or the Exchange may require reports from any Clearing and/or Corporate Members on a lesser number of positions than reflected in the Table in Rule 522.
- (b) Ownership and Control Reporting
  - (i) Clearing and/or Corporate Members must provide the Regulatory Department of the Exchange with the required CFTC Form 102A and/or Form 102B identifying the owner, any controlling parties and any additional required information for each reportable Account. A reportable Account for the purposes of this Rule is an Account at or above the Reportable Futures Level, as set forth in the Table referenced in Rule 522.
  - (ii) The applicable Form 102A and/or Form 102B must be submitted to the Regulatory Department no later than 9:00 am Eastern Time on the Business Day following the date on which the Account becomes reportable. Additionally, Clearing and/or Corporate Members must submit a revised form reflecting any material changes to the information previously provided to the Regulatory Department within three (3) Business Days of such changes becoming effective. In the absence of any material changes, the Exchange may require electronic submission of a new Form 102A and/or Form 102B on an annual basis for the maintenance of accurate records.

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

- (a) General Requirements:
  - (i) Each Member, Related Party or Participant entering Orders into the Trading System shall input for each Order the Exchange required fields for an Order to be accepted.
  - (ii) With respect to Orders received by an Authorized Trader that are capable of being immediately entered into the Trading System, no record other than that referred to in paragraph (a) of this Rule need be made. However, if an Authorized Trader receives an Order that cannot be immediately entered into the Trading System, the Authorized Trader

must prepare a written Order and include the Account designation, date, an electronic timestamp reflecting the time of receipt and other information required pursuant to paragraph (a)(i) of this Rule. The Order must be entered into the Trading System when it becomes executable.

- (b) Electronic Audit Trail Requirements for Electronic Order Routing/Front-End Systems.
  - (i) Clearing Members must guarantee any connection allowed for access by a Member, Related Party or Direct Access Participant to the Trading System and are responsible for maintaining or causing to be maintained the Order routing/front-end audit trail for all electronic Orders, including Order entry, modification, cancellation and responses to such messages (referred to as the “Electronic Audit Trail”), entered into the Trading System through any gateway to the Trading System for a period of five (5) years with two (2) years easily accessible.
  - (ii) The Electronic Audit Trail records must be maintained for a minimum of 5 years and Clearing, and/or Corporate Members must have the ability to produce this data in a standard format compliant with Applicable Law upon request of the Exchange. This Electronic Audit Trail must contain all Order receipt, Order entry, Order modification, and response/receipt times to the highest level of precision achievable by the operating system, but at least to the hundredth of a second. The times captured must not be able to be modified by the Person entering the Order as is required by Applicable Law for record retention. The data must also contain all FIX Tag information and fields which should include, but is not limited to the following: A record of all fields relating to Order entry, including Transaction date, product, Exchange code, expiration month, quantity, Order type, Order qualifier, price, buy/sell indicator, stop/trigger price, Order number, unique Transaction number, Account number, session ID, operator ID, host Order number, trader Order number, Clearing Member, type of action, action status code, Customer type indicator, origin, and timestamps. For executed Orders, the audit trail must record the execution time (including milliseconds) of the trade along with all fill information.
  - (iii) In the case where the guaranteeing Clearing Member has a Direct Market Access Participant that is another Clearing Member, the Clearing Member may notify the Customer Clearing Member in writing that it is their obligation to maintain the Electronic Audit Trail. It shall be the duty of the Customer Clearing Member to maintain an Electronic Audit Trail pursuant to this Rule.
- (c) Customer Type Indicator (CTI) Codes. Each Clearing Member must identify each Transaction executed on the Trading System on the record of Transactions submitted to the Exchange with the correct Customer type indicator (CTI) code. The CTI codes are as follows:
  - (i) CTI 1 - Transactions initiated and executed by an individual Member for his/her own Account, for an Account he/she controls or for an Account in which he/she has ownership or financial interest.

- (ii) CTI 2 - Transactions executed for the proprietary Account of a Clearing Member or non-clearing Member firm.
- (iii) CTI 3 - Transactions where an individual Member or Authorized Trader executes for the personal Account of another individual Member, for an Account the other individual Member controls or for an Account in which the other individual Member has ownership or financial interest.
- (iv) CTI 4 - Any Transaction that does not meet the definition of CTI 1,2 or 3. (These should be non-Member Customer Transactions.)

### **Rule 525. Trade Cancellations and Price Adjustments**

The Exchange, in its sole discretion, regardless of whether a request has been made, either cancel a transaction or adjust the execution price of a transaction. Any trade price adjustments or trade cancellations will be transparent to the market and subject to standards that are clear, fair, and publicly available.

See Rulebook Appendix A for the Exchange Error Trade Policy regarding trade cancellations and price adjustments.

### **Rule 526. Compliance with Commission Regulation 1.11: Risk Management Program for Futures Commission Merchants**

Any Member, Related Party or Participant that is subject to Commission Regulation 1.11, as amended, that violates Commission Regulation 1.11, shall be deemed to have violated this Rule.

### **Rule 527. Exchange Market Controls**

- (a) **Market Halt:** An Exchange Officer may, at their discretion and for the benefit of the Exchange's market health, pause or halt one or more markets as needed. In the event that the market is halted for trading, the Commission, if required, will be notified. Nothing in this Rule shall be construed to limit the ability of the Exchange to halt or suspend trading in any Contract pursuant to any other Exchange rule.
- (b) **Market Pauses:** To protect the integrity of the market the Exchange has the right to initiate a market pause.
- (c) The Exchange may, in its sole discretion, restrict electronic transmissions or submissions to the Trading System by Member, Related Parties or Participants of Orders, modifications or cancellations of Orders, trade reports, and other messages or vice versa to safeguard the



operations or integrity of the Exchange or to preserve market integrity, fair and orderly trading, or the public interest or for the protection of investors.

## **Rule 528. Direct Access**

- (a) In accordance with the Rules and any additional documentation the Exchange may require from time to time, a Clearing Member may provide direct trading access to the Exchange's Trading System to Direct Market Access Participant Customers authorized by the Clearing Member and approved by the Exchange. A Clearing Member may only provide direct trading access to Customer Accounts held by the Clearing Member, or a carrying futures broker maintaining an Account for its Customers on a fully disclosed or omnibus basis with the Clearing Member.
- (b) Clearing Members must provide the Exchange a written agreement assuming financial responsibility for all activity of the Clearing Member's Direct Market Access Participants and guaranteeing all Transactions made by the Direct Market Access Participant through the direct trading connection.
- (c) Clearing Members must ensure that all individuals accessing the Trading System through Clearing Member's Direct Market Access Participants are registered with the Exchange in the manner prescribed by the Exchange. If User IDs are required to be registered with the Exchange, it is the duty of the Clearing Member to ensure that registration is current and accurate at all times.
- (d) For each Direct Market Access Participant to which a Clearing Member has provided direct trading access, the Clearing Member shall:
  - (i) Take any and all actions requested or required by the Exchange with respect to such direct trading access, including assisting the Exchange in any investigation into potential violations of Exchange Rules or of the CEA, and requiring such Direct Market Access Participant to produce documents, provide information, answer questions and/or to appear in connection with any inquiry or investigation; and
  - (ii) Suspend or terminate access to the Exchange's Trading System if the Exchange determines that the actions of the Direct Market Access Participant threaten the integrity or liquidity of any Contract or violate Applicable Law or Exchange Rules.

## Chapter 6: Trading Business Conduct

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### Rule 601. Scope

This Chapter applies to all business conducted applicable to Exchange Trading, Order entry and Transactions effected on the Exchange.

### Rule 602. Adherence to Law

No Member, Related Party or Participant shall engage in conduct that is a violation of the Exchange Rules or Applicable Law.

### Rule 603. Rule Violations

- (a) It shall be an offense for a Member, Related Party or any Participant to violate any Exchange Rules regulating the conduct or business of the Exchange, or any agreement made with the Exchange, or to engage in fraud, dishonorable or dishonest conduct, or in conduct which is inconsistent with just and equitable principles of trade.
- (b) Members, Related Parties and Participants shall assist the Exchange in any investigation into potential Violations of the Exchange Rules or the CEA. Such assistance must be timely and may include, but not be limited to, producing documents, answering questions from the Exchange or its designee, and/or appearing in connection with an investigation.
- (c) If a Member has actual or constructive notice of a violation of the Exchange Rules in connection with the use of the Exchange by a Member, Related Party or Participant and the Member fails to take appropriate action, the Member may be found to have committed an act detrimental to the interest or welfare of the Exchange.

### Rule 604. Fraudulent Acts Prohibited

No Member, Related Party or Participant that directly or indirectly effects a Transaction on the Exchange shall engage in any fraudulent act or engage in any scheme to defraud, deceive, trick or mislead in connection with or related to the Exchange and/or DCO or other markets that may impact activity on the Exchange.

### Rule 605. Non-Competitive or Fictitious Transactions Prohibited

No Member, Related Party or Participant that directly or indirectly effects a Transaction on the Exchange shall create, place or accept fictitious Transactions, wash Transactions, or non- competitive Transactions except, in the case of non-competitive Transactions, as otherwise authorized by the Exchange Rules, or

execute any such Order with knowledge of its nature as a fictitious Transaction, wash Transaction, accommodation trade or non-competitive Transaction.

### **Rule 606. Manipulation Prohibited**

No Member, Related Party or Participant that directly or indirectly effects a Transaction on the Exchange shall attempt to manipulate the market in any Contract.

### **Rule 607. Disruptive Trading Practices Prohibited**

- (a) All orders must be entered for the purpose of executing bona fide Transactions. Additionally, all non-actionable messages must be entered in good faith for legitimate purposes.
  - (i) No Person shall enter or cause to be entered an Order with the intent, at the time of entry, to cancel the Order before execution or to modify the Order to avoid execution;
  - (ii) No Person shall enter or cause to be entered an actionable or non-actionable message or messages with the intent to mislead other market participants;
  - (iii) No Person shall enter or cause to be entered an actionable or non-actionable message or messages with the intent to overload, delay, or disrupt the Exchange Trading System or other market participants; and
  - (iv) No Person shall enter or cause to be entered an actionable or non-actionable message with the intent to disrupt, with reckless disregard for the adverse impact on, the orderly conduct of trading or the fair execution of Transactions.
  
- (b) In connection with the placement of any Order or execution of any Transaction, it shall be a Violation of the Rules for any Person to engage in any trading practice or conduct that constitutes disruptive trading practices prohibited by the act or by the Commission pursuant to Commission regulation, including, but is not limited to, engaging in conduct that:
  - (i) Violates bids or offers;
  - (ii) Demonstrates intentional or reckless disregard for the Orderly execution of Transactions during the opening or closing periods; or
  - (iii) Spoofing, bidding or offering with intent to cancel the bid or offer before execution.

### **Rule 608. Abusive Trading Practices Prohibited**

No Member, Related Party or Participant that directly or indirectly effects a Transaction on the Exchange shall engage in any abusive trading practices or trading practices that the Exchange deems to be abusive,

manipulative, disruptive or prohibited by CFTC Regulation 38.152, including, but not limited to the following types of Transactions as defined by CFTC Regulations:

- (a) Wash Trading: entering into, or purporting to enter into, Transactions to give the appearance that purchases and sales have been made when such Transactions were entered, without incurring market risk or changing the trader's market position. No Member, Related Party or Participant shall place or accept buy and sell Orders in the same product and expiration month, and, for a put or call Option, the same strike price, where the Person knows or reasonably should know that the purpose of the Orders is to avoid taking a bona fide market position exposed to market risk (Transactions commonly known, or referred to, as wash sales). Buy and sell Orders for different accounts with common beneficial ownership that are entered with the intent to negate market risk or price competition shall also be deemed to violate the prohibition on wash trades. Additionally, no Person shall knowingly execute or accommodate the execution of such Orders by direct or indirect means.
- (b) Pre-arranged Trading (except as otherwise permitted under the Rules): trading between authorized traders in accordance with an expressed or implied agreement or understanding in a form that is not permitted within the Commodity Exchange Act, CFTC Regulations or the Exchange Rules. No Member, Related Party or Participant shall prearrange or pre-negotiate any purchase or sale or noncompetitively execute any Transaction.
- (c) Money Pass: non-competitive trading between authorized traders where a profit is passed from one trader to the other.
- (d) Spoofing: bidding or offering with intent to cancel the bid or offer before execution.
- (e) Trading Ahead of Customer Orders: taking a Futures or Futures Options position based upon non-public information regarding an impending Transaction by another Person in the same or related Exchange Contract.
- (f) Trading Against Customer Orders: directly or indirectly taking the opposite side of a Customer's Order into the Party's own Account or into an Account in which the Party has an interest, without open and competitive execution of the Order on the Exchange.
- (g) Improper Cross Trading: offsetting or noncompetitive match of the buy Order of one Customer or Account and the sell Order of another, a practice that is permissible only when executed in accordance with the Commodity Exchange Act, CFTC Regulations or Exchange Rules.
- (h) Accommodation Trading: non-competitive trading entered into by a Party, usually to assist another with illegal trade.
- (i) Front-Running: taking a Futures or Option position based upon non-public information regarding an impending Transaction by another Person in the same or related Future or Option.

### **Rule 609. Prohibition of Misstatements**

No Member, Related Party or Participant shall knowingly make misstatements of material fact to the Exchange, any Exchange Authorized Representative or official, any Board Committee or the Exchange Committee or Panel, or the Regulatory Service Provider, the CFTC, the SEC or other Government Agency.

### **Rule 610. Acts Detrimental to the Welfare of the Exchange Prohibited**

No Member, Related Party or Participant shall engage in any act that is detrimental to the Exchange.

### **Rule 611. Priority of Customer Orders**

No Member, Related Party or Participant shall knowingly enter an Order into the Exchange for its own Account, an Account in which it has a direct or indirect financial interest or an Account over which it has discretionary trading authority, including, without limitation, an Order allowing discretion as to time and price when such Person is in possession of any competing Order for another Person that the Exchange is capable of accepting.

### **Rule 612. Simultaneous Buy and Sell Orders for Different Beneficial Owners**

On the Exchange's Trading System, opposite Orders for different beneficial owners that are simultaneously placed by a Member, Related Party or Participant with discretion over both accounts may be entered into the Trading System, provided that one Order is exposed for a minimum of five (5) seconds in the case of Futures Orders. An Order allowing for price and/or time discretion, if not entered immediately upon receipt, may be knowingly entered opposite another Order entered by the same firm only if this other Order has been entered immediately upon receipt and has been exposed on the Trading System for a minimum of five (5) seconds for Futures Orders.

## Chapter 7: Discipline and Enforcement

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### Rule 701. General

- (a) Jurisdiction
- (i) The Exchange, acting through its Regulatory Service Provider (“RSP”), Regulatory Department and Disciplinary Panels, shall have the authority to initiate and conduct investigations and enforce Violations committed by any Member, Related Party or Participant that directly or indirectly effects a Transaction on the Exchange and to impose sanctions for such Violations as provided in the Rules.
  - (ii) Each Member, upon becoming a Member, shall file with the Exchange an address where notices may be served (“service address”). If a Member fails to designate a service address, Member consents to the Exchange using the Member’s physical address as the service address. Delivery thereof shall be deemed to have occurred as of the date of such mailing.
  - (iii) Upon becoming a Member and thereafter, the Member will, prior to any change of service, physical, or mailing address, file with the Exchange a notice, written or electronically through the Exchange’s website or as deemed acceptable by the Exchange, designating an address for receiving service of documents. The service, physical, and mailing address for service of documents is in addition to the Member’s obligation to maintain an updated email address with the Exchange at all times which is the default communication method.
  - (iv) The provisions of Chapter 7 shall not apply to or limit the authority of the Exchange to limit Trading Privileges or take other actions under Chapter 3 Rules or to take Emergency Actions.
  - (v) No Exchange Official, Director, or Officer will interfere with or attempt to influence the process or resolution of any inquiry, investigation, disciplinary proceeding, appeal of a disciplinary proceeding, summary imposition of fines, summary suspension or other summary action except to the extent provided under Exchange Rules with respect to a proceeding in which the Director, Exchange Official or Officer is a member of the relevant Appeal Panel or Compliance Staff.
  - (vi) Any Member, Related Party or Participant may be represented by counsel during any Disciplinary Action pursuant to this Chapter 7.
- (b) Participant Liability - Individual and Joint Liability/Controlling Person Liability

- (i) The Exchange may hold a Member or Participant liable for, and impose sanctions against such Member or Participant, for such Member or Participant's own acts and omissions that constitute a violation as well as for the acts and omissions of each: (A) Authorized Trader authorized by such Member; (B) other Related Party of such Member; (C) other Person using a User ID of such Participant; or (D) other agent or representative of such Member, in each case, that constitute a violation as if such violation were that of the Member or Participant.
  - (ii) The Exchange may hold an Authorized Trader liable for and impose sanctions against such Authorized Trader, for such Authorized Trader's own acts and omissions that constitute a violation as well as or for the acts and omissions of any other agent or representative of such Authorized Trader that constitute a violation as if such violation were that of the Authorized Trader.
- (c) Ex Parte Communications.
- (i) A Member, Related Party or Participant subject to a disciplinary proceeding or an appeal from a disciplinary proceeding (and any counsel or representative of such Member, Related Party or Participant) and the Regulatory Department (and any counsel or representative of the Regulatory Department) shall not knowingly make or cause to be made an ex parte communication relevant to the merits of a disciplinary proceeding or an appeal from a disciplinary proceeding to any member of the Disciplinary Panel or the Appeal Panel hearing such proceeding.
  - (ii) Members of a Disciplinary Panel or Appeal Panel shall not knowingly make or cause to be made an ex parte communication relevant to the merits of a disciplinary proceeding or an appeal from a disciplinary proceeding to any Member subject to such proceeding (and any counsel or representative of such Member, Related Party or Participant) and the Regulatory Department (and any counsel or representative of the Regulatory Department).
  - (iii) Any Member, Related Party or Participant who receives, makes or learns of any communication that is prohibited by this Rule shall promptly give notice of such communication and any response thereto to the Regulatory Department and all parties to the proceeding to which the communication relates.
  - (iv) A Member, Related Party or Participant shall not be deemed to have violated this Rule if the Member, Related Party or Participant refuses an attempted communication concerning the merits of a proceeding as soon as it becomes apparent the communication concerns the merits.

## Rule 702. Investigations

- (a) The Regulatory Department will investigate any matter within the Exchange's jurisdiction of which it becomes aware. The Exchange 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 Regulatory Department indicates a possible basis for finding that a violation has occurred or will occur. The Regulatory Department will determine the nature and scope of its inquiries and investigations and will function independently of any commercial interests of the Exchange.
- (b) It shall be the duty of the CRO and the Exchange Regulatory Department personnel under the direction of the CRO to enforce the Rules. The Regulatory Department shall have the authority to inspect the books and records of all Members and Participants that directly or indirectly effect a Transaction on the Exchange and to require such persons to appear before it to answer questions regarding possible Violations.
- (c) The Regulatory Department may delegate its authority under these Rules to initiate and conduct investigations and prosecute Violations to the Regulatory Services Provider.
- (d) No member of the Regulatory Department shall be a Member, Related Party or Participant or operate under the direction or control of any Member, Related Party or Participant with Trading Privileges.
- (e) The Regulatory Department has the authority to:
  - (i) initiate and conduct inquiries and investigations;
  - (ii) prepare investigation reports and make recommendations to the CRO concerning initiating disciplinary proceedings;
  - (iii) determine whether a reasonable basis exists for finding a Violation, and for authorizing the issuance of Notices of Charges against Respondents alleged to have committed Violations if the CRO believes the matter should be adjudicated;
  - (iv) prosecute alleged Violations within Exchange disciplinary jurisdiction; and
  - (v) represent the Exchange on appeal from any disciplinary proceeding, summary imposition of fines, summary suspension or summary action.
- (f) Each Member, Related Party or Participant:
  - (i) is obligated to appear and testify and respond in writing to interrogatories within the time period required by the Regulatory Department in connection with:



- (A) any Exchange Rule;
  - (B) any inquiry or investigation; or
  - (C) any preparation by and presentation during a Disciplinary Action.
- (ii) obligated to produce books, records, papers, documents or other tangible evidence in its, his or her possession, custody or control within the time period requested by the Regulatory Department in connection with:
  - (A) any Exchange Rule;
  - (B) any inquiry or investigation; or
  - (C) any preparation by and presentation during a Disciplinary Action; and
- (iii) may not impede or delay any Disciplinary Action.
- (g) The CRO, upon a good faith determination that there is a substantial reason to believe that such immediate action is necessary to protect the best interests of the Exchange, may order that any Member, Related Party or Participant be denied access to the Exchange for a period not to exceed sixty (60) Business Days. Notice shall promptly be given to the Member, Related Party or Participant subject to the access denial. Such notice shall state the reasons for the denial, the effective date, time and the duration of the denial and advise the Member, Related Party or Participant of their right to an expedited hearing before the Disciplinary Panel by filing a request with the CRO within ten (10) Business Days after receiving the notice. The Exchange shall immediately notify the CFTC of any denial of access under this Rule 702(g) in accordance with the requirements of CFTC Regulation 9.12(b).

### **Rule 703. Reports of Investigations**

- (a) The Regulatory Department will maintain a log of all investigations and their disposition. The Regulatory Department will prepare a written report of each investigation, regardless of whether the evidence gathered during any inquiry or investigation forms a reasonable basis to believe that a violation within the Exchanges' jurisdiction has occurred or is about to occur or whether the evidence gathered results in closing the matter without further action or through summary action.
- (b) Any written report of investigation ("Investigation Report") will include the reasons for initiating the investigation (including a summary of the complaint, if any), all relevant facts and evidence gathered, Regulatory Department staff's analysis and conclusions, the Member's disciplinary history at the Exchange, and the recommendation of the Regulatory Department. For each potential Respondent, the Regulatory Department will recommend either:

- (i) closing the investigation without further action;
  - (ii) settlement;
  - (iii) summary action;
  - (iv) the preparation and service of a Notice of Charges for instituting a disciplinary proceeding; or
  - (v) 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 investigation 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 Member, Related Party or Participant during a rolling twelve (12) month period.
- (c) The Investigation Report will be provided to the CRO for a determination as to whether the Investigation Report is complete. The CRO will then provide the completed Investigation Report to the Review Panel of the Disciplinary Panel.

#### **Rule 704. Review of Investigation Reports**

- (a) Review of Investigation Reports by the CRO
  - (i) Within sixty (60) Business Days of the receipt of a completed Investigation Report, the CRO will review the completed Investigation Report to determine whether a reasonable basis exists to believe that a violation within the Exchange's jurisdiction has occurred or is about to occur.
  - (ii) If the CRO determines that additional investigation or evidence is needed to decide whether a reasonable basis exists to believe that a violation within the Exchange's jurisdiction has occurred or is about to occur, the CRO will direct the Regulatory Department to conduct further investigation.
  - (iii) Upon receiving the completed Investigation Report or after receiving additional information upon the completion of an investigation, the CRO will determine for each potential Respondent whether to authorize:
    - (A) the informal disposition of the investigation (by issuing a Warning Letter or otherwise) because disciplinary proceedings are unwarranted in which case the CRO shall provide a written explanation to the Regulatory Services Provider;

- (B) the closing of the investigation without any action because no reasonable basis exists to believe that a violation within the Exchange's jurisdiction has occurred or is about to occur in which case the CRO shall provide a written explanation to the Regulatory Services Provider; or
  - (C) the commencement of disciplinary proceedings because a reasonable basis exists to believe that a violation within the Exchange's jurisdiction has occurred or is about to occur.
- (b) Review of Investigation Reports by the Review Panel of the Disciplinary Panel.
  - (i) After receiving a completed Investigation Report pursuant to this Rule, a Review Panel must promptly review the report and, within thirty (30) Business Days of such receipt, must take one of the following actions:
    - (A) If the Review Panel determines that additional investigation or evidence is needed, it must promptly direct the Regulatory Department to conduct further investigation;
    - (B) If the Review Panel determines that no reasonable basis exists for finding a violation or that prosecution is otherwise unwarranted, it may direct that no further action be taken. Such determination must be in writing and must include a written statement setting forth the facts and analysis supporting the decision and the CRO shall provide the written statement to the Regulatory Services Provider; or
    - (C) If the Review Panel determines that a reasonable basis exists for finding a violation and adjudication is warranted, it must direct that the Person or entity alleged to have committed the violation be served with a Notice of Charges and proceed in accordance with the Rules of Chapter 7.
  - (ii) A failure of the Disciplinary Panel to act within the time prescribed in this Chapter shall not prevent the CRO from acting pursuant to their duties hereunder. The CRO shall inform the Regulatory Oversight Committee of any such failure of the Disciplinary Panel to act.
  - (iii) Any conflict between the actions of the CRO pursuant to this Chapter and the Disciplinary Panel shall be resolved by the Regulatory Oversight Committee.

## **Rule 705. Notice of Charges**

- (a) If the CRO determines that a matter should be adjudicated in a formal hearing before a Disciplinary Panel, the Regulatory Department shall serve a Notice of Charges on the Respondent(s).
- (b) Such Notice of Charges shall:
  - (i) State the acts, practices or conduct that the Respondent is alleged to have engaged in;
  - (ii) State the Rule or provision of Applicable Law alleged to have been violated or about to be violated;
  - (iii) State the proposed sanctions;
  - (iv) Advise the Respondent(s) has a right to a hearing;
  - (v) Advise the Respondent(s) has the right to be represented by counsel or any other representative of its choosing in all succeeding stages of the disciplinary process except by any member of the Board or disciplinary panel, any employee of the Exchange, or any Person substantially related to the underlying investigations, such as a material witness or Respondent;
  - (vi) State the period of time within which the Respondent can request a hearing on the Notice of Charges will not be less than twenty (20) Business Days after service of the Notice of Charges;
  - (vii) Advise the Respondent(s) 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;
  - (viii) Advise the Respondent(s) that the failure of the Respondent to file an Answer within twenty (20) Business Days after service of the Notice of Charges will be deemed an admission of all of the allegations in the Notice of Charges; and
  - (ix) Advise the Respondent(s) that any allegation in the Notice of Charges that is not expressly denied will be deemed to be admitted.

## **Rule 706. Opportunity to Respond**

- (a) After completing its investigation report, the Regulatory Department may, upon approval of the CRO, notify each potential Respondent that the Regulatory Department has recommended formal disciplinary charges against the potential respondent.

- (b) The Regulatory Department may allow a potential Respondent to propose a settlement of the matter or to submit a written statement explaining why a disciplinary proceeding should not be instituted or one or more of the potential charges should not be brought. The potential Respondent shall submit such written statement within the time limit established by the Regulatory Department.

### **Rule 707. Service of Notice of Charges**

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

### **Rule 708. Answer to Notice of Charges; Reply**

- (a) The Respondent shall serve the Regulatory Department a written answer (“Answer”) to the Notice of Charges and/or a written request for a hearing on the charges within twenty (20) Business Days of the date of service of the Notice of Charges.
- (b) An Answer shall be signed by the Respondent, or its representative, and contain a statement specifying the allegations that the Respondent:
  - (i) denies or admits; or
  - (ii) does not have sufficient information to either deny or admit.
  - (iii) if denied, specify any specific facts that contradict the Notice of Charges;
  - (iv) if denied, specify any affirmative defenses to the Notice of Charges; and
  - (v) sign and serve the answer to the CRO.
- (c) Any failure by the Respondent to timely serve an Answer to a Notice of Charges will be deemed to be an admission to the allegations in such Notice of Charges. Any failure by the Respondent to Answer one or more allegations in a Notice of Charges will be deemed to be an admission of that

allegation or those allegations. Any allegation in a Notice of Charges that the Respondent fails to expressly deny will be deemed to be admitted. A general denial by the Respondent, without more, will not satisfy the requirements of paragraph (b) of this Rule.

- (d) The Regulatory Department may serve to the Respondent a reply to the Answer (“Reply”) within ten (10) Business Days of the date of service of the Answer. The Reply must be limited to the matters set forth in the Answer.

## **Rule 709. Disciplinary Panel**

- (a) The Disciplinary Panel shall function as a Review Panel and Hearing Panel. The Panels are put into place to minimize conflicts of interest.
  - (i) The Review Panel shall review completed Investigation Reports in order to determine whether a reasonable basis exists for finding a violation of the Exchange Rules and for authorizing the issuance of Notices of Charges against persons.
  - (ii) The Hearing Panel shall conduct hearings in connection with any disciplinary proceedings (except for summary impositions of fines pursuant to Rule 717), to make findings, render decisions, and impose sanctions pursuant to this Chapter 7.
  - (iii) The individuals on the Review Panel who determine that a violation has occurred shall not be the same individuals on the Hearing Panel who will adjudicate the matter.
- (b) The CRO shall appoint the members of the Disciplinary Panel in consultation with the Board. The CRO or the Board may remove a member of a Disciplinary Panel for cause.
- (c) The Disciplinary Panel will consist of three or five panelists. At least one member of any Disciplinary Panel must be someone who qualifies as a Public Person who is not an Exchange Member or Participant.
- (d) Disciplinary Panels shall not include any members of the Exchange’s Regulatory Department or any Person involved in adjudicating any other stage of the same proceeding.
- (e) Disciplinary Panels must meet any applicable composition requirements under CFTC Regulations, Appendix B to Part 38, Acceptable Practices to Core Principle 16, Section (b)(4) Disciplinary Panels.
- (f) The Disciplinary Panel shall conduct hearings in connection with any disciplinary proceedings, to make findings, render decisions, and impose sanctions (other than summary fines under Rule 717) pursuant to this Chapter 7.
- (g) No Person shall serve on a Disciplinary Panel unless that Person has agreed in writing that he or she will not publish, divulge, or make known in any manner, any facts or information regarding

the business of any Person or any other information which may come to his attention in his official capacity as a member of the Disciplinary Panel, except when reporting to the Board or to a Committee concerned with such information or to the Regulatory Department, when requested by the CFTC or other governmental agency or when compelled to testify in any judicial or administrative proceeding.

- (h) All information, records, materials and documents provided to the Disciplinary Panel and all deliberations, testimony, information, records, materials and documents related thereto shall be treated as non-public and confidential and shall not be disclosed, except as necessary to further an Exchange investigation or as required by State or Federal Law.
- (i) No member of the Disciplinary Panel shall have a financial, personal, or other direct interest in the matter under consideration.

## **Rule 710. Settlement**

- (a) A Respondent may at any time propose to the Disciplinary Panel in writing by submitting an Offer of Settlement related to any anticipated or instituted disciplinary proceedings.
- (b) Any Offer of Settlement must contain proposed findings and sanctions and be authorized and signed by the Respondent and submitted to the Disciplinary Panel presiding over the matter ("Offer of Settlement").
- (c) A Respondent may offer to settle disciplinary proceedings without admitting or denying the findings contained in the order of the disciplinary proceedings but must accept the jurisdiction of the Exchange over the Respondent(s) and over the subject matter of the proceedings and consent to the entry of the findings and sanctions imposed.
- (d) If a Respondent submits an Offer of Settlement in accordance with paragraph (a) of this Rule, the relevant Disciplinary Panel will forward the Offer of Settlement to the CRO. Any preliminary determination by the CRO to accept the Offer of Settlement shall be submitted for review to the Disciplinary Panel. If the Disciplinary Panel agrees to accept the Offer of Settlement, then the CRO shall conditionally accept an Offer of Settlement, and the Settlement will become final upon the expiration of twenty (20) Business Days after an order of the disciplinary proceedings consistent with the terms of the Offer of Settlement is served on the Respondent.
- (e) If an Offer of Settlement is accepted by the Disciplinary Panel and the Respondent, the Disciplinary Panel accepting the Offer of Settlement must issue a written decision specifying the Violations it has reason to believe were committed, including the basis or reasons for the Disciplinary 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.

- (f) If an Offer of Settlement is accepted by the Disciplinary Panel and the related order of disciplinary proceedings becomes final, the Respondent's submission of the Offer of Settlement will be deemed to constitute a waiver of the right to notice, opportunity for a hearing and further review under the Rules.
- (g) If the Offer of Settlement of a Respondent is not accepted by the Disciplinary Panel, fails to become final or is withdrawn by the Respondent prior to the Disciplinary Panel's decision, the matter will proceed as if the Offer of Settlement had not been made and the Offer of Settlement and all documents relating to it will not become part of the record. Neither a Respondent nor the relevant Disciplinary Panel may use an unaccepted Offer of Settlement as an admission or in any other manner at a hearing of disciplinary proceedings. If the Offer of Settlement is rejected by the Disciplinary Panel, the rationale for the rejection will be documented.

### **Rule 711. Hearing (Disciplinary Procedures and Sanctions)**

- (a) A hearing will be conducted before members of the Disciplinary Panel.
- (b) A hearing will be conducted privately and confidentially.
- (c) Following receipt of an Answer from a Respondent, or failure of a Respondent to provide an Answer, the Disciplinary Panel will promptly convene a hearing to conduct the disciplinary proceedings with respect to such Respondent. Parties to a disciplinary proceeding include each Respondent and the Regulatory Department.
- (d) The Chair of the Disciplinary Panel may continue, adjourn or otherwise conduct the hearing, as he or she may deem appropriate. The Chair of the Disciplinary Panel will determine all procedural and evidentiary matters and will not be bound by any evidentiary or procedural rules or law. Once admitted during the hearing, the Disciplinary Panel may consider, and attach the weight it believes appropriate to, evidence or other materials.

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

- (a) Prior to the commencement of a Hearing, each Respondent will be given the opportunity to review all books, records, documents, papers, transcripts of testimony and other evidence in the possession or under the control of the Exchange that the Regulatory Department will use to support the allegations and proposed sanctions in the Notice of Charges or which the Chair of the Disciplinary Panel deems relevant to the disciplinary proceedings. Notwithstanding the foregoing, no Respondent will have the right to review, and the Exchange will have no obligation to disclose, any information protected by attorney-client privilege.
- (b) If any books, records, documents, papers, transcripts of testimony, or other evidence contain information that could adversely affect the competitive position of the Person providing the information or if such information might compromise other investigations being conducted by the



Regulatory Department, the Regulatory Department may redact, edit or code such information before furnishing it to the Respondent.

- (c) Notwithstanding anything in paragraph (b) of this Rule to the contrary, the Regulatory Department:
  - (i) will not redact, edit or code competitive or investigative information contained in documents in a manner that would impair the Respondent's ability to defend against the allegations or proposed sanctions in the Notices of Charges, and
  - (ii) will provide the Respondent with access to the information and portions of the documents that the Regulatory Department intends to rely on to support the allegations or proposed sanctions in the Notice of Charges.
- (d) For purposes of this Rule, information that could adversely affect competitive positions include positions in contracts currently held, trading strategies employed in establishing or liquidating positions, the identity of any Member or Authorized Trader and the personal finances of the Respondent or Person providing the information.

### **Rule 713. Conducting Hearings**

- (a) At a Hearing conducted in connection with any disciplinary proceedings, the Regulatory Department will present its case supporting the allegations and proposed sanctions in the Notice of Charges to the Disciplinary Panel.
- (b) At a Hearing conducted in connection with any disciplinary proceedings, the Disciplinary Panel or the Regulatory Department and each Respondent:
  - (i) is entitled to appear personally at the hearing;
  - (ii) may present evidence and facts determined relevant and admissible by the Chair of the Disciplinary Panel;
  - (iii) may call and examine witnesses; and
  - (iv) may cross-examine witnesses called by other parties.
- (c) Any Person entitled, or required or called upon, to attend a Hearing before a Disciplinary Panel pursuant to paragraph (b) of this Rule will be given reasonable notice, confirmed in writing, specifying the date, time and place of the Hearing, and the caption of the disciplinary proceedings. All Members, Related Parties or Participants that directly or indirectly effects a Transaction on the Exchange that are called as witnesses are required to appear at the Hearing and, where applicable,

produce evidence. The Exchange will make reasonable efforts to secure the presence of all other Persons called as witnesses whose testimony would be relevant.

- (d) The Disciplinary Panel may summarily impose sanctions on any Member, Related Party or Participant that impedes or delays the progress of a hearing.
- (e) If the Respondent has requested a hearing, a copy of the hearing shall be made and shall become a part of the record of the proceeding. The record of the hearing shall not be required to be transcribed unless: the transcript is requested by Commission staff or the Respondent, the decision is appealed pursuant to the Rules, or the decision is reviewed by the Commission pursuant to Section 8c of the CEA or 17 C.F.R. Part 9. If a transcript is requested by the Respondent, the Respondent will be solely responsible for the cost of producing the transcript. In all other instances, a summary record of a hearing is permitted.
- (f) The Exchange will arrange for any hearing conducted in connection with disciplinary proceedings to be recorded verbatim, or substantially verbatim, in a manner capable of accurate transcription. If the Respondent requests a copy of all or portions of the recording of a hearing, the Chair of the hearing panel may within his or her sole discretion require the Respondent to pay the costs for transcribing the recording of the Hearing.
- (g) No interlocutory appeals of rulings of any Hearing Panel or Chair of the Hearing Panel are permitted.
- (h) The Hearing will be fair and will be conducted before members of the Disciplinary Panel. This Hearing will occur promptly after reasonable notice to the Respondent.

#### **Rule 714. Decision of Disciplinary Panel**

- (a) As promptly as is reasonable following a hearing, the Disciplinary Panel will issue a written order rendering its decision based on the weight of the evidence contained in the record of the disciplinary proceedings. A decision by a majority of the Disciplinary Panel will constitute the decision of the Disciplinary Panel.
- (b) The Exchange will serve a copy of the order of the disciplinary proceedings to the Respondent and the Regulatory Department. The order will include:
  - (i) the Notice of Charges or summary of the allegations;
  - (ii) the Answer, if any, or a summary of the Answer;
  - (iii) a summary of the evidence introduced at the hearing or, where appropriate, incorporation by reference of the investigation report;

- (iv) findings of fact and conclusions concerning each allegation, including a complete explanation of the evidentiary and other basis for such findings and conclusions with respect to each allegation;
  - (v) each specific Rule and/or provision of Applicable Law that the Respondent is found to have violated;
  - (vi) the sanctions, if any, imposed including the basis for such sanctions and the effective date of each sanction; and
  - (vii) the availability to the Respondent under CFTC Regulation 9.11(b)(6) of review of any disciplinary action or denial of access.
- (c) The order of the disciplinary proceedings will become final upon the expiration of twenty (20) Business Days after the order is served on the Respondent and provided to the Regulatory Department.
- (d) The Rules do not permit any appeal of a determination by the Disciplinary Panel. Disciplinary actions and denials of access to the Trading System are subject to review by the CFTC in accordance with 17 C.F.R. Part 9.

## **Rule 715. Sanctions**

- (a) If the Disciplinary Panel determines that a Respondent has committed a Violation for which the Exchange has jurisdiction, the Disciplinary Panel may impose one or more of the following sanctions or remedies:
- (i) censure or reprimand;
  - (ii) restriction, suspension or termination of Trading Privileges;
  - (iii) a Warning Letter, subject to the limitations in the applicable CFTC Regulations;
  - (iv) a cease and desist order;
  - (v) a fine;
  - (vi) restitution or disgorgement; or
  - (vii) any other sanction or remedy determined to be appropriate under the circumstances.

- (b) The Exchange may impose a fine of up to \$1,000,000 for each Violation not including any disgorgement amount levied, together with interest reasonably determined by the Exchange for the period from date such fine is imposed to the date of payment. Each Member shall be responsible for paying any fine or other amount imposed on, but not paid by, any of its Related Parties or Participants.
- (c) All disciplinary sanctions, including sanctions imposed pursuant to an accepted Offer of Settlement, shall take into account the Respondent's disciplinary history. Sanctions shall be commensurate with the violations committed and sufficient to deter recidivism or similar violations by any other Member, Related Party or Participant that directly or indirectly violates an Exchange Rule.
- (d) In the event of a Violation resulting in demonstrated harm, sanctions shall include full Customer restitution, except where the amount of the restitution or to whom it should be provided cannot be reasonably determined.

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

- (a) A Respondent found by the Disciplinary Panel to have violated (or, in the case of a Member whose Authorized Trader or other Person using its User ID was found to have violated) a Rule of the Exchange or a provision of Applicable Law or who is subject to any summary fine imposed pursuant to Rule 717 or any summary action imposed pursuant to Rule 718 may appeal the decision within twenty (20) Business Days of receiving the order of the disciplinary proceedings or the Notice of Summary Action, as the case may be, by filing a Notice of Appeal with the CRO. While an Appeal is pending, the effect of the order of disciplinary proceedings or the summary action (including any sanctions, remedies or costs imposed thereby) shall be suspended, except as provided in Rule 702(g) with respect to any denial or limit on Trading Privileges or ability to otherwise access the Trading System.
- (b) The notice of appeal must state in writing the grounds for appeal, including the findings of fact, conclusions or sanctions to which the Respondent objects. A Respondent may appeal the order of disciplinary proceedings or any summary decision on the grounds that:
  - (i) the order or decision was arbitrary, capricious, an abuse of discretion, or not in accordance with the Rules;
  - (ii) the order or decision exceeded the authority or jurisdiction of the Disciplinary Panel, the CRO or the Exchange;
  - (iii) the order or decision was unsupported by the facts or evidence; or
  - (iv) the imposed sanctions, remedies or costs are inappropriate or unsupported by the record.

- (c) The CRO 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 Respondent. On or before the 20th Business Day after filing a notice of appeal, the Respondent must file with the CRO and serve to the Regulatory Department a brief supporting the notice of appeal and documents supporting the brief.
- (d) In connection with any appeal, the Regulatory Department will furnish to the CRO and to the Respondent any transcript of the hearing, any exhibits introduced at the hearing, the notice of appeal and briefs filed to support and oppose the appeal.
- (e) Within thirty (30) Business Days after the last submission filed pursuant to paragraph (c) of this Rule, the Board will appoint an Appeal Panel to consider and determine the appeal. The Board shall appoint individuals at the recommendation of the CRO to serve on the Appeal Panel for a term of one year, subject to reappointment by the Board, as potential participants on Appeal Panels. The CRO's recommendation shall include Public Individuals. The term of an individual that has been selected as a member of an Appeal Panel will not expire until the related proceedings are completed. Individuals are prohibited from participating as a member of an Appeal Panel if such individual participated on a prior Disciplinary Panel or Appeal Panel proceeding in the same matter. The Exchange staff and Regulatory Services Provider staff are prohibited from serving on an Appeal Panel.
- (f) The Chair of the Appeal Panel shall be a Public Individual, meaning an individual that satisfies the conditions of a Public Director.
- (g) Within ten (10) Business Days of being notified of the appointment of the Appeal Panel, a Respondent may seek to disqualify any individual named to the Appeal Panel for the reasons identified in Rule 210 or for any other reasonable grounds, including, but not limited that such individual participated on a prior Disciplinary Panel or Appeal Panel proceeding in the same matter, by serving written notice on the CRO. By not timely filing a request for disqualification, the Respondent will be deemed to have waived any objection to the composition of an Appeal Panel. The Exchange will decide the merits of any request for disqualification.
- (h) The Appeal Panel will hold a Hearing to allow parties to present oral arguments. Any Hearing will be conducted privately and confidentially. In determining procedural and evidentiary matters, the Appeal Panel will not be bound by evidentiary or procedural rules or law.
- (i) The Appeal Panel will only consider on appeal the record before the Disciplinary Panel or, in the case of a summary action, the record considered by the CRO, the notice of appeal, the briefs filed in support and opposition of the appeal, and any oral arguments of the parties. The Appeal Panel may only consider new evidence when the Appeal Panel determines that good cause exists as to why the evidence was not introduced during the disciplinary proceeding or when imposing the summary action.

- (j) After completing its review, the Appeal Panel may affirm, modify or reverse any order of the disciplinary proceedings or summary action under appeal, in whole or in part, including increasing, decreasing or eliminating any sanction or remedy imposed, imposing any other sanction or remedy authorized by the Rules, remanding the matter to the same or a different Disciplinary Panel for further disciplinary proceedings, or ordering a new Hearing.
- (k) As promptly as reasonably possible following its review, the Appeal Panel will issue a written decision based on the weight of the evidence before the Appeal Panel. The decision of the Appeal Panel will include a statement of findings of fact and conclusions for each finding, sanction, remedy and cost reviewed on appeal, including each specific Rule of the Exchange and provision of Applicable Law that the Respondent is found to have violated, if any, and the imposition of sanctions, remedies and costs, if any, and the effective date of each sanction, remedy or cost.
- (l) The Appeal Panel's written order will be the final action of the Exchange and will not be subject to appeal within the Exchange.

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

- (a) The CRO may summarily impose a fine against a Member (on behalf of the Member or any of its Related Parties) or Authorized Traders for failing:
  - (i) to make timely payments of original or variation Margin, Option premiums, fees, cost, charges or fines to the Exchange or the DCO;
  - (ii) to make timely and accurate submissions to the Exchange of notices, reports or other information required by the Rules; and
  - (iii) to keep any books and records required by the Rules.
- (b) The Regulatory Department, acting on behalf of the CRO, will give notice of any fine imposed pursuant to this Rule 717 to each Member or Participant subject thereto. The notice will specify:
  - (i) the violations of the Rules for which the fine is being imposed;
  - (ii) the date of the violation for which the fine is being imposed;
  - (iii) the amount of the fine; and
  - (iv) the due date for the fine to be paid.
- (c) Within twenty (20) Business Days of serving the notice of fine, the Member or Participant, as the case may be, must either pay or cause the payment of the fine or file notice of an appeal pursuant

to Rule 716. Unless timely notice of appeal is filed pursuant to Rule 716, the fine will become final upon the expiration of twenty (20) Business Days after the Notice of Fine is served on the Member or Participant, as the case may be.

- (d) The Exchange will set the amount of any fines imposed pursuant to this Rule 717, with the maximum fine for each violation not to exceed \$15,000. Summary imposition of fines pursuant to this Rule 717 will not preclude the Exchange from bringing any other action against the Member, Related Party or Participant, as the case may be.

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

- (a) Notwithstanding anything in the Rules to the contrary, the CRO may, after consultation with the Regulatory Oversight Committee, if practicable, summarily suspend, revoke, limit, condition, restrict or qualify a Member or Participant's Trading Privileges and/or ability to otherwise access the Trading System, and may take other summary action against any Member or Participant in accordance with the Rules ("Summary Action"); provided, however, that the CRO must reasonably believe that the business, conduct or activities of the Member or Participant in question is not in the best interests of the Exchange or the marketplace, including based on any of the following:
  - (i) statutory disqualification from registration as provided in CEA Section 8a(2) or (3);
  - (ii) nonpayment of fees, costs, charges, fines or arbitration awards; or
  - (iii) the reasonable belief that immediate action is necessary to protect the public or the best interests of the Exchange.
- (b) Whenever practicable, the Exchange shall provide prior written notice to the party against whom any action in accordance with paragraph (a) of this Rule shall be taken. If prior notice is not practicable, the Exchange will give notice at the earliest possible opportunity to the Respondent against whom the action is brought.
- (c) Unless timely notice of appeal is filed pursuant to Rule 716, the Summary Action will become final upon the expiration of twenty (20) Business Days after the Notice of Action is served on the Respondent.
- (d) At the request of the Exchange, a Respondent against whom a Summary Action is brought pursuant to this Rule 718 must provide books and records over which the Respondent has access or control and must furnish information to, or appear or testify before, the Exchange in connection with the enforcement of any Exchange Rule.
- (e) A Member, Related Party or Participant whose Trading Privileges and/or ability to otherwise access the Trading System are suspended, revoked, limited, conditioned, restricted or disqualified pursuant to this Rule 718 may apply for reinstatement by filing with the Regulatory Department

a written request stating the party's reasons for seeking reinstatement. The Regulatory Department will not consider a request for reinstatement if the Member: (i) owes any fines, fees, charges or costs to the Exchange; (ii) continues to fail to appear at disciplinary proceedings without good cause; or (iii) continues to impede the progress of disciplinary proceedings.

- (f) Within a reasonable period after the filing of a request for reinstatement, the Appeals Panel will conduct a Hearing to consider the request. At the Hearing for Reinstatement, the Member will present its, his or her case supporting the reinstatement and the Regulatory Department, acting on behalf of the CRO may, in its discretion, present its case opposing or supporting the reinstatement and each may present evidence and facts and call, examine and cross-examine witnesses. At the Hearing for Reinstatement, the Exchange may require any Member(s), Related Party(s) or Participant(s) to appear as a witness and produce evidence if the Appeals Panel determines that the evidence is relevant.
- (g) As promptly as reasonably possible after a reinstatement Hearing, the Appeals Panel will issue an order reinstating, denying the reinstatement, or placing conditions on the reinstatement of the Trading Privileges and/or ability to otherwise access the Trading System of the Respondent. The order will include a brief summary of the evidence introduced at the reinstatement Hearing; and, if applicable, findings of fact and conclusions not contained in the notice of Summary Action issued pursuant to paragraph (b) of this Rule. The Appeals Panel's order may not be appealed.

## **Rule 719. Effective Date of Penalties**

- (a) If a Member enters into a settlement agreement with the Exchange, any penalty included as a part of such settlement agreement shall become final and effective on the date that the CRO approves such settlement agreement.
- (b) Any decision (including any penalty) by a Disciplinary Panel shall be the final decision of the Exchange and shall become effective fifteen (15) Business Days, or such longer time as the Disciplinary Panel may specify, after a copy of the written decision of the Disciplinary Panel has been served on the Respondent and delivered to the Commission; provided, however, that, in any case where the Respondent has consented to the action taken and to the timing of its effectiveness, the Disciplinary Panel may cause the decision involving any disciplinary action (including any penalty) to become effective prior to the fifteen (15) Business Days period.
- (c) If a Member, Related Party or Participant fails to pay any fine imposed by the Disciplinary Panel on or before the date on which such fine becomes due and payable, such Member, Related Party or Participant shall be suspended automatically without further action by the Exchange and shall remain suspended until such fine is paid in full and the Member, Related Party or Participant is reinstated by the Exchange; provided, however, that on written application received prior to such date, the Hearing Panel, in its sole discretion, may postpone the date when payment is due.



## **Rule 720. Rights and Responsibilities after Suspension or Termination**

- (a) When a Member or Participant's Trading Privileges and/or ability to otherwise access the Trading System are suspended for a period of twelve (12) months or less, none of its rights (including the right to hold oneself out to the public as a Member, enter Orders into the Trading System and receive Member rates for fees, costs, and charges and deposit Margin at Member levels) will apply or be effective during the period of the suspension, except for the right of the Member or Participant 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 Member or Participant in question of its, his or her obligations under the Rules to perform any Contracts entered into before the suspension, or for any Exchange fees, costs, or charges incurred during the suspension. The Exchange may discipline a suspended Member or Participant under this Chapter 7 for any violation of a Rule or provision of Applicable Law committed by the Member or Participant before, during or after the suspension.
- (b) When a Member's or Participant's Trading Privileges and/or ability to otherwise access the Trading System are terminated, all of its related rights will terminate, except for the right of the Member or Participant 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 Member or Participant may only seek to be reinstated by applying for Trading Privileges pursuant to Exchange Rules.
- (c) The Exchange will not consider the application of a terminated Member or Participant if such Member or Participant, as the case may be, continues to fail to appear at disciplinary proceedings without good cause or continues to impede the progress of disciplinary proceedings.
- (d) A suspended or terminated Member or Participant 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 proceeding, appeal of disciplinary proceedings, summary suspension or other summary action as if the suspended or terminated Member or Participant still had Trading Privileges or ability to otherwise access the Trading System.
- (e) In the event of the suspension or revocation of a Member's Trading Privileges and/or ability to otherwise access the Trading System, the Exchange shall seek to facilitate the transfer of any Customer Accounts held by such Member to other Members with Trading Privileges and/or ability to otherwise access the Trading System.
- (f) In the event that the Exchange suspends, terminates or otherwise revokes a Member or Participant's access to the Exchange, it will be the responsibility of Clearing and/or Corporate Members to enforce the suspension or termination of that Member or Participant from trading on the Exchange.

## **Rule 721. Publication and Written Notice of Disciplinary Actions**

- (a) A brief summary of the disposition of a finding by the CRO, or the Disciplinary Panel, and each Hearing, settlement, and each imposition of any penalty, shall be kept permanently in the Member, Related Party or Participant's regulatory history file maintained by the Exchange. The record of any Hearing, together with all related records, shall be retained for a period of five (5) years.
- (b) All information, records, and documents provided to the Panel, as well as proceedings conducted before the Disciplinary Panel shall be confidential and shall not be disclosed to any Person except:
  - (i) as required by Applicable Law or by the Rules;
  - (ii) in any action or proceeding brought by or against the Exchange; and
  - (iii) as may be determined from time to time by the Board;
- (c) In any case where:
  - (i) a Member, Related Party or Participant enters into any settlement agreement with the Exchange; or
  - (ii) the Disciplinary Panel renders a decision finding a Member, Related Party or Participant guilty of any Rule violation; and
- (d) The Exchange shall make public its findings and the reason for its action, including any action taken or penalty ordered and written notice of any suspension, expulsion, disciplinary action or denial of access. All disciplinary actions shall be given to the CFTC and to the Member, Related Party or Participant who is suspended, expelled, disciplined or denied access within thirty (30) Business Days of the date such action becomes final, which notice shall include the reasons for the action in the form and manner the CFTC prescribes.

## **Rule 722. Enforcement Staff**

The Exchange must establish and maintain sufficient enforcement staff and resources to effectively and promptly prosecute possible rule violations within the disciplinary jurisdiction of the Exchange. The Exchange must also monitor the size and workload of its enforcement staff annually, and ensure that its enforcement resources and staff are at appropriate levels. The Exchange's enforcement staff may not include either members of the Exchange or persons whose interests' conflict with their enforcement duties. A member of the Exchange's enforcement staff may not operate under the direction or control of any person or persons with trading privileges at the Exchange. The Exchange's enforcement staff may operate as part of its Regulatory Department.

## Chapter 8: Arbitration

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### Rule 801. Arbitration Requirement

- (a) Arbitration of Disputes Among Members, Related Parties and Participants.
- (i) It is contrary to the objectives and policy of the Exchange for Members and Related Parties to litigate Exchange-related disputes. Members and Related Parties must arbitrate all disputes between or among themselves that are related to or arise out of any Transaction on or subject to Exchange Rules that are based upon facts and circumstances that occurred at a time when the Parties were Members or Related Parties. Arbitration will be administered through the National Futures Association Arbitration Program.
  - (ii) Notwithstanding the foregoing, this Rule does not require an employee of a Member, Related Party or Participant to submit to arbitration any claim that includes allegations of a violation of federal, state or local employment discrimination, sexual harassment, wage payment or benefits laws.
  - (iii) Any dispute, claim or controversy between Members or Participants for which arbitration is sought may be arbitrated in accordance with and subject to the NFA's Code of Arbitration and subject to the NFA's Member Arbitration Rules which may be found on the NFA website:  
  
<https://www.nfa.futures.org/arbitration/member-arbitration/index.html>
  - (iv) Arbitration proceedings conducted pursuant to this Rule are administered for Members through the NFA pursuant to the NFA Member Arbitration Rules, as if each Member, Related Party or Participant that are party to such arbitration were an "NFA Member," and references in such member arbitration rules to "Associates" of an "NFA Member" shall mean and include any Member, Related Party or Participant.
  - (v) The arbitration filing satisfies the timeliness requirements set forth in Section 5 and 6 of the NFA Arbitration Rules.
  - (vi) Any dispute, claim or controversy between a Member (including Related Parties) or an eligible contract participant as defined in Section 1a(18) of the Dodd-Frank Act, and a Customer that is related to or in connection with the business of the Exchange between such parties shall, at the request of either party, be arbitrated before an arbitration committee or panel constituted in accordance with, and subject to, NFA's Code of Arbitration as in effect from time to time; provided, however, that a Customer shall not be subject to arbitration without written consent by any such Customer given in accordance with Commission Regulation §166.5.

- (b) Claims against the DCO must be pursued pursuant to the Rules of the DCO.
- (c) Non-Permissible Arbitration
  - (i) This Rule does not apply to disputes between or among Members, Related Parties or Participants in which: (i) such parties are required by the rules of a Self-Regulatory Organization other than the Exchange to submit to the dispute resolution procedures of that Self-Regulatory Organization; or (ii) that such parties have, by valid and binding agreement, committed to arbitrate or litigate in a forum other than the NFA.
- (d) Permissive Arbitrations
  - (i) The following may be submitted for arbitration through the NFA Arbitration Program and, in the event such a claim is submitted against a Member, Related Party or Participant, that Member, Related Party or Participant is required to arbitrate the dispute under these Rules, unless otherwise provided.
    - (A) Claims of a Customer against a Member, Related Party or Participant that relate to or arise out of any Transaction on or subject to Exchange Rules.
    - (B) Claims against a Member, Related Party or Participant pursuant to Exchange Rules.
    - (C) Claims of a Customer against a Clearing Firm responsible for the performance, clearance or settlement of a Contract on or subject to Exchange Rules; and
    - (D) At the discretion of the Chief Regulatory Officer, any claim involving the interests of the Exchange, its Members, its Participants, their business relations or commodity futures trading in general not otherwise arbitrable under these Rules, provided the Parties have consented to such arbitration.
- (e) Waiver of Any Objection to Jurisdiction
  - (i) Any party who is not a Member or Participant who submits a claim or grievance to arbitration or any party who appeals any arbitration decision, or who takes any steps therein, shall be conclusively presumed to have voluntarily recognized and agreed to the jurisdiction of the National Futures Association to hear and determine the claim or appeal.
- (f) Referral to the National Futures Association Arbitration Program

- (i) In the event that a complaint is received by the Exchange from a Customer, it shall be referred to the Exchange Regulatory Department, which shall inform the Customer of the NFA Arbitration Program.
- (g) The Exchange is adopting the NFA Code of Arbitration and Arbitration Rules as set forth in Rule 801(a). Any violation of the NFA Code of Arbitration or the Arbitration Rules or related arbitration rules shall be a Violation of this Rule 801.
- (h) Settlement awards by the NFA are not subject to appeal within the Exchange.

### **Rule 802. Initiating an Arbitration Claim**

- (a) A claimant may initiate a claim by submitting the required documents and fees to the NFA Arbitration Program in a form and manner specifically permitted under the NFA Member Arbitration Rules.
- (b) A claimant shall provide notice of such arbitration claim to the Exchange in a timely manner.
- (c) The NFA shall maintain a record of the receipt of such notice and shall promptly provide such Person with notice of deficiencies, as applicable. Members shall accordingly be subject to a two-year time period for filing of an arbitration claim consistent with NFA Member Arbitration Rules.
- (d) The party filing a claim shall pay all applicable fees pursuant to the NFA Member Arbitration Rules. The arbitrators, in their discretion, may assess arbitration costs against any party or divide such costs among any or all parties. Fees shall be paid to the NFA in advance of the Hearing Panel sessions to which they apply.

### **Rule 803. Claims Relating to Trade Cancellations or Price Adjustments**

All claims relating to price adjustments or trade busts pursuant to Chapter 5 shall be arbitrated in accordance with this Chapter.

### **Rule 804. Failure to Pay an Arbitration Award and Penalties**

- (a) Any failure on the part of a Member, Related Party or Participant to arbitrate a dispute subject to this Chapter, or the commencement by any such Member, Related Party or Participant of a suit in any court prior to arbitrating a case subject to this Chapter, violates the Rules and shall subject such Person to Disciplinary Action pursuant to Chapter 7.

- (b) The Exchange may summarily suspend, pursuant to Exchange Rules in Chapter 7, a Member, Related Party or Participant that fails to timely satisfy an arbitration award or settlement rendered in any arbitration pursuant to this Chapter.

## Chapter 9: Clearing

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### Rule 901. Clearing of Contracts

All Contracts shall be cleared through the Derivatives Clearing Organization in accordance with the DCO Rules and in conformity with the Exchange Rules specifically provided in this Chapter.

### Rule 902. DCO Rules

- (a) The clearing services provided by the DCO with respect to any Contract, and the rights and obligations of purchasers and sellers under cleared Contracts (including without limitation rights and obligations in respect of clearing and settlement, variation payments and performance at maturity), shall be governed by the DCO Rules, as applicable.
- (b) The DCO provides clearing and settlement services for the Contracts.
- (c) The Exchange will establish Margin requirements from time to time as published by the Exchange in a Notice to Members. Clearing Members must call for Margin from their Customers and post-Margin with the DCO as set forth in the DCO and CFTC Rules. All Margin collateral must be in a form acceptable to the DCO pursuant to DCO Rules.
- (d) The DCO Rules shall prevail in the event of any conflict or inconsistency between the Exchange Rules and the DCO Rules with respect to any Clearing Member's responsibilities or obligations under the DCO Rules. All Clearing Members are bound by the DCO Rules.

### Rule 903. Other Clearing Organizations

Whenever the Exchange designates a clearing organization other than the DCO for the clearance of Contracts with respect to which there are open positions, each Clearing Firm shall, as of the close of business on the second Business Day prior to the effective date of such designation, either become a Clearing Firm of such successor clearing organization, or cause any such open Contracts carried by it either to be transferred to a Clearing Firm of such successor clearing organization or to be liquidated. This successor clearing organization will need to be registered with the CFTC and meet all the requirements set forth in CEA 1a(9) and CFTC Regulation 39.5.

### Rule 904. Settlement Prices

- (a) The Exchange, in conjunction with the DCO, will determine the settlement price for Contracts. For each Contract, the Exchange shall publish a daily settlement price and information regarding volume, open interest and opening and closing ranges. Any settlement price shall be determined by the Exchange in accordance with the DCO Rules. Notwithstanding the foregoing, the DCO may modify settlement prices in its discretion in accordance with DCO Rules.

- (b) The daily settlement price of Exchange Contracts will be determined by a Volume Weighted Average Price, (“VWAP”), of the Futures Trades executed in the last minute of the trading day. The VWAP will be rounded to the nearest .01. In the event there are no Transactions in that timeframe, the average of the bid and offer prices at the close of trading will be used to determine the daily settlement price, provided that such bid and offer prices are within acceptable thresholds, as determined by the Exchange. In the event there is no bid and offer prices or if such bid and offer prices are outside acceptable thresholds, the Exchange reserves the right to use the cash index values to imply settlement. The Exchange will make reasonable efforts to honor relevant resting bids and offers for the purposes of this determination, however, all VWAP trades will take precedence.
- (c) In the event the daily settlement price cannot be determined or if the Exchange, in its sole discretion, determines that anomalous activity yields results that are not representative of the fair value of the Exchange Contract, the Exchange may determine an alternative daily settlement price.

### **Rule 905. Clearing Fees**

Clearing fees shall be assessed against a Clearing Firm for each side of a Transaction cleared by or processed through the DCO as the DCO may from time to time prescribe. Such DCO related Clearing Fees will not be incorporated into Exchange Fees.

### **Rule 906. Transfer of Trades**

- (a) Subject to the limitations of Rule 907, existing trades may be transferred either on the books of a Clearing Firm or from one Clearing Firm to another Clearing Firm provided:
  - (i) the transfer merely constitutes a change from one Account to another Account, provided the underlying beneficial ownership in said accounts remains the same; or
  - (ii) an error has been made in the clearing of a trade and the error is discovered and the transfer is completed within two (2) Business Days after the trade date.
- (b) Subject to the limitations of Rule 907, Exchange Officials may, upon request by the Clearing Firm(s), approve a transfer of existing trades either on the books of the same Clearing Firm, or from the books of one Clearing Firm to the books of another Clearing Firm if the transfer is in connection with, or as a result of, a merger, asset purchase, consolidation or similar non-recurring Transaction between two or more entities where one or more entities become the successor in interest to one or more other entities.
- (c) The Exchange Officials may, with the consent of the Clearing Firm(s) involved, permit the transfer of existing trades if, in the opinion of the Exchange Officials, the situation so requires, and such transfer is in the best interests of the Exchange.



- (d) Provided that the transfer is permitted pursuant to paragraphs (a), (b) or (c) of this Rule, the Transactions must be recorded and carried on the books of the receiving Clearing Firm. Futures Transactions may be transferred using either the original trade price or the most recent settlement price; Options Transactions may be transferred using either the original premium or a zero premium. Regardless of the transfer price used, each of the receiving and delivering Clearing Firms will remain obligated to satisfy Margin obligations as a result of the transfer. Furthermore, Clearing Firms are expected to comply with NFA Rule 2-27 when transferring positions and balances in Customer accounts.
- (e) All transfers shall be reported to the DCO in a form acceptable to the DCO for the type of Transactions involved. The proper indicator must be included in the transfer such that the Transactions, including the Transaction(s) to reverse an error, clear as transfers. The Clearing Firms involved shall maintain a full and complete record of all Transactions together with all pertinent memoranda.

### **Rule 907. Concurrent Long and Short Transactions**

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

- (a) Concurrent long and short positions in the same commodity and month may be held by a Clearing Firm at the direction of a Customer or on behalf of an omnibus Account; however, it shall be the duty of the Clearing Firm to ascertain whether such positions are intended for offset or to be held open prior to final transmission of position data to the DCO.
- (b) Clearing Firms which, pursuant to this rule, carry concurrent long and short positions, must report to the Exchange both sides as open positions.
- (c) The Exchange takes no position regarding the internal bookkeeping procedures of its Clearing Firms which, for the convenience of a Member or Customer, may "hold open" a position only on their books. However, the Clearing Firm must accurately report to the Exchange and the DCO, as appropriate, large trader positions, long positions eligible for delivery and open interest.

## Chapter 10: Miscellaneous

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### Rule 1001. Governing Law

The law of the State of Illinois shall govern any dispute arising between the Exchange and a Member without giving effect to the provisions, policies or principles of any state law relating to choose or conflict of laws.

### Rule 1002. Limitation on Liability

- (a) Except as otherwise set forth in this Rule, neither the Exchange nor any partner, Director, Officer, agent, contractors, representatives, employees, Affiliates or Affiliates' representatives ("Covered Persons") shall be liable to a Member or any Related Party of the Member, thereof, for any loss, damage, injury, delay, cost, expense, other liability or claim (including loss of profits, loss of use, direct, indirect, incidental or consequential or punitive damages) (Collectively, "Losses") or claim whether in Contract, tort or restitution, or under any other cause of action, suffered by or made against them as a result of their use of some or all of the Trading System. By making use of the Trading System, such persons expressly agree to accept all liability arising from their use of same.
  
- (b) Except as otherwise set forth in this Rule, neither the Exchange nor any of its Covered Persons shall be liable to a Member or any Related Party of the Member, thereof, for Losses or other liability or claim whether in contract, tort or restitution, or under any other cause of action, suffered by or made against them arising from:
  - (i) any failure or non-availability of the Trading System;
  - (ii) any act or omission on the part of the Exchange or its Covered Persons including without limitation a decision of the Exchange to suspend, halt, or terminate trading or to void, nullify or cancel Orders or trades in whole or in part;
  - (iii) any errors or inaccuracies in information provided by the Exchange, its Covered Persons or the Trading System;
  - (iv) unauthorized access to or unauthorized use of the Trading System by any Person or entity;  
or
  - (v) any Force Majeure Event affecting the Exchange.

This limitation of liability will apply regardless of whether or not the Exchange, or its Covered Persons (or any designee thereof) was advised of or otherwise might have anticipated the possibility of such damages.

- (c) No Member, or Related Party of the Member or any other Person shall be entitled to institute a lawsuit or other legal proceeding against the Exchange or its Covered Persons for actions taken

or omitted to be taken in connection with the official business of the Exchange. This provision shall not apply to disciplinary actions by the Exchange, administrative appeals of Exchange actions or in any specific instance where the Board has granted a waiver of this provision.

- (i) Any actions, suits or proceedings against the Exchange or its Covered Persons must be brought, within two years from the time they first arise, in a U.S. Federal Court located in Cook County, Illinois, or if the requirements for Federal subject matter jurisdiction are not met, in a State Court located in Cook County, Illinois. This provision shall in no way create a cause of action and shall not authorize an action that would otherwise be prohibited by the Rules of the Exchange.
- (ii) Any Member or Related Party of the Member that fails to prevail in a lawsuit or other legal proceeding instituted by such Person against the Exchange related to the business of the Exchange, shall pay to the Exchange all reasonable expenses, including attorneys' fees, incurred by the Exchange in the defense of such proceeding to the extent that such expenses exceed fifty thousand dollars (\$50,000.00).
- (iii) This provision shall not restrict the right of such persons to apply for a review of a direction, order or decision of the Exchange by the CFTC. Notwithstanding any of the foregoing provisions, this Rule 1002 shall in no way limit the liability of any Person arising from any violation by such Person of the CEA or the Commission Regulations thereunder.
- (d) The limitations on liability in this Rule shall not protect any party for which there has been a final determination (including exhaustion of any appeals) by a United States court or arbitrator to have engaged in willful or wanton misconduct or has acted in bad faith. Additionally, the foregoing limitations on liability of this rule shall be subject to the CEA and the regulations promulgated thereunder, each as in effect from time to time.

### **Rule 1003. Limitation on Damages**

- (a) The maximum aggregate liability of the Exchange, and its Covered Persons to any Member, or any Related Party of a Member, or any other Person, on an aggregate basis, for any and all claims made in relation to the use of or failure of the Trading System or any action or failure to act in any calendar year shall be one hundred thousand dollars (\$100,000) to include any legal, court or attorney fees assessed against the Exchange or any Covered Persons, however that liability arises, including (without limitation) breach of contract, tort, misrepresentation or breach of statutory duty. This aggregate liability limit applies regardless of whether a claim is allowed under Exchange Rules or a U.S. court of competent jurisdiction to be invalid, unlawful, or unenforceable.
- (b) Neither, the Exchange nor any Covered Persons, solely by reason of acting in such capacity (including a Person having more than one such capacity), shall be personally liable for any expenses, liabilities, debts or obligations of the Exchange, whether arising in contract, tort or otherwise.

- (c) Except as otherwise provided, and except in instances where there has been a finding of fraud or wanton or willful misconduct, in which case the party found to have engaged in such conduct cannot avail itself of the protections in Exchange Rules, neither the Exchange nor its Covered Persons shall be liable to any other Person, including any Member or any Related Party for any Losses, arising from:
- (i) any failure or malfunction of, including any inability to enter or cancel Orders, the Trading System or any Exchange services or facilities used to support the Trading System;
  - (ii) any fault in delivery, delay, omission, suspension, inaccuracy or termination, or any other cause, in connection with the furnishing, performance, maintenance, use of or inability to use all or any part of the Trading System or any Exchange services or facilities used to support the Trading System; or
  - (iii) any action taken or omitted to be taken in respect to the business of the Exchange, except, in each case, to the extent that such Losses are attributable to the willful misconduct, gross negligence or criminal acts of the Exchange or its Covered Persons, acting within the scope of their respective authority. Without limiting the generality of the foregoing, and subject to the same exception, no Covered Person shall have any liability to any Person for any Losses that result from any error, omission or delay in calculating or disseminating any current or closing value or any reports of Transactions in or quotations for contracts, including underlying securities. The foregoing shall apply regardless of whether a claim arises in contract, tort, negligence, strict liability or otherwise. The limitations of liability and disclaimers set forth in this Rule shall be in addition to, and not in limitation of, any limitations otherwise available under applicable law.
- (d) Whenever custody of an unexecuted Order or a message or other data is transmitted by a Member or Related Party to the Exchange and the Exchange acknowledges receipt of and assumes responsibility for the transmission or execution of the Order or the processing of the Order, message or other data, the Exchange may, in its sole discretion, compensate the Member for the Losses of the Member or its Related Party alleged to have resulted from the failure to process the Order, message or other data correctly due to the acts or omissions of the Exchange or due to the failure of the Trading System or facilities (each, a "Loss Event"), subject to the following limits and requirements:
- (i) As to any one or more requests for compensation made by a single Member (including any Related Party of the Member) that arose on a single trading day, the Exchange may compensate the Member up to, but not exceeding the larger of \$100,000 or the amount of any recovery obtained by the Exchange under any applicable insurance maintained by the Exchange; and
  - (ii) As to the aggregate of all requests for compensation made by all Members (including any Related Party of the Members) that arose during a single calendar month, the Exchange may compensate the Members (including any Related Party of the Members) in the

aggregate, up to but not exceeding the larger of \$200,000 or the amount of the recovery obtained by the Exchange under any applicable insurance maintained by the Exchange.

- (iii) Nothing in this Rule shall obligate the Exchange to seek recovery under any applicable insurance policy.
- (iv) Notice of all requests for compensation pursuant to this Rule shall be in writing in a form and manner prescribed by the Exchange and must be submitted no later than 12:00 p.m. Chicago Time on the next Business Day following the Loss Event giving rise to such requests. All requests shall be in writing and must be submitted in a form and manner prescribed by the Exchange along with supporting documentation by 5:00 p.m. Chicago Time on the third business day following the Loss Event giving rise to each such request.
- (v) These submission time frames shall commence upon the later of the occurrence of the Loss Event or when the Member or Related Party of the Member submitting the request for compensation reasonably should have been aware of the occurrence of the Loss Event as determined by the Exchange. Additional information related to the request as requested by the Exchange is also required to be provided in a form and manner prescribed by the Exchange. The Exchange shall not consider requests for which timely notice and submission have not been provided as required under paragraph (d) of this Rule.
- (vi) If all of the granted requests submitted pursuant to paragraph (d)(i) of this Rule cannot be fully satisfied because in the aggregate they exceed the maximum amount of payments authorized in paragraph (d)(ii) of this Rule for a single calendar month, then such maximum amount shall be allocated among all such granted requests during that calendar month based upon the proportion that the amount of each such granted request bears to the sum of all such granted requests, except as provided in this Rule. Requests made pursuant to paragraph (c) of this Rule shall constitute a Member's (including any Related Party's) sole recourse to seek compensation from Covered Persons relating to a Loss Event.
- (vii) All payments to Members (including any Related Party of the Member) pursuant to this Rule will be contingent upon the execution and delivery to the Exchange of a release by the Member (and any Related Party of the Member) of all claims by it or its Affiliates against the Exchange and its Covered Persons for Losses that arise out of, are associated with or relate in any way to the Loss Event or to any actions or omissions related in any way to the Loss Event.
- (viii) Failure to provide the release within 14 calendar days of notification of the payment amount by the Exchange will void the Member's (including any Related Party of the Member's) eligibility to receive a payment pursuant to this Rule 1003 in determining whether to make payment of a request pursuant to paragraph (d) of this Rule. The Exchange may determine whether the amount requested should be reduced based on the actions or inactions of the requesting Member (or Related Party of the Member),

including, without limitation, whether the actions or inactions of the Member (including by any Related Party of the Member) contributed to the Loss Event; whether the Member (including by any Related Party of the Member) made appropriate efforts to mitigate its Loss, whether the Member (including by any Related Party of the Member) realized any gains as a result of the Loss Event, whether there were Losses of the Member (including by any Related Party of the Member), if any, that were offset by hedges of positions either on the Exchange or on another affiliated or unaffiliated market, and whether the Member (including any Related Party of the Member) provided sufficient and appropriately recorded information to document the request submitted to the Exchange.

- (ix) All determinations made pursuant to this Rule by the Exchange shall be final and not subject to appeal under Chapter 10 of these Rules or otherwise. Nothing in the Rules, nor any payment pursuant to this Rule, shall in any way limit, waive, or proscribe any defenses a Covered Person may have to any claim, demand, liability, action or cause of action, whether such defense arises in law or equity, or whether such defense is asserted in a judicial, administrative, or other proceeding.

## **Rule 1004. Indemnification**

- (a) In the event any legal proceeding is brought by a third party against the Exchange which arises directly or indirectly from the use of the Trading System by a Member, and/or any Related Party of the Member; then, such Member or Related Party of the Member must undertake to hold the Exchange harmless in respect of, and to reimburse to the Exchange all costs related to same including all legal fees and expenses.
- (b) Members and any Related Party of the Member shall indemnify and hold the Exchange and its Covered Persons harmless from and against all costs, including without limitation amounts paid to settle an action or to satisfy a judgment, legal and professional fees, expenses for attending trials, hearings and meetings, that the Exchange incurs in any civil, criminal or administrative action, suit, proceeding, investigation, inquiry, hearing, appeal, or review that is threatened or brought against the Exchange or its Covered Persons, or in respect of which the Exchange is compelled or requested to participate, in respect of any act committed or permitted by the Member and/or any Related Party of the Member.
- (c) Any Member and/or any Related Party of the Member which institutes an action or proceeding against the Exchange or its Covered Persons, and which fails to prevail in such action or proceeding, shall reimburse the Exchange and/or its Covered Persons for any and all costs or expenses (including but not limited to attorneys' fees, expenses of investigation and amounts paid by way of indemnifying any officers, Directors, employees or other persons by the Exchange) incurred in connection with the defense of such action or proceeding.

## Rule 1005. Disclaimer of Warranties

- (a) The Exchange provides any licensed products, access to the Trading System, the equipment and any part or parts of the Trading System on an “as is” basis. The Trading System and all related services of the Exchange are being provided on an “as-is” basis at each Member’s and Related Party’s sole risk.
- (b) There are no express or implied warranties or representations provided by the Exchange or its Covered Persons relating to the Trading System or any Exchange services or facilities used to support the Trading System, including warranties of merchantability and warranties of fitness for a particular purpose or use. Neither the Exchange nor any of its Covered Persons make any warranty with respect to, and no such party shall have any liability to any Member or Related Party for the accuracy, timeliness, completeness, reliability, performance or continued availability of the Trading System or the Exchange, for delays, omissions or interruptions therein or the creditworthiness of any other Member or Related Party of the Member. The Exchange and its Covered Persons shall have no duty or obligation to verify any information displayed on the Trading System or otherwise verify any information displayed on the Trading System or otherwise.
- (c) Each Member or Related Party of a Member acknowledges and agrees that the Exchange and its Covered Persons do not and shall not serve as the primary basis for any decisions made by any Member or Related Party of the Member and that the Exchange and its Covered Persons do not act as an Advisor or Fiduciary for any Member or Related Party of the Member.
- (d) No index licensor with respect to any index underlying a Contract traded on the Exchange and no affiliate of such index licensor makes any warranty, express or implied, as to the results to be obtained by any Person from the use of such index, any opening, intra-day or closing value therefor, or any data included therein or relating thereto, in connection with the trading of any Contract based thereon or for any other purpose.
- (e) The index licensor and its Affiliates shall obtain information for inclusion in, or for use in the calculation of, such index from sources they believe to be reliable, but the index licensor and its affiliates do not guarantee the accuracy or completeness of such index, any opening, intra-day or closing value therefor, or any data included therein or related thereto.
- (f) The index licensor and its Affiliates hereby disclaim all warranties of merchantability or fitness for a particular purpose or use with respect to such index, any opening, intra-day, or closing value therefor, any data included therein or relating thereto, or any Contract based thereon.
- (g) The index licensor and its affiliates shall have no liability for any damages, claims, losses (including any indirect or consequential losses), expenses, or delays, whether direct or indirect, foreseen or unforeseen, suffered by any Person arising out of any circumstance or occurrence relating to the Person’s use of such index, any opening, intra-day or closing value therefor, any data included therein or relating thereto, or any Contract based thereon, or arising out of any errors or delays in calculating or disseminating such index.

- (h) For purposes of this Rule 1005, the term “index licensor” includes any Person that grants the Exchange a license to use an index in connection with the trading on the Exchange of a Contract based on the index and any Person designated by the exchange as the source for calculating and/or reporting the level of an index underlying a Contract traded on the Exchange, and also includes, with respect to any index of which the Exchange or an affiliate of the Exchange is the proprietor or for which the Exchange or an affiliate of the Exchange calculates and/or reports levels of the index.
- (i) For purposes of this Rule 1005, references to the term “index” shall also be deemed to encompass and apply to any benchmark other than an index and to any value or price of a commodity.

### **Rule 1006. Market Data**

- (a) All Members and all employees, agents, vendors, and other Persons affiliated with the foregoing understand and acknowledge that the Exchange has a proprietary interest in:
  - (i) the price and quantity data from each and every Transaction executed on the Trading System, including the time at which the Transaction was executed by, or submitted to, the Trading System;
  - (ii) the price and quantity data for each and every bid and offer submitted for entry into the Trading System, including the time at which the bid and offer was entered into the Trading System;
  - (iii) the Daily Settlement Price of each Contract;
  - (iv) any data and information derived from paragraphs (i), (ii) and (iii) of this Rule, and the format and presentation thereof; and
  - (v) the transmissions and dissemination of the data and information to Member any publisher of the data or information with whom the Exchange has a written agreement, and any other Persons.
- (b) Member may not distribute, sell or retransmit information displayed on the Trading System to any third party. Notwithstanding the foregoing, Members may distribute, sell or retransmit market data pursuant to a duly executed market data agreement.
- (c) The Exchange does not guarantee the sequence, timeliness, accuracy or completeness of any of the Exchange’s or its Affiliate’s Transaction data or guarantee the accuracy, responsiveness or completeness of the Trading System, the Trading System software or the related documentation.



## **Rule 1007. Suspension and Waiver of Rules**

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

## **Rule 1008. Forms; Transmission of Data**

- (a) In connection with any Transaction or matter handled through, with or by the Exchange under or pursuant to the Rules, the form of any required list, notice or other document shall be as from time to time prescribed by the Exchange, and additions to, changes in and elimination of any such forms may be made by the Exchange at any time in its discretion.
- (b) A Member may execute any document to be delivered to the Exchange or to any other Member pursuant to these Rules by means of a mechanically or electronically reproduced facsimile signature of a representative of the Member; provided that the Member shall have complied with such requirements as may be prescribed by the Exchange in connection with the use of such facsimile signatures.

## **Rule 1009. Amendments to the Rules**

The Exchange shall be authorized to amend these Rules and any related procedures or other documents from time to time with the approval of the Board and without the consent of any other Person, subject to Applicable Law, and in connection therewith to determine the effective date of any such amendment and whether, and how, any such amendment may apply to existing Contracts. Any proposed Rule changes will be sent to the CFTC for approval. The Exchange will notify Members of Rule changes by the Notice to Members. The Exchange will also update the website and anywhere the Rulebook is referenced publicly by the Exchange. Each Member, and Related Party of a Member shall be bound by any such amendment.

## **Rule 1010. Gratuities and Gifts**

A Participant, Member and any Related Party may not give, directly or indirectly, to any employee of the Exchange any gratuities or gifts with an aggregate market value of one hundred dollars (\$100) or more within any twelve-month period.

## **Rule 1011. Confidentiality**

- (a) All non-public information provided by a Member or Authorized Trader to the Exchange shall be held in confidence and shall not be made known to any other Person except as follows:
  - (i) with the consent of the Member or Authorized Trader providing such information;

- (ii) to a Governmental Body if the Exchange is requested or legally required to do so by such Governmental Body;
- (iii) pursuant to a lawful discovery request;
- (iv) subject to appropriate confidentiality requirements, to any Person providing services to the Exchange, including the Exchange's Regulatory Services Provider;
- (v) pursuant to an information sharing agreement or other arrangement or procedures in accordance with Exchange Rules or Applicable Law;
- (vi) subject to appropriate confidentiality requirements, to the Exchange employees, the Board, Board committees, Disciplinary Panels, the Exchange Officers, attorneys, auditors, and agents, independent contractors or other Persons that have been engaged by the Exchange, in each case, who require such information in connection with the discharge of their duties to Futures; and
- (vii) as otherwise permitted under these Rules.

All information and data obtained or received by the Exchange from inspections of accounting and other records will be treated as confidential by the Exchange; However, this Rule does not supplant Emergency Actions and the Rules in Chapter 7 (Disciplinary Rules), or any other requirement of legal process or law.

## Appendix A: Error Trade Policy

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### Exchange Authority

Any request by a Member, Related Party or Participant to invoke the Error Trade Policy must be communicated to the Exchange as soon as possible. If a potential error Trade is not brought to the Exchange's attention, with a phone call to the Exchange, within eight (8) minutes after Trade occurred the Trade will stand except as noted in Part D (iv).

The Exchange has the authority to adjust trade prices or cancel trades when necessary to mitigate market disrupting events caused by malfunctions in the electronic trading platform(s) or errors in orders submitted by members and market participants.

Any trade price adjustments or trade cancellations will be transparent to the market and subject to standards that are clear, fair, and publicly available.

All decisions of the Exchange are final. The Exchange is not liable for any losses resulting from price adjustments or Trade cancellations.

### Request for Review of Potential Error Trades

The Exchange may determine to review a Trade based on analysis of market activity or at the request of an Exchange Member, Related Party or Participant. The request must be communicated to the Exchange over the phone and within eight (8) minutes of the Trade execution. Any other form of communication with the Exchange will not be permitted as a request for review. The Exchange will determine whether or not a Trade will be subject to review.

### Price Adjustments and Trade Cancellations

The Exchange will make a decision if the Trade in question will be subject to review. The Exchange will promptly issue an alert to all market participants if a Trade is under review. The Exchange will first determine if the Trade price is inside the non-reviewable range. In deciding if the Trade price is in the non-reviewable range, the Exchange will determine the fair value market price at the time the potential error occurred. In making the determination, the Exchange may consider all relevant factors, including the last Trade price, the underlying index price, a better bid or offer price, a more recent price in a different Contract month and the prices of related contracts trading on the Exchange or other markets.

#### **A. Trade Price in Non-Reviewable Range**

If the Exchange determines the Trade price was inside the non-reviewable range, no further action will be taken, and the Trade will stand. The Exchange will issue an alert to all participants indicating the Trade in question will stand.

#### **B. Trade Price Outside Non-Reviewable Range**

**Futures Contracts:** If the Exchange determines that a Trade price is outside the Non-Reviewable Range for a Futures Contract (including Futures spread Transactions), the Trade price will be adjusted to a price that equals the fair value market price for that Contract at the time the Trade in review occurred, plus or minus the Non-Reviewable Range. In the event there are multiple parties, prices and/or Contracts involved in the Transactions in question, the Exchange has the authority, to cancel rather than price adjust these Transactions. The Exchange will alert all market participants to the decision.

Any Trades that were price adjusted will be inserted into the Exchange's official time and sales records at the adjusted Trade price. If any Trades are cancelled those Trades will be canceled and removed from the Exchange's official time and sales records.

#### **C. Contingency Orders Triggered by Error Trade**

If an error Trade is busted, either by agreement of the parties thereto or by Exchange staff, the Help Desk will also: (a) bust all Trades that were triggered as a result of Contingency Orders being triggered by such Trade; and (b) cancel all bids and offers that were entered into the Trading System as a result of contingency Orders being triggered by such Trade. The Exchange will notify the Participants responsible for the Trades so that the original Orders can be re-entered into the Trading System.

#### **D. Alternative Resolution by Agreement of Parties**

- (i) With the approval of the Exchange, parties to a Trade that is price adjusted may instead mutually agree to cancel the Trade.
- (ii) With the approval of the Exchange, parties to a Trade that is busted may instead mutually agree to price adjust the Trade to a price consistent with the adjustment provisions in rule 3 (Price Adjustments and Trade Cancellations).
- (iii) Subject to paragraphs (i) and (ii) of this section D, parties to a Trade that is cancelled, or price adjusted may mutually agree to a cash adjustment provided that such adjustments are reported to the Exchange and the parties maintain a record of the adjustment.
- (iv) An executed Trade may not be reversed via transfer except where such Trade is determined by the Exchange to be outside of the non-reviewable range but not reported timely, subject to agreement of the parties and approval of the Exchange. Any such transfer must occur at the original Trade price and quantity; however, the parties may mutually agree to a cash adjustment.

#### **E. Liability for Losses Resulting from Price Adjustments or Cancellations**

- (i) A party entering an Order that results in a price adjustment or Trade bust shall be responsible for demonstrated claims of realized losses incurred by persons whose Trade prices were adjusted or busted; provided, however, that a claimant shall not be entitled

to compensation for losses incurred as a result of the claimant's failure to take reasonable actions to mitigate the loss.

- (ii) A claim for a loss pursuant to this paragraph must be submitted to the Exchange within one (1) Business Day of the event giving rise to the claim. The Exchange will reject any claim that is not filed in a timely manner, and such decisions shall be final. Eligible claims shall be forwarded by the Exchange to the party responsible for the Order(s) that resulted in a Trade bust or a price adjustment and to the Clearing Firm through which the Trade was placed. Such party, or the Clearing Firm on behalf of the party, shall, within ten (10) Business Days of receipt of the claim, admit or deny responsibility in whole or in part. Failure to respond to the claim within ten (10) Business Days shall be considered a denial of liability.
- (iii) To the extent that liability is admitted, payment shall be made within ten (10) Business Days. Unless otherwise agreed upon in writing by the parties, failure to make the payment within ten (10) Business Days shall be considered a denial of liability for purposes of this rule. A copy of any such written agreement must be provided to the Exchange.
- (iv) To the extent that liability is denied, the party making the claim may submit the claim for Arbitration pursuant to the provisions of Chapter 8. Such claims must be submitted to the Regulatory Department within ten (10) Business Days of the date the party was issued notification that liability was denied.