

# SUBMISSION COVER SHEET

Registered Entity Identifier Code (optional) 2013-02      Date: February 21, 2013

**IMPORTANT: CHECK BOX IF CONFIDENTIAL TREATMENT IS REQUESTED.**

**ORGANIZATION** | trueEX LLC

**FILING AS A:**     **DCM**     **SEF**     **DCO**     **SDR**     **ECM/SPDC**

## TYPE OF FILING

- **Rules and Rule Amendments**

- Certification under § 40.6 (a) or § 41.24 (a)
- “Non-Material Agricultural Rule Change” under § 40.4 (b)(5)
- Notification under § 40.6 (d)
- Request for Approval under § 40.4 (a) or § 40.5 (a)
- Advance Notice of SIDCO Rule Change under § 40.10 (a)

- **Products**

- Certification under § 39.5(b), § 40.2 (a), or § 41.23 (a)
- Swap Class Certification under § 40.2 (d)
- Request for Approval under § 40.3 (a)
- Novel Derivative Product Notification under § 40.12 (a)

## RULE NUMBERS

Chapter 10 (entire chapter)

## DESCRIPTION

This submission contains a revision to the September 7, 2012 trueEX Rulebook. Chapter 10 has been added to the rulebook which represents the full and complete contract specification for fixed for floating interest rate swaps. This chapter codifies in the rulebook information regarding interest rate swaps that was submitted in conjunction with trueEX's Application for Designation as a Contract Market. trueEX is certifying the Semi Bond vs 3 month LIBOR spot starting Fixed for Floating Interest Rate Swap Contract (US Dollar denominated) under §40.2(a) and a class of swaps that includes all of the parameters indicated in Chapter 10 under §40.2(d).

February 21, 2013

Via E-Mail: [submissions@cftc.gov](mailto:submissions@cftc.gov)

Ms. Sauntia Warfield  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, D.C. 20581

**RE: Rule 40.2(a) and 40.2(d) Certification of trueEX interest rate swap Contract (trueEX LLC submission #2013-02)**

Dear Ms. Warfield:

trueEX, LLC (“trueEX” or the “Exchange”) hereby notifies the Commodity Futures Trading Commission (the “Commission”) of its intent to list the trueEX Semi Bond vs 3 month LIBOR spot starting Fixed for Floating Interest Rate Swap Contract (the “Contract”) on trueEX’s electronic trading platform. The product, as outlined in Chapter 10 of the attached Rulebook and specifically in Schedule 1001 to Chapter 10 will be launched on the trueEX Trading System no earlier than March 11, 2013. Concurrently with this filing, trueEX is certifying a class of swaps under CFTC Regulation 40.2(d). This class of swaps includes all of the parameters for a fixed for floating interest rate swap detailed in Chapter 10.

Pursuant to Commission Regulation 40.2, the Submission includes:

- i. The Submission Cover Sheet
- ii. A copy of the Contract’s rules (Chapter 10 of the trueEX Rulebook)
- iii. The intended listing date (no earlier than March 11, 2013);

A concise explanation and analysis of the Contract, as well as its compliance with applicable provisions of the Commodity Exchange Act (the “Act”), including core principles, and the Commission’s regulations thereunder, was previously submitted with the Exchange’s application for Designation as a Contract Market, approved by the Commission on September 25, 2012. Please refer to the Memo re: Description of Contracts and Trading dated September 4, 2012 and Exhibit L (Core Principles Chart) which was updated in June 2012 in response to DCM final rules submitted in conjunction with the DCM application.

The September 7, 2012 trueEX Rulebook that was submitted as part of the Exchange's application for Designation as a Contract Market and approved by the Commission on September 25, 2012 already contains Reportable Swap Level (Rule 532) , Position Accountability Level (Rule 532) and minimum block sizes for this class of swap (originally in Rule 542(c), now Rule 1001(t)) . The attached Rulebook also contains edits to the September 7, 2012 trueEX Rulebook, which primarily consist of transferring information specifically related to interest rate swaps to Chapter 10. Affected rules include Chapter 1 (Definitions), Rule 542 (Block Trades), Rule 901 (Contract Specifications) and are redlined in the attachment.

trueEX certifies that the Contract and class of swaps to be listed comply with the Act and Commission regulations thereunder.

trueEX certifies that this filing of pending product certification has been concurrently posted on the Exchange's Web site.

Finally, trueEX certifies the following with respect to the class of swaps to be listed:

- i. That each particular swap within the certified class of swaps is based upon an "excluded commodity" as defined in Section 1a(19)(i) of the Act;
- ii. That each particular swap within the certified class of swaps is based upon an excluded commodity with an identical pricing source, formula, procedure, and methodology for calculating reference prices and payment obligations; and
- iii. That the pricing source, formula, procedure, and methodology for calculating reference prices and payment obligations in each particular swap within the certified class of swaps is identical to a pricing source, formula, procedure, and methodology for calculating reference prices and payment obligations in the Contract certified in this filing;
- iv. That each particular swap within the certified class of swaps is based upon an excluded commodity involving an identical currency or identical currencies.

If you have questions regarding this submission, please contact me at (312) 320-8934 or by email at [fran@trueex.com](mailto:fran@trueex.com).

Sincerely,



Fran Kenck  
Chief Regulatory Officer

cc: [dmosubmissions@cftc.gov](mailto:dmosubmissions@cftc.gov)  
Alexis Hall-Bugg – Attorney, DMO  
Laurie Gussow – Attorney-Advisor, DMO

## TRUEEX LLC

### RULEBOOK

~~SEPTEMBER~~ [MARCH 11, 2013]<sup>2</sup>

BY ANY PARTICIPANT OR ANY SUPERVISED PERSON OF A PARTICIPANT ACCESSING, OR ENTERING ANY ORDER INTO, THE TRADING SYSTEM, AND WITHOUT ANY NEED FOR ANY FURTHER ACTION, UNDERTAKING OR AGREEMENT, SUCH PARTICIPANT (ON BEHALF OF ITSELF AND ALL OF ITS SUPERVISED PERSONS), (1) AGREES TO (A) BE BOUND BY AND COMPLY WITH ITS OBLIGATIONS, APPLICABLE CLEARING HOUSE RULES AND APPLICABLE LAW; (B) BECOME SUBJECT TO THE JURISDICTION OF THE EXCHANGE AND ALL RELEVANT CLEARING HOUSES WITH RESPECT TO ANY AND ALL MATTERS ARISING FROM, RELATED TO, OR IN CONNECTION WITH, THE STATUS, ACTIONS OR OMISSIONS OF SUCH PERSON, AND (C) ASSIST THE EXCHANGE IN COMPLYING WITH ITS LEGAL AND REGULATORY OBLIGATIONS, COOPERATE WITH THE EXCHANGE AND THE CFTC IN ANY INQUIRY, INVESTIGATION, AUDIT, EXAMINATION OR PROCEEDING, AND AUTHORIZES THE EXCHANGE TO PROVIDE INFORMATION REGARDING IT TO THE REGULATORY SERVICES PROVIDER, THE CFTC OR ANY SELF-REGULATORY ORGANIZATION. SEE CHAPTER 3 AND THE RELATED DEFINITIONS IN THIS RULEBOOK.

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
<b><u>CHAPTER 1 DEFINITIONS.....</u></b>	<b><u>1</u></b>
<u>RULE 101. Definitions.....</u>	<u>1</u>
<u>RULE 102. Rules of Construction .....</u>	<u>11</u>
<u>RULE 103. Amendment of Rules .....</u>	<u>12</u>
<b><u>CHAPTER 2 EXCHANGE OWNERSHIP AND GOVERNANCE .....</u></b>	<b><u>13</u></b>
<u>RULE 201. Ownership.....</u>	<u>13</u>
<u>RULE 202. Board.....</u>	<u>13</u>
<u>RULE 203. Officers .....</u>	<u>14</u>
<u>RULE 204. Qualifications of Directors, Disciplinary Panel Members, Appeal Panel         Members, Committee Members, Owners and Officers .....</u>	<u>14</u>
<u>RULE 205. Standing Committees .....</u>	<u>14</u>
<u>RULE 206. Nominating Committee.....</u>	<u>15</u>
<u>RULE 207. Exchange Access Committee.....</u>	<u>15</u>
<u>RULE 208. Regulatory Oversight Committee .....</u>	<u>16</u>
<u>RULE 209. Chief Regulatory Officer .....</u>	<u>17</u>
<u>RULE 210. Trading Protocol Committee.....</u>	<u>18</u>
<u>RULE 211. Additional Board Committees and Exchange Panels .....</u>	<u>18</u>
<u>RULE 212. Regulatory Changes to the Composition Requirements .....</u>	<u>19</u>
<u>RULE 213. Emergency Rules .....</u>	<u>19</u>
<u>RULE 214. Conflicts of Interest.....</u>	<u>21</u>
<u>RULE 215. Material, Non-Public Information .....</u>	<u>22</u>
<u>RULE 216. Maintenance of Books and Records by the Exchange.....</u>	<u>24</u>
<u>RULE 217. Information-Sharing Agreements .....</u>	<u>24</u>
<u>RULE 218. Services Agreement with a Regulatory Services Provider .....</u>	<u>25</u>
<u>RULE 219. Services Agreement with a Technology Services Provider.....</u>	<u>26</u>
<b><u>CHAPTER 3 TRADING PRIVILEGES .....</u></b>	<b><u>27</u></b>
<u>RULE 301. Jurisdiction; Applicability of Rules .....</u>	<u>27</u>
<u>RULE 302. Participants.....</u>	<u>27</u>
<u>RULE 303. Authorized Traders and Authorized Brokers.....</u>	<u>28</u>
<u>RULE 304. Clearing Firms .....</u>	<u>29</u>
<u>RULE 305. Eligibility to obtain Trading Privileges.....</u>	<u>30</u>
<u>RULE 306. Applications .....</u>	<u>31</u>
<u>RULE 307. Denial, Revocation, and Conditioning.....</u>	<u>34</u>
<u>RULE 308. Scope and Continuation of Rights and Privileges.....</u>	<u>35</u>
<u>RULE 309. Dues, Assessments and Fees.....</u>	<u>35</u>
<u>RULE 310. Authorized Representatives .....</u>	<u>36</u>

RULE 311. Recording of Communications .....	36
RULE 312. Notices to Subject Persons.....	36
RULE 313. Communications between the Exchange and Participants.....	37
RULE 314. Description of Status.....	37
RULE 315. Withdrawal of Participant .....	38
RULE 316. Direct Access by Customers .....	38

**CHAPTER 4 OBLIGATIONS OF EXCHANGE USERS .....39**

RULE 401. Duties and Responsibilities of Participants.....	39
RULE 402. Required Disclosures to the Exchange .....	40
RULE 403. Inspections by the Exchange.....	41
RULE 404. Minimum Financial and Related Reporting Requirements .....	41
RULE 405. Confidentiality of Financial and Other Information .....	42
RULE 406. Authority to Impose Restrictions .....	42
RULE 407. Customers .....	42
RULE 408. Disclosure Requirements .....	42
RULE 409. Information Regarding Orders.....	43

**CHAPTER 5 TRADING PRACTICES AND BUSINESS CONDUCT.....44**

RULE 501. Scope.....	44
RULE 502. Procedures.....	44
RULE 503. Business Days and Trading Hours.....	44
RULE 504. Rule Violations .....	45
RULE 505. Fraudulent Acts Prohibited .....	45
RULE 506. Fictitious, Wash, Non-Competitive Transactions Prohibited .....	45
RULE 507. Market Disruption Prohibited .....	45
RULE 508. Market Manipulation Prohibited.....	46
RULE 509. Prohibition of Misstatements .....	46
RULE 510. Acts Detrimental to Welfare of Exchange Prohibited .....	46
RULE 511. Adherence to Law .....	46
RULE 512. Supervision .....	46
RULE 513. Misuse of the Trading System .....	46
RULE 514. Errors and Omissions in Handling Orders .....	47
RULE 515. Liquidity Provider Programs.....	47
RULE 516. Withholding Orders Prohibited.....	47
RULE 517. Priority of Customers' Orders.....	47
RULE 518. Handling of Customer Orders.....	47
RULE 519. Disclosing Orders Prohibited.....	48
RULE 520. Simultaneous Buy And Sell Orders For Different Beneficial Owners.....	48
RULE 521. Wash Sales Prohibited .....	49
RULE 522. Recordkeeping Requirements for Entering Orders into the Trading System.....	49
RULE 523. Modification and Cancellation of Orders .....	51

RULE 524.	Prearranged, Pre-Negotiated and Noncompetitive Trades Prohibited .....	51
RULE 525.	Responsibility For Customer Orders .....	52
RULE 526.	Discretionary Orders.....	53
RULE 527.	Priority of Execution.....	53
RULE 528.	Average Price System .....	53
RULE 529.	Position Limits And Exemptions .....	54
RULE 530.	Position Accountability.....	58
RULE 531.	Reports of Large Positions.....	59
RULE 532.	Position Limit, Position Accountability and Reportable Level Table .....	59
RULE 533.	Margin Requirements.....	59
RULE 534.	Trading System Access Restrictions.....	60
RULE 535.	Policies Governing Use of Firm IDs and User IDs.....	60
RULE 536.	Responsibilities for Firm IDs and User IDs.....	61
RULE 537.	Limitation of Liability, No Warranties .....	61
RULE 538.	Control Desk .....	64
RULE 539.	Execution of Orders by the Trading System.....	65
RULE 540.	Market Open .....	67
RULE 541.	Trade Cancellations and Price Adjustments .....	67
RULE 542.	Block Trades .....	71
RULE 543.	[RESERVED] .....	73
RULE 544.	Recordkeeping Requirements for Privately Negotiated Trades.....	73
RULE 545.	Reporting Party .....	73

**CHAPTER 6 DISCIPLINARY RULES .....**74

RULE 601.	General.....	74
RULE 602.	Inquiries and Investigation.....	75
RULE 603.	Reports of Investigations .....	76
RULE 604.	Opportunity to Respond.....	77
RULE 605.	Review of Investigative Reports .....	77
RULE 606.	Notice of Charges .....	79
RULE 607.	Answer to Notice of Charges .....	80
RULE 608.	Service of Notice of Charges .....	80
RULE 609.	Settlements.....	81
RULE 610.	Disciplinary Panels .....	82
RULE 611.	Convening Hearings of Disciplinary Proceedings.....	83
RULE 612.	Respondent Review of Evidence .....	84
RULE 613.	Conducting Hearings of Disciplinary Proceedings.....	84
RULE 614.	Decision of Hearing Panel .....	86
RULE 615.	Sanctions .....	87
RULE 616.	Appeal from Hearing Panel Decision, Summary Impositions of Fines and Other Summary Actions.....	87
RULE 617.	Summary Imposition of Fines.....	90
RULE 618.	Emergency Suspensions and Other Disciplinary Actions .....	90
RULE 619.	Rights and Responsibilities after Suspension or Termination .....	91

<u>RULE 620. Notice to the Respondent, the Regulatory Services Provider and the Public .....</u>	<u>92</u>
--	-----------

**CHAPTER 7 ARBITRATION RULES .....** **93**

<u>RULE 701. Arbitration Forum and Applicable Rules .....</u>	<u>93</u>
<u>RULE 702. Disputes Subject to Arbitration .....</u>	<u>93</u>
<u>RULE 703. Customer Arbitration .....</u>	<u>93</u>
<u>RULE 704. Claims Relating to Trade Cancellations or Price Adjustments .....</u>	<u>93</u>
<u>RULE 705. Notice .....</u>	<u>93</u>
<u>RULE 706. Right to Counsel .....</u>	<u>94</u>
<u>RULE 707. Awards .....</u>	<u>94</u>
<u>RULE 708. Penalties .....</u>	<u>94</u>

**CHAPTER 8 CLEARING .....** **95**

<u>RULE 801. Clearing of Contracts .....</u>	<u>95</u>
<u>RULE 802. Clearing House Rules .....</u>	<u>95</u>
<u>RULE 803. Other Clearing Organizations .....</u>	<u>95</u>
<u>RULE 804. Settlement Prices; Publication of Trade Information .....</u>	<u>95</u>
<u>RULE 805. Clearing Fees .....</u>	<u>96</u>
<u>RULE 806. Transfers of Trades .....</u>	<u>96</u>
<u>RULE 807. Concurrent Long and Short Transactions .....</u>	<u>97</u>
<u>RULE 808. Revocation of Clearing Authorization: Trade Nullification .....</u>	<u>97</u>

**CHAPTER 9 MISCELLANEOUS .....** **98**

<u>RULE 901. Contract Specifications .....</u>	<u>98</u>
<u>RULE 902. Post-Trade Processing .....</u>	<u>98</u>
<u>RULE 903. Gifts and Gratuities .....</u>	<u>98</u>
<u>RULE 904. Market Data .....</u>	<u>98</u>
<u>RULE 905. Extension or Waiver of Rules .....</u>	<u>99</u>
<u>RULE 906. Governing Law, Jurisdiction and Dispute Resolution .....</u>	<u>99</u>

**CHAPTER 10 INTEREST RATE SWAP CONTRACTS .....** **101**

<u>RULE 1001. Fixed for Floating Interest Rate Swap Contracts .....</u>	<u>101</u>
---	------------

**CHAPTER 1 DEFINITIONS .....** **1**

<u>RULE 101. Definitions .....</u>	<u>1</u>
<u>RULE 102. Rules of Construction .....</u>	<u>11</u>
<u>RULE 103. Amendment of Rules .....</u>	<u>12</u>



**CHAPTER 2 EXCHANGE OWNERSHIP AND GOVERNANCE .....13**

RULE 201. Ownership.....13  
RULE 202. Board.....13  
RULE 203. Officers .....14  
RULE 204. Qualifications of Directors, Disciplinary Panel Members, Appeal Panel  
Members, Committee Members, Owners and Officers .....14  
RULE 205. Standing Committees .....14  
RULE 206. Nominating Committee.....15  
RULE 207. Exchange Access Committee.....15  
RULE 208. Regulatory Oversight Committee .....16  
RULE 209. Chief Regulatory Officer .....17  
RULE 210. Trading Protocol Committee.....18  
RULE 211. Additional Board Committees and Exchange Panels .....18  
RULE 212. Regulatory Changes to the Composition Requirements .....19  
RULE 213. Emergency Rules .....19  
RULE 214. Conflicts of Interest.....21  
RULE 215. Material, Non Public Information .....22  
RULE 216. Maintenance of Books and Records by the Exchange.....24  
RULE 217. Information Sharing Agreements .....25  
RULE 218. Services Agreement with a Regulatory Services Provider .....25  
RULE 219. Services Agreement with a Technology Services Provider.....26

**CHAPTER 3 TRADING PRIVILEGES .....27**

RULE 301. Jurisdiction; Applicability of Rules .....27  
RULE 302. Participants.....27  
RULE 303. Authorized Traders and Authorized Brokers .....28  
RULE 304. Clearing Firms .....29  
RULE 305. Eligibility to obtain Trading Privileges.....30  
RULE 306. Applications .....31  
RULE 307. Denial, Revocation, and Conditioning.....34  
RULE 308. Scope and Continuation of Rights and Privileges.....35  
RULE 309. Dues, Assessments and Fees.....35  
RULE 310. Authorized Representatives .....36  
RULE 311. Recording of Communications .....36  
RULE 312. Notices to Subject Persons.....36  
RULE 313. Communications between the Exchange and Participants.....37  
RULE 314. Description of Status.....37  
RULE 315. Withdrawal of Participant .....38  
RULE 316. Direct Access by Customers .....38

**CHAPTER 4 OBLIGATIONS OF EXCHANGE USERS .....39**

RULE 401. Duties and Responsibilities of Participants.....39

<u>RULE 402.</u>	<u>Required Disclosures to the Exchange</u>	<u>40</u>
<u>RULE 403.</u>	<u>Inspections by the Exchange</u>	<u>41</u>
<u>RULE 404.</u>	<u>Minimum Financial and Related Reporting Requirements</u>	<u>41</u>
<u>RULE 405.</u>	<u>Confidentiality of Financial and Other Information</u>	<u>42</u>
<u>RULE 406.</u>	<u>Authority to Impose Restrictions</u>	<u>42</u>
<u>RULE 407.</u>	<u>Customers</u>	<u>42</u>
<u>RULE 408.</u>	<u>Disclosure Requirements</u>	<u>42</u>
<u>RULE 409.</u>	<u>Information Regarding Orders</u>	<u>43</u>

**CHAPTER 5 TRADING PRACTICES AND BUSINESS CONDUCT.....44**

<u>RULE 501.</u>	<u>Scope</u>	<u>44</u>
<u>RULE 502.</u>	<u>Procedures</u>	<u>44</u>
<u>RULE 503.</u>	<u>Business Days and Trading Hours</u>	<u>44</u>
<u>RULE 504.</u>	<u>Rule Violations</u>	<u>45</u>
<u>RULE 505.</u>	<u>Fraudulent Acts Prohibited</u>	<u>45</u>
<u>RULE 506.</u>	<u>Fictitious, Wash, Non-Competitive Transactions Prohibited</u>	<u>45</u>
<u>RULE 507.</u>	<u>Market Disruption Prohibited</u>	<u>45</u>
<u>RULE 508.</u>	<u>Market Manipulation Prohibited</u>	<u>46</u>
<u>RULE 509.</u>	<u>Prohibition of Misstatements</u>	<u>46</u>
<u>RULE 510.</u>	<u>Acts Detrimental to Welfare of Exchange Prohibited</u>	<u>46</u>
<u>RULE 511.</u>	<u>Adherence to Law</u>	<u>46</u>
<u>RULE 512.</u>	<u>Supervision</u>	<u>46</u>
<u>RULE 513.</u>	<u>Misuse of the Trading System</u>	<u>46</u>
<u>RULE 514.</u>	<u>Errors and Omissions in Handling Orders</u>	<u>47</u>
<u>RULE 515.</u>	<u>Liquidity Provider Programs</u>	<u>47</u>
<u>RULE 516.</u>	<u>Withholding Orders Prohibited</u>	<u>47</u>
<u>RULE 517.</u>	<u>Priority of Customers' Orders</u>	<u>47</u>
<u>RULE 518.</u>	<u>Handling of Customer Orders</u>	<u>47</u>
<u>RULE 519.</u>	<u>Disclosing Orders Prohibited</u>	<u>48</u>
<u>RULE 520.</u>	<u>Simultaneous Buy And Sell Orders For Different Beneficial Owners</u>	<u>48</u>
<u>RULE 521.</u>	<u>Wash Sales Prohibited</u>	<u>49</u>
<u>RULE 522.</u>	<u>Recordkeeping Requirements for Entering Orders into the Trading System</u>	<u>49</u>
<u>RULE 523.</u>	<u>Modification and Cancellation of Orders</u>	<u>51</u>
<u>RULE 524.</u>	<u>Prearranged, Pre-Negotiated and Noncompetitive Trades Prohibited</u>	<u>51</u>
<u>RULE 525.</u>	<u>Responsibility For Customer Orders</u>	<u>52</u>
<u>RULE 526.</u>	<u>Discretionary Orders</u>	<u>53</u>
<u>RULE 527.</u>	<u>Priority of Execution</u>	<u>53</u>
<u>RULE 528.</u>	<u>Average Price System</u>	<u>53</u>
<u>RULE 529.</u>	<u>Position Limits And Exemptions</u>	<u>54</u>
<u>RULE 530.</u>	<u>Position Accountability</u>	<u>58</u>
<u>RULE 531.</u>	<u>Reports of Large Positions</u>	<u>59</u>
<u>RULE 532.</u>	<u>Position Limit, Position Accountability and Reportable Level Table</u>	<u>59</u>
<u>RULE 533.</u>	<u>Margin Requirements</u>	<u>59</u>

<u>RULE 534.</u>	<u>Trading System Access Restrictions</u>	<u>60</u>
<u>RULE 535.</u>	<u>Policies Governing Use of Firm IDs and User IDs</u>	<u>60</u>
<u>RULE 536.</u>	<u>Responsibilities for Firm IDs and User IDs</u>	<u>61</u>
<u>RULE 537.</u>	<u>Limitation of Liability, No Warranties</u>	<u>61</u>
<u>RULE 538.</u>	<u>Control Desk</u>	<u>64</u>
<u>RULE 539.</u>	<u>Execution of Orders by the Trading System</u>	<u>65</u>
<u>RULE 540.</u>	<u>Market Open</u>	<u>67</u>
<u>RULE 541.</u>	<u>Trade Cancellations and Price Adjustments</u>	<u>67</u>
<u>RULE 542.</u>	<u>Block Trades</u>	<u>71</u>
<u>RULE 543.</u>	<u>[RESERVED]</u>	<u>73</u>
<u>RULE 544.</u>	<u>Recordkeeping Requirements for Privately Negotiated Trades</u>	<u>73</u>
<u>RULE 545.</u>	<u>Reporting Party</u>	<u>73</u>

**CHAPTER 6 DISCIPLINARY RULES .....74**

<u>RULE 601.</u>	<u>General</u>	<u>74</u>
<u>RULE 602.</u>	<u>Inquiries and Investigation</u>	<u>75</u>
<u>RULE 603.</u>	<u>Reports of Investigations</u>	<u>76</u>
<u>RULE 604.</u>	<u>Opportunity to Respond</u>	<u>77</u>
<u>RULE 605.</u>	<u>Review of Investigative Reports</u>	<u>77</u>
<u>RULE 606.</u>	<u>Notice of Charges</u>	<u>79</u>
<u>RULE 607.</u>	<u>Answer to Notice of Charges</u>	<u>80</u>
<u>RULE 608.</u>	<u>Service of Notice of Charges</u>	<u>80</u>
<u>RULE 609.</u>	<u>Settlements</u>	<u>81</u>
<u>RULE 610.</u>	<u>Disciplinary Panels</u>	<u>82</u>
<u>RULE 611.</u>	<u>Convening Hearings of Disciplinary Proceedings</u>	<u>83</u>
<u>RULE 612.</u>	<u>Respondent Review of Evidence</u>	<u>84</u>
<u>RULE 613.</u>	<u>Conducting Hearings of Disciplinary Proceedings</u>	<u>84</u>
<u>RULE 614.</u>	<u>Decision of Hearing Panel</u>	<u>86</u>
<u>RULE 615.</u>	<u>Sanctions</u>	<u>87</u>
<u>RULE 616.</u>	<u>Appeal from Hearing Panel Decision, Summary Impositions of Fines and Other Summary Actions</u>	<u>87</u>
<u>RULE 617.</u>	<u>Summary Imposition of Fines</u>	<u>90</u>
<u>RULE 618.</u>	<u>Emergency Suspensions and Other Disciplinary Actions</u>	<u>90</u>
<u>RULE 619.</u>	<u>Rights and Responsibilities after Suspension or Termination</u>	<u>91</u>
<u>RULE 620.</u>	<u>Notice to the Respondent, the Regulatory Services Provider and the Public</u>	<u>92</u>

**CHAPTER 7 ARBITRATION RULES .....93**

<u>RULE 701.</u>	<u>Arbitration Forum and Applicable Rules</u>	<u>93</u>
<u>RULE 702.</u>	<u>Disputes Subject to Arbitration</u>	<u>93</u>
<u>RULE 703.</u>	<u>Customer Arbitration</u>	<u>93</u>
<u>RULE 704.</u>	<u>Claims Relating to Trade Cancellations or Price Adjustments</u>	<u>93</u>
<u>RULE 705.</u>	<u>Notice</u>	<u>93</u>

<u>RULE 706.</u>	<u>Right to Counsel</u>	<u>94</u>
<u>RULE 707.</u>	<u>Awards</u>	<u>94</u>
<u>RULE 708.</u>	<u>Penalties</u>	<u>94</u>

**CHAPTER 8 CLEARING.....95**

<u>RULE 801.</u>	<u>Clearing of Contracts</u>	<u>95</u>
<u>RULE 802.</u>	<u>Clearing House Rules</u>	<u>95</u>
<u>RULE 803.</u>	<u>Other Clearing Organizations</u>	<u>95</u>
<u>RULE 804.</u>	<u>Settlement Prices; Publication of Trade Information</u>	<u>95</u>
<u>RULE 805.</u>	<u>Clearing Fees</u>	<u>96</u>
<u>RULE 806.</u>	<u>Transfers of Trades</u>	<u>96</u>
<u>RULE 807.</u>	<u>Concurrent Long and Short Transactions</u>	<u>97</u>
<u>RULE 808.</u>	<u>Revocation of Clearing Authorization; Trade Nullification</u>	<u>97</u>

**CHAPTER 9 MISCELLANEOUS.....98**

<u>RULE 901.</u>	<u>Contract Specifications</u>	<u>98</u>
<u>RULE 902.</u>	<u>Post Trade Processing</u>	<u>98</u>
<u>RULE 903.</u>	<u>Gifts and Gratuities</u>	<u>98</u>
<u>RULE 904.</u>	<u>Market Data</u>	<u>98</u>
<u>RULE 905.</u>	<u>Extension or Waiver of Rules</u>	<u>99</u>
<u>RULE 906.</u>	<u>Governing Law, Jurisdiction and Dispute Resolution</u>	<u>99</u>

## CHAPTER 1 DEFINITIONS

### **RULE 101. Definitions**

When used in this Rulebook the following terms shall have the respective meanings as follows:

“Affected Person” means a Person whose Trading Privileges or status as a Participant, Authorized Trader, Authorized Broker, or Clearing Firm is denied, revoked or conditioned by the Exchange.

“Affiliate” means, with respect to any juridical entity, any Person that directly or indirectly through one or more intermediaries, controls such entity, is controlled by such entity, or is under common control with such entity.

“Appeal Panel” means a panel comprised of a chair and two individuals appointed by the Board to consider appeals under Chapter 6.

“Applicable Law” means, with respect to any Person, any statute, law, regulation, rule or ordinance of any governmental or self-regulatory authority applicable to such Person, including the CEA and CFTC Regulations.

“APS” shall have the meaning set forth in Rule 528.

“Authorized Broker” means a person who is either employed or is an agent of a Participant and who is authorized to utilize the Exchange to place orders and execute transactions on behalf of Customers of such Participant.

“Authorized Contact” has the meaning set forth in Rule 538(a)(ii).

“Authorized Representative” means any natural person who is employed and authorized by a Participant or Clearing Firm to represent the such entity in Exchange matters pursuant to Rule 310.

“Authorized Trader” means a person who is either employed or is an agent of a Participant and who is authorized to utilize the Exchange to place orders and execute transactions on behalf of such Participant.

“Block Trade” means a privately negotiated ~~swap~~ transaction in a Contract that meets (i) certain quantity thresholds and (ii) is permitted to be executed off the centralized market pursuant to Rule 542.

“Board” means the board of managers of the Exchange, which manages the Exchange and is constituted from time to time in accordance with the Operating Agreement.

“Business Day” means a day on which the Exchange is open for trading as shall be established, and may be revised from time to time, by the Exchange pursuant to Rule 503.

“CFTC” or “Commission” means the U.S. Commodity Futures Trading Commission.

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

“Chief Executive Officer” means the individual appointed by the Board as the Exchange’s chief executive officer.

“Chief Regulatory Officer” means the individual appointed by the Board as the Exchange’s chief regulatory officer.

“Clearing Firm” means a person that is a member of a Clearing House that has been approved by such Clearing House to clear trades in any or all of the Contracts and has been admitted as a Clearing Firm by the Exchange.

“Clearing House” means any clearing house registered with the Commission as a derivatives clearing organization with open access rules that the Exchange designates in the future to provide clearing services with respect to any or all of the Contracts.

“Clearing House Rules” means the certificate of incorporation or equivalent constitutive document, 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 a Clearing House.

“CME” means the Chicago Mercantile Exchange, Inc., or its successor.

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

“Contract” means any contract, agreement, or transaction approved for trading on the Exchange and pursuant to the Rules.

“Contract Market” has the meaning set forth in CFTC Regulation § 1.3(h).

“Contract Specifications” means, with respect to any Contract, the rules or other trading protocols containing specifications for such Contract, as adopted, amended, supplemented or otherwise modified from time to time by the Exchange.

“Control” means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of securities, by contract, or otherwise. The terms “controlling” or “controlled” shall have meanings correlative to the foregoing.

“Control Desk” shall have the meaning set forth in Rule 538.

“Continuing Session” has the meaning set forth in Rule 539.

“Cross Trade” shall have the meaning set forth in Rule 520.

“CTI” means customer type indicator and has the meaning set forth in Rule 522(d) and CFTC Regulation § 1.35(e).

“Customer” has the meaning set forth in CFTC Regulation § 1.3(k).

“Customer Account” means account over which a third party Participant has trading discretion.

“De-Registration Basis” means, with respect to a Person, any basis upon which the CFTC could, subject to applicable procedural requirements, refuse to register, register conditionally, or suspend or place restrictions upon the registration of such Person under Section 8a(2) of the CEA.

“Derivatives Clearing Organization” has the meaning attributed to such term by section 1a(9) of the CEA.

“Director” means any member of the Board.

“Disciplinary Action” has the meaning set forth in Rule 601(c).

“Disciplinary Offense” has the meaning set forth in CFTC Regulation § 1.63(a)(6).

“Disciplinary Panel” means a Review Panel or a Hearing Panel appointed by the Board at the recommendation of the Chief Regulatory Officer to act in an adjudicative role and fulfill various adjudicative responsibilities and duties described in Chapter 6.

“Disclaiming Party” has the meaning set forth in Rule 537.

“DOJ” means the United States Department of Justice.

“Electronic Audit Trail” has the meaning set forth in Rule 522(b)(i).

“Eligible Contract Participant” has the meaning set forth in Section 1a(18) of the CEA.

“Emergency” means the occurrences or circumstances which, in the opinion of the Board, require immediate action, and which threaten, or may threaten, the fair and orderly trading in, or the settlement or integrity of, any Contract, whether the need for intervention arises exclusively from the DCM’s market or as part of a coordinated, cross-market intervention, including the following:

- (i) any circumstance that may materially affect the performance of a Contract, including any failure of the Trading System or the clearing system of a Clearing House;
- (ii) any action taken by any United States or foreign regulatory, self-regulatory, judicial, arbitral, or governmental (whether national, state or municipal) or quasi-governmental authority, or any agency, department, instrumentality, or sub-division thereof; or other Person exercising, or entitled to exercise any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power; or any other Contract Market, Clearing House, board of trade, or other exchange or trade association (foreign or domestic) that may have a direct impact on trading on the Exchange or the settlement legality or enforceability of any Contract;
- (iii) any actual, attempted or threatened corner, squeeze, congestion, manipulative activity or undue concentration of positions in a Contract;
- (iv) any circumstance that may have a severe, adverse effect upon the functions and facilities of the Exchange, including, but not limited to, acts of God, fire, flood, earthquake, hurricane or other natural disasters, bomb threats, acts of terrorism or war, severely inclement weather, or failure or malfunction of all or a portion of the Trading System, or other system breakdowns or interruptions such as power, computer, communication or transportation systems or the Internet;
- (v) the bankruptcy or insolvency of any Clearing Firm or the imposition of any injunction or other restraint by any government agency, Clearing House, court or arbitrator upon a Clearing Firm which may affect the ability of a Clearing Firm to trade in or perform on a Contract;
- (vi) any circumstance in which it appears to the Board that a Clearing Firm or any other Person:
  - (A) has failed to perform on a Contract;
  - (B) is insolvent; or



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

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

“Emergency Action” has the meaning set forth in Rule 213(a).

“Emergency Rules” has the meaning set forth in Rule 213(a).

“Emergency Disciplinary Action” has the meaning set forth in Rule 618(a).

“Exchange” means trueEX LLC.

“Exchange Access Committee” means the committee of the Board constituted in accordance with Rule 207.

“Exchange Activity” means business of a Participant or a Supervised Person of such Participant that is subject to the Rules, that is purportedly conducted subject to the Rules, or which should have been conducted subject to the Rules, including any use by such Person of the Trading System.

“Exchange Official” means any Director or Officer of, or individual employed directly by, the Exchange, the Regulatory Services Provider or any individual rendering similar services to the Exchange under an administrative or similar agreement.

“Exchange Panel” has the meaning set forth in Rule 211(b).

“Exchange Proceeding” has the meaning set forth in Rule 214(a).

“Exchange Regulation Department” means all Exchange Officials or agents of the Exchange (including the Regulatory Services Provider) that assist the Exchange in the implementation, surveillance and enforcement of Obligations and Applicable Law.

“Executive Committee” shall have the meaning set forth in CFTC Regulation § 1.3(bbb).

“Final Decision” has the meaning set forth in CFTC Regulation § 1.63(a)(5).

“Firm ID” means a unique ID assigned to a Participant, which is used in accessing the Trading System by such Participant.

“Futures Commission Merchant” or “FCM” has the meaning set forth in Section 1a(28) of the CEA.

“Hearing Panel” means a panel selected in accordance with Rule 610 that is authorized to perform such roles and subject to such obligations as Chapter 6 contemplates.

“Government Agency” means any governmental entity, body or agency of any government (including the United States, a State, or a foreign government).

“Immediate Relation” means, with respect to a natural person, a spouse, parent, child, or sibling of such natural person, in each case, whether by blood, marriage, or adoption, or any person residing in the home of such natural person or an Immediate Relation of such natural person.

“Interested Person” has the meaning attributed to such term in Rule 214(a).

“Interest Rate Swap” means a Contract for an interest rate swap of the form provided for in ~~Rule 901~~ Rule 1001.

“Introducing Broker” or “IB” has the meaning set forth in Section 1a(31) of the CEA.

“Investigation” means an investigation conducted by the Exchange Regulation Department pursuant to Chapter 6.

“Investigative Report” shall have the meaning set forth in Rule 603(b).

“ISV” means independent software vendor.

“LCH” means LCH.Clearnet.

“Liquidity Provider” means a Participant that has entered into a Liquidity Provider Agreement, which provides Participant with certain incentives as a liquidity provider.

“Major Swap Participant” shall have the meaning assigned in Section 1.3(qqq) of the CFTC’s Regulations.

“Market Equilibrium Price” has the meaning set forth in Rule 539.

“Market Notice” means a communication sent by or on behalf of the Exchange to all Subject Persons as described in Rule 312.

“Market Price” shall have the meaning set forth in Rule 541(c)(ii).

“Matched Session” has the meaning set forth in Rule 539.

“Material Relationship”, with respect to a Director, has the meaning set forth in CFTC Regulation § 1.3(ccc).

“NFA” means the National Futures Association.

“NFA Arbitration Program” shall have the meaning set forth in Rule 701.

“No Bust Range” means the price range specified with respect to each Contract traded on the Trading System, as such range is published by the Exchange from time to time, within which trades that are reviewed pursuant to Rule 541 will not be busted or adjusted, except as set forth in the Rules.

“Nominating Committee” means the committee of the Board constituted in accordance with Rule 206.

“Non-Public Information” means any information that the Exchange owns or otherwise deems confidential, such as intellectual property belonging to: (i) the Exchange; or (ii) a third party, which property the Exchange receives on a confidential basis.

“Notice of Charges” shall have the meaning set forth in Rule 606(a).

“Obligation” means any Rule, order or procedure issued by the Exchange, including Market Notice, other requirement implemented by the Exchange under the Rules (including each term of a Contract), as well as any contractual obligations between, on the one hand, a Subject Person, and on the other hand, the Exchange.

“Officer” has the meaning attributed to such term in Rule 203.

~~“Off the Run” with reference to an Interest Rate Swap, means an Interest Rate Swap that is not an On the Run Interest Rate Swap.~~

**Comment [FK1]:** These definitions were moved to chapter 10

~~“On the Run” with reference to an Interest Rate Swap, means a Contract with an effective date that is two business days after its trade date and a maturity of two, three, four, five, six, seven, eight, nine, ten, twelve, fifteen, twenty, twenty five or thirty years.~~

“Operating Agreement” means the Limited Liability Company Agreement of trueEX LLC as the same may be amended from time to time.

“Order” means either a bid or an offer for a Contract. The following Order types are available on the Trading System and may be amended from time to time:

- (a) “Limit”, in reference to an Order, means an Order to purchase or sell a Contract at a specified price or better. A Limit Order will be executed when entered to the extent that there are resting contra-Orders, with any balance of such Limit Order to remain as a resting Order until such Limit Order is executed or is cancelled. Limit Orders must be entered with a user-defined limit price. All Limit Orders shall be cancelled by the Trading System at the conclusion of Trading Hours on each Business Day.

“Order Qualifiers” means the following Order qualifiers supported by the Trading System, which may only be used during Trading Hours:

- a) “Iceberg”, in reference to an Order, means that such Order shall be divided into a displayed portion and a reserve portion. An Iceberg Order shall be divided between the displayed portion and the reserve portion in accordance with a fixed display size designated by the Iceberg Order. Only the displayed portion of an Iceberg Order shall be visible to those with Trading Privileges and eligible for matching. When a displayed portion is fully matched, any remaining reserve portion shall be re-divided into a displayed portion and reserve portion. The reserve portion of an Iceberg Order shall not be displayed nor will any indicator be contained in the market data stream to expose its presence. Iceberg Order qualifiers may be used in combination with Good-Until-Time Order qualifiers.
- b) “Immediate or Cancel”, in reference to an Order, means that such Order is executed against all resting contra-Orders at the stated price or better, up to the volume designated by the Order. Any residual volume of the Order is cancelled by the Trading System.

“Participant” means a person that is authorized under an Exchange Participation Agreement. A reference to a Participant includes any natural person who is either employed by or is an agent of such Participant (including, but not limited to an Authorized Trader, an Authorized Broker or any other Supervised Person of such Participant), or any person who is authorized to access or utilize the Exchange pursuant to authority granted by a Participant. Subject to applicable law, a Participant may trade for its own proprietary account or on behalf of a Customer.

“Participant Documentation” means the agreements (together with any applicable schedules, exhibits or appendices thereto required by the Exchange) in form and substance acceptable to the Exchange, that are required to be executed and delivered to the Exchange before a Person may access the Trading System, including, but not limited to applicable Exchange Participation Agreement; any applicable Clearing House Rules, Clearing Firm agreement and Firm ID Request Form, as applicable.

“Person” or “person” has the meaning ascribed to it by Section 1a(38) of the CEA.

“Proprietary Account” has the meaning ascribed to it by CFTC Regulation § 1.3(y).

“Public Director” means a Director who has been found by the Board, on the record, to have no Material Relationships with the Exchange in accordance with Rule 202(e).

“Public Participant” [means a person who would not be disqualified from serving as a Public Director by CFTC Regulations § 1.3(ccc)(1)(i)–(vi) or CFTC Regulation § 40.9(c)(2)][has the meaning set forth in CFTC Regulation § 40.9(c)(3)].<sup>1</sup>

“Regulatory Oversight Committee” means the committee of the Board constituted in accordance with Rule 208.

“Regulatory Services Agreement” means the agreement(s) between the Exchange and the Regulatory Services Provider whereby certain functions mandated under the CEA, such as market monitoring and trade practice surveillance, are delegated to the Regulatory Services Provider.

“Regulatory Services Provider” means the organization, if any, which provides self-regulatory services to the Exchange.

“Requested Session” has the meaning set forth in Rule 539.

“Review Panel” means a panel selected in accordance with Rule 610 that is authorized to perform such roles and subject to such obligations as Chapter 6 contemplates.

“Risk Disclosure Statement” means a disclosure statement provided by a Clearing Firm to a Customer in satisfaction of CFTC Regulation § 1.55 in such form as may be prescribed, and from time to time amended, by the Exchange.

“Rule” means any of the Participant Documentation, Rulebook, interpretations, orders, resolutions, advisories, notices, statements of policy, decisions, manuals and directives of the Exchange in part or in whole.

“Rulebook” means this trueEX LLC Rulebook.

“SEC” means the U.S. Securities and Exchange Commission.

“Self-Regulatory Action” has the meaning set forth in Rule 214(a).

“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 a Derivatives Clearing Organization.

“Settlement Agreement” has the meaning set forth in CFTC Regulation § 1.63(a)(7).

---

<sup>1</sup> [NTD: Two alternate section references are provided, with the former being the appropriate reference if the Conflicts of Interest NPRM is not finalized prior to trueEX being designated, and the latter being appropriate if the Conflicts of Interest NPRM is finalized as proposed.]

“Settlement Price” means the official daily closing price for a Contract calculated each Business Day, as determined by the relevant Clearing Houses in accordance with Rule 804, and used for all open positions at the close of the daily settlement cycle.

“Serious Disciplinary Offense” means, with respect to a natural person, that such person committed any serious disciplinary offense, such as: (1) 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 CFTC to have committed a Disciplinary Offense; (2) 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; (3) currently is suspended from trading on any Contract Market, is suspended or expelled from membership with any Self-Regulatory Organization, is serving any sentence or probation or owes any portion of a fine imposed pursuant to either: (a) a finding by a Final Decision of a Self-Regulatory Organization, an administrative law judge, a court of competent jurisdiction or the CFTC that such person committed a Disciplinary Offense, or (b) a Settlement Agreement in which any of the findings or, in the absence 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; (4) currently is subject to an agreement with the CFTC or any Self-Regulatory Organization not to apply for registration with the CFTC or membership in any Self-Regulatory Organization; (5) currently is subject to or has had imposed on him within the prior three years a CFTC 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 (6) currently is subject to a denial, suspension or disqualification from serving on the disciplinary committee, arbitration panel or governing board of any “self-regulatory organization” as that term is defined in section 3(a)(26) of the Securities Exchange Act of 1934.

“Subject Person” means any Clearing Firm, Participant or Supervised Person of a Clearing Firm, Participant.

“Supervised Person” means, (a) with respect to a Participant, any Authorized Trader, director, officer, employee or agent of such Participant as the case may be and (b) with respect to a Clearing Firm, any director, officer, employee or agent of such Clearing Firm.

“Swap Data Repository” or “SDR” has the meaning set forth in Section 1a(48) of the CEA.

“Swap Dealer” shall have the meaning assigned in Section 1.3(ppp) of the CFTC’s Regulations.

“Swap Execution Facility” has the meaning ascribed to it by Section 1a(50) of the CEA.

“Technology Services Agreement” means the agreement(s) between the Exchange and the Technology Services Provider whereby technology services are provided to the Exchange.

“Technology Services Provider” means the organization, if any, which provides technology services to the Exchange.

“TRADEON Session” has the meaning set forth in Rule 539.

“Trading Hours” means, for any Business Day, the hours during which Orders may be placed on the Exchange, as shall be established, and may be revised from time to time, by the Exchange pursuant to Rule 503.

“Trading Privilege” means any right granted to a Participant to transmit Orders for a Contract through the Trading System.

“Trading Protocol Committee” means the committee of the Board constituted in accordance with Rule 210.

“Trading System” means the Exchange electronic trade execution system that is used for trading Contracts, including any licensed software that is a part thereof from time to time, and any successor electronic trading system thereto.

“Transaction” means any purchase or sale of any Contract made on the Exchange.

“Transfer Trade” has the meaning set forth in Rule 541(h).

“trueEX Group” means trueEX Group LLC.

“User ID” means the unique identifier included on each Order which enables the Exchange to identify the individual entering such Orders.

“Web Site” means either the trueEX homepage or a web site to which the trueEX homepage has a link.

**RULE 102. Rules of Construction.** The following rules of construction shall apply to the Rules:

(a) References to any juridical person or Government Agency include any successor to such juridical person or Government Agency.

(b) References to any agreement, policy, statute or regulation refer to such agreement, policy, statute or regulation as amended, modified, supplemented or replaced from time to time (and, in the case of statutes, include any rules and regulations promulgated under the statute) and references to any section of any agreement, policy, statute or regulation include any successor to such section.

(c) Words denoting a singular number include the plural number where the context permits and vice versa.

(d) References to any gender include each other gender.

(e) All references to time are to local time in New York, New York except where expressly provided otherwise.

(f) The headings are for convenience only and do not affect the construction of the Rules.

(g) Wherever the word “include”, “includes”, or “including” is used, it shall be deemed to be followed by the words “without limitation”.

**RULE 103. Amendment of Rules**

New Rules of the Exchange may be adopted, and existing Rules of the Exchange may be amended or repealed, by the Board. All such new Rules of the Exchange, amendments or repeals shall become effective on such date (after any required filing with, or approval thereof by, the CFTC) as may be determined by the Exchange.



**CHAPTER 2**  
**EXCHANGE OWNERSHIP AND GOVERNANCE**

**RULE 201. Ownership**

The Exchange is a Delaware limited liability company. The management and operation of the Exchange is governed by the Operating Agreement. All of the equity interests of the Exchange are owned by trueEX Group.

**RULE 202. Board**

(a) The Board shall manage the day to day business operations of the Exchange. The Board has the power and authority to call for review, and to affirm, modify, suspend or overrule, any and all decisions and actions of standing committees or special committees of the Board or any panel of the Officers related to the day to day business operations of the Exchange.

(b) The Board may act only by the decision of an absolute majority in number of the Directors by vote at a meeting, by unanimous written consent without a meeting, or as otherwise set forth in the Operating Agreement.

(c) At all times, at least 35% of the Directors shall be Public Directors. Each Director (including Public Directors) shall be appointed in accordance with the Operating Agreement, and shall serve until his or her successor is duly appointed, or until his or her earlier resignation or removal, with or without cause.

(d) Each Director is entitled to indemnification pursuant to the Operating Agreement with respect to matters relating to the Exchange.

(e) To qualify as a Public Director, an individual must be found, by action of the Board, to have no Material Relationship with the Exchange. The Board must make such finding upon the nomination or appointment of the Public Director and as often as necessary in light of all circumstances relevant to such Public Director, but in no case less than annually.

(f) The members of the Board, including the Public Directors, shall be of good repute and, where applicable, have sufficient expertise in financial services and risk management.

(g) Each Director shall satisfy all fitness standards and otherwise meet all the requirements to serving as a director of a designated contract market under the CEA and CFTC Regulations.

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

(i) The Board shall review its performance and that of its individual members annually and shall consider periodically using external facilitators for such review.

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

**RULE 203. Officers**

(a) The Board shall appoint a Chief Executive Officer, a Chief Regulatory Officer, and such other officers of the Exchange (each, an “Officer”) as it may deem necessary or appropriate from time to time, in accordance with the Operating Agreement.

(b) Any Officer may also be a director, officer, partner or employee of the Exchange or any of its Affiliates.

(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 the terms of the Operating Agreement.

(d) Each Officer is entitled to indemnification pursuant to the Operating Agreement with respect to matters relating to the Exchange.

**RULE 204. Qualifications of Directors, Disciplinary Panel Members, Appeal Panel Members, Committee Members, Owners and Officers**

(a) A Director or Officer must meet the qualifications set forth in the Operating Agreement.

(b) An individual may not serve as a Director, or serve on a committee established by the Board, a Disciplinary Panel or an Appeal Panel, if the individual has committed any Serious Disciplinary Offense in the preceding three years.

(c) An individual may not serve as a Director or an Officer, or serve on a committee established by the Board, a Disciplinary Panel or an Appeal Panel, or, directly or indirectly, own greater than 10% of any one class of equity interest in the Exchange if a De-Registration Basis exists with respect to such individual.

(d) Any Director, Officer, member of a committee established by the Board, any member of a Disciplinary Panel, or Appeal Panel, any individual nominated to serve in any such role, any individual who, directly or indirectly, owns greater than 10% of any one class of equity interest in the Exchange and any individual authorized by the Exchange Regulation Department to take summary action shall immediately notify the Chief Executive Officer if such individual meets one or more applicable criteria in Rule 204(b) or Rule 204(c).

**RULE 205. Standing Committees**

(a) The Board shall initially have four standing committees: the “Nominating Committee”, the “Exchange Access Committee”, the “Regulatory Oversight Committee”

and the “Trading Protocol Committee”. The Board may from time to time constitute and appoint in accordance with the Operating Agreement, such additional standing committees of the Board as it may from time to time deem necessary or advisable.

(b) Each member of such standing committees must be a Director. Each standing committee shall have a chairperson who shall be designated by the Board.

(c) Each standing committee may supervise, manage or control the affairs of the Exchange to the extent it is duly authorized to do so by the Board.

(d) Subject to the authority of the Board, each standing committee shall determine the manner and form in which its proceedings shall be conducted. Each standing committee may act only by the decision of an absolute majority in number of the members of such committee, by vote at a meeting or by unanimous written consent without a meeting. The Board has the authority to overrule the decisions of any standing committee.

**RULE 206. Nominating Committee**

(a) The Nominating Committee of the Board shall consist of three Directors appointed from time to time by the Board, two of which shall be Public Directors. The Nominating Committee shall be chaired by a Public Director.

(b) The Nominating Committee shall have authority and responsibility to:

(i) Identify individuals qualified to serve on the Board, consistent with the criteria that the Board requires and any composition requirement that the Commission promulgates; and

(ii) Administer a process for the nomination of individuals to the Board.

(c) The Nominating Committee shall report to the Board.

**RULE 207. Exchange Access Committee**

(a) The Exchange Access Committee of the Board shall consist of three Directors appointed from time to time by the Board, two of which shall be Public Directors.

(b) The Exchange Access Committee shall have authority and responsibility to:

(i) Determine the standards and requirements for initial and continuing Participant and Clearing Firm eligibility;

(ii) Review appeals of staff denials of applications pursuant to Rule 307; and

(iii) Approve rules that would result in different categories or classes of Participants receiving disparate access to the Exchange.

(c) In reviewing appeals of staff denials of Participant applications, the Exchange Access Committee shall not uphold any staff denial if the relevant application meets the standards and requirements that such committee sets forth.

(d) The Exchange Access Committee shall not, and shall not permit the Exchange to, restrict access or impose burdens on access in a discriminatory manner, within each category or class of Participants or between similarly-situated categories or classes of Participants.

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

**RULE 208. Regulatory Oversight Committee**

(a) The Regulatory Oversight Committee of the Board shall consist of at least two Public Directors appointed from time to time by the Board.

(b) Each member of the Regulatory Oversight Committee shall serve for a term of two calendar years from the date of her appointment or for the remainder of her term as a Public Director, and until the due appointment of her successor, or until her earlier resignation or removal, with or without cause, as a member of the Regulatory Oversight Committee or as a Public Director. A member of the Regulatory Oversight Committee may serve for multiple terms.

(c) The Regulatory Oversight Committee shall oversee the Exchange's regulatory program 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. It shall make such recommendations to the Board as will, in its judgment, best promote the interests of the Exchange. The Regulatory Oversight Committee shall also have such other powers and perform such other duties as set forth in the Rules and as the Board may delegate to it from time to time or as required under CFTC rules.

(d) Without limiting the generality of the foregoing, the Regulatory Oversight Committee shall have authority and responsibility to:

(i) Monitor the regulatory program of the Exchange for sufficiency, effectiveness, and independence;

(ii) Oversee all facets of the regulatory program, including:

(A) Trade practice and market surveillance; audits, examinations, and other regulatory responsibilities with respect to Subject Persons (including ensuring compliance with, if applicable, financial integrity, financial reporting, sales practice, recordkeeping, and other requirements); and the conduct of Investigations;

(B) Reviewing the size and allocation of the regulatory budget and resources, and the number, hiring, termination, and compensation of regulatory personnel;

(C) Supervising the Chief Regulatory Officer of the Exchange, who will report directly to the Regulatory Oversight Committee;

(D) Recommending changes that would ensure fair, vigorous, and effective regulation; and

(E) Reviewing all regulatory proposals prior to implementation and advising the Board as to whether and how such changes may impact regulation.

(iii) Prepare an annual report assessing, for the Board and CFTC, the regulatory program of the Exchange. Such report shall: (i) describe the self-regulatory program; (ii) set forth the expenses of the regulatory program; (iii) describe the staffing and structure of the same; (iv) catalogue Investigations and disciplinary actions taken during the year; and (v) review the performance of disciplinary committees and panels.

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

**RULE 209. Chief Regulatory Officer**

(a) It shall be the duty of the Chief Regulatory Officer to enforce the Rules.

(b) The Chief Regulatory Officer shall have available to it at all times the resources of the Exchange Regulation Department and such other Exchange resources as may be necessary to conduct Investigations of alleged rule violations and market conditions.

(c) The Chief Regulatory Officer shall report to, and shall be supervised by, the Regulatory Oversight Committee.

(d) The Chief Regulatory Officer shall have the authority to inspect the books and records of all Participants the authority to require any such entity to appear before him or her and produce its books and records and answer questions regarding alleged violations of Rules, at the time, place and in the manner it designates. The Chief Regulatory Officer may also delegate such authority to staff of the Exchange Regulation Department.

(e) The Chief Regulatory Officer shall, in consultation with the Regulatory Oversight Committee or a senior compliance officer, resolve any conflict of interest pursuant to Rule 214.

**RULE 210. Trading Protocol Committee**

(a) The Trading Protocol Committee of the Board shall consist of three Directors appointed from time to time by the Board, two of which shall be Public Directors.

(b) The Trading Protocol Committee shall have authority and responsibility to:

(i) Establish and modify from time to time Contract specifications and trading protocols and conventions for the Exchange;

(ii) establish and modify position limits; and

(iii) designate and modify from time to time products eligible for listing on the Exchange.

(c) The Trading Protocol Committee shall have such other powers and perform such other duties as set forth in the Rules and as the Board may delegate to it from time to time.

**RULE 211. Additional Board Committees and Exchange Panels**

(a) In addition to the standing committees, subject to the Operating Agreement, the Board may from time to time constitute and appoint, special committees of the Board and designate their composition, responsibilities and powers. If any standing committee constituted by the Board shall exercise the functions of an Executive Committee then at least 35% and no fewer than two of such committee's members shall be Public Directors.

(b) The Exchange may create panels of the Exchange, for such purposes as may from time to time be necessary or advisable (each, an "Exchange Panel"). Members of each such panel may be Directors, natural persons who are Supervised Persons of a Participant and such other natural persons as may be qualified to serve on such panel.

(c) Except as otherwise specifically provided in the Rules or the Operating Agreement, the members of any special committee or panel shall be appointed as determined by the Board. Each special committee and panel shall have a chairperson who shall be designated by the Board.

(d) Each additional committee established pursuant to Rule 211(a) or panel established pursuant to Rule 211(b) may supervise, manage or control the affairs of the Exchange to the extent it is duly authorized to do so by the Board.

(e) Subject to the authority of the Board, each additional committee or panel shall determine the manner and form in which its proceedings shall be conducted. Each additional committee or panel may act only by the decision of an absolute majority in number of the members of such committee or panel, either by vote at a meeting or by unanimous written consent without a meeting.

#### **RULE 212. Regulatory Changes to the Composition Requirements**

Should any of the Applicable Laws establishing minimum thresholds relating to the number or percentage of Public Directors that must serve on the Board or any committee pursuant to Rule 202(c), Rule 205(a), Rule 206(a), Rule 207(a) and Rule 208(a) be amended, the Rule imposing the relevant threshold or composition requirement shall be deemed amended to comply with such Applicable Laws without any further action of the Exchange to the extent permissible by law. Notice of such amendment shall be promptly made in accordance with Rule 312.

#### **RULE 213. Emergency Rules**

(a) During an Emergency, the Exchange may implement temporary emergency procedures and rules ("Emergency Rules") pursuant to Rule 213(b), subject to the applicable provisions of the CEA and CFTC Regulations.

Emergency Rules may require or authorize the Exchange, the Board, any committee of the Board, the Chief Executive Officer, or any other Officer to take actions necessary or appropriate to respond to the Emergency (each such action, an "Emergency Action"), directly or through third party providers of clearing or regulatory services, including, but not limited to, the following actions:

- (i) suspend or curtail trading or limit trading to liquidation for any Contract;
- (ii) extend or shorten the last trading date for Contracts;
- (iii) provide alternative settlement mechanisms for any Contract (including by altering the settlement terms or conditions or fixing the settlement price);
- (iv) order the transfer or liquidation of open positions in any Contracts; provided that if a Contract is traded on a platform in addition to the Exchange, the

liquidation or transfer open interests in such Contracts will be ordered only as directed or agreed to by CFTC staff or the CFTC;

(v) extend, shorten or change the Trading Hours or the expiration date of any Contract;

(vi) temporarily modify or suspend any provision of the Obligations;

(vii) require Participants to meet special margin or performance bonds requirements;

(viii) order the transfer of customer contracts and the associated margin;  
or

(ix) impose or modify position limits, price limits, and intraday market restrictions.

Before taking an Emergency Action, the effects of such Emergency Action on markets underlying the Contract(s) affected by such Emergency Action, on markets that are linked or referenced to such Contracts and similar markets on other trading venues shall be considered and documented as required under Rule 213(e).

(b) Before any Emergency Rule may be adopted and enforced, a required vote of the Regulatory Oversight Committee must approve the enforcement of such Emergency Rule at a duly convened meeting. Directors may attend such a meeting by teleconference. If the Chief Regulatory Officer determines that Emergency Rules must be implemented with respect to an Emergency before a meeting of the Regulatory Oversight Committee can reasonably be convened, then the Chief Regulatory Officer shall have the authority, without Board or committee action, to implement any Emergency Rules with respect to such Emergency that he or she deems necessary or appropriate to respond to such Emergency. In such circumstances, the Chief Regulatory Officer must convene a meeting as soon as practicable. Whenever the Regulatory Oversight Committee or the Chief Regulatory Officer takes an Emergency Action, a duly authorized representative of the Exchange, where possible, will post an announcement in a Market Notice.

(c) Either the Regulatory Oversight Committee or the Chief Regulatory Officer may determine that an Emergency has been reduced sufficiently to allow the Exchange to resume normal functioning, in which case any Emergency Actions responding to such Emergency will be terminated and a duly authorized representative of the Exchange will post an announcement in a Market Notice.

(d) The Exchange will use reasonable efforts to notify the CFTC prior to implementing, modifying or terminating an Emergency Rule. If such prior notification is not possible or practicable, the Exchange will notify the CFTC as soon as possible or reasonably practicable, but in any event no longer than 24 hours after implementing, modifying or terminating such rule.



(e) Upon taking any Emergency Action, the Exchange will document the decision-making process related to such Emergency Action, including the process for minimizing conflicts of interest, the extent to which the Exchange considered the effect of its Emergency Action on the underlying markets and on markets that are linked or referenced to the contract market and similar markets on other trading venues, and reasons for using emergency authority under this Rule 213. Such documentation will be maintained in accordance with Rule 216.

**RULE 214. Conflicts of Interest**

(a) A Director, Officer, Disciplinary Panel member or other Person authorized to exercise the Exchange's authority concerning any inquiry, Investigation, disciplinary proceeding (including any summary proceeding or Emergency Disciplinary Action) or appeal from any of the foregoing (any such action, an "Exchange Proceeding"), or Emergency Action taken pursuant to Rule 213 (each such Exchange Proceeding or Emergency Action, a "Self-Regulatory Action") who knowingly has a "material conflict of interest" between his or her position as a Director, Officer, panel member or exercise of authority concerning a Self-Regulatory Action and his or her personal interests (each, an "Interested Person") may not participate in any deliberations or vote of the Board Committee, panel or exercise any authority with respect to such Self-Regulatory Action involving his or her personal interest, except as described in Rule 214(d).

(b) For purposes of Rule 214(a), a Director, Officer, Disciplinary Panel member or other Person has a "material conflict of interest" with respect to a Self-Regulatory Action if such Person:

(i) is named as a respondent or potential respondent in such Self-Regulatory Action;

(ii) is an employer, employee or fellow employee of (x) a respondent or potential respondent in such Self-Regulatory Action, or (y) an Affiliate of a respondent or a potential respondent in such Self-Regulatory Action;

(iii) has any significant, ongoing business relationship with (x) a respondent or potential respondent in such Self-Regulatory Action, or (y) an Affiliate of a respondent or a potential respondent in such Self-Regulatory Action;

(iv) has a family relationship with a respondent or potential respondent in such Self-Regulatory Action (including as the respondent's or potential respondent's spouse, co-habitant, former spouse, parent, step-parent, child, step-child, sibling, step-sibling, grandparent, grandchild, uncle, aunt, nephew, niece, parent-in-law, or sibling-in-law);

(v) has a direct and substantial financial interest in the result of the deliberations or vote based upon either exchange or non-exchange positions (as referenced in CFTC Regulation § 1.69), other than a direct or indirect equity or other interest in trueEX Group, that could reasonably be expected to be affected

by such Self-Regulatory Action. A direct and substantial financial interest includes positions in Contracts in accounts of, controlled by, or affiliated with the Interested Person or in any other types of direct and substantial financial positions of the Interested Person that are reasonably expected to be affected by the deliberations or vote; or

(vi) otherwise has personal interests that may be prejudiced by a fair and impartial exercise of such Person's authority with respect to such Self-Regulatory Action.

(c) Before considering any Self-Regulatory Action, an Interested Person must disclose in writing to the Board the material facts concerning his or her relationship or interest in the matter.

(d) Any Interested Person who would be required otherwise to abstain from deliberations and voting pursuant to Rule 214(a) as a result of having a direct and substantial financial interest in the result of the deliberations and vote may participate in deliberations, prior to a vote on the matter, if:

(i) the material facts about the Interested Person's financial interest in the matter are disclosed or known to the Board, Committee or Disciplinary Panel;

(ii) the Board, Committee or Disciplinary Panel determines that the participation by the Interested Person would be consistent with the public interest; and

(iii) a majority of the Directors (excluding any Interested Persons) vote to allow the Interested Person to participate in deliberations on the matter.

(e) If a determination is made pursuant to Rule 214(d) that an Interested Person may participate in deliberations prior to a vote, then the minutes of the meeting of the Board or committee thereof will reflect the determination and the reasons for the determination.

(f) If a determination is made that all Directors are Interested Persons with respect to a matter subject to a vote by the Board, the Chief Executive Officer will appoint a panel of individuals who are not Interested Persons with respect to such matter, which will have the same authority and powers over such matter that the Board would have if the Directors were not Interested Persons with respect to such matter.

**RULE 215. Material, Non-Public Information**

(a) Absent prior written consent from the Exchange, a direct or indirect owner of the Exchange, a Director, Officer, member of any committee or panel established by the Board (including any Disciplinary Panel and Appeal Panel), member of the Exchange Regulation Department, or other employee of the Exchange shall not during his or her association with the Exchange or thereafter:

- (i) trade, directly or indirectly, any Contracts traded on the Exchange;
- (ii) trade, directly or indirectly, a contract, which is related to any Contract;
- (iii) trade, directly or indirectly, in a contract, which is related to any Contract, traded on or cleared by contract markets or clearing organizations other than the Exchange if the employee has access to material, non-public information concerning such contract;
- (iv) trade, directly or indirectly, in a commodity interest traded on or cleared by a linked exchange if the employee has access to material, non-public information concerning such commodity interest; or
- (v) disclose for any purpose (other than exercise of such person's ownership rights or performance of such person's official duties for the Exchange, as applicable) any non-public information obtained as a result of the individual's ownership interest or performance of official duties for the Exchange

The written consent from the Exchange shall specify the scope of information that may be disclosed, whom such information may be disclosed to, and the conditions, if any, that the recipient of such information must agree to prior to receiving such information.

(b) With prior written consent from the Exchange, a direct or indirect owner of the Exchange, and each Director, Officer, member of any committee or panel established by the Board (including any Disciplinary Panel and Appeal Panel), member of the Exchange Regulation Department, and other employee of the Exchange may participate in a pooled investment vehicle or other investment vehicle whose investments are directed by a third-party advisor if the individual has no direct or indirect control over transactions executed by the investment vehicles.

(c) Each direct or indirect owner of the Exchange, and each Director, Officer, member of any committee or panel established by the Board (including any Disciplinary Panel and Appeal Panel), member of the Exchange Regulation Department, and other employee of the Exchange shall take all appropriate steps to safeguard all non-public information obtained as a result of the individual's ownership interest or performance of official duties for the Exchange, as applicable, and to protect such information against disclosure, misuse, espionage, loss and theft.

(d) Each employee of the Exchange shall be required to adhere to the policies and guidelines of the Exchange as in effect from time-to-time and shall, when and as requested, execute an acknowledgement of the Exchange's conflict of interest policy in the form provided by the Exchange.

(e) Any employee that trades in a commodity interest, under the limited circumstances as permitted by this Rule 215, shall provide to the Exchange an annual certification that the employee has not traded in any Exchange Contracts or in any related commodity interest or other commodity interest covered by this Rule 215, and shall

provide records of the commodity interest trades conducted by the employee in the past year.

(f) Notwithstanding anything to the contrary in this Rule 215, any direct or indirect owner of the Exchange, and any Director, Officer, member of any committee or panel established by the Board (including any Disciplinary Panel and Appeal Panel), member of the Exchange Regulation Department, and other employee of the Exchange may disclose any non-public information to any (i) Director, Officer, member of any committee or panel established by the Board (including any Disciplinary Panel and Appeal Panel), member of the Exchange Regulation Department, or any other employee of the Exchange to the extent necessary or useful for such person to perform his or her official duties for the Exchange, (ii) any outside advisor to the Exchange to the extent necessary or useful for such outside advisor to perform his or her official duties for the Exchange provided that such outside advisor is subject to confidentiality obligations substantively the same as those imposed on employees of the Exchange by this Rule 215, (iii) if required by the CFTC or another government agency or Self-Regulatory Organization, or (iv) if compelled to do so by valid legal process, provided that the individual or entity making such disclosure notifies the Exchange.

(g) For the purposes of Rule 215, the terms “material information,” “non-public information,” “linked exchange,” “commodity interest” and “pooled investment vehicle” shall each have the meaning set forth in CFTC Regulation § 1.59(a).

#### **RULE 216. Maintenance of Books and Records by the Exchange**

(a) The Exchange shall keep, or cause to be kept, complete and accurate books and records, including all books and records required to be maintained pursuant to the CEA, and the CFTC Regulations.

(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, the DOJ, the SEC, or by any representative of a prudential regulator as authorized by the CFTC during the first two (2) years of such five-year period; provided, however, that all records required to be kept relating to swap transactions must be retained with respect to each swap throughout the life of the swap and for a period of at least five years following the final termination of the swap; provided further that each record related to a swap transaction shall be (i) readily accessible via real time electronic access throughout the life of the swap and for the two years following the final termination of the swap, and (ii) for the remaining three years of the five year period following the final termination of the swap, such record shall be retrievable within three business days.

#### **RULE 217. Information-Sharing Agreements**

(a) The Exchange may enter into information-sharing agreements or other arrangements or procedures to coordinate surveillance with other markets on which financial instruments related to the Contracts trade. As part of any information-sharing

agreements or other arrangements or procedures adopted pursuant to this Rule, the Exchange may:

- (i) provide market surveillance reports to other markets;
- (ii) share information and documents concerning current and former Participants with other markets;
- (iii) share information and documents concerning ongoing and completed Investigations with other markets; or
- (iv) require its current or former Participants to provide information and documents to the Exchange at the request of other markets with which the Exchange has an information-sharing agreement or other arrangements or procedures.

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

(c) The Exchange may disclose to any Person or entity information concerning or associated with a 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 and notwithstanding anything to the contrary in Rule 215.

**RULE 218. Services Agreement with a Regulatory Services Provider**

(a) The Exchange may contract with a Regulatory Services Provider to provide certain regulatory services to the Exchange pursuant to a Regulatory Services Agreement. In accordance with the relevant Regulatory Services Agreement, a Regulatory Services Provider may perform certain surveillance, investigative, and regulatory functions under the Rules and the Exchange may provide information to such Regulatory Services Provider in connection with the performance by such Regulatory Services Provider of those functions.

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

**RULE 219. Services Agreement with a Technology Services Provider**

(a) The Exchange may contract with one or more Technology Services Providers to provide certain technology services to the Exchange pursuant to a Technology Services Agreement. In accordance with a Technology Services Agreement, a Technology Services Provider may perform certain functions under the Rules and the Exchange may provide information to the Technology Services Provider in connection with the performance by the Technology Services Provider of those functions.

(b) The Exchange shall retain ultimate decision-making authority with respect to any functions that are contracted to a Technology Services Provider.

**CHAPTER 3**  
**TRADING PRIVILEGES**

**RULE 301. Jurisdiction; Applicability of Rules**

BY ANY PARTICIPANT OR ANY SUPERVISED PERSON OF A PARTICIPANT ACCESSING, OR ENTERING ANY ORDER INTO, THE TRADING SYSTEM, AND WITHOUT ANY NEED FOR ANY FURTHER ACTION, UNDERTAKING OR AGREEMENT, SUCH PARTICIPANT (ON BEHALF OF ITSELF AND ALL OF ITS SUPERVISED PERSONS), (1) AGREES TO (A) BE BOUND BY AND COMPLY WITH ITS OBLIGATIONS, APPLICABLE CLEARING HOUSE RULES AND APPLICABLE LAW; (B) BECOME SUBJECT TO THE JURISDICTION OF THE EXCHANGE AND ALL RELEVANT CLEARING HOUSES WITH RESPECT TO ANY AND ALL MATTERS ARISING FROM, RELATED TO, OR IN CONNECTION WITH, THE STATUS, ACTIONS OR OMISSIONS OF SUCH PERSON, AND (C) ASSIST THE EXCHANGE IN COMPLYING WITH ITS LEGAL AND REGULATORY OBLIGATIONS, COOPERATE WITH THE EXCHANGE AND THE CFTC IN ANY INQUIRY, INVESTIGATION, AUDIT, EXAMINATION OR PROCEEDING, AND AUTHORIZES THE EXCHANGE TO PROVIDE INFORMATION REGARDING IT TO THE REGULATORY SERVICES PROVIDER, THE CFTC OR ANY SELF-REGULATORY ORGANIZATION. SEE CHAPTER 3 AND THE RELATED DEFINITIONS IN THIS RULEBOOK.

**RULE 302. Participants**

(a) Each Participant shall have the right to access electronically the Trading System, including the right to place Orders for each of its Proprietary Accounts and Customer Accounts provided that such Participant is eligible for and has applied and received Trading Privileges.

(b) The Exchange may deny an application by any Person to become a Participant or revoke or condition a Person's status as a Participant if such Person:

- (i) lacks good reputation and business integrity;
- (ii) fails to maintain adequate financial resources and credit;
- (iii) is, or is expected to become, the subject of a petition for bankruptcy, liquidation, dissolution, winding up, conservatorship, receivership, trusteeship or a similar action;
- (iv) is prohibited from using the services of the Exchange for any reason whatsoever;
- (v) lacks any registrations required under Applicable Law, including any registration required of an Introducing Broker or Futures Commission Merchant;

- (vi) if a De-Registration Basis exists with respect to such Person; or
- (vii) fails to comply with the CEA and CFTC Regulations in connection with opening and maintaining customer accounts.
- (viii) fails to satisfy any other criteria that the Exchange may require from a Participant.

(c) In the event that an applicant to become a Participant or a Participant becomes aware that one of the conditions for denying, revoking or conditioning an application to become a Participant or a Person's status as a Participant enumerated under Rule 302(b) is reasonably likely to exist, such applicant or Participant, as the case may be, shall promptly notify the Exchange of the relevant facts and circumstances.

### **RULE 303. Authorized Traders and Authorized Brokers**

(a) *Authorized Traders and Authorized Brokers.* Each Participant may from time to time appoint one or more natural persons to act as an Authorized Trader or an Authorized Broker, and any such Authorized Trader or Authorized Broker shall be entitled to exercise Trading Privileges on behalf of such Participant, subject to the terms and conditions of these Rules. Any Participant wishing to appoint an Authorized Trader or Authorized Broker shall notify the Exchange and each such Authorized Trader or Authorized Broker, as the case may be, will consent, in a form satisfactory to the Exchange, to abide by the Rules of the Exchange and Applicable Law prior to accessing the Trading System. Each Authorized Trader and Authorized Broker must satisfy such requirements as may be prescribed by the Exchange from time to time and shall be subject to the disciplinary authority of the Exchange and possible fine or restriction or revocation of Trading Privileges.

(b) *Revocation by Participant.* Each Participant may at any time revoke an authorization granted by it to any Authorized Trader or Authorized Broker by providing written notice of such revocation to the Exchange. The Exchange shall specify the effective date of the revocation. The Exchange may, in its sole discretion, refuse to accept a request to revoke the registration of an Authorized Trader or Authorized Broker, or may postpone the effective date of the termination of registration if the Exchange considers it necessary for the protection of the best interests of the relevant Participant or the Exchange. Based on the information provided to, and other information gathered by, the Exchange regarding the request to revoke the registration of an Authorized Trader or Authorized Broker the Exchange will determine whether to:

- (i) accept the request to revoke the designation;
- (ii) postpone the effective date of revocation of the designation; or
- (iii) impose any terms or conditions before or after the effective date of revocation of the designation.



The Participant shall take immediate measures appropriate to ensure that, after the effective date of any such revocation, (i) the affected Authorized Trader or Authorized Broker shall not have access to the Trading System and (ii) the affected Authorized Trader or Authorized Broker shall not utilize its Firm ID or User ID, as applicable. The Exchange shall act promptly, but in any event within one Business Day of the effective date of such revocation, to disallow Order entry by the affected Authorized Trader, Authorized Broker.

(c) *Responsibility of Participants:* All Obligations of Participants shall also apply to each of their Supervised Persons, and each Participant shall be responsible for the actions and omissions, including but not limited to violations of Applicable Law or these Rules, of each of its Supervised Persons. Each Participant will ensure on an ongoing basis that none of its Supervised Persons is subject to a disqualification pursuant to any Applicable Law (unless an appropriate exemption has been obtained with respect thereto) and that each of its Supervised Persons will, as applicable, be technically proficient in the use of the Trading System. Each Participant shall have procedures for performing day-to-day monitoring of its Supervised Persons to ensure that each will conduct its business in a fair and equitable manner and in accordance with the Rules. Each Participant shall be responsible to the Exchange for any failures by any of such Participant's, Supervised Persons to comply with any Obligation or Applicable Law.

(d) *References to Trading Privileges, Orders, and Knowledge:* For purposes of these Rules, any reference to (i) the Trading Privileges of a Participant shall also be deemed to refer and apply to the exercise of Trading Privileges by any of such Participant's Supervised Persons, (ii) a Participant submitting or receiving Orders, bids, offers or message traffic into or from the Trading System or engaging in transactions in Contracts on the Trading System, shall be deemed to also refer and apply to any such actions engaged in by any of such Participant's Supervised Persons and (iii) the knowledge of, or matters known to, any Participant shall be deemed to also refer to and include the knowledge of, or matters known to, its Supervised Persons.

(e) *List of Authorized Traders and Authorized Brokers:* The Exchange will maintain a list of all (i) designated Authorized Traders and Authorized Brokers for each Participant.

(f) *Deemed Members:* Each Authorized Trader, Authorized Broker and shall be deemed to be a "member" of the Exchange for all purposes under the CEA.

#### **RULE 304. Clearing Firms**

(a) All Contracts traded on the Exchange must be cleared through a Clearing House by a Clearing Firm. In order to operate as a Clearing Firm, an applicant must demonstrate to the satisfaction of the Exchange that it:

(i) meets the requirement of, and is approved for, clearing membership at one or more Clearing House and is authorized pursuant to the applicable Clearing House Rules to clear trades in any or all of the Contracts; and

(ii) satisfies the provisions set forth in Rule 306(e).

(b) A Clearing Firm that seeks to effect transactions on the Trading System for its own account or the account of any Customer must be a Participant, in addition to satisfying the criteria set forth in Rule 304(a):

(c) The Exchange may share information with any Clearing House that would assist such Clearing House in evaluating and monitoring a Clearing Firm's compliance with these criteria. By becoming a Clearing Firm, a Clearing Firm and its Supervised Persons, agents and employees agree to cooperate with the Exchange and each relevant Clearing House in any such monitoring.

(d) Clearing Firms shall have the right to clear Contracts in accordance with all applicable Rules and Clearing House Rules.

**RULE 305. Eligibility to obtain Trading Privileges**

(a) Each applicant for Trading Privileges must: (i) be a juridical entity, (ii) be validly organized, (iii) be in good standing, (iv) have the legal authority and be duly authorized and empowered to become a Participant and to effect transactions on the Exchange and satisfy its Obligations and (v) satisfy such other requirements or criteria as may from time to time be adopted by the Exchange.

(b) The Exchange may deny Trading Privileges to any Person:

(i) if such Person is unable satisfactorily to demonstrate a capacity to adhere to all applicable Rules, Clearing House Rules and Applicable Law, including, to the extent applicable, those concerning registration, record-keeping, reporting, finance and trading procedures;

(ii) if such Person would bring the Exchange into disrepute, as determined by the Exchange in its sole discretion; or

(iii) for such other cause as the Exchange reasonably may decide.

(c) The Exchange may determine not to permit any Person to keep its Trading Privileges, or may condition such Trading Privileges if such Person:

(i) fails to meet any of the qualification requirements for Trading Privileges after such Trading Privileges have been approved;

(ii) fails to meet any condition placed by the Exchange on such Trading Privileges or association;

(iii) violates any agreement with the Exchange, a Clearing Firm or any Clearing House;

(iv) is a Participant through which an Customer trades and, in any such case, any such Customer maintains a position in any Contract that, when considered in light of the other positions maintained by the Participant through which such Customer trades and any other factors that the Exchange reasonably deems relevant, including, as applicable, (A) the positions maintained by such Participant, such Participant's Authorized Traders and such Participant's other Customers, (B) the required financial information provided by such Participant and (C) the level of margin maintained by such Participant at such Participant's Clearing Firm, the Exchange reasonably believes could jeopardize the financial safety of such Participant or any of such Participant's other Customers; or

For the avoidance of doubt, any limitation, suspension or revocation of Trading Privileges pursuant to Rule 305(c)(iv) may, in the sole discretion of the Exchange, (1) take the form of (x) a full suspension or revocation of Trading Privileges (y) a requirement that the positions at issue be immediately liquidated in full or reduced to a reasonable level to be set by the Exchange as a condition to the Trading Privileges remaining in effect or (z) a prohibition on the use of such Trading Privileges in respect of the trades of any Customer identified by the Exchange and (2) be applied to the Trading Privileges of the Participant at issue and Authorized Traders and Authorized Brokers of such Participant, in each case, as deemed reasonably necessary by the Exchange for the protection of such Persons and other Participants of the Exchange.

(d) In the case of any suspension, revocation or limitation of the Trading Privileges of any Participant pursuant to this Rule 305 or Rule 307, the Exchange, in its sole discretion, may also suspend, revoke or limit the Trading Privileges of such Participant's Authorized Trader and Authorized Broker as the Exchange deems necessary to protect its other Participants, Customers of Participants and the integrity of the Trading System.

(e) In the case of any suspension, revocation or limitation of the Trading Privileges of any Authorized Trader or Authorized Broker of any Participant pursuant to this Rule 305 or Rule 307, the Exchange, in its sole discretion, may also suspend, revoke or limit the Trading Privileges of such Participant or such Participant's Authorized Traders or Authorized Brokers as the Exchange deems necessary to protect its other Participants and the integrity of the Trading System.

#### **RULE 306. Applications**

(a) *Application Generally:* Each application to obtain Trading Privileges, become a Clearing Firm, Participant, or Authorized Trader or Authorized Broker shall be in such form as may from time to time be prescribed by the Exchange. Each applicant shall promptly update its application materials if any of the information provided therein becomes inaccurate or incomplete after the date of submission and prior to any approval of the application. The Exchange shall act upon, and approve or disapprove, any such application without unreasonable delay.

(b) *Application for Trading Privileges:* Each applicant for Trading Privileges shall:

(i) submit to the Exchange a complete application form in the manner prescribed by the Exchange;

(ii) agree in writing to abide by the Rules of the Exchange and Applicable Law; and

(iii) furnish all other documents as may be requested by the Exchange and answer completely and accurately all questions posed by the Exchange.

(c) *Applications for Participants:* Each Person applying to become a Participant shall:

(i) enter into an Exchange Participation Agreement with the Exchange;

(ii) become a Clearing Firm or establish a clearing relationship with a Clearing Firm;

(iii) ensure that the documentation required under Rule 304 has been received by the Exchange; and

(iv) if such Participant is organized or located outside of the United States, 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.

(d) *Applications for Authorized Traders, Authorized Broker:* Applications for Trading Privileges for Authorized Traders and Authorized Brokers must be authorized by a Participant and guaranteed by a Clearing Firm (which may be the Clearing Firm of the Participant).

(e) *Applications for Clearing Firms:* Any applicant desiring to become a Clearing Firm shall:

(i) submit to the Exchange a complete application form in the manner prescribed by the Exchange;

(ii) enter into a user license agreement with each relevant Clearing House, if applicable;

(iii) agree in writing to abide by the Rules of the Exchange and Applicable Law;

(iv) agree to assist the Exchange in any investigation into potential violations of Obligations or Applicable Law which occur through or with respect to any Transaction cleared by a Clearing Firm; provided that such assistance must be timely and may include, but not be limited to, the Clearing Firm and any of its Supervised Persons being required to produce documents, to answer questions from the Exchange, or to appear in connection with an investigation;

(v) agree to, upon request by the Exchange, suspend or terminate a Subject Person's access if the Exchange determines that the actions of such Subject Person threaten the integrity or liquidity of any Contract or violate any Obligation of such Subject Person or Applicable Law, or if the Subject Person fails to cooperate in an Investigation;

(vi) maintain all required and necessary regulatory approvals or licenses to operate as a Clearing Firm.

(vii) employ practices to monitor and enforce compliance with risk limits for Participants;

(viii) provide such information and documentation as may be requested by the Exchange, and follow the 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;

(ix) require that each Participant and Customer for which it effects transactions or provides clearing services submit to the Exchange's jurisdiction by agreement;

(x) agree that in the event of a default that occurs or has occurred in relation to a Clearing Firm with open positions in any Contract in a proprietary or customer account, each other Clearing Firm shall cooperate with each relevant Clearing House, on a best-efforts basis, to accept the transfer of positions in such Contracts.

(f) *Additional Information:* In considering an application under this Rule 306, the Exchange may require additional information from the applicant or conduct an Investigation to verify information submitted by the applicant.

(g) *Grant of Application:* If the Exchange decides to grant an applicant Trading Privileges or admit an applicant as a Clearing Firm or Participant, or designate such applicant as an Authorized Trader or Authorized Broker, the Exchange shall promptly notify such applicant and state in such notice the date on which such approval becomes effective and any conditions thereto. If the application process is not completed within six months of the applicant's initial submission, the application shall be deemed to be withdrawn, unless extended by the Exchange.

**RULE 307. Denial, Revocation, and Conditioning**

(a) *Denial, Revocation, Conditioning:* The Exchange may deny an application to obtain Trading Privileges or to become a Clearing Firm, Participant, or an Authorized Trader or Authorized Broker as well as revoke or condition a Subject Person's Trading Privileges or status as a Clearing Firm, Participant, Authorized Trader or Authorized Broker, if such applicant or Subject Person, as the case may be:

(i) is unable to satisfactorily demonstrate its ability to satisfy the eligibility criteria to obtain or retain Trading Privileges, or become or remain a Clearing Firm, Participant, or an Authorized Trader or Authorized Broker;

(ii) is unable to satisfactorily demonstrate its capacity to satisfy its Obligations;

(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) *Review of Denial, Revocation, Conditions:* If the Exchange decides to deny, revoke or condition a Person's Trading Privileges or the status as a Clearing Firm Participant, Authorized Trader or Authorized Broker, the Exchange shall promptly notify the Affected Person in a writing sent to the address provided by the applicant to the Exchange. Such Affected Person may, within seven (7) calendar days, request in writing that the Exchange provide the reasons for the denial, revocation or conditioning of its Trading Privileges or status as a Clearing Firm, Participant, Authorized Trader or Authorized Broker. Within fourteen (14) calendar days after receiving such written request, the Exchange shall send a written response to the Affected Person setting forth the reasons for the denial, revocation or conditioning. Within fourteen (14) calendar days of receiving the Exchange's written response, the Affected Person may request in writing that the Exchange Access Committee reconsider the determination.

Within twenty-eight (28) calendar days of receiving the request for reconsideration, the Exchange Access Committee shall either confirm, reverse or modify the denial, revocation or conditioning of the Trading Privileges or status of the Affected Person, and shall promptly notify the Affected Person accordingly in writing. The Exchange Access Committee may, within its discretion, schedule a hearing (in-person or by teleconference); request additional information from the Affected Person; or establish any other process that it believes is necessary and appropriate to consider the request for reconsideration.

The Exchange Access Committee's decision is the final action of the Exchange and is not subject to appeal within the Exchange.

(c) *Re-application:* Any Person applying for Trading Privileges or to become a Clearing Firm, Participant, or an Authorized Trader or Authorized Broker who has been

rejected by the Exchange pursuant to these Rules shall not be eligible for re-application during the six months immediately following such rejection.

**RULE 308. Scope and Continuation of Rights and Privileges**

(a) By virtue of obtaining Trading Privileges, becoming a Participant, or an Authorized Trader or Authorized Broker, a Person shall not obtain any equity or other interest in the Exchange, including voting rights or rights to receive any dividends or other distributions, whether arising from a dissolution, merger, consolidation involving the Exchange or otherwise. All such rights shall be owned exclusively as specified in the Operating Agreement.

(b) Each Person with Trading Privileges, and each Subject Person must execute such documentation as required from time to time by the Exchange, and such documentation must remain in effect for such Subject Person to maintain its Trading Privileges and its status as a Clearing Firm, Participant, Authorized Trader and/or Authorized Broker, as applicable.

(c) Any Person that is temporarily or permanently revoked, terminated or suspended as a Clearing Firm, Participant, Authorized Trader, Authorized Broker or other Subject Person, or whose Trading Privileges are temporarily or permanently revoked, terminated or suspended, shall remain bound by its Obligations and subject to Applicable Law and the jurisdiction of the Exchange and each relevant Clearing House with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Person prior to such revocation, termination or suspension. Any Exchange Proceeding relating to any Subject Person that is temporarily or permanently revoked, terminated or suspended, or whose Trading Privileges are temporarily or permanently revoked, terminated or suspended, shall occur as if the Subject Person were still registered as such, and the same shall be true of any Supervised Person of any Subject Person that is temporarily or permanently revoked, terminated or suspended, or whose Trading Privileges are temporarily or permanently revoked, terminated or suspended.

(d) All Trading Privileges, and all other rights and privileges of a Subject Person terminate upon, and all obligations of such Subject Person shall survive, the death or incapacity of such Subject Person (if an individual) or the dissolution of such Person (if an entity).

(e) All Trading Privileges, and all other rights and privileges of a Subject Person are non-transferable, non-assignable and may not be sold or leased.

**RULE 309. Dues, Assessments and Fees**

(a) The Exchange shall have the authority to set the amounts and times of payment for any dues, assessments or fees (including Trading System fees, clearing fees, brokerage and any transaction surcharges) to be paid by Participants.

(b) Each Participant agrees to pay such dues, assessments, and fees as are published by the Exchange on the Web Site. Each Participant agrees to pay such dues, assessments, and fees when due. The Exchange may change fees charged to Participants without notice.

(c) If a Participant fails to pay when due any dues, assessments or fees levied on such Participant by the Exchange, and such payment obligation remains unsatisfied for thirty days after its due date, the Exchange may suspend, revoke, limit, condition, restrict or qualify the Participant's Trading Privileges or ability to otherwise access the Trading System as it deems necessary or appropriate.

**RULE 310. Authorized Representatives**

(a) Each Clearing Firm and Participant shall designate one or more Authorized Representative who will represent such Clearing Firm or Participant, as the case may be, before the Exchange and its committees and receive notices on behalf of the such Clearing Firm or Participant, as the case may be.

(b) The Authorized Representative shall be empowered by the Clearing Firm or Participant, as the case may be, to act on its behalf and the Exchange shall be entitled to rely on the actions of the Authorized Representative as binding on such Clearing Firm or, Participant, as the case may be.

(c) Each Clearing Firm and Participant shall provide the Exchange with current contact and other requested information for each of its Authorized Representatives so that the Exchange is able to immediately contact the Authorized Representatives.

**RULE 311. Recording of Communications**

The Exchange may record conversations and retain copies of electronic communications between officers, employees or agents of the Exchange, on one hand, and Clearing Firms, Participants, and other Subject Persons, on the other hand. Any such recordings may be retained by the Exchange in such manner and for such periods of time as the Exchange may deem necessary or appropriate. The Exchange will retain such records as required to comply with CFTC Regulations §§ 1.31, 1.35. The Regulatory Services Provider will have access to such recordings to the extent required to perform certain regulatory services to the Exchange pursuant to the Regulatory Services Agreement.

**RULE 312. Notices to Subject Persons**

(a) Accurate, complete and current copies of this Rulebook and all Contract Specifications shall be published on the Web Site.

(b) Except as provided herein, the Exchange shall publish on its Web Site a notice (a "Market Notice") with respect to each addition to, modification of, or clarification of, the Rulebook, the matching algorithm described in Rule 539, and any



Contract Specification prior to the earlier of (i) the effective date thereof, and (ii) the filing of such change with the CFTC.

(c) If confidential treatment is sought with respect to any filing with a Government Agency (including the CFTC) that would result in a change described in Rule 312(b), only the public version of such filing shall be disclosed pursuant to Rule 312(b).

(d) Any Market Notice shall be deemed to have been made to all Subject Persons.

**RULE 313. Communications between the Exchange and Participants**

(a) Each Clearing Member and Participant must provide the Exchange with its current electronic mail address and telephone number and the electronic mail address and telephone number of (1) in the case of a Participant, any person who may use a Firm ID assigned to such Participant or (2) in the case of a Clearing Firm, any person who may set risk controls with respect to any Participant for which such Clearing Firm provides clearing services with respect to Contracts. Each Clearing Member and Participant must immediately (and in any event within 24 hours) update the contact information described in this Rule 313(a) whenever it changes.

(b) All communications between the Exchange and a Clearing Firm or Participant, as the case may be, will be transmitted by electronic mail or posted on the Exchange's website, except as otherwise specified by the Exchange.

(c) Each Clearing Firm or Participant, as the case may be, shall be responsible for conveying such communications to all of its Supervised Persons.

(d) Each Clearing Firm or Participant, as the case may be, will be responsible for promptly reviewing and, if necessary, responding to all electronic communications from the Exchange to the Clearing Firm, or Participant, as the case may be, or any of its Supervised Persons.

(e) All communications made to a Clearing Firm or Participant, as the case may be, shall also be deemed to have been made to all of its Supervised Persons.

**RULE 314. Description of Status**

Each Participant shall ensure that the form, content and context of any description of the status of such Participant on the Exchange to Customers is not inconsistent with, and does not misrepresent, the capacity of such Participant on the Exchange under the Rules or the registration of such Clearing Firm or Participant, if any, under the CEA, or under any other Applicable Law.

**RULE 315. Withdrawal of Participant**

(a) To withdraw from the Exchange, a Participant must notify the Exchange, following such procedures as may be established by the Exchange.

(b) The Exchange may, in its reasonable discretion, refuse to accept a Participant's withdrawal request or may postpone the effective date of withdrawal of a Participant if the Exchange considers it necessary for the protection of the Participant's Customers, other Participants or otherwise in the interests of the Exchange.

(c) Based on the information provided to, and other information gathered by, the Exchange regarding a Participant's withdrawal request, the Exchange will determine whether to (i) accept the withdrawal request; (ii) postpone the effective date of the withdrawal; or (iii) impose any terms or conditions before or after the effective date of withdrawal.

(d) If the Exchange refuses to accept a Participant's withdrawal request or postpones the effective date of withdrawal of a Participant, 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 Participant, all rights and privileges of such Participant terminate (including the Trading Privileges and ability to access the Trading System). The accepted withdrawal of a Participant shall not affect the rights of the Exchange under the Rules or relieve the former Participant of its Obligations (including any contractual obligations relating to any Contracts entered into by such Participant, or the payment of any Exchange fees, costs, or charges incurred prior to such withdrawal). Notwithstanding the accepted withdrawal of a Participant, the withdrawn Participant remains subject to the jurisdiction of the Exchange for acts done and omissions made while a Participant, and must cooperate in any Exchange Proceeding under Chapter 6 as if such withdrawal had not taken place.

**RULE 316. Direct Access by Customers**

A Customer of a Participant or a Customer of a Clearing Firm may access the Trading System directly, provided they become a Participant of the Exchange pursuant to Rule 302, Rule 305, and Rule 306. Such Customer with direct access would be subject to all Rules applicable to a Participant.

**CHAPTER 4**  
**OBLIGATIONS OF EXCHANGE USERS**

**RULE 401. Duties and Responsibilities of Participants**

Each Participant shall (and shall cause all of its Supervised Persons to):

(a) use the Trading System in a responsible manner and not for any improper purpose;

(b) use the Trading System only to conduct Exchange Activity;

(c) conduct all Exchange Activity in a manner consistent with its Obligations and Applicable Law;

(d) comply with all applicable Clearing House Rules and act in a manner consistent with such Clearing House Rules;

(e) observe high standards of integrity, market conduct, commercial honor, fair dealing, and just and equitable principles of trade while conducting or attempting to conduct any Exchange Activity, and in all aspects of its business connected with or concerning the Exchange;

(f) not knowingly mislead or conceal any material fact or matter in any dealings or filings with the Exchange or in response to any Exchange Proceeding;

(g) keep all Firm IDs, User IDs, account numbers and passwords related to the Trading System confidential and secure;

(h) be fully liable for all Orders and Transactions, and for any other use of the Trading System (including all trading losses incurred by any person in connection with such Order, Transaction or use), made under a Firm ID or User ID, as applicable, assigned to such Subject Person (whether such access or utilization is authorized or known by such Subject Person or not) including any use resulting from a failure in the security controls or credit controls of such Subject Person, other than due to the gross negligence of the Exchange;

(i) employ practices to monitor and enforce compliance with risk limits;

(j) be responsible for promptly informing the Exchange of any material changes to the information provided to the Exchange by such Subject Person and any of the Supervised Persons of such Subject Person; and

(k) keep, or cause to be kept, complete and accurate books and records, including records of activity in the underlying commodity and related derivatives markets and all other books and records required to be maintained pursuant to the CEA, the CFTC Regulations or the Rules, for at least five years, and make such books and records (i) readily accessible during the first two years of such five year period, and (ii) available for

inspection by a representative of the Exchange (including the Regulatory Services Provider), the CFTC, the DOJ, the SEC, or by any representative of a prudential regulator as authorized by the CFTC.

**RULE 402. Required Disclosures to the Exchange**

(a) Each Participant shall (and shall cause its Supervised Persons to) immediately notify the Exchange Regulation Department upon becoming aware of any of the following events:

(i) any change to the contact information provided to the Exchange by such Participant or any of its Supervised Persons;

(ii) any damage to, or failure or inadequacy of, the systems, facilities or equipment used to effect transactions or perform financial obligations under or in connection with Contracts of such Participant.

(iii) any refusal of admission to such Participant or any Supervised Person of such Participant in any Self-Regulatory Organization, designated contract market, Derivatives Clearing Organization or swap execution facility;

(iv) Any withdrawal of any application for membership by such Participant or or any Supervised Person of such Participant, in any Self-Regulatory Organization, designated contract market, Derivatives Clearing Organization or swap execution facility;

(v) any expulsion, suspension or fine in excess of \$5,000 (whether through an adverse determination, voluntary settlement or otherwise) imposed on such Participant, or any Supervised Person of such Participant. or by any Self-Regulatory Organization, designated contract market, Derivatives Clearing Organization or swap execution facility;

(vi) any denial or withdrawal of any application for any registration or license submitted by such Participant or any Supervised Person of such Participant, by or from any Government Agency or Self-Regulatory Organization, and any revocation, suspension or conditioning of any registration or license granted by any governmental or agency Self-Regulatory Organization;

(vii) the commencement of any judicial or administrative proceeding against such Participant or any Supervised Person of such Participant, 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) by any Government Agency or Self-Regulatory Organization with respect to such Participant or any Supervised Person of such Participant;

(viii) any indictment or conviction of, or any confession of guilt or plea of guilty or *nolo contendere* by, such Participant or any Supervised Person of such

Participant (or, if such Participant is an entity, by any of its principals or senior officers) for any felony or misdemeanor involving, arising from, or related to, the purchase or sale of any commodity, futures contract, option, security, securities futures product or other financial instrument, or involving or arising from fraud or moral turpitude; and

(ix) such Participant becoming the subject of a petition for bankruptcy, liquidation, dissolution, winding up, conservatorship, receivership, trusteeship or a similar action.

**RULE 403. Inspections by the Exchange**

(a) The Exchange and the Regulatory Services Provider, acting directly or through authorized representatives, shall have the right, in connection with determining whether all Rules and Obligations are being, will be, or have been complied with by each Participant to:

(i) inspect systems, equipment and software operated by such Participant in connection with Exchange Activity, wherever located;

(ii) access the systems, equipment, software, and the premises on which the systems, equipment, and software are located, any data stored in any of the systems or equipment, during the regular business hours and the Trading Hours of the Exchange, without prior notice to such Participant; and

(iii) copy or reproduce any data to which the Exchange has access under this Rule.

(b) Each Participant shall provide the Regulatory Services Provider with the same access to their books and records and offices as they are required to provide the Exchange under the Rules and Applicable Law.

(c) The Exchange Regulation Department may require a Participant to furnish (periodically or on a particular occasion) information relating to the Exchange Activity of such Participant to the Exchange or the Regulatory Service Provider. For each Participant, such information includes its open trading positions and Contracts to which it is a party, as well as all trading activity in the commodity underlying any Contracts and related derivatives markets, as well as all books and records, files, documents and other materials relating to the foregoing.

**RULE 404. Minimum Financial and Related Reporting Requirements**

(a) Each Participant and Clearing Firm that is registered with any Government Agency or Self-Regulatory Organization shall comply with the provisions of Applicable Law, including but not limited to the rules and regulation such Government Agency or Self-Regulatory Organization imposes on a Participant relating to (i) minimum financial and related reporting and recordkeeping requirements, and (ii) the treatment of Customer funds and the maintenance of books and records with respect thereto.

(b) Any Participant that is an FCM or IB and any Clearing Firm shall be required to deliver to the Exchange a copy of any notice or written report required to be filed with the CFTC pursuant to CFTC Regulations §§ 1.10 and 1.12 within the time periods prescribed for such filing or delivery in CFTC Regulations §§ 1.10 and 1.12.

(c) A Participant or Clearing Firm that violates any provisions of Applicable Law (including any CFTC Regulations) shall be deemed to have violated this Rule 404.

**RULE 405. Confidentiality of Financial and Other Information**

All information and data obtained or received by the Exchange Regulation Department 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; provided, however, this Rule 405 does not supplant Rule 213 and the Rules in Chapter 6, or any other requirement of Applicable Law.

**RULE 406. Authority to Impose Restrictions**

Whenever a Participant or Clearing Firm 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 Subject Person as the Exchange may deem necessary or appropriate for the protection of any Clearing Firm, Participant, Customer, or the Exchange.

**RULE 407. Customers**

(a) No Participant shall carry an account for a Customer unless the Participant has entered into a written agreement with the Customer containing such terms as may from time to time be prescribed in the Rules, the CEA and CFTC Regulations.

(b) Without prejudice to the generality of Rule 407(a), each written agreement with a Customer must incorporate into every Contract carried for the Customer all the terms of the Rules, the CEA and CFTC Regulations, insofar as they are applicable to that Contract.

(c) No Participant shall engage in soliciting or accepting an Order for the Contract for any Customer unless the Participant has entered into a written agreement with such Customer containing such terms as may from time to time be prescribed in the Rules, the CEA and CFTC Regulations.

**RULE 408. Disclosure Requirements**

Each Clearing Firm, Participant, and their Supervised Persons must comply with all disclosure requirements set forth in applicable CFTC and NFA Rules and regulations and any additional disclosure requirements imposed by these Rules. Any such disclosure may be combined with a disclosure regarding the existence of financial interests held by such Clearing Firm, Participant, or their Supervised Persons, as the case may be, in the Exchange or any other exchange.

**RULE 409. Information Regarding Orders**

(a) The Exchange will make information regarding Orders (including prices bid or offered), trades and any other matters it may deem appropriate available to Clearing Firms, Participants, and other Persons 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 Clearing Firm, Participant, or other Person receiving any such information through the Trading System may redistribute such information only to such extent and in such manner as may be permitted by the Exchange from time to time.

**CHAPTER 5**  
**TRADING PRACTICES AND BUSINESS CONDUCT**

**RULE 501. Scope**

This Chapter 5 applies to all transactions in Contracts except as expressly provided herein.

**RULE 502. Procedures**

(a) With respect to trading on or through the Trading System, the Exchange may adopt (in conjunction with a Clearing House, where appropriate), without limitation, procedures relating to transactions in Contracts and trading on the Trading System, including procedures to:

- (i) disseminate the prices of bids and offers on, and trades in, Contracts;
- (ii) record, and account for, Contracts and Exchange Activity;
- (iii) perform market surveillance and regulation on matters affecting Contracts and Exchange Activity;
- (iv) establish limits on the number and size of Orders that may be submitted or the number and size of trades executed by a Participant through the Trading System;
- (v) establish limits on the number of Contracts that may be held by a Customer or Participant;
- (vi) 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
- (vii) require a suspended or expelled Participant, or a Participant with restricted trading rights, to reduce or eliminate any open position or exposure to future price changes in any Contract.

(b) The Exchange may, in its discretion and at any time, amend any procedures adopted pursuant to Rule 502(a), and will publish the amendments in a Notice to Participant or in any other manner determined appropriate by the Exchange.

**RULE 503. Business Days and Trading Hours**

The Exchange shall from time to time determine (a) the Business Days during any particular calendar year and (b) the Trading Hours with respect to any particular Contract. All time references shall be based on local time prevailing in The City of New York, New York, unless otherwise expressly set forth. Opening and closing times are at the



exact moment cited. Trading Hours may vary among different Contracts. No Person may make any bid or offer for, or engage in any transaction in, any Contract before or after such hours. Notice shall be issued pursuant to Rule 312 for any modification to or establishment of Business Days or Trading Hours. The Control Desk will be staffed and operate at all times on a Business Day during the Trading Hours of any Contract.

**RULE 504. Rule Violations**

It shall be a violation for a Subject Person to violate any Rule 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.

**RULE 505. Fraudulent Acts Prohibited**

No Subject Person shall engage in any fraudulent act or engage in any scheme to defraud, deceive, trick or mislead in connection with or related to any Exchange Activity or activity related to any Clearing House.

**RULE 506. Fictitious, Wash, Non-Competitive Transactions Prohibited**

No Subject Person shall create fictitious transactions, wash transactions, or non-competitive transactions except, in the case of noncompetitive transactions, as otherwise authorized by the Rules, or execute any such Order with knowledge of its nature as a fictitious transaction, wash transaction, or non-competitive transaction.

**RULE 507. Market Disruption Prohibited**

No Subject Person shall engage in any trading, practice, or conduct that that violates bids or offers or demonstrates intentional or reckless disregard for the orderly execution of transactions during the closing period, or is, is of the character of, or is commonly known to the trade as, “spoofing” (bidding or offering with the intent to cancel the bid or offer before execution), as described in Section 4c of the CEA. Disruptive trading practices shall include any Exchange Activity that (a) demonstrates intentional or reckless disregard for the orderly execution of transactions during the closing period, (b) consists of placing one or more Order with an intent to cancel such Order(s) prior to execution, (c) submitting or cancelling Orders with an intent to overload the Trading System, (d) submitting or cancelling bids or offers with an intent to delay another person’s execution of trades, or (e) submitting or cancelling multiple bids or offers to create an appearance of false market depth; provided, however, that these clauses (a) through (e) shall not apply to Block Trades or exchanges for related positions.

Orders entered into the Trading System for the purpose of upsetting the equilibrium of the market in any Contract or creating a condition in which prices do not or will not reflect fair market values are prohibited, and any Subject Person who makes or assists in entering any such Order with knowledge of the purpose thereof or who, with such knowledge, in any way assists in carrying out any plan or scheme for the entering of any such Order, will be deemed to have engaged in an act detrimental to the Exchange.

**RULE 508. Market Manipulation Prohibited**

No Subject Person shall directly or indirectly manipulate, or attempt to manipulate, the price of any Contract. Furthermore, no Subject Person shall intentionally or recklessly engage, or attempt to engage, in the following in connection with any Contract: use manipulation to defraud, make an untrue or misleading statement or omit a material fact, engage in fraudulent or deceitful business practices, or deliver misleading or inaccurate reports concerning market information that affect the price of any Contract.

**RULE 509. Prohibition of Misstatements**

No Subject Person shall make any knowing misstatement of a material fact to the Exchange, any Exchange Official, or any committee of the Board or Exchange Panel.

**RULE 510. Acts Detrimental to Welfare of Exchange Prohibited**

No Subject Person shall engage in any act that is detrimental to the Exchange.

**RULE 511. Adherence to Law**

No Subject Person shall engage in conduct in violation of any Applicable Law, Rules or applicable Clearing House Rules. Without limitation of the foregoing, all Participants that are FCMs or Clearing Firms shall comply with (a) capital requirements under CFTC Regulations and applicable Clearing House Rules, as in effect from time to time, and (b) Applicable Laws regarding the treatment of Customer funds and Customer Orders.

**RULE 512. Supervision**

A Subject Person shall establish, maintain and administer reasonable supervisory procedures to monitor the compliance of its Supervised Persons with the Rules and any applicable provisions of the CEA or CFTC and such Subject Person may be held accountable for the actions of its Supervised Persons.

**RULE 513. Misuse of the Trading System**

Misuse of the Trading System is strictly prohibited. It shall be deemed an act detrimental to the Exchange to permit 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 an agreement and an established account with a Clearing Firm, to alter the equipment associated with the Trading System (except with the Exchange's consent), to interfere with the operation of the Trading System, to intercept or interfere with information provided thereby, or in any way to use the Trading System in a manner contrary to the Rules.

**RULE 514. Errors and Omissions in Handling Orders**

(a) A Participant that 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 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. Full details of all transactions consummated hereunder shall be promptly provided to the Exchange Regulation Department upon request.

(b) This Rule 514 shall not be construed to contravene any instructions received from a Customer respecting any Order prior to its execution, but shall be construed to permit execution of Orders under the conditions last prescribed without additional instructions from the Customer.

**RULE 515. Liquidity Provider Programs**

(a) The Exchange may from time to time establish programs that provide Participants with financial incentives for meeting trading volume or liquidity thresholds as may be established by the Exchange.

(b) All Participants are eligible to become Liquidity Providers, provided the Participant can meet the Liquidity Provider obligations.

**RULE 516. Withholding Orders Prohibited**

A Participant shall not withhold or withdraw from the Trading System any Order, or any part of an Order, for the benefit or on the instruction of any Person other than for the Customer for whom the Participant is placing the Order.

**RULE 517. Priority of Customers' Orders**

No Participant shall enter an Order into the Trading System 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 an Order allowing discretion as to time and price if such Participant is in possession of any unsubmitted Order from a Customer that the Trading System is capable of executing unless such Customer provides such Participant with written consent to delay such Order.

**RULE 518. Handling of Customer Orders**

(a) *General Prohibition* - No Participant or Authorized Broker in possession of a Customer Order shall knowingly take, directly or indirectly, the opposite side of such

Order 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.

(b) *Exceptions* - The foregoing restriction shall not apply to the following:

(i) On the Trading System, a Participant or Authorized Broker may knowingly trade against a Customer Order for its own account, an account in which it has a direct or indirect financial interest, an account over which it has discretionary trading authority, or a Proprietary Account of its employer, only if the Customer Order has been entered immediately upon receipt and has first been exposed on the Trading System for a minimum of 5 seconds.

(ii) Transactions where the Customer has consented in writing no more than 12 months prior to the transaction to waive the application of Rule 520 as long as the Participant or Authorized Broker has clearly notified the Customer that the Participant or Authorized Broker, as the case may be, will take, directly or indirectly, the opposite side of such Order 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.

#### **RULE 519. Disclosing Orders Prohibited**

No Participant or Authorized Broker shall disclose any Customer Order to buy or sell except to a designated Exchange Official or the CFTC, and no Subject Person shall solicit or induce a Participant or Authorized Broker to disclose any Customer's Order information. No Person shall take action or direct another to take action based on non-public Order information, however acquired. The mere statement of opinions or indications of the price at which a market may open or resume trading does not constitute a violation of this rule.

#### **RULE 520. Simultaneous Buy And Sell Orders For Different Beneficial Owners**

(a) No Person shall enter through the Trading System into a pre-discussed transaction for illegal or improper purposes (including, without limitation, any conduct prohibited by Chapter 4 or Chapter 5 of these Rules) or knowingly assume on its own behalf or on behalf of a Customer Account the opposite side of its own Order or its Customer's Order (a "**Cross Trade**"), except (i) in the case of transactions effected pursuant to Rule 542, (ii) where the Person is entering into both sides of a Customer Order on a non-discretionary basis, or (iii) the Person (A) has obtained prior written blanket or transaction specific consent has been obtained in respect of any relevant Customer; and (B) waits for a reasonable period of time, which shall be presumed to be not less than 5 seconds, after the initial Order is submitted before submitting the opposite side Order.

(b) Notwithstanding the foregoing, a Participant shall not be in violation of this Rule 520 due to Cross Trades executed by two Participants trading for the same account, or for separate accounts of the same beneficial owner, where neither Participant

has knowledge of the other's Order and there is no coordination or prearrangement of the Cross Trade, provided that the relevant Participant shall be responsible, upon the request of the Exchange, to demonstrate to the reasonable satisfaction of the Exchange, that neither Participant had knowledge of the other's Order.

**RULE 521. Wash Sales Prohibited**

No Subject Person shall place or accept buy and sell Orders in the same product and expiration month, 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.

**RULE 522. Recordkeeping Requirements for Entering Orders into the Trading System**

(a) *General Requirements.*

(i) Orders must be entered by electronic transmission to the Trading System, and the Exchange shall maintain an electronic record of those entries. Each Subject Person entering Orders into the Trading System shall input for each Order:

(A) the Firm ID identifying the Participant placing such Order, the User ID identifying the individual placing such Order, and an identifier of the Clearing Firm that will clear any resultant contracts (which identifier may be part of the Firm ID);

(B) its type, price or yield, quantity, product, maturity or expiration month or date, customer type indicator ("CTI") code and account number (except as provided in Section (d)); and

(C) such additional information as may be prescribed from time to time by the Exchange.

(ii) With respect to Orders received by a Participant or Authorized Broker that are immediately entered into the Trading System, no record other than that set forth above need be made. However, if a Participant or Authorized Broker receives an Order that cannot be immediately entered into the Trading System, such Participant or Authorized Broker, as the case may be, must (x) prepare a written Order ticket in non-erasable ink and include the account designation, date, an electronic timestamp reflecting the time of receipt, an indication of whether such Order is a bunched order, an order number and other information required pursuant to Rule 522(a)(i), (y) enter such Order into the Trading System when such Order becomes executable and (z) if such Order is for

a Customer, retain all consents and instructions from such Customer to delay entry of such Order.

(b) *Electronic Audit Trail Requirements for Electronic Order Routing/Front-End Systems.*

(i) Each Participant is responsible for maintaining or causing to be maintained the Order routing and 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 by such Participant.

(ii) The Electronic Audit Trail must be maintained for a minimum of five years, and Participants must have the ability to produce this data in a standard format upon request of the Exchange Regulation Department. This Electronic Audit Trail must contain all Order receipt, Order entry, Order modification, Order cancellation and response/receipt times to the highest level of precision achievable by the operating system, but at least to the hundredth of a second. The times captured must not be able to be modified by the Person entering the Order. The data must also contain all FIX Tag information and fields which should include, but are 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 Firm, type of action, action status code, customer type indicator, origin, and timestamps. For executed Orders the audit trail must record the execution time of the trade along with all fill information.

(iii) In the case where a Participant has a direct connect Customer that is another Participant, such Participant may notify such Customer in writing that it is the Customer's obligation to maintain the Electronic Audit Trail with respect to such Customer's Orders. If such Customer consents, the Participant's obligations to maintain an Electronic Audit Trail with respect to such Customer may be satisfied by such Customer; provided, however, that such Participant will remain liable in case such Customer fails to maintain the Electronic Audit Trail.

(c) *[RESERVED]*

(d) *Customer Type Indicator (CTI) Codes.* Each Clearing Firm must identify each transaction executed on the Trading System on the record of transactions submitted to the Exchange with the correct CTI code. The CTI codes are as follows:

(i) CTI 1: Transactions initiated and executed by an individual member for his own account, for an account he controls or for an account in which he 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 not meeting the definition of CTI 1, 2 or 3. (These should be non-member customer transactions).

**RULE 523. Modification and Cancellation of Orders**

(a) Any Order that has been entered into the Trading System may be modified or cancelled unless and until it has been executed or has otherwise expired. Any such modification or cancellation requires that a modification order or cancellation order, as the case may be, with respect to the original Order be entered into the Trading System. Such modification or cancellation will become effective upon receipt by the Trading System of the modification order or cancellation order, as the case may be.

(b) Every Order automatically expires at the end of the Trading Hours on the calendar day such Order is placed, in the event of any suspension or curtailment of trading, or in the case of any failure of the Trading System.

(c) A Block Trade automatically expires after 5 minutes if such Order has not been reported to the Exchange pursuant to Rule 524(b).

**RULE 524. Prearranged, Pre-Negotiated and Noncompetitive Trades Prohibited**

(a) No Person shall prearrange or pre-negotiate any purchase or sale or noncompetitively execute any transaction except in accordance with Rule 524(b) or Rule 524(c).

(b) The foregoing restriction shall not apply to Block Trades affected pursuant to Rule 542(a).

(c) *Pre-Execution Communications Regarding Trading System Trades.* Parties may engage in pre-execution communications, directly or indirectly, with regard to transactions executed on the Trading System where one party (the first party) wishes to be assured that a contra party (the second party) will take the opposite side of the Order subject to the following restrictions:

(i) A person may not engage in pre-execution communications with other market participants on behalf of another party unless the party for whose benefit the trade is being made has previously consented to permit such communications.

(ii) Parties to, and persons involved in, a pre-execution communications shall not:

(A) disclose to a nonparty the details of such communications or

(B) enter an Order to take advantage of information conveyed during such communications except in accordance with this rule.

(iii) The Order details will be entered by both parties and accepted into the Trading System. The first party's Order will be displayed in a public session to give other Participants the opportunity to participate in the Order. The second party's Order will not be matched against the first party's Order until a period of 5 seconds has elapsed from the time of entry of both party's Orders. After the 5 seconds have elapsed, any portion of the first party's Order that was unfilled during the public session will be matched by the second party's Order.

#### **RULE 525. Responsibility For Customer Orders**

(a) *Standard of Responsibility.*

(i) A Participant 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 Participant has exercised due diligence, the appropriate arbitration or disciplinary committee is authorized to determine whether the Participant was negligent and, if so, whether an adjustment is due to the Customer.

(ii) A Participant is prohibited from directly or indirectly guaranteeing the execution of an Order or any of its terms such as the quantity or price. A Participant may only report an execution that has been effected through the Trading System. This Rule 525 shall not be construed to prevent a Participant from assuming or sharing in the losses resulting from an error or the mishandling of an Order.

(b) *Liability for Negligence.* A Participant may not adjust the price at which an Order was executed or be held responsible for executing or failing to execute an Order unless such Participant was negligent or is settling a bona-fide dispute regarding negligence. A Participant may not compel an adjustment from another Participant in the absence of a bona-fide dispute regarding negligence. Participants and Clearing Firms shall document all adjustments. Participants and Clearing Firms shall make and retain a record which contains the date the adjustment was received, the name of the Participant 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 Regulation Department upon request.



**RULE 526. Discretionary Orders**

No 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, provided, however, that the restrictions set forth in this subparagraph shall not apply to a discretionary order for: (i) an account of that Person's spouse, parent, parent of a spouse, brother, sister, child, or spouse of a child; or (ii) a Proprietary Account of the Participant.

**RULE 527. Priority of Execution**

Non-discretionary Customer Orders received by a Participant, an Authorized Trader or Authorized Broker shall be entered into the Trading System in the sequence received; provided, however, that a Customer may request that a Participant delay submission of its Order in which case such Customer shall provide such Participant with written consent to delay submission of its Order. Non-discretionary 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 528. Average Price System**

(a) *Application of Average Prices.* A proprietary average price system ("APS") developed by a Participant or Clearing Firm allows a Participant or Clearing Firm to confirm to Customers an average price when multiple execution prices are received on an Order or series of Orders for the same instrument. An Order or series of Orders executed for the same instrument during the same trading day at more than one price may be averaged pursuant to the APS only if each Order is for the same account or group of accounts and for the same instrument, or for the same instrument, maturity.

(b) *Requirements for APS Trades.* The requirements enumerated below must be met when applying the APS to transactions:

- (i) The Customer must have requested average price reporting.
- (ii) Each individual trade must be submitted to the Exchange at the executed price.
- (iii) A Participant or Clearing Firm must compute and confirm the weighted mathematical average price, as set forth in Section (c).
- (iv) A Participant or Clearing Firm must possess the records to support the calculations and allocations to Customer Accounts and must maintain these records pursuant to CFTC Regulations.
- (v) A Participant or Clearing Firm must ensure that its proprietary trades are not averaged with Customer APS trades.

(c) *Computation of Average Price.* Upon receipt of an execution or match at multiple prices for an APS Order, the weighted mathematical average must be computed by:

- (i) multiplying the number of instruments purchased or sold at each execution price by that price;
- (ii) adding the products calculated in Rule 528(c)(i) together; and
- (iii) dividing the sum calculated in Rule 528(c)(ii) by the total number of instruments purchased or sold.

An average price for a series of Orders will be computed based on the average prices of each Order in that series. The actual average price or the average price rounded to the next price increment may be confirmed to Customers. If a Participant or Clearing Firm confirms the rounded average price, the Participant or Clearing Firm must round the average price up to the next price increment for a buy Order or down to the next price increment for a sell Order. The residual created by the rounding process must be paid to the Customer. APS may produce prices that do not conform to whole cent increments. In such cases, any amounts less than one cent may be retained by the Participant or Clearing Firm.

(d) *Disclosure.* Each Participant or Clearing Firm that confirms an average price to a Customer must indicate on the confirmation and monthly statement that the price represents an average price.

#### **RULE 529. Position Limits And Exemptions**

(a) The position limit levels applicable to those Contracts with position limits are set forth in the Table in Rule 532.

(b) A Person seeking an exemption from position limits must apply to the Exchange Regulation Department on forms provided by the Exchange. In order to obtain an exemption from position limits, a Person must:

- (i) Provide a description of the exemption sought, including whether the exemption is for bona fide hedging transaction as described in CFTC Regulation § [151.5, 151.11] [1.3(z)(1)]<sup>2</sup> or any other applicable CFTC Regulation;
- (ii) Provide a complete and accurate explanation of the underlying exposure related to the exemption request;

---

<sup>2</sup>

[NTD: Two alternate section references are provided, with the former being the appropriate reference if compliance with the new position limit rules becomes required prior to trueEX being designated, and the latter being appropriate otherwise.]

(iii) Agree to promptly provide, upon request by the Exchange Regulation Department, information or documentation regarding the Person's financial condition;

(iv) Agree to comply with all terms, conditions or limitations imposed by the Exchange Regulation Department with respect to the exemption;

(v) Agree that the Exchange Regulation Department may modify or revoke the exemption at any time;

(vi) Agree to initiate and liquidate positions in an orderly manner; and

(vii) Agree to promptly submit a supplemental statement to the Exchange Regulation Department whenever there is a material change to the information provided in the most recent application.

(c) 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 Exchange Regulation Department prior to exceeding such limits. Notwithstanding the foregoing, a Person who establishes an exemption-eligible position in excess of position limits and files the required application with the Exchange Regulation Department shall not be in violation of this Rule 529 provided the filing occurs within one (1) Business Day after assuming the position.

(d) In the event the positions in excess of the limits are not deemed to be exemption-eligible, the applicant will be in violation of speculative limits for the period of time in which the excess positions remained open.

(e) The Exchange Regulation Department shall, on the basis of the application and any requested supplemental information, determine whether an exemption from position limits shall be granted. The Exchange Regulation Department may approve, deny, condition or limit any exemption request based on factors deemed by the Exchange Regulation 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.

(f) Nothing in this Rule 529 shall in any way limit:

(i) the authority of the Exchange to take Emergency Action; or

(ii) the authority of the Exchange Regulation 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 provided for in Rule 532.

(g) A Person who has received written authorization from the Exchange Regulation Department for an exemption from position limits must annually file an updated application on the date which is one year following the approval date of the most

recent application. Failure to file an updated application will result in expiration of the exemption.

(h) *Eligible Exemptions.* The Exchange Regulation Department may grant exemptions from position limits as provided in CFTC Regulation[ § 151.11][s] (including with respect to bona fide hedge positions as defined by CFTC Regulation § 1.3(z)(1) or any other applicable CFTC Regulation, and [risk management positions] arbitrage, intracommodity spread and intercommodity spread positions).

(i) *Aggregation of Positions.* When applying position limits under this Rule 529, the accounts and positions of a Person shall be aggregated pursuant to CFTC Regulation § [151.7][150.4].

(j) *Limited Exceptions to Aggregation.* Positions may be exempt from aggregation under Rule 529(i) subject to the terms of CFTC Regulations § [151.7(c)][150.4(c)] (certain equity holders), § [151.7(e)][150.4(d)] (futures commission merchants), § [151.7(f)][150.(d)-(e)] (independent account controllers) [and § 151.7(g) (underwriting)]. Any Person claiming an exemption from position limits under this Rule 529(i) must, upon request by the Exchange Regulation Department, provide any information deemed necessary to support the exemption.

(k) *Violations.*

(i) No Person shall exceed the position limits set forth in the Rules, unless an exemption is granted by the Exchange Regulation Department.

(ii) The Exchange Regulation Department and the Trading Protocol Committee shall have the authority to enforce the Rules regarding position limits.

(iii) Any Person making a bid or offer that would, if accepted, cause such Person to exceed the applicable position limits shall be in violation of this Rule 529.

(iv) A Clearing Firm shall not be in violation of this Rule if it carries positions for a Customer in excess of the applicable position limits for such reasonable period of time, generally not exceeding one Business Day, as the Clearing Firm may require to investigate and liquidate the excess Customer positions.

(v) A Customer who exceeds the position limits as a result of maintaining positions at more than one Clearing Firm shall be deemed to have waived confidentiality regarding its positions and the identity of the Clearing Firms at which they are maintained. A Clearing Firm carrying such positions shall not be in violation of this Rule if, upon notification by the Exchange Regulation Department, it liquidates its pro rata share of the position in excess of the limits or otherwise ensures the Customer is in compliance with the limits within a reasonable period of time, generally not exceeding one Business Day.

(vi) *Violations, Sanctions and Appeals.*

(A) *First Violation.* The first position limit violation by a Participant will, at a minimum, result in a warning letter issued by the Exchange Regulation Department, with a copy provided to the carrying Clearing Firm(s). In circumstances where the carrying Clearing Firm has also committed a position limit violation as set forth in this Rule 529 by carrying such positions, a warning letter will be issued to the Clearing Firm(s).

(B) *Second Violation, Sanctions and Appeals.*

(1) A second position limit violation by a Participant within 24 months of the issuance of a warning letter will result in the imposition of an automatic fine by the Exchange Regulation Department to the Participant as set forth below and the issuance of a cease and desist order.

(2) The automatic fine for a position exceeding the applicable limit by up to 25% shall be \$5,000.

(3) The automatic fine for a position exceeding the applicable limit by more than 25% shall be \$15,000.

(C) *Referral to the Chief Regulatory Officer.*

(1) Any third or subsequent position limit violation within 24 months of the issuance of a warning letter shall be referred by the Exchange Regulation Department to the Chief Regulatory Officer for consideration of the issuance of charges.

(2) Notwithstanding anything in this Rule 529(k)(vi) to the contrary, the Exchange Regulation Department, in its sole discretion, may refer any position limit violation it deems egregious to the Chief Regulatory Officer for consideration of the issuance of charges.

(D) *Appeal.* Parties may, within 10 Business Days of being provided notice of sanctions issued pursuant to this section, request an appeal to the Trading Protocol Committee.

(1) Upon receiving a written request for appeal, the Trading Protocol Committee shall determine solely upon the written request for appeal and any written response of the Exchange Regulation Department, whether there is a reasonable basis to conclude that the appellant might be able to meet one of the standards identified in Rule 529(k)(vi)(D)(2) that would permit the Trading Protocol Committee to set aside, modify or amend the

appealed decision. If the chair determines that such a reasonable basis exists, a hearing will be held. The Trading Protocol Committee's determination of whether to hold a hearing on an appeal shall be final. If a hearing is held the chair shall allow the filing of briefs in connection with the appeal.

(2) The Trading Protocol Committee shall not set aside, modify or amend the appealed decision unless it determines that the decision was:

a. Arbitrary, capricious, or an abuse of the Exchange Regulation Department's discretion;

b. In excess of the Exchange Regulation Department's authority or jurisdiction; or

c. Based on a clearly erroneous application or interpretation of Rules.

(1) If a hearing is held, the Trading Protocol Committee shall issue a written decision which shall include a statement of findings with respect to the decision from which the appeal was taken and the Trading Protocol Committee's determination that such initial decision is affirmed, set aside, modified or amended in whole or in part and, with respect to any initial decision that is not affirmed in whole, the Trading Protocol Committee's determination of the order or penalty to be imposed, if any, and the effective date. The decision of the Trading Protocol Committee shall be final and may not be appealed.

**RULE 530. Position Accountability**

(a) A Participant who holds or controls, or Clearing Firm that carries for another Person, aggregate positions in excess of those specified in the Position Accountability column in the Table in Rule 532, shall:

(i) Provide, in a timely manner upon request by the Exchange Regulation Department, information regarding the nature of the position, trading strategy, and hedging information, if applicable.

(ii) Be deemed to have consented, when so ordered by the Exchange, not to further increase the positions which exceed the levels specified in the Position Accountability column in the Table in Rule 532.

(iii) Initiate or liquidate such positions in an orderly manner.

(b) For purposes of this rule, all positions in accounts for which a Participant, by power of attorney or otherwise, directly or indirectly controls trading shall be included with the positions held by such Participant. The provisions of this rule shall apply to positions held by two or more Participants acting pursuant to an expressed or implied

agreement or understanding, the same as if the positions were held by or the trading of the positions was controlled by a single Participant.

**RULE 531. Reports of Large Positions**

(a) Clearing Firms shall submit to the Exchange a daily report of all positions required to be reported as set forth in the Table in Rule 532.

(b) Positions in Contracts at or above the reportable level prescribed in Rule 532 trigger reportable status. For a person in reportable status, all positions, regardless of size, in relevant Contracts must be reported.

(c) All large trader reports shall be submitted in a form acceptable to the Exchange Regulation Department. The Exchange may require that more than one large trader report be submitted daily. The Regulatory Oversight Committee or the Exchange Regulation Department may require reports from any Clearing Firm on a lesser number of positions than reflected in the table in Rule 532.

(d) Clearing Firms must provide the Exchange Regulation Department with the required CFTC Form 102 (“Identification of Special Accounts”) identifying the owner, any controlling parties and any additional required information for each reportable account. The form must be submitted to the Exchange Regulation Department no later than the business day following the date on which the account becomes reportable. Additionally, Clearing Firms must submit a revised form reflecting any material changes to the information previously provided to the Exchange Regulation Department within three business days of such changes becoming effective.

**RULE 532. Position Limit, Position Accountability and Reportable Level Table**

The reportable levels for all Contracts are set forth in the Position Limit and Reportable Level Table below (on a futures equivalent basis).

**Position Limit and Reportable Level Table:**

Contract Name	Maturity	Reportable Swap Level	Position Accountability	Position Limit
Interest Rate Swap	Up to 30 years	\$1.7 billion	\$20 billion	N/A

**RULE 533. Margin Requirements**

A Participant must comply with all margin requirements established by each relevant Clearing House and by each relevant Clearing Firm, if applicable, as well as any margin requirements set forth by the CFTC or other applicable law.

**RULE 534. Trading System Access Restrictions**

(a) All Participants permitted to connect to the Trading System, must be guaranteed by a Clearing Firm that assumes financial responsibility for such Participant. With respect to transactions given up to other Clearing Firms, such guarantee is effective only until such time that the other Clearing Firm accepts the trade. A trade given up to another Clearing Firm will be deemed to have been accepted by such Clearing Firm if the trade is not rejected by the close of business on the business day following the trade date. The acceptance of a trade by a Clearing Firm shall not relieve any Subject Person of the duty to act in accordance with the Rules. Each Clearing Firm that guarantees a transaction must ensure that such transaction is cleared through a Clearing House.

(b) All individuals entering Customer Orders in other than a clerical capacity must have appropriate industry registration. Customer Orders may be entered only from the premises of an entity registered to conduct Customer business.

**RULE 535. Policies Governing Use of Firm IDs and User IDs**

No Person may use a Firm ID or User ID to place any Order except as permitted by these Rules, nor may any Person knowingly permit or assist the unauthorized use of a Firm ID or User ID. Each Participant on behalf of itself and each of its Supervised Persons shall ensure that no Firm ID or User ID is used by any Person not authorized by these Rules.

Each Participant that is not an individual, must have in place policies and procedures acceptable to the Exchange, which:

(a) Restrict access through password protection to any system capable of submitting Orders to the Trading System to individual users authorized by the relevant Participant and having a User ID;

(b) Require creation, maintenance and retention, as required in Rule 522, of accurate and complete records regarding each individual that is issued, or authorized to use, a User ID;

(c) Require that their Supervised Persons protect and maintain the security of all Firm IDs and User IDs;

(d) Prohibit the use of Firm IDs and User IDs by any Person, including any subsidiary, affiliate, division or business unit of Participant, except as permitted by this Rulebook. Multiple individuals trading in the name of a single Participant or the Participant's customers under the same Firm ID are permitted to trade through the use of that Firm ID provided that each order submitted by each such individual is further identified by that individual's unique User ID.



**RULE 536. Responsibilities for Firm IDs and User IDs**

(a) Each Participant shall be solely responsible for controlling and monitoring the use of all Firm IDs issued to it by the Exchange.

(b) Each Participant shall ensure that each Supervised Person accessing the Trading System using the Firm ID of such Participant is assigned a unique password and that each password is used only by the Person to whom it is assigned.

(c) Each Participant shall notify the Exchange promptly upon becoming aware of any unauthorized disclosure or use of any Firm ID or User ID assigned to it or any of its Supervised Persons and of any other reason for deactivating a Firm ID or User ID. Each Participant shall notify the Exchange of any unauthorized access to the Trading System by any Supervised Person of such Participant or by any Person using a Firm ID or User ID assigned to such Participant or any Supervised Person of such Participant as the case may be. Each Participant shall be bound by any actions taken through the use of a Firm ID assigned to such Participant (other than any such actions resulting from the fault or negligence of the Exchange), including the submission of Orders and/or execution of transactions, whether or not such actions were taken or authorized by (i) such Participant or (ii) any of the Supervised Persons of such Participant.

(d) Each Participant shall be solely responsible for ensuring that any front-end interface connecting to the Trading System that is not provided by the Exchange, and that is used by the Participant and Supervised Persons of such Participant is in compliance, in design and operation, with Applicable Law and the Obligations of such Participant. Each Authorized Trader or Authorized Broker shall be identified to the Exchange, in the manner prescribed by the Exchange, and shall be subject to Rules.

(e) It is the duty of every Participant to ensure that each registration of (i) a Firm IDs assigned to such Participant is current and accurate at all times; and (ii) a User ID assigned to any Supervised Person of such Participant is current and accurate at all times.

(f) Each individual 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 User ID.

(g) Each Participant that is not an individual shall ensure that policies required under Rule 535 are developed, authorized and implemented by such Participant and that the Supervised Persons of such Participant comply with such policies and procedures.

**RULE 537. Limitation of Liability, No Warranties**

EXCEPT AS OTHERWISE PROVIDED, AND EXCEPT IN INSTANCES WHERE THERE HAS BEEN A FINDING OF WILLFUL OR WANTON MISCONDUCT, IN WHICH CASE THE PARTY FOUND TO HAVE ENGAGED IN SUCH CONDUCT CANNOT AVAIL ITSELF OF THE PROTECTIONS IN THIS RULE 537, NEITHER THE EXCHANGE (INCLUDING ITS AFFILIATES AND ANY CONTRACTORS AND SUB-

CONTRACTORS PROVIDING SERVICES TO THE EXCHANGE) NOR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES OR AGENTS SHALL BE LIABLE TO ANY OTHER PERSON, INCLUDING ANY SUBJECT PERSON FOR ANY LOSSES, DAMAGES, COSTS OR EXPENSES (INCLUDING LOSS OF PROFITS, LOSS OF USE, DIRECT, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES), ARISING FROM (A) ANY FAILURE OR MALFUNCTION, INCLUDING ANY INABILITY TO ENTER OR CANCEL ORDERS, OF THE TRADING SYSTEM OR ANY EXCHANGE SERVICES OR FACILITIES USED TO SUPPORT THE TRADING SYSTEM, OR (B) ANY FAULT IN DELIVERY, AND ANY DELAY, OMISSION, SUSPENSION, INACCURACY OR TERMINATION, OR ANY OTHER CAUSE, IN CONNECTION WITH THE PROVISION OF SERVICES BY THE EXCHANGE, THE OPERATION OF THE TRADING SYSTEM OR THE FURNISHING, PERFORMANCE, MAINTENANCE, USE OF OR INABILITY TO PROVIDE ALL OR ANY PART OF THE TRADING SYSTEM OR ANY EXCHANGE SERVICES OR FACILITIES USED TO SUPPORT THE TRADING SYSTEM. THE FOREGOING SHALL APPLY REGARDLESS OF WHETHER A CLAIM ARISES IN CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY OR OTHERWISE. FURTHERMORE, THERE SHALL BE NO LIABILITY BASED UPON, OR IN CONNECTION WITH, ANY QUOTE OR OTHER INFORMATION IF NO CORRELATIVE PURCHASE OR SALE OF A CONTRACT IS MADE, AND IF A CORRELATIVE PURCHASE OR SALE OF A CONTRACT IS MADE, ANY LIABILITY SHALL BE LIMITED IN AMOUNT TO THE AGGREGATE PRICE OF THE CONTRACTS PURCHASED OR SOLD.

NOTWITHSTANDING THE FOREGOING, THE EXCHANGE MAY ASSUME RESPONSIBILITY FOR DIRECT, OUT-OF-POCKET LOSSES DIRECTLY CAUSED BY THE GROSS NEGLIGENCE OF THE EXCHANGE OR ITS DIRECTORS, OFFICERS, EMPLOYEES OR AGENTS; PROVIDED THAT THE TOTAL COMBINED AGGREGATE LIABILITY OF THE EXCHANGE AND ITS DIRECTORS, OFFICERS, EMPLOYEES OR AGENTS SHALL NOT EXCEED \$100,000 FOR ALL LOSSES FROM ALL CAUSES SUFFERED ON A SINGLE DAY; \$200,000 FOR ALL LOSSES SUFFERED FROM ALL CAUSES IN A SINGLE CALENDAR MONTH; AND \$2,000,000 FOR ALL LOSSES FROM ALL CAUSES SUFFERED IN A SINGLE CALENDAR YEAR.

THERE ARE NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS PROVIDED BY THE EXCHANGE (INCLUDING ITS AFFILIATES AND ANY CONTRACTORS AND SUBCONTRACTORS PROVIDING SERVICES TO THE EXCHANGE), 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. THE SERVICES OF THE EXCHANGE ARE BEING PROVIDED ON AN "AS IS" BASIS AT THE SOLE RISK OF THE PARTICIPANT, CUSTOMER, OR OTHER SUBJECT PERSON, AS THE CASE MAY BE. NEITHER THE EXCHANGE (INCLUDING ITS AFFILIATES AND ANY CONTRACTORS AND SUBCONTRACTORS PROVIDING SERVICES TO THE EXCHANGE) NOR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES OR AGENTS MAKE ANY WARRANTY WITH RESPECT TO, AND NO SUCH PARTY SHALL HAVE ANY LIABILITY TO ANY PARTICIPANT, CUSTOMER,

OR OTHER SUBJECT PERSON FOR, THE ACCURACY, TIMELINESS, COMPLETENESS, RELIABILITY, PERFORMANCE OR CONTINUED AVAILABILITY OF THE TRADING SYSTEM OR THE EXCHANGE, DELAYS, OMISSIONS OR INTERRUPTIONS IN EXCHANGE SERVICES OR THE CREDITWORTHINESS OF ANY OTHER PARTICIPANT, CUSTOMER, OR OTHER SUBJECT PERSON AS THE CASE MAY BE. THE EXCHANGE SHALL HAVE NO DUTY OR OBLIGATION TO VERIFY ANY INFORMATION DISPLAYED ON THE TRADING SYSTEM OR OTHERWISE. EACH PARTICIPANT, CUSTOMER, OR OTHER SUBJECT PERSON ACKNOWLEDGES AND AGREES THAT THE EXCHANGE (INCLUDING ITS AFFILIATES AND ANY CONTRACTORS AND SUBCONTRACTORS PROVIDING SERVICES TO THE EXCHANGE) DOES NOT AND SHALL NOT SERVE AS THE PRIMARY BASIS FOR ANY DECISIONS MADE BY SUCH PARTICIPANT, AS THE CASE MAY BE, AND IS NOT AN ADVISOR OR FIDUCIARY OF SUCH PARTICIPANT, CUSTOMER, OR OTHER SUBJECT PERSON, AS THE CASE MAY BE.

ANY DISPUTE ARISING OUT OF THE USE OF THE TRADING SYSTEM OR EXCHANGE SERVICES OR FACILITIES USED TO SUPPORT THE TRADING SYSTEM IN WHICH THE EXCHANGE (INCLUDING ITS AFFILIATES AND ANY CONTRACTORS AND SUBCONTRACTORS PROVIDING SERVICES TO THE EXCHANGE) OR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES OR AGENTS IS A PARTY SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. ANY ACTIONS, SUITS OR PROCEEDINGS AGAINST ANY OF THE FOREGOING MUST BE BROUGHT WITHIN TWO YEARS FROM THE TIME THEY FIRST ARISE, AND ANY SUCH ACTION, SUIT OR PROCEEDING MAY BE BROUGHT IN ANY FEDERAL OR STATE COURTS LOCATED IN THE BOROUGH OF MANHATTAN, THE CITY OF NEW YORK. THIS PROVISION SHALL IN NO WAY CREATE A CAUSE OF ACTION AND SHALL NOT AUTHORIZE ANY ACTION THAT WOULD OTHERWISE BE PROHIBITED BY THE RULES OF THE EXCHANGE.

NO PARTICIPANT, CUSTOMER, OR OTHER SUBJECT PERSON WILL INSTITUTE A LAWSUIT OR OTHER LEGAL PROCEEDING AGAINST THE EXCHANGE OR ANY DIRECTOR, COMMITTEE MEMBER, OFFICER, EMPLOYEE, AGENT OR CONTRACTOR OF THE EXCHANGE (INCLUDING ITS AFFILIATES), FOR ACTIONS TAKEN OR OMITTED TO BE TAKEN IN CONNECTION WITH THE OFFICIAL BUSINESS OF THE EXCHANGE (INCLUDING ITS AFFILIATES). THIS PROVISION WILL NOT APPLY TO APPEALS OF DISCIPLINARY ACTIONS OR OTHER ACTIONS BY THE EXCHANGE AS PROVIDED FOR IN THESE RULES.

ANY PARTICIPANT, CUSTOMER, OR OTHER SUBJECT PERSON WHO FAILS TO PREVAIL IN A LAWSUIT OR OTHER LEGAL PROCEEDING INSTITUTED BY SUCH PERSON AGAINST THE EXCHANGE (INCLUDING ITS AFFILIATES) OR ANY OF ITS DIRECTORS, COMMITTEE MEMBERS, OFFICERS, EMPLOYEES, AGENTS OR CONTRACTORS, AND RELATED TO THE BUSINESS OF THE EXCHANGE, WILL 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). THIS PROVISION WILL 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.

NOTWITHSTANDING ANY OF THE FOREGOING PROVISIONS, THIS RULE RULE 537 SHALL IN NO WAY LIMIT THE LIABILITY OF ANY PERSON ARISING FROM ANY VIOLATION OF SUCH PERSON OF THE CEA OR CFTC REGULATIONS THEREUNDER.

**RULE 538. Control Desk**

(a) *Customer Support.*

(i) The control center of the Exchange ( the “Control Desk”) provides the Trading System customer support and problem management only to Clearing Firms and Participants.

(ii) In order to be eligible for Control Desk support, a Supervised Person must first be identified by the relevant Participant or Clearing Firm, as the case may be, as an authorized contact (“Authorized Contact”) with the Control Desk. The Control Desk provides customer support via a specified telephone number and during specified hours.

(iii) Control Desk employees may not always be available to assist Authorized Contacts.

(iv) Individuals other than Authorized Contacts must contact a Participant or a Clearing Firm to make support requests.

(b) *Control Desk Communications.*

(i) As provided in Rule 537, the Exchange shall not be liable for any loss resulting from any inability to communicate with the Control Desk.

(ii) The liability of the Exchange for the negligent acts of Control Desk staff shall be subject to the limitations and conditions of Rule 537.

(iii) In no event shall the Exchange be liable for the negligence of the Control Desk if the Person claiming to have suffered a loss could have secured the support it sought from the Control Desk through its own administrative terminal, a terminal of its Clearing Firm or a terminal of an independent software vendor (“ISV”).

(iv) For purposes of this rule, a Person is deemed able to take action through its own administrative terminal, a Clearing Firm’s terminal or an ISV’s terminal unless such terminal was inoperative or such terminal service was interrupted at the time the Control Desk took action.

(c) *Order Status.*

(i) A Person who believes it has received an incorrect Order status or does not receive an appropriate status shall immediately notify the Control Desk. Additionally, such Person shall take any necessary and appropriate market action to mitigate any potential losses arising from the incorrect Order status or lack of appropriate Order status immediately after the Person knew or should have known that the Order status information was incorrect or should have been received. Any liability of the Exchange for incorrect Order status shall be subject to the limitations and conditions of Rule 537.

(ii) Notwithstanding the above, the Exchange shall not be liable for losses related to incorrect Order status information if the Exchange provides prior notification that an Exchange system, service or facility may produce such incorrect information and also provides notification of a means to obtain correct Order status information from such system, service or facility. In the event that the Control Desk and an Exchange system, service or facility provide conflicting information relating to an Order status, a Person may only reasonably rely on the information received from the Control Desk. Any liability of the Exchange shall be subject to the liability caps and conditions of Rule 537.

**RULE 539. Execution of Orders by the Trading System**

Orders to buy or sell any Contract are subject to the minimum trading requirements specified in the relevant Contract rules. For each trade matched on the Exchange, the Trading System shall promptly notify each Participant party to such trade that the trade has been executed (provided that a trade that is executed for a commodity pool needs to be confirmed only to the operator of such pool).

Except as expressly provided for by the Rules, all Orders are matched with each other and executed electronically through the Trading System in accordance with an algorithm that gives first priority to Orders at the best price and priority among Orders entered at the same price based on the length of time such Order has been resting. Without limiting the generality of the foregoing, the algorithm to match Orders entered in the Trading System is based upon the following principles:

(a) An Order at a better price will always have priority over Orders at inferior prices, except as provided in Rule 539(c).

(b) Except as provided in Rule 539(c), as among resting Orders at the same price, the algorithm will identify the resting Order to be matched against by length of time such Order has been resting. For the first year following the date of the Exchange's designation as a Contract Market, any decrease or increase to the size of a resting Order will not affect the priority of such Order. An Iceberg Order will not be treated as a resting Order eligible to be matched, except to the extent of its displayable portion.

(c) *TRADEON Sessions:* A TRADEON Session will start for a Contract if an Order and a contra-Order are matched for that Contract (a “Matched Session”). Each Matched Session shall, if any Order for the relevant Contract remains unmatched at the end of such session, be followed by a new session (a “Continuing Session” and together with a Matched Session, a “TRADEON Session”). Each TRADEON Session lasts for typically ten seconds. Orders in the Contract subject to a TRADEON Session will only be matched at the “Market Equilibrium Price”, which shall be established as provided below.

(i) *Initial Session:* At the start of a Matched Session, a TRADEON window appears on the platform screen, indicating that a TRADEON session has begun. The initial session is a limited time window (typically 10 seconds) during which any participant on the trueEX platform may submit an order to buy or sell specified sizes of the product at the indicated Market Equilibrium Price. Orders placed during this time window are not visible to the market. Users can submit their Orders beginning immediately at the start of a TRADEON Session and for the duration of the session, and any Orders submitted for a TRADEON Session will be queued in priority order. During an initial TRADEON Session, priorities are as follows:

(A) In a Matched Session, any unfilled portion of the original Orders that initiated the trade is moved into the TRADEON Session, and the original parties may add to their Orders during the session and retain top priority.

(B) Users with resting Orders in the trueEX platform order book at the Market Equilibrium Price will automatically be moved into the TRADEON Session and have the same priority in the initial session as they do in the order book.

(C) For all other users, any Orders entered during the initial session are lower priority than any of the Orders described in paragraphs (A) and (B) of this Rule 539(c)(i). Such Orders are prioritized among themselves by the time of submission. For Iceberg Orders, the notional visibility (i.e., the displayed notional amount of an Iceberg Order) has priority over the reserve portion of an Iceberg Order.

(D) Orders in the initial TRADEON session are matched at the end of the session and based on the priority order set forth above. If both of the original parties to the trade (for trade-initiated TRADEON Session) enter an order, the orders will match immediately as they have the highest priority and are guaranteed to match.

(ii) *Continuing Session:* If any Orders remain unmatched at the end of a TRADEON Session and a trade occurred during such TRADEON Session, a Continuing Session will begin. Additional Orders may be submitted at any time during the Continuing Session. During a Continuing Session, Orders are

prioritized solely by notional visibility and time. All Orders are matched at the Market Equilibrium Price and are matched immediately if there is a contra order in the Continuing Session. If, at the end of the Continuing Session, a trade has occurred, and there are unmatched TRADEON orders remaining, another Continuing Session will begin.

(iii) *Termination*: At the conclusion of a TRADEON Session, if no Continuing Session will follow pursuant to Rule 539(c)(ii) above, the session shall terminate and any Orders that have not matched during such session shall be placed in the Order book based on their price.

**RULE 540. Market Open** Orders may not be submitted outside of Trading Hours. After market open, each Contract will be traded on a continuous basis until a time designated by the Exchange for the close of daily trading for such Contract. The trading hours and holidays of the Exchange will be published on the Web Site.

**RULE 541. Trade Cancellations and Price Adjustments**

(a) *Authority Over Trade Cancellations and Price Adjustments.*

(i) The Board or a designee of the Board has authority to adjust trade prices or cancel (“bust”) trades when such action is necessary to mitigate market disrupting events caused by the improper or erroneous use of the Trading System or by system defects.

(ii) Notwithstanding any other provisions of this Rule, the Board or a designee of the Board may adjust trade prices or bust any trade if it determines that allowing the trade to stand as executed may have a material, adverse effect on the integrity of the market.

(iii) All decisions of the Board or a designee of the Board under this Rule 541 shall be final.

(b) *Review of Trades.*

(i) The Board or a designee of the Board may determine to review a trade based on its independent analysis of market activity or upon request for review by a user of the Trading System. A request for review must be made within 15 minutes of the execution of the trade.

(ii) The Board or a designee of the Board shall determine whether or not a trade will be subject to review. In the absence of a timely request for review, during volatile market conditions, upon the release of significant news, or in any other circumstance in which the Board or a designee of the Board deems it to be appropriate, the Board or a designee of the Board may determine, in its sole discretion, that a trade shall not be subject to review.

(iii) Upon deciding to review a trade, the Board or a designee of the Board will promptly issue an alert to involved Participants via the Trading System or electronic mail indicating that the trade is under review.

(c) *Price Adjustments and Cancellations.*

(i) In reviewing a trade, the Board or a designee of the Board will first determine whether the trade price is within the No Bust Range for the Contract.

(ii) In applying the No Bust Range, the Board or a designee of the Board shall determine the fair value market price for that Contract at the time the trade under review occurred (the “Market Price”). The Board or a designee of the Board may consider any relevant information, including, but not limited to, the last trade price in the contract or a better bid or offer price on the Trading System, a more recent price for a different maturity date, the price of the same or related contract established in another venue or another market and the market conditions at the time of the trade.

(iii) *Trade Price Inside the No Bust Range.* If the Board or a designee of the Board determines that the price of the trade is inside the No Bust Range, then it will issue an alert indicating that the trade shall stand.

(iv) *Trade Price Outside the No Bust Range.*

(A) *Swaps.* If the Board or a designee of the Board determines that a trade price is outside the No Bust Range for a swap, the trade price shall be adjusted to a price that equals the fair value market price for that contract at the time the trade under review occurred, plus or minus the No Bust Range. In the event there are multiple parties, prices or contracts involved in the transactions at issue, the Board or a designee of the Board has the authority, but not the obligation, to bust rather than price adjust such transactions. The Board or a designee of the Board will issue an alert regarding its decision.

(B) Busted trade prices and any prices that have been adjusted shall be cancelled in the Exchange’s official record of time and sales. Trades that are price adjusted shall be inserted in the time and sales record at the adjusted trade price.

(d) *Alternative Resolution by Agreement of Parties.*

(i) With the approval of the Board or a designee of the Board, parties to a trade that is price adjusted may instead mutually agree to cancel the trade.

(ii) With the approval of the Board or a designee of the Board, parties to a trade that is busted may instead mutually agree to price adjust the trade to a price consistent with the adjustment provisions of Rule 541(c).



(iii) Subject to Rule 541(d)(i) and Rule 541(d)(ii), 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 Board or a designee of the Board 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 Board or a designee of the Board to be outside of the No Bust Range but not reported timely, subject to agreement of the parties and approval of the Board or a designee of the Board. 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 section must be submitted to the Exchange on an Exchange claim form within one 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 business days of receipt of the claim, admit or deny responsibility in whole or in part. Failure to respond to the claim within ten business days shall be considered a denial of liability.

(iii) To the extent that liability is admitted, payment shall be made within ten business days. Unless otherwise agreed upon in writing by the parties, failure to make the payment within ten 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 Chapter 7 of the Rules. Such claims must be submitted to the Board or a designee of the Board within ten business days of the date the party was issued notification that liability was denied.

(f) *Schedule of Administrative Fees.* When the Board or a designee of the Board busts or price adjusts a trade, the party responsible for entering the order into the Trading System that gave rise to the trade bust or price adjustment shall pay an administrative fee to the Exchange in the amount of \$500 for each such occurrence.

(g) *Exchange No Bust Ranges.*

<b>Contract</b>	<b>No Bust Range</b>
Interest Rate Swap	The price equivalent of 5 basis points from the determination of fair market value by the Board or a designee of the Board.

(h) *Transfer Trades.* Positions that result from a trade determined by the Board or a designee of the Board to be outside the No Bust Range that cannot be busted because the trade was not reported within five minutes of the execution of the trade may be transferred between the parties using a transfer trade upon agreement of the parties (a “Transfer Trade”). Such Transfer Trades must comply with the trading requirements in these Rules. The Transfer Trade must use the original trade price and quantity. Any party may, but is not required to, include a cash adjustment to another party to the trade. Trades determined by the Board or a designee of the Board to be inside the No Bust Range may not be reversed using a Transfer Trade.

(i) *Voluntary Adjustment of Trade Price.* When a trade outside of the No Bust Range is busted in accordance with this Rule 541, the parties to the trade may agree voluntarily to reestablish the trade but to adjust its price and make a cash adjustment provided that all of the following conditions are met:

(i) The Board or a designee of the Board approves the adjustment.

(ii) The quantity of the position being reestablished is the same as the quantity of the trade that was busted.

(iii) In the case of a trade below the Market Price, the adjusted price must be the lowest price that traded at or about the time of the trade without being busted. In the case of a trade above the Market Price, the adjusted price must be the highest price that traded at or about the time of the trade without being busted.

(iv) The parties to the adjusted trade must report it to the Exchange using a Transfer Trade not later than the close of business on the Business Day after the trade occurred.

(j) *Busting Trades After System Malfunction.* In the event that the matching engine malfunctions with live Orders in the queue waiting to be matched, such Orders may be matched when the system is restored before the Board or a designee of the Board halts the matching engine. The Board or a designee of the Board is authorized to bust trades resulting from such matches if the price of such trades is outside of the No Bust Range at the time that a confirmation of the trades was sent.

**RULE 542. Block Trades**

(a) The Exchange shall designate the products in which Block Trades shall be permitted and determine the minimum quantity thresholds for such transactions.

(b) The following shall govern Block Trades:

(i) A Block Trade must be for a quantity that is at or in excess of the applicable minimum threshold. Orders may not be aggregated in order to achieve the minimum transaction size; except by those entities described in sections (ix) and (x) below.

(ii) Each Person party to a Block Trade must be an Eligible Contract Participant.

(iii) A broker for a Person shall not execute any order by means of a Block Trade for a Person unless such Person has specified that the order be executed as a Block Trade.

(iv) The price at which a Block Trade is executed must be fair and reasonable in light of (i) the size of the Block Trade, (ii) the prices and sizes of other transactions in the same contract at the relevant time, (iii) the prices and sizes of transactions in other relevant markets, including the related swap markets, at the relevant time, and (iv) the circumstances of the markets or the Participants to the Block Trade.

(v) Block Trades shall not set off conditional orders (e.g., Limit Orders) or otherwise affect orders in the regular market.

(vi) Parties to a Block Trade must ensure that each Block Trade is reported to the Exchange as soon as technologically practicable. For the purposes of this rule, a Block Trade is reported to the Exchange immediately following 1) the entry of the trade details of the Block Trade into the Block Trade reporting module of the Trading System by one party and 2) the acceptance by counterparty to the terms of the Block Trade through the Trading System. The trade details reported to the Exchange must include the execution time, which is the time at which the parties agreed to the terms of the Block Trade prior to entry of the trade details into the Block Trade reporting module of the Trading System.

(vii) Block Trades must be reported to the Exchange in accordance with an approved reporting method. Block Trades reported to the Exchange will be reported to the SDR as soon as technologically practicable. The SDR will delay the public dissemination of swap transaction and pricing data relating to the Block Trade for 30 minutes after execution of the Block Trade.

(viii) Clearing Firms and Participants involved in the execution of Block Trades must maintain a record of the transaction in accordance with Rule 544.

(ix) A commodity trading advisor (“CTA”) registered or exempt from registration under the Act, including any investment advisor registered or exempt from registration under the Investment Advisors Act of 1940, shall be the applicable entity for purposes of Rule 542(b)(i), (ii), (iii) and (iv), provided such advisors have total assets under management exceeding \$25 million and the Block Trade is suitable for the customers of such advisors.

(x) A foreign Person performing a similar role or function to a CTA or investment advisor as described in Rule 542(b)(ix), and subject as such to foreign regulation, shall be the applicable entity for purposes of Rule 542(b)(i), (ii), (iii) and (iv), provided such Persons have total assets under management exceeding \$25 million and the Block Trade is suitable for the customers of such Persons.

(xi) Parties to any Block Trade involving swaps shall comply with the requirements of Part 43 and Part 45 of the CFTC Regulations (including real time public reporting and recordkeeping requirements thereunder).

(c) *Products designated for Block Trades.* The following product(s) are designated for Block Trades:

Formatted: Don't keep with next

~~(e)~~(i) *INTEREST RATE SWAPS*

Formatted: Font: Italic

~~(+)~~(ii) *INTEREST RATE SWAP. For an On-the-Run Interest Rate Swap, the minimum block size and reporting time is based on initial maturity of the Contract as follows:*

Comment [FK2]: Table moved to chapter 10

<b>Initial Maturity (Upper range)</b>	<b>Minimum Block Size (\$ Notional)</b>	<b>Reporting Time</b>
2-year	\$200 million	As soon as technologically practicable.
3-year	\$150 million	As soon as technologically practicable.
4-year	\$100 million	As soon as technologically practicable.
5-year	\$100 million	As soon as technologically practicable.
6-year	\$75 million	As soon as technologically practicable.
7-year	\$75 million	As soon as technologically practicable.
8-year	\$75 million	As soon as technologically practicable.
9-year	\$50 million	As soon as technologically practicable.
10-year	\$50 million	As soon as technologically practicable.
12-year	\$50 million	As soon as technologically

<del>15 year</del>	<del>\$50 million</del>	<del>practicable.</del> <del>As soon as technologically practicable.</del>
<del>20 year</del>	<del>\$50 million</del>	<del>As soon as technologically practicable.</del>
<del>25 year</del>	<del>\$25 million</del>	<del>As soon as technologically practicable.</del>
<del>30 years</del>	<del>\$25 million</del>	<del>As soon as technologically practicable.</del>

(ii) —

~~For pound sterling and euro denominated swaps, the minimum block sizes will be published on the Web Site and based on the U.S. dollar amounts, converted per the prevailing rate in the currency markets, and rounded to the nearest million.~~

Formatted: Heading 4,4, Indent: Left: 0"

**RULE 543. [RESERVED]**

**RULE 544. Recordkeeping Requirements for Privately Negotiated Trades**

(a) All transactions executed pursuant to Rule 542, unless otherwise exempted by Rule, are subject to the following recordation requirements (in addition to any other recordation requirements applicable under the Rules and Applicable Law):

(i) At the time of execution, every Order received from a Customer must be in the form of a written or electronic record and include an electronic timestamp reflecting the date and time such Order was received and must identify the specific account(s) for which the Order was placed. Such record shall also include an electronic timestamp reflecting the date and time such Order was executed or cancelled.

**RULE 545. Reporting Party**

(a) For the purpose of reporting CFTC Regulation 45.4 continuation data to the SDR, the reporting party will be established pursuant to CFTC Regulation 45.8.

(b) If both Participants to a swap transaction are equal in the hierarchy (e.g. both are swap dealers), the reporting party for transactions executed on the Exchange shall be the Participant that is the buyer or payer (or equivalent) on the swap transaction. For switches, the reporting party shall be the party that is the buyer of the switch.

**CHAPTER 6**  
**DISCIPLINARY RULES**

**RULE 601. General**

(a) All Subject Persons shall be subject to the jurisdiction of the Exchange. All Subject Persons are subject to this Chapter 6 if they, or with respect to a Participant, any other Person (including any Supervised Person of such Participant) using any Firm ID assigned to such Participant, are alleged to have violated, to have aided and abetted a violation, to be violating, or to be about to violate, any Rule of the Exchange or any provision of Applicable Law for which the Exchange possesses disciplinary jurisdiction.

(b) The Exchange, through the Exchange Regulation Department and the Disciplinary Panel, will conduct inquiries, Investigations, disciplinary proceedings and appeals from disciplinary proceedings, summary impositions of fines, summary suspensions or other summary actions in accordance with this Chapter 6.

(c) No Exchange Official, Director, or Officer will interfere with or attempt to influence the process or resolution of any inquiry, Investigation, disciplinary proceeding, appeal from a disciplinary proceeding, summary imposition of fines, summary suspension or other summary action (each, a "Disciplinary Action"), except to the extent provided under the Rules with respect to a proceeding in which the Director is a member of the relevant Appeal Panel; provided, however, that a Director may participate in the proceedings of an Appeal Panel if such Director is a member of such Appeal Panel to the extent otherwise authorized.

(d) Any Subject Person may be represented by legal counsel or any other representative of its choosing during any Disciplinary Action; provided, however, that no such legal counsel may be an employee of the Exchange or any person substantially related to the underlying investigation (such as a material witness or respondent).

(e) *Joint and Controlling Person Liability.*

(i) The Exchange may hold a Subject Person liable for, and impose sanctions against such Subject Person, for such Subject Person's own acts and omissions that constitute a violation as well as for the acts and omissions that constitute a violation by (A) a Supervised Person of such Subject Person if such Subject Person is a Participant, and (B) any Person using a Firm ID of such Subject Person or a User ID assigned to a Supervised Person of such Subject Person, or (C) any employee, agent or representative of such Subject Person, in each case (A), (B) and (C), as if such violation were that of the Subject Person.

(ii) The Exchange may hold an Authorized Trader or Authorized Broker liable for, and impose sanctions against such Authorized Trader or Authorized Broker, for such Authorized Trader's or Authorized Broker'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 or

Authorized Broker that constitute a violation as if such violation were that of the Authorized Trader or Authorized Broker.

(f) *Ex Parte Communications.*

(i) A Person subject to a disciplinary proceeding or an appeal from a disciplinary proceeding (and any counsel or other representative of such Person) and the Exchange Regulation Department (and any counsel or other representative of the Exchange Regulation 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 Person subject to such proceeding (and any counsel or representative of such Person) and the Exchange Regulation Department (and any counsel or representative of the Exchange Regulation Department).

(iii) Any Person 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 Exchange Regulation Department and all parties to the proceeding to which the communication relates.

(iv) A Person shall not be deemed to have violated this rule if the Person refuses an attempted communication concerning the merits of a proceeding as soon as it becomes apparent the communication concerns the merits.

**RULE 602. Inquiries and Investigation**

(a) The Exchange Regulation Department will investigate any matter within the Exchange's jurisdiction of which it becomes aware. Pursuant to this Chapter 6, the Exchange Regulation Department 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 Exchange Regulation Department indicates a possible basis for finding that a violation may have occurred or will occur. The Exchange Regulation Department will determine the nature and scope of its inquiries and investigations in its sole discretion and will function independently of any commercial interests of the Exchange.

(b) The Exchange Regulation Department has the authority to:

(i) initiate and conduct inquiries and investigations;

(ii) prepare investigative reports and make recommendations concerning initiating disciplinary proceedings;

(iii) prosecute alleged violations within the Exchange's disciplinary jurisdiction; and

(iv) represent the Exchange on appeal from any disciplinary proceeding, summary imposition of fines, summary suspension or other summary action.

(c) Each Subject Person:

(i) is obligated to appear and testify and respond in writing to interrogatories within the time period required by the Exchange Regulation Department in connection with:

(A) any Obligation;

(B) any inquiry or Investigation; or

(C) any preparation by and presentation during a Disciplinary Action.

(ii) is obligated to produce all books, records, papers, documents or other tangible evidence in its, his or her possession, custody or control within the time period required by the Exchange Regulation Department in connection with:

(A) any Obligation;

(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.

**RULE 603. Reports of Investigations**

(a) The Exchange Regulation Department will maintain a log of each Investigation and its disposition. The Exchange Regulation Department will prepare a written report of each Investigation, regardless of whether the evidence gathered during such Investigation forms a reasonable basis to believe that a violation within the Exchange's 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 ("Investigative Report") will include the reasons for initiating the Investigation (including a summary of the complaint, if any), all relevant facts and evidence gathered, Exchange Regulation Department staff's analysis and conclusions and the recommendation of the Exchange Regulation Department including as to whether a warning letter should be issued or any other



disciplinary action should be pursued. For each potential respondent, the Exchange Regulation 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 investigative report must include a copy of any warning letter.

(c) The Investigative Report will be provided to the Chief Regulatory Officer for a determination as to whether the Investigative Report is complete. The Chief Regulatory Officer will then provide the completed Investigative Report to the Review Panel of the Disciplinary Panel.

**RULE 604. Opportunity to Respond**

(a) After completing its Investigative Report, the Exchange Regulation Department may, upon approval of the Chief Regulatory Officer, notify each potential respondent that the Exchange Regulation Department has recommended formal disciplinary charges against the potential respondent.

(b) The Exchange Regulation 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 Exchange Regulation Department.

**RULE 605. Review of Investigative Reports**

(a) *Review of Investigative Reports by the Chief Regulatory Officer.*

(i) The Chief Regulatory Officer will review the Investigative Report provided pursuant to Rule 603(c) 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 after receiving an Investigative Report pursuant to Rule 605(a)(i) or any additional information pursuant to this Rule 605(a)(ii), the Chief Regulatory Officer 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 Chief Regulatory Officer will direct the Exchange Regulation Department to conduct further investigation.

(iii) Upon receiving the Investigative Report pursuant to Rule 605(a)(i) and all additional information requested pursuant to Rule 605(a)(ii), the Chief Regulatory Officer 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 Chief Regulatory Officer shall provide a written explanation to the Regulatory Services Provider; or

(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 Chief Regulatory Officer 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 Investigative Reports by the Review Panel of the Disciplinary Panel.*

(i) After receiving a completed Investigative Report pursuant to Rule 605(a), a Review Panel must promptly review the report and, within 30 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 Exchange Regulation 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 Chief Regulatory Officer shall provide the written statement to the Regulatory Services Provider.

(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 this Chapter 6.

(ii) A failure of the Disciplinary Panel to act within the time prescribed in Rule 605(b)(i) shall not prevent the Chief Regulatory Officer from acting pursuant to Rule 605(a). The Chief Regulatory Officer shall inform the Regulatory Oversight Committee of any such failure of the Disciplinary Panel to act.

(iii) Any conflict between the actions of the Chief Regulatory Officer pursuant to Rule 605(a) and the Disciplinary Panel pursuant to Rule 605(b) shall be resolved by the Regulatory Oversight Committee.

(c) Each Investigation shall be completed in a timely manner. Absent mitigating circumstances (it being understood that the complexity of the Investigation, the number of firms or individuals involved as potential wrongdoers, the number of potential violations to be investigated, and the volume of documents and data to be examined may constitute such mitigating circumstances), an Investigation shall be complete within 12 months of such Investigation being initiated pursuant to Rule 602(a).

**RULE 606. Notice of Charges**

(a) If the Chief Regulatory Officer or Review Panel authorizes disciplinary proceedings pursuant to Rule 605(a)(iii)(C) or Rule 603(b)(iv), the Exchange Regulation Department will prepare, and serve in accordance with Rule 608, a Notice of Charges (“Notice of Charges”).

(b) A Notice of Charges will:

(i) state the acts, conduct or practices that the respondent is alleged to have engaged in;

(ii) state the Obligation or provision of Applicable Law alleged to have been violated or about to be violated;

(iii) state the proposed sanctions;

(iv) advise the respondent of its right to a hearing;

(v) advise the respondent of the right to be represented by legal counsel pursuant to Rule 601(d) in all succeeding stages of the disciplinary process;

(vi) state the period of time within which the respondent may file an answer to the Notice of Charges, which will not be less than 20 days after service of the Notice of Charges;

(vii) advise the respondent that any failure to answer the Notice of Charges pursuant to Rule 607 within the period stated pursuant to Rule 606(b)(vi) except for good cause, will be deemed to constitute a waiver of the right to participate in a hearing; and

(viii) advise the respondent that any allegation in the Notice of Charges that is not expressly denied will be deemed to be admitted.

**RULE 607. Answer to Notice of Charges**

(a) If the respondent determines to answer a Notice of Charges, the respondent must file answers within the period indicated in the Notice of Charges pursuant to Rule 606(b)(vi), which period may be extended by written consent of the Chief Regulatory Officer.

(b) To answer a Notice of Charges, the respondent must in writing:

(i) specify the allegations that the respondent denies or admits;

(ii) specify the allegations that the respondent does not have sufficient information to either deny or admit;

(iii) specify any specific facts that contradict the Notice of Charges;

(iv) specify any affirmative defenses to the Notice of Charges; and

(v) sign and serve the answer on the Chief Regulatory Officer, who shall forward a copy of the answer to the relevant Review Panel.

(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. Any failure by the respondent to specifically answer any allegation shall be deemed to be an admission of such allegation. Any allegation in a Notice of Charges that the respondent fails to expressly deny shall be deemed to be admitted. A general denial by the respondent will constitute an admission of all allegations in a Notice of Charges.

(d) If the respondent timely files an answer to a Notice of Charges, the respondent shall be entitled to attend and participate in a hearing pursuant to Rule 613.

**RULE 608. Service of Notice of Charges**

Documents (including a Notice of Charges) contemplated by this Chapter 6 may be served on any respondent (a) in person to the respondent or an Authorized Representative of the respondent, (b) by delivery to the place of business of the respondent or an Authorized Representative of the respondent, by 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, (c) via electronic mail to the electronic mail address of the respondent or an Authorized Representative of the respondent as it appears on the books and records of the Exchange.

## **RULE 609. Settlements**

(a) A respondent at any time after an Investigative Report is completed pursuant to Rule 603 may propose in writing an offer of settlement related to anticipated or instituted disciplinary proceedings.

(b) A respondent or potential 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 it and over the subject matter of the proceedings and consent to the entry of the findings and sanctions imposed.

(c) Any offer of settlement should contain proposed findings and sanctions and be signed by the respondent or potential respondent and submitted to the Exchange Regulation Department. The Exchange Regulation Department shall provide a copy of any offer of settlement and its recommendation on whether to accept or reject such offer to the Chief Regulatory Officer and the Review Panel considering the matter at issue, or if no Review Panel is considering the matter, then the Hearing Panel convened to consider such matter.

(d) Any preliminary determination by the Chief Regulatory Officer to accept the offer shall be submitted for review by the relevant Disciplinary Panel. If the relevant Disciplinary Panel agrees, then the Chief Regulatory Officer shall conditionally accept an offer of settlement, and that the settlement will become final upon the expiration of 20 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 relevant Disciplinary Panel, the panel accepting the offer must issue a written decision specifying the rule violations it has reason to believe were committed, including the basis or reasons for the panel's conclusions, and any sanction to be imposed, which must take into account the respondent's disciplinary history and include full customer restitution where harm to a customer and the customer's identity can be reasonably determined. If an offer of settlement is accepted without the agreement of the Exchange Regulation Department or Chief Regulatory Officer, the decision must adequately support the Disciplinary Panel's acceptance of the settlement. 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 and the related order of disciplinary proceedings becomes final, the respondent's submission of the offer will be deemed to constitute a waiver of the right to notice, opportunity for a hearing and review and appeal under the Rules.

(g) If the offer of settlement of a respondent or potential respondent is not accepted by agreement between the Chief Regulatory Officer and the relevant Disciplinary Panel, fails to become final or is withdrawn by the respondent or potential

respondent, the matter will proceed as if the offer had not been made and the offer and all documents relating to it will not become part of the record. Neither a respondent or potential respondent nor the Exchange Regulation Department may use an unaccepted offer of settlement as an admission or in any other manner at a hearing of, or appeal from, disciplinary proceedings.

#### **RULE 610. Disciplinary Panels**

(a) *Review Panel.* The Review Panel shall review completed Investigative Reports in order to determine whether a reasonable basis exists for finding a violation of a respondent's Obligations and for authorizing the issuance of a Notice of Charges against such respondent.

(b) *Hearing Panel.* The Hearing Panel shall conduct hearings in connection with any disciplinary proceedings (except for summary impositions of fines pursuant to Rule 617), to make findings, render decisions, and impose sanctions pursuant to this Chapter 6.

(c) *Panel Members.* The Board shall appoint individuals at the recommendation of the Chief Regulatory Officer, each to serve for a term of one-year, subject to reappointment by the Board, as potential participants on the Disciplinary Panels. The Chief Regulatory Officer shall recommend at least three individuals who would satisfy the conditions for being deemed a Public Director and at least three individuals who represent the views of Participants. The term of an individual that has been selected as a member of a Disciplinary Panel will not expire until the related proceedings are completed.

(d) *Chairperson.* The chairperson of any Review Panel or Hearing Panel shall be a Public Participant.

(e) *Disciplinary Panel Selection.* The Chief Regulatory Officer shall randomly select a Review Panel and Hearing Panel prior to the commencement of any investigative or disciplinary matter from the potential members of Disciplinary Panels appointed by the Board pursuant to Rule 610(c). Each Disciplinary Panel shall be selected by randomly choosing at least one Public Participant and the remaining individuals from those representing the views of the Participants, with the latter being chosen in a manner that prevents any group or class of industry participants from dominating or exercising disproportionate influence on the Disciplinary Panel being formed.

(f) If an individual selected is an Interested Person or if a member of the Disciplinary Panel later becomes an Interested Person, a replacement for such individual shall be randomly selected by the Chief Regulatory Officer.

(g) Within 10 days of being notified of the appointment of the Disciplinary Panel, a respondent may seek to disqualify any individual named to the Disciplinary Panel for the reasons identified in Rule 214 or for any other reasonable grounds,

including that such individual has a financial interest in the matter, by serving written notice on the Chief Regulatory Officer. By not timely filing a request for disqualification, the respondent will be deemed to have waived any objection to the composition of a Disciplinary Panel. The general counsel of the Exchange will decide the merits of any request for disqualification within his or her sole discretion. Any such decision will be final and not subject to appeal.

(h) No person shall serve on a Disciplinary Panel unless such 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 Exchange Regulation Department, when requested by any Government Agency or Self-Regulatory Organization, or when compelled to testify in any judicial or administrative proceeding.

(i) 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 Investigation or as required by law.

#### **RULE 611. Convening Hearings of Disciplinary Proceedings**

(a) A hearing will be conducted privately and confidentially. Notwithstanding the confidentiality of hearings, the Hearing Panel may appoint an expert to attend any hearing and assist in deliberations if such expert agrees to be subject to an appropriate confidentiality agreement.

(b) After reasonable notice to each respondent, the Hearing 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 Exchange Regulation Department.

(c) The chair of the Hearing Panel may continue, adjourn or otherwise conduct the hearing, as he or she may deem appropriate. The chair of the Hearing Panel will determine all procedural and evidentiary matters, including the admissibility and relevance of any evidence proffered. In determining procedural and evidentiary matters, the chair of the Hearing Panel will not be bound by any evidentiary or procedural rules or law. Once admitted during the hearing, the Hearing Panel may consider, and attach the weight it believes appropriate to, evidence or other materials. The general counsel of the Exchange, or its designee, will provide guidance to the chair of the Hearing Panel on the conduct of the hearing.

(d) Except for procedural and evidentiary matters decided by the chair of the Hearing Panel pursuant to Rule 611(c) and Rule 612, unless each respondent otherwise consents, the entire Hearing Panel must be present during the entire hearing and any related deliberations.

#### **RULE 612. 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 tangible evidence in the possession or under the control of the Exchange that the Exchange Regulation Department will use to support the allegations and proposed sanctions in the Notice of Charges or which the chair of the Hearing Panel deems relevant to the disciplinary proceedings. Notwithstanding the first sentence in this Rule 612(a), no respondent will have the right to review, and the Exchange will have no obligation to disclose, any documents that are privileged or constitute attorney work product, documents that were prepared by an employee of the Exchange but will not be offered in evidence at the hearing, documents that may disclose a technique or guideline used in examinations, investigations or enforcement proceedings, or documents that disclose the identity of a confidential source.

(b) If any books, records, documents, papers, transcripts of testimony, or other tangible 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 Exchange Regulation Department, the Exchange Regulation Department may redact, edit or code such information before furnishing it to the respondent.

(c) Notwithstanding anything in paragraph (b) above to the contrary, the Exchange Regulation 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 Exchange Regulation Department intends to rely on to support the allegations or proposed sanctions in the Notice of Charges.

(d) For purposes of this Rule 612, 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 Participant, or other Subject Person, and the personal finances of any Person.

#### **RULE 613. Conducting Hearings of Disciplinary Proceedings**

(a) At a hearing conducted in connection with any disciplinary proceedings, the Exchange Regulation Department will present its case supporting the allegations and proposed sanctions in the Notice of Charges to the Hearing Panel. If a respondent has timely filed an answer to the Notice of Charges in accordance with Rule 607, the respondent is entitled to attend and participate in the hearing.



(b) At a hearing conducted in connection with any disciplinary proceedings, the Hearing Panel or the Exchange Regulation Department and each respondent may:

- (i) present evidence and facts unless determined irrelevant or inadmissible by the chair of the Hearing Panel;
- (ii) call and examine witnesses; and
- (iii) cross-examine witnesses called by other parties.

(c) If the respondent has failed to file an answer, has filed a general denial, or otherwise has failed to expressly deny any allegation in the Notice of Charges, the chair of the Hearing Panel may limit evidence concerning any allegations not expressly denied in determining the sanctions to impose. If a respondent fails to file an answer but appears at the hearing, the respondent may not participate in the hearing (by calling or cross-examining witnesses, testifying in defense, presenting evidence concerning the Notice of Charges, or otherwise) unless the Hearing Panel determines that the respondent had a compelling reason for failing to timely file an answer. If the Hearing Panel determines that the respondent had a compelling reason for failing to timely file an answer, the Hearing Panel will adjourn the hearing and direct the respondent to promptly file a written answer in accordance with Rule 607.

(d) Any Person entitled, or required or called upon, to attend a hearing before a Hearing Panel pursuant to Rule 613(b)(ii) will be given reasonable notice, confirmed in writing, specifying the date, time and place of the hearing, and the caption of the disciplinary proceedings. Any Subject Person that is called as a witness is required to appear at the hearing him- or herself if such Subject Person is an individual or by a duly authorized officer or another appropriate representative if such Subject Person is a juridical entity, 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.

(e) If during any disciplinary proceedings the Hearing Panel determines that a reasonable basis exists to believe that the respondent violated or is about to violate a Rule of the Exchange or a provision of Applicable Law other than the violations alleged in the Notice of Charges, the Hearing Panel may consider those apparent violations after providing the respondent with an opportunity to answer the additional allegations in accordance with Rule 607. In connection with considering apparent violations pursuant to this Rule 613(e), the Hearing Panel may request that the Exchange Regulation Department provide the Hearing Panel with any additional information related to the violations at issue.

(f) The Hearing Panel may summarily impose sanctions on any Subject Person that impedes or delays the progress of a hearing (including by failing to comply with the Obligations of such Subject Person under Rule 613(d)).

(g) 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 a transcript of the hearing is requested by the CFTC staff or the respondent, the decision of the Hearing Panel is appealed pursuant to Rule 616, or is reviewed by the CFTC pursuant to Section 8c of the CEA or part 9 of Chapter 38 of the CFTC Regulations, the Exchange shall produce a transcript of the hearing; provided, however, that the costs of transcribing the hearing shall be borne by the respondent if the respondent requests the transcript, appeals the decision of the Hearing Panel pursuant to Rule 616, or submits an application for the decision of the Hearing Panel to be reviewed by the CFTC and such application is granted.

(h) No interlocutory appeals of any rulings made by a Hearing Panel or a chair of a Hearing Panel are permitted.

**RULE 614. Decision of Hearing Panel**

(a) As promptly as reasonable following a hearing, the Hearing 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 Hearing Panel will constitute the decision of the Hearing Panel.

(b) The Exchange will serve each of the respondent and the Exchange Regulation Department with a copy of the order of the Hearing Panel. The order will include:

- (i) the Notice of Charges or summary of the charges;
- (ii) the answer, if any, or a summary of the answer;
- (iii) a brief summary of the evidence introduced at the hearing or, where appropriate, incorporation by reference of the Investigative Report;
- (iv) a statement of findings and conclusions concerning each charge, including a complete explanation of the evidentiary and other basis for such findings and conclusions with respect to each charge;
- (v) a reference to each specific Obligation or provision of Applicable Law that the respondent is found to have violated;
- (vi) a declaration of all sanctions imposed against the respondent, if any, including the basis for such sanctions and the effective date of each sanction; and
- (vii) notice of the respondent's right to appeal pursuant to Rule 616.

(c) Unless a timely notice of appeal is filed pursuant to Rule 616, the order of the disciplinary proceedings will become final upon the expiration of 20 days after the order is served on the respondent and provided to the Exchange Regulation Department.

**RULE 615. Sanctions**

(a) After notice and opportunity for hearing in accordance with the Rules, the Exchange shall impose sanctions on a Subject Person if such Subject Person or other Person using any Firm ID or User ID assigned to such Subject Person is found to have violated or to have attempted to violate any of the Obligations or provisions of Applicable Law such Subject Person is subject to. All sanctions must take into account the respondent's disciplinary history and shall be commensurate with the violations committed. In the event of demonstrated customer harm, any sanction must also include full customer restitution where harm to a customer and the customer's identity can be reasonably determined.

The Exchange may impose one or more of the following sanctions or remedies:

(i) a warning letter, provided that no more than one warning letter may be issued to the same person found to have committed the same rule violation within a rolling twelve month period;

(ii) censure;

(iii) termination, suspension or restriction of Trading Privileges, ability to otherwise access the Trading System, or the imposition of other limitations on Exchange Activity;

(iv) subject to Rule 615(b), a fine;

(v) restitution;

(vi) disgorgement; or

(vii) any other sanction or remedy deemed to be appropriate.

(b) The Exchange may impose a fine of up to \$1,000,000 for each violation of an Obligation or provision of Applicable Law. If a fine or other amount is not paid within 30 days of the date that it becomes payable, then interest will accrue on the sum from the date that it became payable at the quoted prime rate plus three percent. The Exchange has sole discretion to select the bank on whose quotations to base the prime rate. A Subject Person shall be responsible for paying any fine or other amount imposed on, but not paid by, any of its Supervised Persons, or any other Person using a Firm ID or User ID of such Subject Person.

**RULE 616. Appeal from Hearing Panel Decision, Summary Impositions of Fines and Other Summary Actions**

(a) A Subject Person found by the Hearing Panel to have violated (or whose Supervised Person was found to have violated, or whose Firm ID or User ID, as applicable, was used by another Person that was found to have violated) any of its

Obligations or a provision of Applicable Law or who is subject to any summary fine imposed pursuant to Rule 617 or any summary action imposed pursuant to Rule 618 may appeal the decision within 20 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 Chief Regulatory Officer. 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 613(f) 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, identifying each finding of fact, conclusion and sanctions to which the appellant objects. An appellant 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 Hearing Panel, the Chief Regulatory Officer or the Exchange;

(iii) the order or decision failed to observe required procedures;

(iv) the order or decision was unsupported by the facts or evidence; or

(v) the imposed sanctions, remedies or costs are inappropriate or unsupported by the record.

(c) The Chief Regulatory Officer will forward copies of any notice of appeal received by it to all parties to the disciplinary proceeding or summary action, as the case may be, except the appellant. On or before the 20th day after filing a notice of appeal, the appellant must file with the Chief Regulatory Officer and serve on the Exchange Regulation Department a brief supporting the notice of appeal and documents supporting the brief. On or before the 20th day after the date on which the appellant serves supporting brief, the appellee must file and serve its brief in opposition with the Exchange Regulation Department. On or before the 10th day after the date on which the appellee serves its brief in opposition, the appellant must file and serve a brief in reply with the Exchange Regulation Department.

(d) In connection with any appeal, the Exchange Regulation Department will furnish to the Chief Regulatory Officer and to the respondent a 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 30 days after the last submission filed pursuant to Rule 616(c), the Board will appoint an Appeal Panel to consider and determine the appeal. The Board shall appoint individuals at the recommendation of the Chief Regulatory Officer 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 Chief Regulatory Officer's recommendation shall include Public Participants. 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. No individual appointed to an Appeal Panel shall be a member of the Exchange Regulation Department or have been a member of any Disciplinary Panel involved in the matters on appeal.

(f) The chair of the Appeal Panel shall be a Public Participant.

(g) Within 10 days of being notified of the appointment of the Appeal Panel, an appellant may seek to disqualify any individual named to the Appeal Panel for the reasons identified in Rule 214 or for any other reasonable grounds, by serving written notice on the Chief Regulatory Officer. By not timely filing a request for disqualification, the appellant will be deemed to have waived any objection to the composition of an Appeal Panel. The general counsel of the Exchange will decide the merits of any request for disqualification within his or her sole discretion.

(h) The Appeal Panel will hold a hearing to allow parties to present oral arguments. Any hearing will be conducted privately and confidentially. Notwithstanding the confidentiality of hearings, the Appeal Panel may appoint an expert to attend any hearing and assist in the deliberations if such individuals agree to be subject to appropriate confidentiality agreements. 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 Hearing Panel or, in the case of a summary action, the record considered by the Chief Regulatory Officer, 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 Hearing 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 determination for each finding, conclusion and sanction reviewed on appeal; provided, however, that the Appeal Panel need not make any determination with respect to a finding, conclusion or sanction if making such finding or reaching such conclusion would have no effect on the sanctions, remedies or costs imposed on the parties to the appeal.

(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 617. Summary Imposition of Fines**

(a) The Chief Regulatory Officer may summarily impose a fine against a Subject Person on account of conduct by such Subject Person, any of the Supervised Persons of such Subject Person or any Person using any Firm ID or User ID assigned to such Subject Person for failing:

- (i) to make timely payments of original or variation margin, fees, cost, charges or fines to the Exchange or any Clearing House;
- (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 Exchange Regulation Department, acting on behalf of the Chief Regulatory Officer, will give notice of any fine imposed pursuant to this Rule 617 to each Subject Person 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; and
- (iii) the amount of the fine.

Within 20 days of serving the notice of fine, the relevant Subject Person must either pay or cause the payment of the fine or file notice of an appeal pursuant to Rule 616. Unless timely notice of appeal is filed pursuant to Rule 616, the fine will become final upon the expiration of 20 days after the notice of fine is served on the Subject Person.

(c) The Exchange will set the amount of any fines imposed pursuant to this Rule 617, with the maximum fine for each violation not to exceed \$5,000. Summary imposition of fines pursuant to this Rule 617 will not preclude the Exchange from bringing any other action against the Participant (or any of its Supervised Persons) or Authorized Trader, as the case may be.

**RULE 618. Emergency Suspensions and Other Disciplinary Actions**

(a) Notwithstanding anything in the Rules to the contrary, the Chief Regulatory Officer, after consultation with the Regulatory Oversight Committee, if practicable, may summarily suspend, revoke, limit, condition, restrict or qualify any Subject Person's Trading Privileges or ability to otherwise access the Trading System, and may take other summary action against any Subject Person in accordance with the Rules (any such action, an "Emergency Disciplinary Action"); provided, however, that the Chief Regulatory Officer must reasonably believe that such Emergency Disciplinary

Action is necessary to protect the best interest of the marketplace served by the Exchange.

(b) Whenever practicable, the Exchange shall provide prior written notice to the party against whom any Emergency Disciplinary Action will be taken. If prior notice is not practicable, the Exchange will give notice at the earliest possible opportunity to the respondent against whom the Emergency Disciplinary Action is brought. The notice shall state the Emergency Disciplinary Action taken or to be taken, as applicable, briefly state the reasons for the Emergency Disciplinary Action, and state the effective time and date, and duration of the Emergency Disciplinary Action.

(c) As soon as is reasonably practicable following provision of a written notice pursuant to Rule 618(b), there shall be a hearing pursuant to Rule 611, Rule 612, Rule 613, and Rule 614; provided, however, that the notice served pursuant to Rule 618(b) shall be used instead of a Notice of Charges; provided, further, that the decision of the Hearing Panel shall specify a description of the Emergency Disciplinary Action, the reasons for the Emergency Disciplinary Action, a summary of the evidence produced at the hearing, a statement of findings and conclusions, a determination that the Emergency Disciplinary Action should be affirmed, modified or reversed, and a declaration of any action to be taken pursuant to such determination as well as the effective time, date and duration of such action (rather than the information required by Rule 614(b)).

(d) The decision of the Hearing Panel convened to dispose of an Emergency Disciplinary Action shall be appealable pursuant to Rule 616. A respondent may offer to settle the Emergency Disciplinary Action pursuant to Rule 609 without regard to whether an Investigation has been completed.

(e) At the request of the Exchange, a respondent against whom an Emergency Disciplinary Action is brought 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 of its Obligations or provision of Applicable Law.

#### **RULE 619. Rights and Responsibilities after Suspension or Termination**

(a) When a Subject Person's Trading Privileges or ability to otherwise access the Trading System are suspended for a period of 12 months or less, none of its rights (including the right to hold oneself out to the public as a Subject Person of the relevant type, enter Orders into the Trading System and receive rates for fees, costs, and charges and deposit margin that are conditional on its status as a Subject Person of the relevant type) will apply during the period of the suspension, except for the right such Subject Person to assert claims against others as provided in the Rules. Any suspension does not affect the rights of creditors of the Subject Person under the Rules or relieve the Subject Person of its, his or her Obligations (including Obligations to perform under any Contract to which such Subject Person is a party, or Obligations to pay any Exchange fees, costs, or charges incurred during the suspension). The Exchange may discipline a suspended Subject Person under this Chapter 6 for any violation by such Subject Person of its

Obligations or any provision of Applicable Law committed by such Subject Person before, during or after the suspension.

(b) When a Subject Person's status as a Clearing Firm, Participant, Authorized Trader, Authorized Broker or other Supervised Person has been terminated, or when the Trading Privileges or ability to otherwise access the Trading System of a Subject Person have been terminated, (i) all of such Subject Person's related rights will terminate, except for the right of such Subject Person to assert claims against others, as provided in the Rules, and (ii) the status, Trading Privileges or ability to otherwise access the Exchange of such Subject Person may only be reinstated by such Subject Person applying for such status, Trading Privileges or ability to otherwise access the Exchange pursuant to Rule 306. Any such termination will not affect the rights of creditors of such Subject Person under the Rules.

(c) The Exchange will not consider the application of a terminated Subject Person if such Subject Person continues to fail to appear at disciplinary proceedings without good cause or continues to impede the progress of disciplinary proceedings.

(d) In the event of the suspension or revocation of a Participant's or Authorized Broker's Trading Privileges or ability to otherwise access the Trading System, the Exchange shall seek to facilitate the transfer of any Customer Accounts held by such Participant or Authorized Broker to other Participants or Authorized Brokers, as the case may be, with Trading Privileges or ability to otherwise access the Trading System (as applicable).

**RULE 620. Notice to the Respondent, the Regulatory Services Provider and the Public**

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



**CHAPTER 7**  
**ARBITRATION RULES**

**RULE 701. Arbitration Forum and Applicable Rules**

The National Futures Association arbitration program (the “NFA Arbitration Program”) will conduct any and all arbitrations of a type described in Rule 702 and Rule 703, and such arbitrations will be conducted pursuant to the arbitration rules applicable to members and customers of the NFA.

**RULE 702. Disputes Subject to Arbitration**

Except as otherwise provided in the Rules and to the fullest extent permitted under Applicable Law, (a) Subject Persons must arbitrate all controversies arising in connection with their Exchange business between or among themselves through the NFA Arbitration Program and (b) all claims against Disclaiming Parties permissible under Rule 537 shall be arbitrated under the NFA Arbitration Program. Notwithstanding the foregoing, this Rule 702 does not require arbitration of claims alleging employment discrimination (including sexual harassment) in violation of Applicable Law.

**RULE 703. Customer Arbitration**

(a) Except as otherwise provided in Rule 703(b), any dispute between a Participant or any of its Supervised Persons, on the one hand, and a Customer of such Participant, on the other hand, arising out of or in connection with the solicitation or acceptance of any order for execution of any Contract shall be subject to arbitration by the NFA Arbitration Program in accordance with its customer arbitration rules. Except as otherwise provided in Rule 703(b), any dispute between two or more Customers, or between a Participant and a Customer that is not a Customer of such Participant, arising out of or in connection with the solicitation or acceptance of any order for execution of any Contract shall be subject to arbitration by the NFA Arbitration Program in accordance with its member arbitration rules.

(b) Notwithstanding Rule 703(a), the submission of any dispute involving a Customer who is not an Eligible Contract Participant to arbitration shall be voluntary on the part of such Customer.

**RULE 704. Claims Relating to Trade Cancellations or Price Adjustments**

All claims relating to trade cancellations or price adjustments pursuant to Rule 541 shall be resolved in accordance with this Chapter.

**RULE 705. Notice**

The Exchange will ensure that Persons subject to arbitration under this Chapter will be provided with adequate notice of the claims presented against such Person, as well as any fees and costs that may be assessed against such Person.

**RULE 706. Right to Counsel**

Every Person is entitled to represent her own interests, be represented by counsel of her choosing and at her own expense who is admitted to practice before the highest court in any State, by a family member, or be represented by any other non-compensated representative. An entity must be represented by an officer or owner of the entity or by counsel.

**RULE 707. Awards**

(a) Any award by the NFA Arbitration Program shall be limited to the lesser of the actual loss or the loss that would have been incurred if the claimant had used its best efforts to mitigate the loss. Punitive damages, loss of profits, loss of use, and indirect, incidental or consequential damages shall not be awarded.

(b) The decision of the National Futures Association Arbitration Program shall be final and binding, and there shall be no appeal to a Hearing Panel of the Exchange. A party may move, within three Business Days of the award, that the award be corrected to remedy any miscalculation or misdescription or where the award is otherwise imperfect in a matter of form not affecting the merits of the award.

**RULE 708. Penalties**

(a) Any failure on the part of any Subject Person to arbitrate a case subject to arbitration, or the commencement by any such Person of a suit in any court prior to arbitrating a case subject to arbitration, violates the Rules of the Exchange and subjects such Subject Person (and its Participant or Clearing Firm, if applicable) to disciplinary proceedings pursuant to Chapter 6.

(b) The Exchange may summarily suspend, pursuant to Chapter 6, a Subject Person (and its Participant or Clearing Firm, if applicable) that fails to satisfy an arbitration award rendered in any arbitration pursuant to this Chapter 7.

## **CHAPTER 8 CLEARING**

### **RULE 801. Clearing of Contracts**

All Contracts shall be cleared through a Clearing House in accordance with applicable Clearing House Rules and in conformity with the Rules specifically provided in this Chapter 8.

### **RULE 802. Clearing House Rules**

(a) The clearing services provided by a Clearing House with respect to any Contract, and the rights and obligations of purchasers and sellers under cleared Contracts (including rights and obligations in respect of clearing and settlement, variation payments and performance at maturity), shall be governed by the Clearing House Rules of such Clearing House.

(b) Clearing Firms must call for performance bonds from their Customers and post-performance bonds with the relevant Clearing House as set forth in its Clearing House Rules. All performance bond collateral must be in a form acceptable to the Clearing House pursuant to its Clearing House Rules.

(c) The Clearing House Rules shall prevail in the event of any conflict or inconsistency between these Rules and such Clearing House Rules with respect to any responsibilities or obligations of a Clearing Firm under such Clearing House Rules. Each Clearing Firm is bound by the Clearing House Rules of any Clearing House in which such Clearing Firm has a clearing membership.

### **RULE 803. Other Clearing Organizations**

Each Clearing Firm must be a member of at least one Clearing House at all times. The Exchange may designate an additional clearing organization as a Clearing House from time to time. Whenever the Exchange designates a new Clearing House, a Clearing Firm may become a member of such Clearing House and clear Contracts through the Clearing House.

### **RULE 804. Settlement Prices; Publication of Trade Information**

Each Clearing House will determine the Settlement Price for Contracts. For each Contract, the Exchange shall ensure that the appropriate Clearing House receives all information necessary to enable it to determine such Settlement Prices. The Settlement Price of each Contract shall be determined by the relevant Clearing House in accordance with its Clearing House Rules; provided that, if more than one Clearing House is designated for the same Contract, one such Clearing House shall be identified by the Exchange, pursuant to its agreements with such Clearing Houses, to determine the Settlement Price of such Contract.

The Exchange shall daily publish information regarding volume, price ranges (based on non-cancelled bids, non-cancelled offers, and sales) subject to such prices accurately reflecting market conditions within the discretion of the Exchange, and opening and closing prices; the Exchange shall also publish, on a daily basis, the total quantity of block trades that are included in the total volume of trading. Information on settlement prices and open interest, if applicable, shall be provided by the relevant Clearing House.

**RULE 805. Clearing Fees**

Clearing fees shall be assessed against a Clearing Firm for each side of a transaction traded on, cleared by or processed through a Clearing House as such Clearing House may from time to time prescribe. Such clearing fees may be incorporated into the exchange fees assessed pursuant to Rule 309.

**RULE 806. Transfers of Trades**

(a) Subject to the limitations of Rule 807, 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 Business Days after the trade date.

(b) Subject to the limitations of Rule 807, 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) Provided that the transfer is permitted pursuant to Sections (a), (b) or (c) above, the transactions must be recorded and carried on the books of the receiving Clearing Firm at the original trade dates. Trades may be transferred using either the original trade price or the most recent settlement price.

(d) All transfers shall be reported to each relevant Clearing House in a form acceptable to the Exchange 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 807. 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 relevant Clearing House.

(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 Participant or Customer, may “hold open” a position only on their books. However, the Clearing Firm must accurately report to the Exchange and the relevant Clearing House, as appropriate, large trader positions, long positions eligible for delivery and open interest.

**RULE 808. Revocation of Clearing Authorization: Trade Nullification**

In the event that a Clearing House terminates a Clearing Firm’s authorization, the Exchange shall nullify and cancel any trade to be cleared by such Clearing House that is guaranteed by such Clearing Firm after the Exchange actually receives and processes notice of such termination at the price at which the nullified transaction was executed. The Exchange shall process such notice promptly, but in any event within one Business Day of actually receiving written notice.

**CHAPTER 9  
MISCELLANEOUS**

**RULE 901. Contract Specifications**

The Exchange will permit trading in Contracts that will be Interest Rate Swaps denominated in US Dollars and other currencies with minimum notional amounts and durations that will be specified listed by the Exchange and submitted to the CFTC for self-certification from time to time.

**RULE 902. Post-Trade Processing**

Subject Persons shall permit the Exchange to share with MarkitSERV, or any other derivative transaction processing provider used by the Exchange, all market data and information that would facilitate the processing and confirmation of Trades.

**RULE 903. Gifts and Gratuities**

Except as permitted in writing by the Chief Executive Officer, no Subject Person shall, directly or indirectly, give or permit to be given anything of value, including gifts and gratuities, in excess of one hundred dollars (\$100) per individual per year to an Exchange Official.

**RULE 904. Market Data**

(a) All Participants 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, including the time at which the Transaction was executed by, or submitted to, the Trading System and the Firm ID and User ID under which it was entered (as well as other information identifying persons involved in the Transaction);

(ii) the price and quantity data of each bid and offer submitted to the Trading System, including the time at which such bid or offer was submitted to the Trading System;

(iii) the yield curves prepared by the Exchange;

(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) The Exchange may at any time restrict or establish utilization fees in respect of data described in Rule 904(a), with respect to all or any Participants, in order to safeguard the security or operations of the Trading System, or to preserve market, integrity, fair and orderly trading, or if otherwise in the public interest.

(c) Participants may not distribute, sell or retransmit information displayed on the Trading System to any third party.

(d) Notwithstanding Rule 904(a) and Rule 904(a), and pursuant to Part 43 and Part 45 of the CFTC Regulations, the Exchange will report certain of the data described in Rule 904(a) to the SDR, which shall publicly report such data in a manner that does not disclose the business transactions or market positions of any Participant. Data that is publicly disseminated by the SDR shall be available from an internet website in a format that is freely available and readily accessible to the public.

(e) Notwithstanding Rule 904(a) and Rule 904(a), and pursuant to Part 43 and Part 45 of the CFTC Regulations, the CFTC will have access to the data described in Rule 904(a).

#### **RULE 905. Extension or 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 the CEA or the CFTC Regulations.

#### **RULE 906. Governing Law, Jurisdiction and Dispute Resolution**

(a) The law of the State of New York governs the Rules.

(b) Any dispute between the Exchange and a Subject Person arising from or in connection with the Rules must be brought to arbitration through by the NFA Arbitration Program or another arbitration program permitted by the CFTC Regulations within two (2) years from the occurrence of the event giving rise to the dispute. This Rule shall in no way create a cause of action nor authorize an action that would otherwise be prohibited by the Rules.

(c) Any dispute between the Exchange and a Subject Person arising from or in connection with the Rules will be settled by arbitration administered through the NFA Arbitration Program or another arbitration program permitted by the CFTC Regulations. Each party to the dispute will bear its own costs and expenses in connection with any arbitration hereunder, as well as an equal share of the administrative fees and the fees of the arbitrator; provided, however, that the arbitrator will be entitled to include in any award a full reimbursement for the prevailing party's costs and expenses, such party's share of the administrative fees and the fees of the arbitrator, or any combination of any or all of the above. In the event that this Rule 906(b) is held to be unenforceable in connection with any dispute, (i) exclusive jurisdiction for any such dispute will reside in

any state or federal court sitting in the New York, NY metropolitan area, (ii) the Exchange and the Subject Person involved in the dispute will be presumed to have submitted to the personal jurisdiction of any such court, and (iii) an action to enforce any judgment or decision of such court may be brought in the same court or in any other court with jurisdiction or venue. Finally, all Subject Persons unconditionally and irrevocably waive any and all right to trial by jury in connection with any such dispute.



**CHAPTER 10**  
**INTEREST RATE SWAP CONTRACTS**

**RULE 1001. Fixed for Floating Interest Rate Swap Contracts**

(a) **Contract Description.** Fixed for Floating Interest Rate Swap. This is an Interest Rate Swap for which settlement is in the form of periodic fixed interest payments and a stream of periodic floating interest payments based on an interest rate benchmark over a term to maturity. The interest rate payments are exchanged for a specified period based on a notional amount. This Rule 1001 contains general information about the Contract terms and conditions. Approved Contracts for trading on the Exchange are itemized in Schedule 1001.

(b) **Trading Hours.** 8:00 am to 4:00 pm Eastern time

(c) **Currency.** US Dollar, British Pound, Euro

(d) **Trading Conventions.**

(i) **Buyer (Payer)** pays fixed interest rate and receives floating interest rate.

(ii) **Seller (Receiver)** receives fixed interest rate and pays floating interest rate.

(e) **Swap Leg Conventions.** The terms of Fixed vs. Floating Interest Rate Swaps are based on a number of combinations of the criteria below. Approved contracts available for trading on the Exchange are itemized in Schedule 1001.

(i) **Fixed Leg**

(A) **Payment Frequency.** Monthly, Quarterly, Semi-Annually, or Annually

(B) **Day Count Convention.** Bond Basis (30/360), Money Market Basis (actual/360), or actual/365

(C) **Holiday Calendar.** New York and London

(D) **Business Day Convention.** Modified Following with adjustment to period end dates. Business days in this convention must be valid business days on both the New York and London calendar. If not, it will be the next day that is a business day on both the New York and London calendar.

(E) **Fixed Rate.** The traded interest rate yield or basis points on Trade Date

(ii) Floating Leg

(A) Reset Frequency. Monthly, Quarterly, Semi-Annual

(B) Day Count Convention. 30/360, actual/360, actual/365

(C) Holiday Calendar. New York and London

(D) Business Day Convention. Modified Following with adjustment to period end dates. Business days in this convention must be valid business days on both the New York and London calendar. If not, it will be the next day that is a business day on both the New York and London calendar.

(E) Interest Rate Benchmark. LIBOR, Euribor

(f) Effective Date. The first date from which fixed and floating interest amounts accrue. It is also referred to as the Start Date. The Effective Date of the Swap must be a business day subject to the appropriate Business Day Convention.

(g) Trade Start Type

(i) Spot Starting. A swap whose Effective Date is 2 business days from the Trade Date (T+2).

(ii) Forward Starting. A swap whose Effective Date is anything after than the Effective Date for a Spot Starting swap.

(h) Maturity Date. The final date until which Fixed and Floating amounts accrue. The Maturity Date may also be referred to as the Termination Date or End Date.

(i) Tenor. The duration of time from the Effective Date to the Maturity Date. The Exchange will support Tenors of any duration greater than 0 years to 30 years and reserves the right to list additional Tenors of up to 50 years.

(i) Listed Tenors, also referred to as On-the-Run, means whole year Spot Starting Contracts with a Tenor of 2 through 10, 12, 15, 20, 25 and 30 years.

(ii) Other Tenors, also referred to as Off-the-Run, means any whole year Tenors other than the Listed Tenors and any partial year Tenor. Transactions in Other Tenors, (with the exception of Block Trades) are executed through the System's Off-the-Run trading functionality. All such trades will be subject to the requirements of Exchange Rule 524(c).

(A) Standard Off-the-Run means any whole year Other Tenor that is Spot Starting.

(B) Non-Standard (or Custom) Off-the-Run means any partial year Tenor that is Spot Starting and all Forward Starting Contracts (whole and partial year Tenors).

(j) Roll Day Convention. The date used for determining all fixed and floating Reset Dates. Roll Days define the beginning and end of Fixed and Floating interest accrual periods. For On-the-Run Contracts, the Roll Day is the same day of the month as the Effective Date. For Off-the-Run Contracts, it can be any day of the month, subject to the provisions of the Business Day Convention. Roll Day marks the start of a new interest accrual period, and is the day on which a Reset Rate takes effect.

(k) Floating Reset Dates. Dates utilized to determine the Floating Rate amounts for each interest accrual period during the Tenor of the contract. Except in the case of a Stub Period, the Reset Date is 2 business days prior to the Roll Date for that interest accrual period.

(l) First Period Fixing Date.

(i) For Spot Starting swaps, the Interest Rate for the first interest period is fixed on the Trade Date, for both Floating and Fixed Rates.

(ii) For Forward Starting swaps, the Fixed Rate for the first interest period is fixed on the Trade Date, and the Floating Rate for the first interest period is fixed 2 business days prior to the Effective Date

(m) Stub Period Rate. For swaps with partial year Tenors, a first interest period that is shorter than the standard underlying Floating index interest periods may occur between the Effective Date and the first Roll Date (known as a Stub Period). In these cases, the Interest Rate for such Stub Period is determined using linear interpolation based on the two index rates that surround the Stub Period.

(n) Trade Types. The Trading System may support the following trade types:

(i) Outrights. An Outright swap is where one party is the payer of the fixed rate and receiver of the floating rate and the other party is the receiver of the fixed rate and payer of the floating rate.

(ii) Switches. Switches are the simultaneous purchase and sale of two different Tenors of the yield curve (e.g. 2 year by 10 year).

(iii) Butterflies. Butterflies are the simultaneous purchase(s) and sale(s) of three different tenors of the yield curve (e.g. 2 year by 5 year by 10 year).

(iv) Spreads. A Spread trade consists of a transaction where the payer and receiver of the fixed rate on the Interest Rate Swap simultaneously enter into a transaction for a treasury security of an equivalent Tenor. For the treasury transaction, the payer of the fixed rate on the swap buys and the receiver of the

fixed rate on the swap sells either a single treasury security or two treasury securities using a simple weighted average to match the risk,

(v) Invoice Spreads. An Invoice Spread trade consists of a transaction where two parties enter into a treasury futures contract and simultaneously enter into an interest rate swap transaction. The buyer of the futures contract is the payer of the fixed rate on the interest rate swap transaction and the seller of the futures contract is the receiver of the fixed rate on the interest rate swap transaction. The interest rate swap is of an equivalent Tenor to match the risk.

(vi) Block Trades has the meaning as defined in Chapter 1 of this Rulebook.

(o) Contract Size.

(i) On-the-Run. Minimum notional size of \$5 million USD or multiple thereof and increments of \$5 million USD depending on Tenor.

(ii) Off-the Run. Minimum notional size of \$1 million USD and increments of \$1,000 USD.

(iii) Block Trades. Minimum notional size as indicated in Rule 1001(u) and increments of \$1,000 USD.

(p) Quoting Convention

(i) Outrights. Outrights are quoted in interest rate yield.

(A) On-the-Run. The interest rate yield is quoted to 3 decimal places.

(B) Off-the-Run. The interest rate yield is quoted to 5 decimal places.

(C) Block Trades. The interest rate yield, regardless of Tenor, is quoted to 5 decimal places.

(ii) Switches, Butterflies. These trade types are quoted in basis points. The basis points are quoted to 1 decimal place.

(iii) Spreads, Invoice Spreads. These trade types are quoted in basis points. The basis points are quoted to 1 decimal place.

(q) Minimum Price Fluctuation.

(i) Outrights. The interest rate yield is quoted in increments of .001 (1/10<sup>th</sup> of a basis point).

(ii) Switches, Butterflies. The basis points are quoted in increments of .1 (1/10<sup>th</sup> of a basis point).

(iii) Spreads, Invoice Spreads. The basis points are quoted in increments of .1 (1/10<sup>th</sup> of a basis point).

(r) Last Trading Day.

(i) Spot Starting. Close of business on Trade Date.

(ii) Forward Starting. Close of business three business days prior to the Effective Date of the swap.

(s) Final Settlement Price. Multiple payments take place during the term of the swap. Settlement price used for the periodic exchange of fixed and floating payments is based on the following factors:

(i) Fixed Leg. Payment amount on the fixed leg is based on the trade price of the swap on Trade Date. Payment timing on the fixed leg is based on the Payment Frequency, Day Count Convention, Business Day Convention, and Roll Day.

(ii) Floating Leg. Payment on the floating leg is based on the Interest Rate Benchmark of the swap. Payments on the floating leg are based on the Payment Frequency, Day Count Convention, Business Day Convention, Roll Day Convention and Floating Reset Dates.

(t) Block Trades.

(i) Minimum Notional Sizes. The Exchange has established the following Block Trade Sizes:

<b>Initial Maturity</b>	<b>Minimum Block Size (\$ Notional)</b>
2 years	\$200 million
3 years	\$150 million
4 years, 5 years	\$100 million
6 years, 7 years, 8 years	\$75 million
9 years, 10 years, 12 years, 15 years, 20 years	\$50 million
25 years	\$25 million
30 years	\$25 million
Other Tenors (i.e. Off-the Run)	\$25 million

(ii) For pound sterling and euro denominated swaps, the minimum block sizes will be published on the Web Site and are the same as the US dollar amounts (e.g. \$50 million 10 year will be €50million 10 year).

(iii) Reporting. All Block Trades must be reported to the Exchange as soon as technologically practicable.

(u) Clearing House. CME, LCH. Choice of Clearing House is determined at the time of order entry and is based on qualification of each Participant's Clearing Firm.

**Schedule 1001: Approved Interest Rate Swaps**

**(a) On-the-Run**

Currency	Tenors	Clearing House	Fixed Leg		Floating Leg			Trade Types					
			Payment Frequency	Day Count Convention	Interest Rate Benchmark	Reset Frequency	Day Count Convention	Outrights	Switches	Butterflies	Spreads	Invoice Spreads	Block Trades
USD	Years 2-10, 12, 15, 20, 25, 30	CME	Semi Annual	30/360	LIBOR	3 month	Actual/360	Y	Y	N	N	N	Y <sup>1</sup>

<sup>1</sup>Outrights only

**(b) Off-the-Run**

Currency	Tenors	Clearing House	Fixed Leg		Floating Leg			Trade Types					
			Payment Frequency	Day Count Convention	Interest Rate Benchmark	Reset Frequency	Day Count Convention	Outrights	Switches	Butterflies	Spreads	Invoice Spreads	Block Trades
USD	Years 1, 11, 13, 14, 16-19, 21-24, 26-29	CME	Semi Annual	30/360	LIBOR	3 month	Actual/360	Y	N	N	N	N	Y <sup>2,3</sup>

<sup>2</sup>Spot Starting only

<sup>3</sup>Outrights only