

XV Clearing, LLC

Rulebook

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TABLE OF CONTENTS

CHAPTER 1 DEFINITIONS	1
Rule 1.1 Defined Terms	1
Rule 1.2 Rules of Interpretation	6
Rule 1.3 Effect of Titles	6
Rule 1.4 Amendment of Rules	6
CHAPTER 2 GOVERNANCE	8
Rule 2.1 Ownership	8
Rule 2.2 Board of Directors	8
Rule 2.3 Standing Committees	8
Rule 2.4 Regulatory Oversight Committee	9
Rule 2.5 Officers	10
Rule 2.6 Eligibility	11
Rule 2.7 Emergency Rules	12
Rule 2.8 Prohibition on use of Material, Non-Public Information	14
Rule 2.9 Conflicts of Interest	15
Rule 2.10 Indemnification of Members of the Board, Officers, and Others	17
Rule 2.11 Regulatory Cooperation	17
Rule 2.12 Public Information	18
CHAPTER 3 MEMBERS	19
Rule 3.1 Member Eligibility	19
Rule 3.2 Applications	21
Rule 3.3 Member Accounts	22
Rule 3.4 Authorized Users	22
Rule 3.5 Amounts Payable by Clearing Members	24
Rule 3.6 General Obligations for All Clearing Members	25
Rule 3.7 Notice Requirements of Clearing Members	27
Rule 3.8 Responsible Agents	28
Rule 3.9 Clearing Members and Authorized User Access	28
Rule 3.10 Limitation of Liability	29
CHAPTER 4 CLEARING	32
Rule 4.1 Submission and Acceptance of Trades for Clearing	32
Rule 4.2 Procedures for Deposits and Withdrawals from Accounts	34
Rule 4.3 Settlement of Contracts	35

Rule 4.4 Investment and Use of Clearing Member Account Assets	35
Rule 4.5 Transfers of Positions	35
CHAPTER 5 CLEARING MEMBER CONDUCT	37
Rule 5.1 Prohibited Activities	37
CHAPTER 6 RULE ENFORCEMENT	38
Rule 6.1 Market Surveillance	38
Rule 6.2 General	38
Rule 6.3 Inquiries and Investigations	39
Rule 6.4 Notice of Charges and Opportunity to Respond	41
Rule 6.5 Settlements	43
Rule 6.6 Disciplinary Panel	43
Rule 6.7 Respondent Review of Evidence	44
Rule 6.8 Hearings	45
Rule 6.9 Decisions of Disciplinary Panel	46
Rule 6.10 Sanctions	47
Rule 6.11 Costs	48
Rule 6.12 Appeals	48
Rule 6.13 Summary Imposition of Fines	51
Rule 6.14 Summary Suspension and Other Summary Actions	52
Rule 6.15 Publication of Disciplinary Action	54
CHAPTER 7 DISPUTE RESOLUTION	55
Rule 7.1 General	55

CHAPTER 1 DEFINITIONS

Rule 1.1 **Defined Terms**

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

“**Account**” means a Member Property Account, as context requires, used in conjunction with the trading or delivery of commodity products, and as described in Rule 3.3.

“**Affiliate**” or Person “**Affiliated**” with, another Person is any Person who, directly or indirectly, Controls, is Controlled by, or is under common Control with, such other Person.

“**Appeal Committee**” means a panel comprised of 3 individuals from the Regulatory Oversight Committee, with one individual acting as chairman, which will consider appeals in accordance with Chapter 7.

“**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, and NFA rules.

“**Authorized User**” means any natural person who is authorized by an Entity Clearing Member to clear transactions on its behalf.

“**Board Committees**” shall have the meaning ascribed to it in Rule 2.2(a).

“**Board**” or “**Board of Directors**” means the Board of Directors of the Clearinghouse, which manages the Clearinghouse and is constituted from time to time in accordance with the Operating Agreement.

“**Business Day**” means any day excluding Saturday, Sunday and any day which is a legal holiday under the laws of the State of Illinois or is a nationally recognized federal holiday pursuant to United States law (5 U.S.C. 6103).

“**CEA**” means the Commodity Exchange Act as in effect from time to time.

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

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

“**Chief Compliance Officer**” means the Officer of the Clearinghouse that shall serve as the chief compliance officer of the Clearinghouse for purposes of Part 39 of the CFTC Regulations.

“**Chief Executive Officer**” means the individual appointed by the Board of Directors from time to time to serve as chief executive officer of the Clearinghouse.

“Chief Financial Officer” means the individual appointed by the Board of Directors from time to time to serve as chief financial officer of the Clearinghouse.

“Chief Risk Officer” means the individual appointed by the Board from time to time to serve as chief risk officer of the Clearinghouse.

“Clearinghouse” means XV Clearing, LLC, a Delaware limited liability company, or any successor thereto.

“Clearinghouse Personnel” means Directors, Officers and employees of the Clearinghouse, and its contractors, consultants, secondees or leased employees, temporary employees, interns, and technology service providers.

“Clearing Member” means a Direct Clearing Member who has executed a Clearing Member Agreement, and to whom the Clearinghouse has granted the right to clear contracts on the Clearinghouse.

“Clearing Privileges” means the ability of the Participant to clear transactions through the Clearinghouse.

“Clearing Services” means the provision by the Clearinghouse to a registered designated contract market or swaps execution facilities of fully collateralized clearing, settlement and ancillary services in a non-discriminatory manner, subject to the rules of the registered designated contract market or swaps execution facility.

“Clearing System” means any applications or systems maintained by the Clearinghouse to clear and settle trades on the Clearinghouse, or the collection and transmission of information relating to the clearance and settlement of Contracts; secure portions of the Clearinghouse website; all direct connectivity to the Clearinghouse through API, front-end, GUI, ISV, and third-party systems; and all other systems, modalities, and connectivity for clearing and settlement at the Clearinghouse.

“Closed Contract Position” shall mean (i) any combination of long and short Open Contract Positions that have been offset against each other or (ii) any Open Contract Position that has been offset by the tendering or receipt (as applicable) of a notice of payment.

“Compliance Department” means the Officers and employees of the Clearinghouse who are responsible for maintaining the compliance integrity of the Clearinghouse.

“Contract” means any contract, agreement, or transaction that the Clearinghouse provides Clearing Services to subject to these Rules.

“Contract Rules” means the rules of a Contract as published in the rules of and posted by an Exchange.

“Control” means the power to exercise a controlling influence over the management or policies of a Person. Any Person who owns beneficially, directly or indirectly, more than 20% of the voting

power in the election of directors of a corporation (or the election or appointment of the governing body of an Entity that is not a corporation), or more than 25% of the voting power in the election of directors of any other corporation (or other governing body) which directly or through one or more Affiliates owns beneficially more than 25% of the voting power in the election of directors of such corporation (or other governing body), shall be presumed to control such corporation or other entity absent a determination that it does not exercise a controlling influence. The terms “controlling” or “controlled” shall have meanings correlative to the foregoing.

“Derivatives Clearing Organization” has the meaning set forth in Section 1a(15) of the CEA.

“Direct Clearing Member” means an Individual Clearing Member or Entity Clearing Member.

“Director” means any member of the Board.

“Disciplinary Action” means an action imposed on any Officer, Director, or employee of the Exchange by the or as a result of action by the Disciplinary Panel.

“Disciplinary Panel” means the panel appointed by the Board at the recommendation of the Chief Compliance Officer to act in an adjudicative role and fulfill various adjudicative responsibilities and duties described in Rule 7.6

“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, and as defined further in Rule 2.6(c).

“Entity” means on a specified date any Person other than a natural person (e.g., a corporation, partnership, sole proprietorship or trust).

“Entity Clearing Member” means any association, partnership, limited liability company, joint venture, trust or corporation that has been granted, and continues to have Clearing Privileges, or otherwise remains subject to the jurisdiction of the Clearinghouse under these Rules.

“Exchange” means a board of trade designated by the CFTC as a contract market under Section 5 of the CEA and in accordance with the provisions of Part 38 of CFTC Regulations which has contracted with the Clearinghouse to provide Clearing Services, contractors, consultants, secondees or leased employees, temporary employees, interns, and technology service providers.

“Expiration Time” means, in the case of a Fully-Collateralized Contract, the date established by an Exchange as the expiration, or termination, of such Fully-Collateralized Contract.

“Fully-Collateralized Contracts” means a Contract in which each party’s obligations are fully paid at the time the Contract is entered into, and with respect to which no further amounts are due, either for margin, settlement amounts or otherwise.

“Individual Clearing Member” means any natural person that has been granted, and continues to have Clearing Privileges, or otherwise remains subject to the jurisdiction of the Clearinghouse under these Rules.

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

“Member Property Account” means an Account established by a Direct Clearing Member with the Clearinghouse in which the Clearing Member maintains trades, positions, collateral and margin solely on its own behalf.

“NFA” means the National Futures Association, and includes any successor organization.

“Novation” means the process by which a party to a transaction transfers all of its rights, liabilities, duties and obligations under the transaction to a new legal party other than the counterparty to the transaction. The transferee accepts all of the transferor’s rights, liabilities, duties and obligations under the transaction. A Novation is valid as long as the transferor and the remaining party to the transaction are given notice, and the transferor, transferee and remaining party to the transaction consent to the transfer.

“Officer” has the meaning attributed to such term in Rule 2.4.

“Open Contract Positions” shall mean any Contract submitted by a Clearing Member to the Clearinghouse, and accepted by the Clearinghouse, for clearing that has not been designated as a Closed Contract Position, including (i) any long or short position in such Contract without a matching position that such first position can be offset against, (ii) any long or short position in such Contract with a matching position that such first position can be offset against but that is held open by such Clearing Member under an approved hedge program and (iii) any long or short position in such Contract with a matching position that such first position can be offset against but that is held open under the applicable Contract Rules which defer offset until Contract expiration or another specified date.

“Original Margin” means the amount and type of assets required to be on deposit with the Clearinghouse pursuant to the applicable Contract Rules, in order to establish a position in the relevant Contract.

“Payout Condition” means that the condition to the obligation of a Seller to pay the Settlement Amount under a Fully-Collateralized Contract has occurred on the Expiration Time.

“Person” means a natural person or Entity.

“Platform” means the electronic clearing system used by the Clearinghouse for the clearing of Contracts. Participants (and their Authorized Users) will access the Platform indirectly via a connected Exchange.

“Public Director” has the meaning ascribed to it in Rule 2.5(b), provided that such definition shall be amended from time to time as may be necessary to conform to any amendments or modifications to the term “Public Director” set forth in CFTC Regulations as the CFTC may adopt from time to time.

“Purchaser” means the Clearing Member that is the purchaser under a Contract. The Purchaser is the holder of a long position in such Contract.

“Regulatory Oversight Committee” means the committee of the Board, as the context may require, constituted in accordance with Rule 2.3.

“Rulebook” or **“Rules”** means the Clearinghouse Rulebook, interpretations, orders, resolutions, advisories, notices, statements of policy, decisions, manuals, and directives of the Clearinghouse.

“Self-Regulatory Organization” shall, unless otherwise provided, have the meaning set forth in CFTC Regulation § 1.3 and, in addition, shall include an Exchange, Derivatives Clearing Organization, and registered futures association.

“Seller” means the Clearing Member that is the seller under a Contract. The Seller is the holder of a short position in such Contract.

“Settlement” means payment to Members who have the right to receive money pursuant to a Contract, held until Expiration.

“Settlement Amount” means, in the case of a Fully-Collateralized Contract, the fixed amount required to be paid by the Seller to the Purchaser on the Settlement Date if the Payout Condition is satisfied.

“Settlement Bank” means a depository approved by the Clearinghouse as an acceptable location for depositing and holding Clearing Member funds.

“Settlement Date” means the date established under the terms of a Contract as the date on which settlement of amounts owed with respect to such Contract must be paid.

“Trading Day” means any day on which an Exchange is open and available for the trading of Contracts and the Clearinghouse is open and available for the clearing of Contracts.

“USD” means United States dollar.

“User ID” shall have the meaning ascribed to it in Rule 3.9.

Rule 1.2 **Rules of Interpretation**

For all purposes of these Rules, except as otherwise expressly provided herein or unless the context otherwise requires:

- (a) the terms defined in these Rules include the plural as well as the singular and vice versa;
- (b) words importing gender include all genders;
- (c) any reference to a Chapter or Rule refers to a Chapter or Rule of these Rules;

- (d) any reference to these Rules refers to these Rules, including all Appendices hereto, and the words herein, hereof, thereto, hereto and hereunder and words of similar import refer to these Rules and their appendices as a whole and not to any particular Chapter, Rule or any other subdivision;
- (e) references to days, months and years refer to calendar days, months and years, respectively;
- (f) all references herein to “including” shall be deemed to be followed by the words “without limitation”;
- (g) all references “Clearing Members” includes each Responsible Agent and Authorized User or the Clearing Member;
- (h) any duties, liabilities, limitations, obligations, responsibilities, and rights of a Clearing Member, and of the Clearinghouse with regard to each Clearing Member, shall be interpreted to be a duty, liability, limitation, obligation, responsibility, and right or the Responsible Agents and Authorized Users of the Clearing Member, and of the Clearinghouse with regard to each Responsible Agent and Authorized User of the Clearing Member;
- (i) any term used herein that is defined in the CEA or CFTC Regulations shall have the meaning assigned to it therein; and
- (j) all references herein to a time of day refer to Eastern Standard Time.

Rule 1.3 **Effect of Titles**

The titles of these Rules have been inserted for convenience of references only and shall not affect the meaning of these Rules.

Rule 1.4 **Amendment of Rules**

New Rules may be adopted and existing Rules may be amended or repealed by the Board of Directors. All such new Rules, 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 Clearinghouse.

CHAPTER 2 GOVERNANCE

Rule 2.1 Ownership

The Clearinghouse is a Delaware limited liability company. The management and operation of the Clearinghouse is governed by the Operating Agreement and the Rules. Member status does not confer any equity interest or voting rights in the Clearinghouse. All of the equity interests of the Clearinghouse are owned by SportsX, LLC, a Delaware corporation.

Rule 2.2 Board of Directors

The Board has the power to manage and direct the Clearinghouse including but not limited to the power to define the standards for membership in the Clearinghouse and the power to amend, adopt, or repeal these Rules, and the power to oversee the business conduct of Members and impose penalties (including Disciplinary Actions) on any Person subject to these Rules for violation of these Rules.

- (a) The Board shall manage the day-to-day business operations of the Clearinghouse. 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 Clearinghouse. Notwithstanding the foregoing, the Board of Directors may, from time to time, delegate any or all aspects of the management of the day-to-day business and affairs of the Clearinghouse to the Chief Executive Officer.
- (b) The Chief Executive officer of the Clearinghouse shall serve as chairman of the Board.
- (c) Any authority or discretion by the Rules vested in any Officer or delegated to any committee or subcommittee shall not be construed to deprive the Board of such authority or discretion and, in the event of a conflict, the determination of the matter by the Board shall prevail.

Rule 2.3 Standing Committees

- (a) Unless otherwise determined by the Board, the Board shall initially have one standing committee: the “Regulatory Oversight Committee” (the Regulatory Oversight Committee and any other standing committee(s) of the Board of Directors collectively, the “Board Committees”). The Regulatory Oversight Committee shall have the authority granted to a regulatory oversight committee under Applicable Law and by the Board. The Clearinghouse Board may create such additional standing committees as they may from time to time deem necessary or advisable. Members of such committees must be members of the Board of Directors. Each standing committee shall assist in the supervision, management and control of the affairs of the Clearinghouse within its particular area of responsibility and shall have the scope and authority granted to it by the Clearinghouse Board.

- (b) Except as otherwise specifically provided in these Rules, the members of standing committees shall be appointed by the chairperson of the Board of Directors, subject to approval by the Board of Directors. Each appointee shall serve for one year or until the due appointment of his or her successor or his or her resignation or removal, with or without cause, by a majority vote of the Board of Directors. Subject to approval by the Board of Directors, the chairperson of that Board of Directors shall designate the chairperson of each standing committee.
- (c) Subject to the authority of the Board of Directors, each standing committee shall determine the manner and form in which its proceedings shall be conducted, and may act at a meeting or without a meeting, and through a quorum composed of a majority of all its members then in office, inclusive of ex officio members. Except as otherwise specifically provided in these Rules, the decision of a majority of those present at a meeting at which a quorum is present, or the decision of a majority of those participating when at least a quorum participates, shall be the decision of the standing committee. Any or all members of any standing committee may participate in any meeting thereof by telephone or video conference or similar communications equipment by means of which all members participating in such meeting can hear and, if applicable, see each other.
- (d) In the event of the absence or disqualification of any member of a standing committee from any meeting thereof, each of the following individuals, in the order of their availability, may appoint another qualified individual to act at the relevant meeting in the place of any such absent or disqualified member: (i) the chairperson of the Board of Directors or (ii) the chairperson of the standing committee in question.
- (e) The Board may create additional committees or panels, for such purposes as may be necessary or advisable, as determined by the Board of Directors from time to time. Members of each such committee may be members of that Board of Directors, Clearing Members, Authorized Users or such other individuals as may be qualified to serve on such committee. At least 35% of the members of each such committee designated by the Board of Directors shall be Public Directors (or individuals that would qualify as Public Directors if they were directors of the Board) or such other percentage of the Board of Directors as may be required by CFTC Regulations, as amended from time to time. Any such committee or panel may serve indefinitely or for specified, limited periods of time, as determined by the Board of Directors.

Rule 2.4 **Regulatory Oversight Committee**

- (a) The Regulatory Oversight Committee of the Board shall consist solely of members of the Board, and shall be appointed from time to time by the chairperson of, and approved by, the Board.
- (b) The Regulatory Oversight Committee of the Board shall oversee the Clearinghouse's regulatory compliance program on behalf the Board. It shall make such recommendations to the Board as will, in its judgment, best promote the interests of the Clearinghouse, provided that, for the avoidance of doubt, any dissenting opinions from one or more

members of the Regulatory Oversight Committee shall be reported to the Board along with any such recommendation. The Regulatory Oversight Committee shall also have such other powers and perform such other duties as the Board may delegate to it from time to time.

- (c) Without limiting the generality of the foregoing, the Regulatory Oversight Committee shall have authority to:
1. monitor the Clearinghouse's regulatory program for sufficiency, effectiveness and independence;
 2. oversee all facets of the Clearinghouse's regulatory program, including audits, examinations, and other regulatory responsibilities with respect to Clearing Members (including ensuring compliance with financial integrity, financial reporting, sales practice, recordkeeping, and other requirements), and the conduct of investigations;
 3. review the size and allocation of the regulatory budget and resources; and the number, hiring and termination, and compensation of regulatory personnel;
 4. recommend changes that would ensure fair, vigorous, and effective regulation;
 5. review regulatory proposals and advise the Board as to whether and how such changes may impact regulation, and;
 6. exercise any other functions expressly assigned to it in these Rules or under Applicable Law.

Rule 2.5 Officers

- (a) The Board shall appoint a Chief Executive Officer, Chief Compliance Officer and Chief Technology Officer and may appoint other such officers from time to time as determined by the Board of Directors (each individually an "Officer"). These Officers are appointed and may be dismissed (with or without cause) by majority vote of the Board of Directors. An individual may hold multiple Clearinghouse Officer positions simultaneously, as determined by the applicable Board of Directors. Any officer of the Clearinghouse may also be a director, officer, or employee of an Affiliate of the Clearinghouse.
- (b) An Officer of the Clearinghouse may be (but shall not be required to be) a Director of the Clearinghouse. In the absence of the chairperson, the Chief Executive Officer will perform the chairman's duties. In the event of a disagreement between the Chief Executive Officer and the Board of Directors or the chairperson as to a Clearinghouse matter, the chairperson and/or Board of Directors shall control. Subject to the direction of the Board of Directors, the Chief Executive Officer will manage the overall business of the Clearinghouse.
- (c) The Chief Compliance Officer of the Clearinghouse will be responsible for managing the day-to-day regulatory compliance functions of the Clearinghouse. The Chief Compliance Officer will keep the minutes of the meetings of the Board of Directors.

- (d) The Chief Financial Officer of the Clearinghouse will be responsible for all funds and other financial assets of that entity and in general perform all duties incident to the office of Chief Financial Officer and such other duties as from time to time may be assigned by the Clearinghouse's Chief Executive Officer or the Board of Directors. If the function of the office of the Chief Financial Officer is outsourced to a service provider, the Chief Executive Officer shall be responsible for oversight of this function.
- (e) The Board shall appoint a Chief Risk Officer. The Chief Risk Officer will be responsible for managing the Clearinghouse's risk management operations.

Rule 2.6 **Eligibility**

- (a) No Person may serve as an Officer or Director of the Clearinghouse, or serve on any disciplinary committee, arbitration panel or oversight panel of the Clearinghouse or as the Chief Compliance Officer if such Person:
 - 1. was found within the past 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 violation of Applicable Law;
 - 2. entered into a settlement agreement within the past three years in which any of the findings or, in absence of such findings, any of the acts charged included a violation of Applicable Law;
 - 3. is currently suspended from trading on any Exchange or other contract market, is suspended or expelled from membership from any self-regulatory organization, is serving any sentence of probation or owes any portion of a fine imposed pursuant to either:
 - i. 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
 - ii. a settlement agreement in which any of the findings or, in the absence of such findings, any of the acts charged included a violation of Applicable Law;
 - 4. is currently 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. is currently subject to or has had imposed on him or her within the past three years a CFTC registration revocation or suspension in any capacity for any reason, or has been convicted within the past three years of any of the felonies listed in section 8a(2)(D)(ii) through (iv) of the CEA;

- 6. is currently 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; or
 - 7. is subject to a statutory disqualification under sections 8a(2) and 8a(3) of the CEA.
- (b) To qualify as a “Public Director”, an individual must be found, by action of the Board of Directors, on the record, to satisfy the requirements of a “public director” under Appendix B to Part 38 of the CFTC Regulations
 - (c) To qualify as an Officer, an individual may not be a Clearing Member or be an employee, officer, or director of a Clearing Member or receive compensation related to a Clearing Member.
 - (d) In addition to the requirements of Rule 2.6(a), (b), and (c), the Chief Compliance Officer appointed by the Clearinghouse must be an individual who (i) is knowledgeable about futures trading and futures market operations as well as CFTC Regulations and (ii) reports directly to the Board of Directors for regulatory matters related to the Clearinghouse, and, for all other purposes, reports to the CEO.

Rule 2.7 Emergency Rules

- (a) In the event of an Emergency, as described in paragraph (c) of this Rule 2.6, the Chief Executive Officer or any individual designated by the Chief Executive Officer may place into immediate effect a temporary emergency rule, which may remain in effect for up to thirty (30) calendar days, to undertake actions necessary or appropriate to respond to the Emergency, provided that, as soon as reasonably practicable within such thirty (30) calendar day period, the Board of Directors considers and approves such action and, if it disapproves such action, the temporary emergency rule shall be terminated. Should the Emergency persist for longer than thirty (30) calendar days, such temporary emergency rules may be extended for additional thirty (30) calendar day periods, so long as there is:
 - (i) an affirmative vote of two-thirds of the members of the Board of Directors at a meeting at which a quorum is present; or (ii) there is a written authorization and acknowledgement signed by at least two Officers of the Clearinghouse, provided that, as soon as reasonably practicable within such thirty (30) calendar day period, the Board of Directors considers and approves such action and, if it disapproves such action, the temporary emergency rule shall be terminated. In any event, the rationale for invoking such emergency authority should be documented by the Board of Directors as soon as reasonably practicable.
- (b) Any temporary emergency rule adopted under this Rule may authorize the Clearinghouse to act as the Board of Directors or Officers deem necessary or appropriate to meet the Emergency, and those actions may adversely affect the ability to clear transactions through the Clearinghouse. Therefore, the possibility of an Emergency, and of the Clearinghouse taking emergency action, is one of the risks that Clearing Members should consider when deciding whether to clear transactions on the Clearinghouse.

- (c) An “Emergency” may include any of the following circumstances, subject to the determination of the Board of Directors:
1. any circumstance that may materially affect the performance of the Contracts cleared through the Clearinghouse, including failure of the payment system or bankruptcy or insolvency of any Clearing Members;
 2. any action taken by the United States, any foreign government, any state or local governmental body, any other Exchange or other contract market or board of trade, or any other exchange, market, facility, or trade association (foreign or domestic) that may have a direct and material impact on clearing through the Clearinghouse
 3. any circumstances that may have a severe, adverse impact upon the functions or operation of the Clearinghouse including, for example, natural disasters such as fire or flood, terrorist acts such as bomb threats, physical plant breakdowns such as plumbing, heating, or air conditioning problems, system breakdowns such as power, telephony, cable, trading systems, or computer systems failures or interruptions to communications, the network, or the Internet;
 4. the imposition of any injunction or other restraint by any government agency, court, or arbitrator that may affect the ability of a Clearing Member to perform on Contracts;
 5. any circumstance in which it appears that a Clearing Member or any other person is in such operational condition, or is conducting business in such a manner, that such person cannot be permitted to continue in business without jeopardizing the safety of Clearing Member or the Clearinghouse itself; and
 6. any other unusual, unforeseeable, and adverse circumstance which, in the opinion of the governing board, requires immediate action and threatens or may threaten such things as the fair and orderly Clearing of, or the liquidation of or delivery pursuant to Contracts cleared through the Clearinghouse.
- (d) If deemed necessary to combat perceived market threats caused by an Emergency, a Clearinghouse official authorized to do so may suspend clearing through the Clearinghouse during the duration of the emergency or take any other action that the official thinks is necessary or appropriate. The official will order an end to the action taken in response to the emergency as soon as the official determines that the emergency has sufficiently abated to permit the Clearinghouse to function properly.

Rule 2.8 Prohibition on use of Material, Non-Public Information

- (a) No Clearinghouse Personnel and no member of any committee established by the Board of Directors of the Clearinghouse shall use or disclose any material, non- public information obtained in connection with the performance of his or her official duties, for any purpose other than the performance of his or her official duties.

- (b) No Clearinghouse Personnel and no member of any committee established by the Board of Directors of the Clearinghouse shall disclose to any other Person, including to any Affiliate that is a Clearing Member of the Clearinghouse as allowed under Rule 3.1(i), material, non-public information, however obtained (including, without limitation, material non-public information obtained by an employee or agent of the Clearinghouse in connection with such employee or agent's employment or agency, as the case may be), if such Person could reasonably expect that such information might assist another Person in trading any Contract or related contract or financial instrument.
- (c) Other than a Director, no Clearinghouse Personnel shall trade in any Contract cleared by the Clearinghouse either for their own account or the account of any other Person.
- (d) No Clearinghouse Personnel, no Clearinghouse Affiliates, and no member of any committee established by the Board of Directors of the Clearinghouse shall trade in any Contract or related contract or financial instrument on the basis of material non-public information of the Clearinghouse. For the avoidance of doubt, any Person who, by virtue of their role with, or as an Affiliate of, the Clearinghouse, acquires material non-public information of the Clearinghouse is prohibited from trading on the basis of such material non-public information, or disclosing such material non-public information except as consistent with their official duties.
- (e) For purposes of this Rule 2.8, the terms "material information," "non-public information" and "commodity interest" shall have the meanings ascribed to them in CFTC Regulation 1.59.

Rule 2.9 Conflicts of Interest

- (a) The Clearinghouse prohibits members of the Board of Directors or any disciplinary or oversight committee or subcommittee from taking part in any deliberations or voting on any matter in which members of the Board of Directors, committee, or subcommittee member have an interest or have a relationship with a named party in interest.
 - 1. Named Party in Interest Conflict
 - i. No member of the Board, Board Committee, or Disciplinary Panel shall participate in such body's deliberations or voting in any matter involving a named party in interest where such member:
 - A. is the named party in interest in the matter;
 - B. is an employer, employee or fellow employee of a named party in interest;
 - C. is associated with a named party in interest through a "broker association" as defined in CFTC Regulation 156.1;

- D. has any other significant, ongoing business relationship with a named party in interest, excluding relationships limited to Contracts; or
 - E. has a family relationship (i.e., the member's spouse, parents, children, and siblings, in each case, whether by blood, marriage, or adoption, or any person residing in the home of the member or that of his or her immediate family) with a named party in interest.
 - ii. Prior to consideration of any matter involving a named party in interest, each member of the deliberating body shall disclose to the Chief Compliance Officer whether such member has one of the relationships listed above with a named party in interest.
 - iii. The Chief Compliance Officer shall determine whether any member of the relevant deliberating body is subject to a conflicts restriction under this Rule 2.9(a). Such determination shall be based upon a review of the following information:
 - A. information provided by such member pursuant to Rule 2.9(a)(2) above; and
 - B. any other source of information that is held by and reasonably available to the Clearinghouse.
 - iv. In the event of a conflict involving the Chief Compliance Officer as a member of the deliberating body, the other members of the deliberating body shall determine whether any member of the relevant deliberating body is subject to a conflicts restriction under this Rule 2.9(a).
- 2. Financial Interest in a Significant Action Conflict
 - i. No member of the Board, Board Committee or Disciplinary Panel shall participate in the body's deliberations or voting on any significant action if such member knowingly has a direct and substantial financial interest in the result of the vote based upon either the Clearinghouse or non-Clearinghouse positions that could reasonably be expected to be affected by the action.
 - ii. Prior to consideration of any significant action, each member of the deliberating body who does not choose to abstain from deliberations and voting shall disclose to the Chief Compliance Officer any information that may be relevant to a determination of whether such member has a direct and substantial financial interest in the result of the vote.
 - iii. The Chief Compliance Officer shall determine whether any member of the relevant deliberating body who does not choose to abstain from

deliberations and voting is subject to a conflicts restriction under this Rule 2.8(b) based on a review of the totality of the circumstances.

- iv. Any member who would otherwise be required to abstain from deliberations and voting pursuant to this Rule 2.9(b) above may participate in deliberations, but not in voting, if the deliberating body, after considering the factors specified below, determines that such participation would be consistent with the public interest (e.g. if the member has significant expertise and background that provides useful context); provided, however, that before reaching any such determination, the deliberating body will fully consider the information specified in Rule 2.9(b)(2) above which is the basis for such member's direct and substantial financial interest in the significant action that is being contemplated. In making its determination, the deliberating body shall consider:
 - A. whether such member's participation could unduly influence the outcome of the deliberations;
 - B. whether such member's participation in the deliberations is necessary to achieve a quorum; and
 - C. whether such member has unique or special expertise, knowledge or experience in the matter being considered.
- v. In the event of a conflict involving the Chief Compliance Officer as a member of the deliberating body, the other members of the deliberating body shall determine whether any member of the relevant deliberating body is subject to a conflicts restriction under this Rule 2.9(b).

- (b) The minutes of any meeting to which the conflicts determination procedures set forth in this Rule 2.9 apply shall reflect the following information:
 - 1. the names of all members who participated in such meeting;
 - 2. the name of any member who voluntarily recused himself or herself or was required to abstain from deliberations or voting on a matter and the reason for the recusal or abstention, if stated;
 - 3. the information that was reviewed for each member of the relevant deliberating body; and
 - 4. any determination made in accordance with Rule 2.9(a) or Rule 2.9(b) above.

Rule 2.10 Indemnification of Members of the Board, Officers, and Others

The Clearinghouse will indemnify to the full extent authorized by law any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or

proceeding, whether civil, criminal, administrative, or investigative in nature, by reason of the fact that such person is or was Clearinghouse Personnel against expenses, including attorneys' fees, judgments, fines, and amounts paid in connection with such action, suit, or proceeding. Such indemnification shall not be deemed exclusive of any other rights to which a person may be entitled under any agreement or as a matter of law or otherwise. the Clearinghouse may purchase and maintain insurance on behalf of any person who is or was Clearinghouse Personnel against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Clearinghouse would have the power to indemnify such person against such liability under the provisions of this Rule 2.9. However, no person shall be indemnified from liability for fraud, bad faith, willful misconduct, or gross negligence. Further, no person shall be indemnified against a civil penalty imposed by the CFTC under Section 6b of the CEA.

Rule 2.11 **Regulatory Cooperation**

- (a) The Clearinghouse may from time to time enter into such agreements with domestic or foreign self-regulatory organizations, associations, boards of trade and their respective regulators providing for the exchange of information and other forms of mutual assistance for financial surveillance, routine audits, market surveillance, investigative, enforcement and other regulatory purposes as the Clearinghouse may consider necessary or appropriate or as the CFTC may require.
- (b) The Chief Executive Officer or their delegate is authorized to provide information to an exchange or clearing organization that is a party to an information sharing agreement with the Clearinghouse, in accordance with the terms and conditions of such agreement.
- (c) All information received by the Clearinghouse with respect to any information sharing agreement, shall be held in confidence by the Clearinghouse and shall not be provided to any of its nonregulatory departments or divisions or any other person (including to any affiliate of the Clearinghouse), except as follows:
 - 1. to the governmental authority(ies) responsible for regulating financial instruments in the home jurisdiction of the requesting information sharing agreement member,
 - 2. pursuant to an order of a court or other lawful process, or
 - 3. as it may be necessary for conducting any investigation or disciplinary proceeding.

Rule 2.12 **Public Information**

The Clearinghouse shall make public on a daily basis the information required to be disclosed under CFTC Regulation 39.21(c)(5), including information on settlement prices, volume, open interest, and opening and closing ranges for actively traded Contracts.

CHAPTER 3 MEMBERS

Rule 3.1 **Member Eligibility**

- (a) To be eligible to clear transactions through the Clearinghouse, Clearing Members must:
1. satisfy all requirements generally applicable to Clearing Members under these Rules;
 2. satisfy such financial criteria as may be prescribed by the Clearinghouse from time to time;
 3. have sufficient technical and operational capabilities to fulfill any other obligations applicable to Clearing Members as may from time to time be required by the Clearinghouse; and
 4. satisfy such other requirements or criteria as may from time to time be adopted by the Clearinghouse.
- (b) An applicant to be an Entity Clearing Member must satisfy the following criteria, and must represent to the Clearinghouse that it does so:
1. It is duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is organized and has all licenses necessary to carry on its business as now being conducted;
 2. It has the legal authority and is duly authorized and empowered to become an Entity Clearing Member and to effect transactions in Contracts on an Exchange, or to effect transactions in any other relevant contracts, agreements or transactions, cleared through the Clearinghouse;
 3. It is not subject to a statutory disqualification under sections 8a(2) or 8a(3) of the CEA;
 4. It has a mechanism that is acceptable for transferring funds to and receiving funds from the Entity Clearing Member's Account;
 5. It has appointed one or more Authorized User(s) pursuant to Rule 3.4; and
 6. It satisfies such other requirements or criteria as may from time to time be adopted by the Clearinghouse.
- (c) An applicant to be an Individual Clearing Member must satisfy the following criteria and represent that it:
1. Is at least 18 years of age and has attained the age of majority in their state and/or country of residence;

2. Is not subject to a statutory disqualification under sections 8a(2) or 8a(3) of the CEA;
 3. Has a mechanism that is acceptable for transferring funds to and receiving funds from the Individual Clearing Member's Account; and
 4. Satisfies such other requirements or criteria as may from time to time be adopted by the Clearinghouse.
- (d) Notwithstanding anything to the contrary in this Rule 3.1, in considering any applicant for the Clearinghouse, the Clearinghouse may request additional information, or employ such other means that it deems desirable or appropriate, to ascertain relevant facts bearing on the applicant's qualifications; and
- (e) The Clearinghouse in its sole discretion may deny (or may condition) the grant of Clearing Privileges if an applicant or Clearing Member is unable satisfactorily to demonstrate a capacity to adhere to all applicable Rules and CFTC Regulations, or for such other causes as the Clearinghouse may determine from time to time.
- (f) The Clearinghouse in its sole discretion may condition or revoke an applicant or Clearing Member's Clearing Privileges if any of the circumstances exist or such Clearing Member:
1. fails to meet any of the qualification requirements;
 2. fails to meet any condition placed by the Clearinghouse;
 3. is obligated to submit a notice to the Clearinghouse under Rule 3.7
 4. has their trading privileges revoked on any Exchange; or
 5. violates any agreement with the Clearinghouse, any Rule or any provision of Applicable Law.
- (g) Affiliates of the Clearinghouse are permitted to become Clearing Members on the same terms and conditions as other Clearing Members, and to clear through the Clearinghouse, pursuant to an action of the Board of Directors, subject to the following conditions, which shall be applicable and enforced at the time of approval and on an ongoing basis thereafter:
1. Such Affiliate has access to the Clearinghouse on terms and conditions that are not preferential relative to other Clearing Members, including compliance with all Rules in this Rulebook;
 2. The Clearinghouse has established controls and procedures so that such Affiliate has no access to any Clearinghouse material, non-public information including but not limited to information regarding order flow, trading, settlement, and compliance;

3. The Clearinghouse has established and maintains physical operations that are separate from those of such Affiliate;
 4. Such Affiliate has not received capital from the Clearinghouse;
 5. The Clearinghouse has ensured such Affiliate does not have access to the Clearinghouse operations, including servers, databases, accounts, or source code, except to the extent that other Clearing Members have such access and, in that event, only on the same terms and conditions applicable to other Clearing Members;
 6. Such Affiliate has represented that it does not access or utilize systems or features in clearing through the Clearinghouse that are not available to other Clearing Members;
 7. Such Affiliate has represented that it will maintain market integrity on the Clearinghouse, and will act in a fair and responsible manner in all of its activities on the Clearinghouse, including, when applicable, the disclosure to the Clearinghouse of any actual or potential conflicts of interest in its operations, algorithms, or systems; and
- (h) Prior to an Affiliate clearing transactions through the Clearinghouse, or if the information about the trading and clearing activities of the Affiliate changes materially, prior to the commencement of further trading, the Clearinghouse will put in place necessary controls to ensure that the provisions of Rule 3.1(h) are complied with and will provide details of the restrictions on Affiliates' trading activities by including a notice on the Clearinghouse website that discloses the Affiliates' purpose in clearing transactions through the Clearinghouse and provides a summary of the procedures in place to manage and disclose actual or potential conflicts of interest and effects on trading to ensure market integrity and fairness are preserved.

Rule 3.2 **Applications**

- (a) Each application to become a Clearing Member shall be in such form as may from time to time be prescribed by the Clearinghouse. Each applicant to become a Clearing Member shall promptly update the application materials if any of the information provided therein becomes inaccurate or incomplete. the Clearinghouse shall act upon, and approve or disapprove, any such application without unreasonable delay.
- (b) Each applicant to become a Clearing Member shall:
 1. submit to the Clearinghouse executed forms of the Clearing Member Agreement and all application documents; and
 2. agree in written or electronic form to abide by these Rules and Applicable Law.
- (c) Upon the Clearinghouse's approval of an applicant's Clearing Member application and upon the Clearinghouse's confirmation that the initial fee payable by the applicant has been

paid to the Clearinghouse, if any, the applicant shall become a Clearing Member and obtain Clearing Privileges.

- (d) If the Clearinghouse denies an applicant's Clearing Member application, the applicant may appeal the decision by filing with the Compliance Department a petition for review of such application denial or trading limitation. The petition should describe in detail the reasons why the application should be granted. The petition must be filed within thirty (30) Business Days from the date upon which notice of the denial of the applicant's Clearing Member application was provided by the Clearinghouse. The decision of the Compliance Department will be final. An applicant whose Clearing Member application has been denied by the Compliance Department will not be eligible for reapplication during the six months immediately following such denial.

Rule 3.3 **Member Accounts**

- (a) The Clearinghouse will establish an account on its books and records in the name and on behalf of Direct Clearing Members. The Direct Clearing Member will be responsible for all clearing activity, transactions and other activity in or through its Account and for all amounts due with respect to any such clearing activity, transactions or other activity, including but not limited to required amounts of margin and premiums. Each Direct Clearing Member and its Authorized Users shall have the right to access the Clearing System.
- (b) The Clearinghouse has the authority to establish more than one Account per Direct Clearing Member, if the Clearinghouse deems it to be appropriate.
- (c) All funds deposited by a Direct Clearing Member with the Clearinghouse on behalf of the Direct Clearing Member's own account shall be held in a Member Property Account. Such funds from Direct Clearing Members shall be segregated by the Clearinghouse and treated as belonging to Direct Clearing Members.

Rule 3.4 **Authorized Users**

- (a) Each Entity Clearing Member shall be required to appoint one or more individuals to act as its Authorized User or Authorized Users, as applicable. Individual Clearing Members may act as their own Authorized User or may appoint a third party as his or her Authorized User, pursuant to a power of attorney or other instrument, in a form prescribed or approved by the Clearinghouse, providing such third party with authority to supervise clearing activities with respect to the Clearing Member's Account. The third party to which an individual Clearing Member grants authority may be a related person of the Clearing Member, or any unaffiliated party.
- (b) Each Authorized User with authority to supervise clearing activities with respect to the Clearing Member's Account:
 - 1. must be a natural person and

2. must satisfy any other requirements as may be prescribed by the Clearinghouse from time to time.
- (c) Without limiting the foregoing, each Authorized User must consent, in a form satisfactory to the Clearinghouse, to abide by the Rules and Applicable Law prior to accessing the Clearing System, and each Entity Clearing Member will ensure on an ongoing basis that:
1. none of its Authorized Users is subject to a disqualification pursuant to any Applicable Law (unless an appropriate exemption has been obtained with respect thereto);
 2. (ii) each of its Authorized Users will be technically proficient;
 3. (iii) each of its Authorized Users will conduct its business in a fair and equitable manner, and;
 4. (iv) each of its Authorized Users will conduct its business in accordance with the Rules.
- (d) The Clearinghouse may withdraw or suspend the registration of any Authorized User if the Clearinghouse determines that:
1. an Authorized User has failed, or has caused the Entity Clearing Member to fail, to comply with the Rules of the Clearinghouse;
 2. an Authorized User is not properly performing the responsibilities of an authorized representative of a Entity Clearing Member;
 3. an Authorized User has failed to comply with the conditions set forth in paragraph (c) of this Rule;
 4. an Authorized User's trading privileges on any Exchange have been revoked; or
 5. it is in the best interests of maintaining a fair and orderly market to do so.
- (e) If the Entity Clearing Member withdraws or the Clearinghouse suspends the registration of any Authorized User, the Entity Clearing Member must ensure that such Authorized User does not submit any transactions for clearing into the Clearing System.
- (f) The registration of an Authorized User will be withdrawn upon the written request of either the Authorized User or the Entity Clearing Member for which an Authorized User is registered. Such written request shall be submitted in a manner prescribed by the Clearinghouse. Until such written request is received and processed by the Clearinghouse, or an Authorized User's registration is suspended or withdrawn pursuant to paragraph (d) of this Rule, a Entity Clearing Member will be responsible for all activity of such Authorized User(s) related to the Clearinghouse.

Rule 3.5 **Amounts Payable by Clearing Members**

- (a) The Clearinghouse shall have the authority to establish the amounts of any fees to be paid by Clearing Members, and the timing of payment of such fees, and such fees shall be paid when due. In addition, the Clearinghouse shall have the authority to impose minimum withdrawal amounts, fees for inactivity or other fees as it deems appropriate. may post an updated fee schedule on its website from time to time. Clearing Members are deemed to have notice of any changes made to such fee schedule that are posted on the Clearinghouse website.
- (b) Unless the Clearinghouse, at its discretion, elects not to do so in any particular instance, the Clearinghouse will withdraw the relevant fees directly from each Clearing Member's Account. The Clearing Member agrees to pay, and authorizes the Clearinghouse to withdraw from its Account: (i) any fees or charges associated with any transactions cleared on behalf of the Clearing Member on the Clearinghouse at such rate as is posted on the Clearinghouse's website; (ii) any costs or expenses incurred by the Clearinghouse in connection with the Clearing Member's clearing activity on the Clearinghouse, including, but not limited to, any non-sufficient funds charges or charges imposed by the Clearinghouse's Settlement Bank; (iii) any other charges agreed upon between the Clearing Member and the Clearinghouse; and (iv) any other fines or penalties that may be imposed by the Clearinghouse from time to time.
- (c) If a Clearing Member fails to pay when due any Clearinghouse fees or other amounts due by such Clearing Member, and such payment obligation remains unsatisfied for thirty (30) Business Days after its due date, the Clearinghouse as it deems necessary or appropriate, may suspend, revoke, limit, condition, restrict or qualify Clearing Privileges of such Clearing Member and its Authorized Users. Moreover, the Clearinghouse may submit any amounts owed by a Clearing Member in excess of thirty (30) Business Days to a third party collection agency. The Clearinghouse reserves the right to pursue any and all allowable legal action, whether criminal or civil, against the Clearing Member to recover losses incurred as the result of fraud or misconduct, including attorney's fees and other legal expenses, and any other remedies permitted by law.

Rule 3.6 **General Obligations for All Clearing Members**

- (a) By accessing, or entering any transaction for clearing into the Clearing System, and without any need for any further action, undertaking or agreement, a Clearing Member and its Authorized Users agree (i) to be bound by, and comply with, the Rules and Applicable Law, and (ii) to submit to the jurisdiction of the Clearinghouse with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Clearing Member and its Authorized Users. Any Clearing Member and its Authorized Users whose Clearing Privileges are revoked or terminated shall remain bound by the Rules and Applicable Law and subject to the jurisdiction of the Clearinghouse with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Clearing Member and its Authorized Users prior to such revocation or termination.

- (b) Each Clearing Member shall be required to satisfy such minimum financial requirements as may be established from time to time by the Clearinghouse.
- (c) All Clearing Member communications with the Clearinghouse, including keystrokes entered by the Clearing Member on the Clearinghouse, emails and telephone calls, may be recorded without further notice, and such recordings may be provided to regulatory authorities (subject to and in compliance with Applicable Laws) and used as evidence in the event of any dispute. Such recordings will be and remain the sole property of the Clearinghouse and will, in the absence of manifest error, be accepted by the Clearing Member as evidence of the communications so recorded. The period of retention of such recordings shall be as required by Applicable Law or any such longer period as may be determined by the Clearinghouse in its sole discretion. Further, such recordings may be used for the Clearinghouse's own purposes (including, without limitation, for purposes of monitoring levels of activities in categories of transactions) and not for the Clearing Member's benefit.
- (d) Each Clearing Member must also cooperate promptly and fully with the Clearinghouse, its agents, and/or the CFTC in any investigation, call for information, inquiry, audit, examination, or proceeding. Such cooperation shall include providing the Clearinghouse with access to information on the activities of such Clearing Member in any referenced or related market that provides the underlying prices for any the Clearinghouse Contract or that is otherwise related to the pricing or trading of any Contract.
- (e) Each Clearing Member consents to allow the Clearinghouse to provide all information the Clearinghouse has in its possession or control regarding the Clearing Member, including the Clearing Member's trading activity, to the CFTC or any other regulatory agency, law enforcement authority, or judicial tribunal, including (as may be required by information sharing agreements or other contractual, regulatory, or legal provisions) foreign regulatory or self-regulatory bodies, law enforcement authorities, or judicial tribunals.
- (f) The Rulebook, all amendments thereto and notices and policies thereunder, as well as the specifications for the Contracts from time to time cleared on the Clearinghouse, will be publicly available on the Clearinghouse website. Each Clearing Member and each Clearing Member's Authorized Users(s) will be automatically bound by any notices, interpretations, guidance, Rule changes or other material posted by the Clearinghouse on its website, without any further action by the Clearing Member or Authorized User(s). Each Clearing Member and Authorized User is required to review the "Notices" section of the Clearinghouse website to make themselves aware of material changes to these Rules or other notices that may affect their rights and obligations as a Clearing Member of the Clearinghouse. As mentioned above, the Clearinghouse shall publish a notice with respect to each addition to, modification of, or clarification of, the Rules, any action to implement any Rules, or any notices, interpretations or guidance, in a form and manner that is reasonably designed to enable each Clearing Member to become aware of and familiar with, and to implement any necessary preparatory measures to be taken by it with respect to, such material, prior to the effective date thereof; provided that any failure of the

Clearinghouse to so publish a notice shall not affect the effectiveness of the material in question.

- (g) Each Clearing Member must provide the Clearinghouse with the current electronic mail address for each of its Authorized Users and immediately (and in any event within 24 hours) update each such address whenever it changes. All communications between the Clearinghouse and the Clearing Member (and its Authorized Users) will be transmitted by email and/or posted on the Clearinghouse website.
- (h) Each Clearing Member must diligently supervise all activities of the Clearing Member's officers, employees and/or agents, including all Authorized Users, relating to transactions effected on the Clearinghouse. Any violation of these Rules by any officer, employee or agent of a Clearing Member, including its Authorized Users, may constitute a violation of the Rules by such Clearing Member.
- (i) A Direct Clearing Member is not required to engage in clearing activity or maintain a minimum balance in its Account after initial funding. Notwithstanding the foregoing, the Clearinghouse has the authority to impose minimum withdrawal amounts or fees for inactivity, which will, if imposed, be posted on the Clearinghouse website from time to time.
- (j) Recordkeeping:
 - 1. Each Clearing Member must maintain audit trail information as required by the CEA and CFTC Regulations, including, but not limited to, CFTC Regulations 1.31 and 1.35 if applicable, and must be able to produce this data in a standard format upon request from the Clearinghouse.
 - 2. The books and records required to be kept under subparagraphs (1) above shall be readily available for inspection, at any time, on a routine or non-routine basis and promptly provided to the Clearinghouse, the NFA, the CFTC, the SEC or the U.S. Department of Justice, upon request, in each case in the form and manner required under these Rules, and/or the CEA and CFTC Regulations.

Rule 3.7 **Notice Requirements of Clearing Members**

- (a) Each Clearing Member must immediately notify the Clearinghouse in writing upon becoming aware:
 - 1. that the Clearing Member, any of the Clearing Member's officers, employees, agents or any of the Clearing Member's Authorized Users has had access or trading privileges or clearing privileges suspended, or Clearing Member status is denied, in any commodity, futures, securities, or swaps exchange, or any other trading platform or regulatory self-regulatory agency; or
 - 2. of any material change in any information contained in the Clearing Member's application to become a Clearing Member on the Clearinghouse.

- (b) Upon the receipt of such notice, the Clearinghouse may take any action it determines to be appropriate, in its sole discretion with respect to such Clearing Member, including but not limited to the revocation of such Clearing Member's Clearing Privileges.

Rule 3.8 **Responsible Agents**

- (a) Each Clearing Member that is an Entity shall at all times have at least one employee or agent (each, a "Responsible Agent") designated as its administrator with respect to the clearing of Contracts by the Authorized Users of such Clearing Member. Each Clearing Member that is a natural person shall serve as its own Responsible Agent.
- (b) The Clearinghouse may prescribe such qualification standards for Responsible Agents as it may from time to time determine necessary or advisable. Among other things, each Responsible Agent shall have full control over access to the Clearing System by the Clearing Member (including its Authorized Users) represented by such Responsible Agent.
- (c) The Responsible Agent(s) of any Clearing Member shall also be solely responsible for any and all communications between the Clearinghouse and such Clearing Member, and any and all notices or other communications sent to such Responsible Agent(s) by the Clearinghouse shall be binding on such Clearing Member. Each Clearing Member shall notify the Clearinghouse promptly of any change regarding any of its Responsible Agents.

Rule 3.9 **Clearing Members and Authorized User Access**

- (a) During the Member application process, an applicant, to become a Member, will be required to register a user identification ("User ID"), which may be in the form of an e-mail address, and password.
- (b) The Clearing Member will be required to enter the User ID and password to log onto and access Clearing System. Each time the Clearing Member submits its unique User ID and password to the Clearinghouse in order to log onto the Clearing System, the Clearing Member affirms that it understands, and agrees to be bound by, these Rules and other policies and procedures of the Clearinghouse, as amended.
- (c) Each Authorized User shall maintain a unique User ID and password, distinct from the User ID and password of the Clearing Member but identified as related to the Clearing Member with which the Authorized User is associated. The Clearing Member will only provide the User IDs to its officers, employees or agents who are designated as, and authorized as, Authorized Users. The Clearinghouse reserves the right to revoke or modify a User ID at any time without prior notice.
- (d) The Clearing Member will be responsible for protecting its User IDs and passwords, and with respect to itself, the ID(s) and password(s) of its Authorized User(s), from improper disclosure. In addition, a Clearing Member may not knowingly or negligently permit any Person not authorized by the Clearinghouse and by the Clearing Member to use the User ID and password to access the secure portion of the Clearinghouse website, including the Clearing System. The Clearing Member is required to immediately notify the

Clearinghouse if it knows, or has reason to believe, that its User ID or the User ID and/or password of any Authorized User have been disclosed to any Person not authorized by the Clearinghouse and the Clearing Member to use such User ID and/or password.

- (e) The Clearing Member authorizes the Clearinghouse to rely upon any instruction received through use of its User IDs without further inquiry, and the Clearinghouse shall not be liable to the Clearing Member for any actions taken based on instructions received through such User IDs, even if such instructions were not authorized by the Clearing Member. The Clearing Member will be liable for any and all costs, expenses, losses or other amounts that may result from actions taken, including transactions cleared through the Clearinghouse, by any person, authorized or not, using its User ID and password or the ID and/or password of any Authorized User. The Clearinghouse will not be responsible in any way for unauthorized transactions in a Clearing Member's Account.
- (f) The Clearing Member is responsible for contracting with an internet service provider through which it will access the Clearinghouse website and for having a backup service provider if reasonably necessary. The Clearing Member is also responsible for maintaining an internet connection speed adequate for its needs. The Clearinghouse will not be responsible in any way for any transactions submitted for clearing that were delayed because of failure of the Clearing Member's internet service provider or slowness of its internet connection speed. No communication from a Clearing Member will be deemed to have been received by the Clearinghouse until that communication is logged by the Clearinghouse server.

Rule 3.10 Limitation of Liability

- (a) EACH MEMBER OF THE CLEARINGHOUSE AGREES THAT IN NO EVENT SHALL THE CLEARINGHOUSE, ITS CONTRACTORS, SUPPLIERS, CONTENT-PROVIDERS AND OTHER SIMILAR ENTITIES, AND THE OFFICERS, DIRECTORS, EMPLOYEES, REPRESENTATIVES AND AGENTS OF EACH OF THE FOREGOING, BE LIABLE TO YOU, YOUR ORGANIZATION, OR ANY OTHER THIRD-PARTY FOR ANY LOSS, COST, DAMAGE, OR OTHER INJURY, WHETHER IN CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY, OR OTHERWISE, ARISING OUT OF OR IN CONNECTION WITH: (A) THE USE OF, OR RELIANCE ON, THE SITE AND THE SERVICES, AND ALL FEATURES, MATERIALS, INFORMATION AND SERVICES ACCESSIBLE ON OR THROUGH THE SITE OR OTHERWISE MADE AVAILABLE BY THE CLEARINGHOUSE, INCLUDING ANY THE SERVICES; (B) THE USE, COPYING, OR DISPLAY OF THE SITE OR THE SERVICES OR THE TRANSMISSION OF INFORMATION TO OR FROM THE SITE OVER THE INTERNET; (C) OUR PERFORMANCE OF, OR FAILURE TO PERFORM, ITS OBLIGATIONS IN CONNECTION WITH THESE TERMS; (D) ANY DEFAMATORY, OFFENSIVE, OR ILLEGAL CONDUCT OF YOU, YOUR ORGANIZATION, OTHER USERS OF THE SITE, OR OTHER THIRD-PARTIES, INCLUDING, BUT NOT LIMITED TO, ANY NOT-FOR-PROFIT ORGANIZATIONS; (E) YOUR PURCHASE AND USE OF ANY GOODS OR SERVICES PROVIDED BY THIRD-PARTIES; OR (F) THE AVAILABILITY,

RELIABILITY, ACCURACY, TIMELINESS, OR QUALITY OF THE SITE OR THE SERVICES. UNDER NO CIRCUMSTANCES SHALL THE CLEARINGHOUSE, ITS CONTRACTORS, SUPPLIERS CONTENT-PROVIDERS AND OTHER SIMILAR ENTITIES, AND THE OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS OF EACH OF THE FOREGOING, BE LIABLE TO YOU, YOUR ORGANIZATION, ANY NOT-FOR-PROFIT ENTITY, OR ANY OTHER THIRD-PARTY FOR ANY INDIRECT, CONSEQUENTIAL, INCIDENTAL, PUNITIVE, SPECIAL, OR SIMILAR DAMAGES OR COSTS (INCLUDING, BUT NOT LIMITED TO, LOST PROFITS OR DATA, LOSS OF GOODWILL, LOSS OF OR DAMAGE TO PROPERTY, LOSS OF USE, BUSINESS INTERRUPTION AND CLAIMS OF THIRD-PARTIES) ARISING OUT OF OR IN CONNECTION WITH THESE TERMS, THE SITE, ANYTHING DESCRIBED IN THE FOREGOING CLAUSES (A) THROUGH (F) OF THIS SECTION, OR ANY OTHER CAUSE BEYOND THE CONTROL OF THE CLEARINGHOUSE, EVEN IF THE CLEARINGHOUSE WAS ADVISED, KNEW, OR SHOULD HAVE KNOWN OF THE POSSIBILITY OF SUCH DAMAGES OR COSTS. IN A JURISDICTION THAT DOES NOT ALLOW THE EXCLUSION OR LIMITATION OF LIABILITY FOR CERTAIN DAMAGES, THE LIABILITY OF THE CLEARINGHOUSE, ITS CONTRACTORS, SUPPLIERS, CONTENT-PROVIDERS, AND OTHER SIMILAR ENTITIES, AND THE OFFICERS, DIRECTORS, EMPLOYEES, REPRESENTATIVES AND AGENTS OF EACH OF THE FOREGOING, SHALL BE LIMITED IN ACCORDANCE WITH THESE TERMS TO THE FULLEST EXTENT PERMITTED BY LAW. WITHOUT LIMITING ANY OF THE FOREGOING, IF THE CLEARINGHOUSE, ITS CONTRACTORS, SUPPLIERS, CONTENT-PROVIDERS, OR OTHER SIMILAR ENTITIES, OR ANY OF THE OFFICERS, DIRECTORS, EMPLOYEES, REPRESENTATIVES, OR AGENTS OF ANY OF THE FOREGOING, IS FOUND LIABLE TO YOU OR TO ANY THIRD-PARTY AS A RESULT OF ANY CLAIMS OR OTHER MATTERS ARISING UNDER OR IN CONNECTION WITH THESE TERMS, THE SITE OR THE SERVICES, THE CLEARINGHOUSE AND SUCH PARTIES' CUMULATIVE, AGGREGATE AND MAXIMUM LIABILITY FOR ALL SUCH CLAIMS AND OTHER MATTERS IN ANY CALENDAR YEAR SHALL IN NO EVENT EXCEED THE LESSER OF (1) THE PURCHASE PRICE OF ANY OF YOUR ASSETS PURCHASED VIA THE PLATFORM ASSOCIATED WITH THE CLAIM; OR (2) THE TOTAL FUNDS YOU HAVE DEPOSITED TO THE PLATFORM PRIOR TO MAKING A CLAIM.

- (b) THE LIMITATION OF LIABILITY HEREIN IS A FUNDAMENTAL ELEMENT OF THE BASIS OF THE BARGAIN AND REFLECTS A FAIR ALLOCATION OF RISK. THE SITE WOULD NOT BE PROVIDED WITHOUT SUCH LIMITATIONS AND YOU AGREE THAT THE LIMITATIONS AND EXCLUSIONS OF LIABILITY, DISCLAIMERS AND EXCLUSIVE REMEDIES SPECIFIED HEREIN WILL SURVIVE EVEN IF FOUND TO HAVE FAILED IN THEIR ESSENTIAL PURPOSE.
- (c) BY USING THE SITE AND THE SERVICES AND TO THE FULLEST EXTENT PERMITTED BY LAW, YOU: (A) ASSUME ALL RISK OF LOSSES OR DAMAGES RESULTING FROM YOUR USE OF OR INABILITY TO USE THE SITE OR THE SERVICES; (B) IRREVOCABLY WAIVE ALL LOSSES OR INDIRECT, SPECIAL,

CONSEQUENTIAL, PUNITIVE OR INCIDENTAL DAMAGES (INCLUDING, WITHOUT LIMITATION, THOSE RESULTING FROM LOST PROFITS, LOST DATA OR BUSINESS INTERRUPTION) THAT MAY OCCUR AS A RESULT OF YOUR USE OF THE SITE OR THE SERVICES; (C) EXPRESSLY AGREE TO RELEASE AND DISCHARGE THE CLEARINGHOUSE, AND ITS AFFILIATES, EMPLOYEES, AGENTS, REPRESENTATIVES, SUCCESSORS, OR ASSIGNS FROM ANY AND ALL CLAIMS OR CAUSES OF ACTION RESULTING, DIRECTLY OR INDIRECTLY, FROM YOUR USE OF THE SITE AND THE SERVICES; AND (D) YOU VOLUNTARILY WAIVE ANY RIGHT THAT YOU MAY OTHERWISE HAVE TO BRING A LEGAL ACTION AGAINST THE CLEARINGHOUSE FOR LOSSES OR DAMAGES, WHETHER BASED ON WARRANTY, CONTRACT, TORT OR OTHER LEGAL THEORY, INCLUDING ANY CLAIM BASED ON ALLEGED NEGLIGENCE ON THE PART OF THE CLEARINGHOUSE AND ITS AGENTS AND EMPLOYEES. YOU UNDERSTAND AND ACKNOWLEDGE THAT YOU HAVE CAREFULLY READ THIS “WAIVER AND RELEASE” AND FULLY UNDERSTAND THAT IT IS A RELEASE OF LIABILITY.

- (d) EACH MEMBER OF THE CLEARINGHOUSE AGREES THAT IT MAY NOT BRING ANY ACTION AGAINST AN THE CLEARINGHOUSE PARTY UNLESS IT BRINGS SUCH ACTION WITHIN 2 YEARS OF THE FIRST OCCURRENCE OR LACK OF OCCURRENCE OF THE ACT OR OMISSION COMPLAINED OF.
- (e) EACH MEMBER OF THE CLEARINGHOUSE AGREES THAT ANY ACTION IT BRINGS AGAINST AN THE CLEARINGHOUSE PARTY OR AGAINST ANOTHER THE CLEARINGHOUSE MEMBER WILL BE RESOLVED BY BINDING ARBITRATION, IN ACCORDANCE WITH THE RULES OF THIS CHAPTER AND OTHER RULES OF THE CLEARINGHOUSE, IF APPLICABLE.

CHAPTER 4 CLEARING

Rule 4.1 Submission and Acceptance of Trades for Clearing

- (a) Clearing Members are required to have sufficient funds on deposit with the Clearinghouse such that any transactions submitted for clearing will be accepted by the Clearinghouse.
- (b) Clearing Members' collateral shall be held in a Settlement Bank in a manner which minimizes the risk of loss or of delay in the access by the Company to such funds and assets and in a manner consistent with the CEA and CFTC Regulations. Any interest earned on Participant collateral may be retained by the Settlement Bank or the Company.
- (c) To facilitate compliance with Rule 4.1(a), an Exchange, in its sole discretion and from its own funds, may advance funds for immediate use to a Direct Clearing Member's Account, provided that it shall have no obligation to do so and provided further that:
 - 1. Such advance is administrative in nature due to the normal course timing of banking transactions and is not a loan.
 - 2. Such Clearing Member has submitted a bona-fide funds deposit request.
 - 3. Such funds deposit request is being processed in the normal course of banking transactions by the Clearinghouse.
 - 4. Such advanced amount shall not exceed the lesser of the funds deposit request or US\$10,000.
- (d) With respect to Rule 4.1(b) above, notwithstanding anything to the contrary herein, the Clearinghouse may, in its sole discretion, decline to accept any such transfer of funds and require the Clearing Member to deposit any additional amounts determined by the Clearinghouse to be necessary.
- (e) Upon submission of Contracts for clearing, the Clearinghouse will automatically review the Clearing Member's Account to ensure that the Clearing Member can fully margin or collateralize the transaction, and pay any premiums or other amounts due upon execution or settlement of such transaction, prior to execution of the transaction. If the Clearing Member's Account does not have the necessary funds and/or collateral for the Contracts, the Clearinghouse will not accept the Contract for clearing.
- (f) For trades executed competitively on or subject to the rules of an Exchange:
 - 1. The Clearinghouse will coordinate with all Exchanges to establish automated systems that will accept or reject for clearing all Contracts that are listed for clearing by the Clearinghouse.

2. The Clearinghouse will accept for clearing all Contracts that satisfy all of the following conditions:
 - i. The Contract is traded on an Exchange;
 - ii. The Contract was certified by an Exchange under Part 40 of the CFTC's Regulations, and the CFTC has not exercised its right to block under CFTC Regulation 40.11; and
 - iii. The Contract was certified by an Exchange under Part 40 of the CFTC's Regulations, and the CFTC has not exercised its right to block under CFTC Regulation 40.11; and
- (g) Upon the successful acceptance of Contracts submitted for clearing, the Clearinghouse shall immediately, through the process of Novation, be substituted as and assume the position of Seller and Purchaser. Upon such substitution, the Seller and Purchaser shall have no obligations to each other, and such Clearing Members shall be deemed to have bought the Contract from or sold the Contract to the Clearinghouse, as the case may be, and the Clearinghouse shall have all the rights and be subject to all the liabilities of such Clearing Members with respect to such transactions.
- (h) Contracts with the same terms and conditions submitted to the Clearinghouse for clearing are economically equivalent within the Clearinghouse and may be offset with each other within the Clearinghouse.
- (i) Upon acceptance of a Contract by the Clearinghouse for clearing:
 1. The original transaction is extinguished;
 2. The original Contract is replaced by an equal and opposite Contract between the Clearinghouse and each Clearing Member;
 3. All terms of a cleared Contract must conform to the applicable Contract Rules; and
 4. The Clearinghouse is irrevocably authorized to transfer premiums and/or Settlement Amounts to the appropriate Clearing Members in accordance with the applicable Contract Rules and this Rulebook.
- (j) All payments to Clearing Members and collections from Clearing Members in connection with the clearing and settlement of Contracts are irrevocable and any and all amounts paid to the Clearinghouse in satisfaction of the obligations of Clearing Members in connection with Contracts are unconditionally deposited with the Clearinghouse and exclusively within the control of the Clearinghouse.
- (k) If a Contract is rejected for clearing by the Clearinghouse for any reason, such Contract is void ab initio.

- (l) All positions will be carried on a gross basis by the Clearinghouse until such time as the Clearinghouse, in its sole discretion, determines to provide offset at the earlier of an end-of-day netting process or at position settlement.

Rule 4.2 **Procedures for Deposits and Withdrawals from Accounts**

(a) Procedures for Deposits

1. A Clearing Member must submit a deposit notification to the Clearinghouse before the Clearing Member may deposit funds with the Clearinghouse. A Clearing Member must have sufficient funds at its designated financial institution before such Clearing Member submits a deposit notification to the Clearinghouse. Only U.S. Dollars will be accepted in satisfaction of Clearing Members' obligations in connection with Contracts cleared through the Clearinghouse.
2. Deposits are available for a Clearing Member's use with respect to Clearing Privileges, no later than three (3) Settlement Bank Business Days after the Clearinghouse has received notification from its Settlement Bank such funds have been deposited with the Clearinghouse, unless an Exchange has made an advance pursuant to Rule 4.1(b).
3. Clearing Members are responsible for all transfers of funds to their Accounts and any reversal of such transfer constitutes a violation of these Rules unless remediated in a manner acceptable to the Clearinghouse in its sole discretion.

(b) Withdrawals from Accounts

1. Only a Clearing Member or its Authorized User(s) may submit a withdrawal notification to the Clearinghouse before the Clearinghouse initiates a transfer of funds to a Clearing Member. Upon receipt of a withdrawal notification, the Clearinghouse will immediately reduce the Clearing Member's Account balance by the amount of the withdrawal notification.
2. Clearing Members are responsible for providing accurate account numbers to allow the Clearinghouse to effect transfers to the Clearing Members. Withdrawal notifications to account numbers different from the originating account number are not permitted except as provided by the Clearinghouse in its sole discretion.
3. The Clearinghouse will notify its Settlement Bank no later than three (3) Settlement Bank Business Days after a Clearing Member has submitted a withdrawal notification to transfer such funds to such Clearing Member.
4. If a Clearing Member fails to adhere to the withdrawal procedures set forth herein, as applicable, the Clearinghouse will take reasonable measures to effect the withdrawal; however, if the Clearinghouse is unable to effect the withdrawal, the Clearing Member's collateral may become the sole property of the Clearinghouse, to the extent permitted by Applicable Law and pursuant to the procedures and

disclosures posted on the Clearinghouse website. The Clearinghouse may apply the collateral against the Clearing Member's obligations.

5. Notwithstanding the foregoing, the Clearinghouse may, in its sole discretion, decline to permit any withdrawal of funds requested by a Clearing Member if it deems such action necessary for the protection of the Clearinghouse.

Rule 4.3 **Settlement of Contracts**

- (a) The Clearinghouse shall maintain, on its system, a record of each Clearing Member's account balances and Contracts.
- (b) On the Settlement Date, the Clearinghouse will notify all Clearing Members of the Settlement Amount.
- (c) After the notice period on the last Trading Day of expiring Contracts that are options, the Clearinghouse will delete all such Contracts that have not been exercised from each Clearing Member's Account.
- (d) Payment of Settlement Amounts or any other delivery under any Contract shall be made in accordance with the relevant Contract Rules and these Rules, provided that nothing herein shall prevent Clearing Members from entering into arrangements to settle any Contract between each other on terms different from those set forth in the relevant Contract Rules, subject to compliance with the Rules in all respects.

Rule 4.4 **Investment and Use of Clearing Member Account Assets**

Subject to compliance with the applicable regulations of the CFTC, all cash and other property in the Clearing Member's Account or otherwise held by the Clearinghouse on the Clearing Member's behalf may, from time to time, without notice to the Clearing Member, be co-mingled with the property of other Clearing Members or be invested by the Clearinghouse, separately or with any other property, consistent with CFTC Regulation 1.25 and 39.15(e). the Clearinghouse shall have no obligation to inform the Clearing Member of any such investments or of the results or performance of such investments and shall be entitled to retain any profits from or return on such investments.

Rule 4.5 **Transfers of Positions**

- (a) The Clearinghouse in its sole discretion may permit the transfer of positions between Accounts:
 1. to correct errors in an existing Contract, provided that the original trade documentation confirms the error;
 2. to transfer an existing Contract through operation of law from death or bankruptcy

3. as a result of a merger, asset purchase, consolidation, or similar non-recurring transaction for a Person that is an organization;
 4. for Accounts of Clearing Members that are under the same common beneficial ownership; or
 5. any other circumstances in which the Clearinghouse determines in its sole discretion that such a transfer is necessary or appropriate for any other reason.
- (b) Any positions transferred pursuant to this Rule 4.5 will be at the original price and date that appears on the books of the Clearinghouse.

CHAPTER 5 CLEARING MEMBER CONDUCT

Rule 5.1 Prohibited Activities

- (a) No Clearing Member shall engage in conduct in violation of Applicable Law or the Rules. Notwithstanding anything to the contrary in these Rules, no provision of these Rules will supersede any applicable prohibitions on fraud and manipulation, whether such prohibitions are prescribed by law, regulation or the Rules. All such prohibitions on fraud and manipulation, including, but not limited to, the antifraud provisions of the CEA and the antifraud rules promulgated by the CFTC thereunder, will remain in full force and effect with respect to, and will be fully applicable to, the clearing of all Contracts. The Clearinghouse retains the right to take any appropriate disciplinary actions against Clearing Members as permitted by the Rules, as applicable.
- (b) It shall be an offense to violate any Rule regulating the conduct or business of a Clearing Member, or any agreement made with the Clearinghouse, or to engage in fraud, dishonorable or dishonest conduct, or in conduct which is inconsistent with just and equitable principles of trade.
- (c) No Person shall make any misstatement of a material fact to an Exchange or the Clearinghouse (including the Board of Directors, any committee thereof or any panel of any such committee, or any Officer) or to the CFTC or the NFA (including any members of its staff), including on an application to become a Clearing Member of the Clearinghouse.
- (d) No Clearing Member or Authorized User may use its Clearing Privileges or the Clearinghouse in any way which could be expected to bring disrepute upon such Clearing Member or the Clearinghouse.
- (e) No Clearing Member shall engage in any act that is detrimental to the Clearinghouse. It shall be deemed an act detrimental to the Clearinghouse to permit unauthorized use of the Clearinghouse, to assist any Person in obtaining unauthorized access to the Clearinghouse, to interfere with the operation of the Clearinghouse, to intercept or interfere with information provided thereby, or in any way to use the Clearinghouse in a manner contrary to these Rules.
- (f) Each Clearing Member shall be responsible for establishing, maintaining and administering reasonable supervisory procedures to ensure that its Authorized Users comply with Applicable Law and the Rules, and shall be responsible for supervising its Authorized Users and may be held accountable for the actions of such Authorized Users.

CHAPTER 6 RULE ENFORCEMENT

Rule 6.1 Market Surveillance

The Clearing System will record and store for a period of not less than 5 years in a searchable, read-only database a record of all data entered into the Clearing System. Such records shall be maintained in a readily available manner during the first two years. The Clearinghouse will use this data to investigate any time it has reason to believe that inappropriate activity of any sort is taking place.

Rule 6.2 General

- (a) All Clearing Members Authorized Users shall be subject to the Clearinghouse's jurisdiction. All Clearing Members and Authorized Users are subject to this Chapter 6 if they are alleged to have violated, to have aided and abetted a violation, to be violating, or to be about to violate, any Rule or any provision of Applicable Law for which the Clearinghouse possesses disciplinary jurisdiction.
- (b) The Clearinghouse 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 member of the staff of the Clearinghouse 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. No Director 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 with respect to which the Director is not a member of the relevant Appeals Panel.
- (d) Any Clearing Member may be represented by counsel during any inquiry, investigation, disciplinary proceeding, appeal from a disciplinary proceeding, summary imposition of fines, summary suspension or other summary actions pursuant to this Chapter 6.
- (e) Pursuant to this Chapter 6, the Clearinghouse may hold:
 - 1. a Clearing Member liable for, and impose sanctions against such Clearing Member, for such Clearing Member's own acts and omissions that constitute a violation;
 - 2. a Clearing Member liable for, and impose sanctions against such Clearing Member, for the acts and omissions of each Authorized User authorized by, and each other agent or representative of, such Clearing Member that constitute a violation as if such violation were that of the Clearing Member;
 - 3. an Authorized User liable for, and impose sanctions against him or her, for such Authorized User's own acts and omissions that constitute a violation; and

4. an Authorized User liable for, and impose sanctions against him or her, for the acts and omissions of each agent or representative of such Authorized User that constitute a violation as if such violation were that of the Authorized User.

Rule 6.3 **Inquiries and Investigations**

- (a) The Compliance Department will investigate any matter within the Clearinghouse's disciplinary jurisdiction that is brought to such department's attention, including but not limited to, possible violations of the Rules or manipulation of a Contract that is cleared through the Clearinghouse. All such investigations must be completed within 12 months of the date when the Compliance Department commenced its investigation unless there are mitigating factors that may reasonably justify an investigation taking longer than 12 months, including the complexity of the investigation, the number of Clearing Members or individuals involved as potential wrongdoers, the number of potential violations to be investigated, and the volume of documents and data to be examined and analyzed by the Compliance Department. The Compliance Department will determine the nature and scope of its inquiries and investigations within its sole discretion and will function independently of any commercial interests of the Clearinghouse.
- (b) The Compliance Department has the authority to:
 1. initiate and conduct inquiries and investigations;
 2. prepare investigative reports and make recommendations concerning initiating disciplinary proceedings;
 3. prosecute alleged violations within the Clearinghouse's disciplinary jurisdiction; and
 4. represent the Clearinghouse on appeal from any disciplinary proceeding, summary imposition of fines, summary suspension or other summary action.
- (c) Each Clearing Member:
 1. is obligated to appear and testify and respond in writing to interrogatories within the time period required by the Compliance Department in connection with: (i) any Rule; (ii) any inquiry or investigation; or (iii) any preparation by and presentation during a disciplinary proceeding or appeal from a decision in a disciplinary proceeding, summary imposition of fines, summary suspension or other summary action by the Clearinghouse;
 2. is obligated to produce books, records, papers, documents or other tangible evidence in its, his or her possession, custody or control within the time period required by the Compliance Department in connection with: (i) any Rule; (ii) any inquiry or investigation; or (iii) any preparation by and presentation during a disciplinary proceeding or appeal from a decision in any disciplinary proceeding,

summary imposition of fines, summary suspension or other summary action by the Clearinghouse; and

3. may not impede or delay any inquiry, investigation, disciplinary proceeding, appeal from a disciplinary proceeding, summary imposition of fines, summary suspension or other summary action.
- (d) The Compliance Department will maintain a log of all investigations and their disposition. The Compliance Department will prepare a written report of each investigation, regardless of whether the evidence gathered during any inquiry or investigation forms a reasonable basis to believe that a violation within the Clearinghouse'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. Any written report of investigation will include the reasons for initiating the investigation (including a summary of the complaint, if any), all relevant facts and evidence gathered, and the recommendation of the Compliance Department. For each potential respondent, the Compliance Department will recommend either (i) closing the investigation without further action, (ii) summary action, (iii) resolving the investigation through an informal disposition, including the issuance of a warning letter or (i) initiating disciplinary proceedings. An informal disposition (including the issuance of a warning letter) will not constitute a finding of a violation or a sanction.
- (e) The Chief Compliance Officer will review promptly each completed investigation report to determine whether a reasonable basis exists to believe that a violation within the Clearinghouse's jurisdiction has occurred or is about to occur. Such determination will be made by the Chief Compliance Officer within ten (10) Business Days of receipt of the applicable investigation report. If the Chief Compliance Officer determines that additional investigation or evidence is needed to decide whether a reasonable basis exists to believe that a violation within the Clearinghouse's jurisdiction has occurred or is about to occur, the Chief Compliance Officer will direct the Compliance Department to conduct further investigation.
- (f) After receiving completion of an investigation, the Chief Compliance Officer will determine for each potential respondent whether to authorize:
1. the commencement of disciplinary proceedings because a reasonable basis exists to believe that a violation within the Clearinghouse's jurisdiction has occurred or is about to occur;
 2. the informal disposition of the investigation (by issuing a warning letter or otherwise) if the Chief Compliance Officer determines that a violation of the Rules may have occurred but that formal disciplinary proceedings are unwarranted; or
 3. the closing of the investigation without any action, and without the issuance of a warning letter, because disciplinary proceedings are not warranted and no reasonable basis exists to believe that a violation within the Clearinghouse's jurisdiction has occurred or is about to occur.

Rule 6.4 Notice of Charges and Opportunity to Respond

- (a) If the Chief Compliance Officer authorizes disciplinary proceedings pursuant to Rule 6.3, the Compliance Department will prepare in accordance with this Rule 6.4 and serve in accordance with this Rule 6.4, a notice of charges within twenty (20) Business Days thereafter.
- (b) A notice of charges will:
 - 1. state the acts, practices or conduct that the respondent is alleged to have engaged in;
 - 2. state the Rule or provision of Applicable Law alleged to have been violated or about to be violated;
 - 3. state the proposed sanctions;
 - 4. advise the respondent of its right to 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, which statement must be submitted within twenty (20) Business Days after service of the notice of charges;
 - 5. advise the respondent of its right to a hearing and its right to have counsel present;
 - 6. state the period of time within which the respondent can request a hearing on the notice of charges, in lieu of submitting a written statement pursuant to Rule 6.4(b)(iv), which will not be less than twenty (20) Business Days after service of the notice of charges;
 - 7. advise the respondent that any failure to request a hearing within the period stated, except for good cause, will be deemed to constitute a waiver of the right to a hearing; and
 - 8. advise the respondent that any allegation in the notice of charges that is not expressly denied will be deemed to be admitted.
- (c) If the respondent submits a written statement pursuant to Rule 6.4(b)(iv), the Chief Compliance Officer shall, within ten (10) Business Days after receipt of the written statement, advise the respondent:
 - 1. of the Chief Compliance Officer's decision to drop any or all of the potential charges;
 - 2. that the disciplinary proceedings will proceed with respect to all remaining charges in accordance with the notice of charges delivered to the respondent; and/or, as appropriate

3. that the respondent shall have twenty (20) Business Days to submit an answer to the notice of charges, as described in this Rule 6.4.
- (d) If the respondent determines to answer a notice of charges, the respondent must file answers within twenty (20) Business Days after being served with such notice, or within such other time period determined appropriate by the Chief Compliance Officer. To answer a notice of charges, the respondent must in writing:
1. specify the allegations that the respondent denies or admits;
 2. specify the allegations that the respondent does not have sufficient information to either deny or admit;
 3. specify any specific facts that contradict the notice of charges; and
 4. specify any affirmative defenses to the notice of charges.
- (e) 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 answer one or more allegations in a notice of charges will be deemed to be an admission of that allegation or those allegations. Any allegation in a notice of charges that the respondent fails to expressly deny will be deemed to be admitted. A general denial by the respondent, without more, will not satisfy the requirements of paragraph (b) above.
- (f) Any notice of charges or other documents contemplated to be served pursuant to this Chapter 6 may be served (and service shall be deemed complete) upon the respondent either personally or by (i) leaving the same at his or her place of business or by deposit in the United States mail, postage prepaid, via registered or certified mail addressed to the respondent at the address as it appears on the books and records of the Clearinghouse, or (ii) sending the same via electronic mail to the e-mail address of the respondent as it appears on the books and records of the Clearinghouse.

Rule 6.5 Settlements

- (a) A respondent or potential respondent may at any time propose in writing an offer of settlement to anticipated or instituted disciplinary proceedings. Any offer of settlement should contain proposed findings and sanctions and be signed by the respondent or potential respondent and submitted to the Compliance Department. 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 Clearinghouse over it and over the subject matter of the proceedings and consent to the entry of the findings and sanctions imposed.
- (b) If a respondent or potential respondent submits an offer of settlement in accordance with paragraph (a) above, the Compliance Department will forward the offer to the Chief Compliance Officer with a recommendation on whether to accept or reject the offer. If the Chief Compliance Officer conditionally accepts an offer of settlement, the settlement will

become final upon the expiration of twenty (20) Business Days after an order of the disciplinary proceedings consistent with the terms of the offer of settlement is served on the respondent.

- (c) 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 these Rules.
- (d) If the offer of settlement of a respondent or potential respondent is not accepted, 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 Compliance 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 6.6 **Disciplinary Panel**

- (a) A disciplinary panel consisting of five individuals selected by the Board of Directors (the "Disciplinary Panel"), will conduct hearings in connection with any disciplinary proceedings, to make findings and impose sanctions pursuant to this Chapter 6. A separate Disciplinary Panel will be established prior to the commencement of each disciplinary matter. No Disciplinary Panel shall be comprised in a manner such that any group or class of industry participants may reasonably be expected to dominate or exercise disproportionate influence on such panel. Each Disciplinary Panel shall consist of individuals who (i) would qualify as a Public Director (if the individual is a director of the Clearinghouse), except in cases limited to decorum, attire, or the timely submission of accurate records required for clearing or verifying each day's transactions and (ii) are drawn from the NFA's Hearing Committee. For the avoidance of doubt, members of the Compliance Department shall not be eligible to serve on a Disciplinary Panel.
- (b) Within ten (10) Business 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 any reasonable grounds, by serving written notice on the Chief Compliance 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 Chief Compliance Officer 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.
- (c) All disciplinary proceedings (except for summary impositions of fines pursuant to Rule 6.13) will be conducted at a hearing before the Disciplinary Panel. A hearing will be conducted privately and confidentially unless the Disciplinary Panel decides that the hearing, or any part of it, should be held in public after giving each respondent the opportunity to present its, his or her views on holding a public hearing. Notwithstanding the confidentiality of hearings, the Disciplinary 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.

- (d) After reasonable notice to each respondent, the Disciplinary Panel will promptly (but in no event later than thirty (30) Business Days following such notice) convene a hearing to conduct the disciplinary proceedings with respect to such respondent. Parties to a disciplinary proceeding include each respondent and the Compliance Department.
- (e) The chairman of the Disciplinary Panel may continue, adjourn or otherwise conduct the hearing, as he or she may deem appropriate. The chairman of the Disciplinary Panel will determine all procedural and evidentiary matters, including the admissibility and relevance of any evidence proffered. In determining procedural and evidentiary matters, the chairman of the Disciplinary Panel will not be bound by any evidentiary or procedural rules or law. Once admitted during the hearing, the Disciplinary Panel may consider, and attach the weight it believes appropriate to, evidence or other materials. The Clearinghouse will provide guidance to the chairman of the Disciplinary Panel on the conduct of the hearing.
- (f) Except for procedural and evidentiary matters decided by the chairman of the Disciplinary Panel pursuant to paragraph (e) above, unless each respondent otherwise consents, the entire Disciplinary Panel must be present during the entire hearing and any related deliberations.

Rule 6.7 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 Clearinghouse that the Compliance Department will use to support the allegations and proposed sanctions in the notice of charges or which the chairman of the Disciplinary Panel deems relevant to the disciplinary proceedings. Notwithstanding the foregoing, no respondent will have the right to review, and the Clearinghouse will have no obligation to disclose, any information protected by attorney-client privilege or any other privileges recognized by Applicable Law.
- (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 Compliance Department, the Compliance 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 Compliance Department:
 - 1. 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

2. will provide the respondent with access to the information and portions of the documents that the Compliance Department intends to rely on to support the allegations or proposed sanctions in the notice of charges.
- (d) For purposes of this Rule 6.7, 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 Clearing Member and the personal finances of the Person providing the information.

Rule 6.8 **Hearings**

- (a) At a hearing conducted in connection with any disciplinary proceedings, the Compliance Department will present its case supporting the allegations and proposed sanctions in the notice of charges to the Disciplinary Panel. If a respondent has timely filed an answer to the notice of charges in accordance with Rule 7.4, the respondent is entitled to attend and participate in the hearing.
- (b) At a hearing conducted in connection with any disciplinary proceedings, the Disciplinary Panel or the Compliance Department and each respondent may:
1. present evidence and facts determined relevant and admissible by the chairman of the Disciplinary Panel;
 2. call and examine witnesses; and
 3. cross-examine witnesses called by other parties.
- (c) If the respondent fails to file an answer, has filed a general denial, or if any or all of the allegations in the notice of charges are not expressly denied in the respondent's answer, the chairman of the Disciplinary 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 Disciplinary Panel determines that the respondent had a compelling reason for failing to timely file an answer. If the Disciplinary Panel determines that the respondent had a compelling reason for failing to timely file an answer, the Disciplinary Panel will adjourn the hearing and direct the respondent to promptly file a written answer in accordance with Rule 6.4.
- (d) Any Person entitled, or required or called upon, to attend a hearing before a Disciplinary Panel pursuant to paragraph (b)(ii) above will be given reasonable notice, confirmed in writing, specifying the date, time and place of the hearing, and the caption of the disciplinary proceedings. the Clearinghouse will require all Clearing Members and Authorized Users that are called as witnesses to appear at the hearing and produce evidence. The Clearinghouse 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 Disciplinary Panel determines that a reasonable basis exists to believe that the respondent violated or is about to violate a Rule or a provision of Applicable Law other than the violations alleged in the notice of charges, the Disciplinary Panel may consider those apparent violations after providing the respondent with an opportunity to answer the additional allegations in accordance with Rule 6.4. In connection with considering apparent violations pursuant to this paragraph (e), the Disciplinary Panel may request that the Compliance Department provide the Disciplinary Panel with any additional information.
- (f) The Disciplinary Panel may summarily impose sanctions on any Clearing Member or Authorized User that impede or delay the progress of a hearing.
- (g) The Clearinghouse will arrange for any hearing conducted in connection with disciplinary proceedings to be recorded hearing verbatim, or substantially verbatim, in a manner capable of accurate transcription. If the respondent requests a copy of all or portions of the recording of a hearing, the chairman of the Disciplinary Panel may within his or her sole discretion order the respondent to pay the costs for transcribing the recording of the hearing.
- (h) No interlocutory appeals of rulings of any Disciplinary Panel or chairman of the Disciplinary Panel are permitted.

Rule 6.9 **Decisions of Disciplinary Panel**

- (a) As promptly as reasonable following a hearing, the Disciplinary Panel will issue an order rendering its decision based on the weight of the evidence contained in the record of the disciplinary proceedings. A decision by a majority of the Disciplinary Panel will constitute the decision of the Disciplinary Panel.
- (b) The Clearinghouse will serve a copy of the order of the disciplinary proceedings on the respondent and the Compliance Department. The order will include:
 - 1. the notice of charges or summary of the allegations;
 - 2. the answer, if any, or a summary of the answer;
 - 3. a brief summary of the evidence introduced at the hearing;
 - 4. findings of fact and conclusions concerning each allegation, including each specific Rule and provision of Applicable Law that the respondent is found to have violated;
 - 5. the imposition of sanctions, if any, and the effective date of each sanction; and
 - 6. notice of the respondent's right to appeal pursuant to Rule 6.12.
- (c) Unless a timely notice of appeal is filed pursuant to Rule 6.12, the order of the disciplinary proceedings will become final upon the expiration of twenty (20) Business Days after the

order is served on the respondent and a copy thereof is provided to the Compliance Department.

Rule 6.10 **Sanctions**

- (a) After notice and opportunity for hearing in accordance with these Rules, the Clearinghouse will impose sanctions if a Clearing Member is found to have violated or to have attempted to violate a Rule or provision of Applicable Law for which the Clearinghouse possesses disciplinary jurisdiction. The Clearinghouse may impose one or more of the following sanctions or remedies:
 - 1. censure;
 - 2. limitation on Clearing Privileges, association with a Clearing Member or other activities, functions or operations;
 - 3. suspension of Clearing Privileges or association with a Clearing Member;
 - 4. fine (subject to paragraph (c) below);
 - 5. restitution or disgorgement;
 - 6. termination of Clearing Privileges; or
 - 7. any other sanction or remedy deemed to be appropriate.
- (b) All sanctions, including those imposed pursuant to an accepted settlement offer, shall take into account respondent's disciplinary history and remediation efforts.
- (c) The Clearinghouse may impose a fine of up to \$500,000 for each violation. If a fine or other amount is not paid within thirty (30) Business 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 Clearinghouse has sole discretion to select the bank on whose quotations to base the prime rate. Each Clearing Member will be responsible for paying any fine or other amount imposed on, but not paid by, any Authorized User authorized by, or other agent or representative of, such Clearing Member.
- (d) 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.

Rule 6.11 **Costs**

- (a) Regardless of the outcome of any disciplinary proceeding, the Disciplinary Panel may order a respondent to pay some or all of the costs associated with the disciplinary proceedings that the Disciplinary Panel believes were unnecessarily caused by the respondent. Costs may include costs associated with the inquiry or investigation, the

prosecution by the Compliance Department, legal and professional assistance, the hearing and administrative and other expenses incurred by the Disciplinary Panel.

- (b) The Disciplinary Panel may only award costs against the Clearinghouse if it concludes that the Clearinghouse has behaved in a manifestly unreasonable manner in the commencement or conduct of the disciplinary proceedings in question. The Disciplinary Panel must limit any award of costs against the Clearinghouse to an amount that it concludes is reasonable and appropriate, but does not exceed the respondent's costs for external legal or other external professional assistance.
- (c) The Disciplinary Panel may determine the amounts and allocation of costs in any manner it may deem appropriate. The Clearinghouse or the respondent will pay any costs ordered to be paid by it by the Disciplinary Panel within thirty (30) Business Days of the later of either written notice of (i) the amount imposed by the Disciplinary Panel or (ii) the determination of an appeal by the Appeals Panel against the Disciplinary Panel's determination.

Rule 6.12 **Appeals**

- (a) Each respondent found by the Disciplinary Panel to have violated a Rule of or a provision of Applicable Law or who is subject to any summary fine imposed pursuant to Rule 6.3 or any summary sanction imposed pursuant to Rule 7.14 may appeal the decision within twenty (20) Business Days of receiving the order of the disciplinary proceedings or the notice of summary action, as the case may be, by filing a notice of appeal with the Chief Compliance 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; *provided, however*, any summary sanctions entered under Rule 6.14 shall continue in effect during the appeal.
- (b) The notice of appeal must state in writing the grounds for appeal, including the findings of fact, conclusions or sanctions to which the respondent objects. An appellant may appeal the order of disciplinary proceedings or any summary decision on the grounds that:
 - 1. the decision was arbitrary, capricious, an abuse of discretion, or not in accordance with the Rules;
 - 2. the decision exceeded the authority or jurisdiction of the Disciplinary Panel, the Chief Compliance Officer or the Clearinghouse;
 - 3. the decision failed to observe required procedures;
 - 4. the decision was unsupported by the facts or evidence; or
 - 5. the imposed sanctions, remedies or costs are inappropriate or unsupported by the record.

- (c) The Chief Compliance Officer will forward copies of any notice of appeals 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 twentieth (20th) Business Day after filing a notice of appeal, the appellant must file with the Chief Compliance Officer and serve on the Compliance Department a brief supporting the notice of appeal and documents supporting the brief. On or before the twentieth (20th) Business Day after the date on which the appellant serves their supporting brief, the appellee must file and serve its brief in opposition. On or before the tenth (10th) Business Day after the date on which the appellee serves its brief in opposition, the appellant must file and serve a brief in reply.
- (d) In connection with any appeal, the Compliance Department will furnish to the Chief Compliance Officer and to the respondent/appellant 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 thirty (30) Business Days after the last submission filed pursuant to paragraph (c) above, the Chief Compliance Officer will appoint the Appeals Panel to consider and determine the appeal. If less than 3 individuals from the Regulatory Oversight Committee are eligible to serve on the Appeals Panel, the Appeals Panel shall be a panel solely comprised of those individuals from the Committee that are eligible to serve on the Appeals Panel and such additional individuals meeting the requirements of Public Director who are appointed by the Chief Compliance Officer. Members of the Compliance Department of the Clearinghouse shall not be eligible to serve on the Appeals Panel. Members of a Disciplinary Panel may not serve on an Appeals Panel for the same matter.
- (f) The Appeals Panel may hold a hearing to allow parties to present oral arguments. Any hearing will be conducted privately and confidentially unless the Appeals Panel decides that the hearing, or any part of it, should be held in public after giving each appellant the opportunity to present their views on holding a public hearing. Notwithstanding the confidentiality of hearings, the Appeals Panel may appoint individuals 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 Appeals Panel will be bound by evidentiary or procedural rules or law.
- (g) The Appeals Panel will only consider on appeal the record before the Disciplinary Panel or, in the case of a summary action, the record considered by the Chief Compliance Officer or the Chief Compliance Officer's designee, the notice of appeal, the briefs filed in support and opposition of the appeal, and any oral arguments of the parties. The Appeals Panel may only consider new evidence when the Appeals Panel is satisfied that good cause exists on why the evidence was not introduced during the disciplinary proceeding or when imposing the summary action.
- (h) After completing its review, the Appeals Panel may affirm or, only if it finds that the decision of the Disciplinary Panel or the Chief Compliance Officer that is under review, as the case may be, meets one of the criteria listed in Rule 6.12(i) below, 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, or remanding the matter to the same or a different Disciplinary Panel for further disciplinary proceedings or for reconsideration by the Chief Compliance Officer. The Appeals Panel may order a new hearing for good cause or if the Appeals Panel determines in its sole discretion that the appellant was not given a full and fair opportunity to make an argument in its favor and present supporting evidence.

- (i) As described in Rule 6.12(h) above, the Appeals Panel may modify or reverse any order of the disciplinary proceedings or summary action under appeal only if it finds that the decision was:
 - 1. Arbitrary, capricious, or an abuse of the discretion of the Disciplinary Panel, the Chief Compliance Officer, or the Chief Compliance Officer's designee, as the case may be;
 - 2. In excess of the authority or jurisdiction of the Disciplinary Panel or the Chief Compliance Officer, as the case may be; or
 - 3. Based on a clearly erroneous application or interpretation of the Rules.
- (j) As promptly as reasonably possible following its review, the Appeals Panel will issue a written decision on appeal rendering its decision based on the weight of the evidence before the Appeals Panel. The decision of the Appeals Panel will include a statement of findings of fact and conclusions for each finding, sanction, remedy and cost reviewed on appeal, including each specific Rule and provision of Applicable Law that the respondent is found to have violated, if any, and the imposition of sanctions, remedies and costs, if any, and the effective date of each sanction, remedy or cost.
- (k) The Appeal Panel's written order on appeal (including findings of fact and conclusions and the imposition of sanctions, remedies and costs, and the effective date of any sanction, remedy cost) will be the final action of the Clearinghouse and will not be subject to appeal within the Clearinghouse.
- (l) Within ten (10) Business Days of being notified of the appointment of the Appeals Panel, a respondent may seek to disqualify any individual named to the Appeals Panel for the reasons identified in this Rule 6.12 or for any other reasonable grounds, by serving written notice on the Chief Compliance Officer. By not timely filing a request for disqualification, the respondent will be deemed to have waived any objection to the composition of an Appeals Panel. The Chief Compliance Officer 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.

Rule 6.13 Summary Imposition of Fines

- (a) The Chief Compliance Officer may summarily impose a fine against a Clearing Member for failing:

1. to make timely payments of margin, options premiums, fees, cost, charges or fines to the Clearinghouse;
 2. to make timely and accurate submissions to the Clearinghouse of notices, reports or other information required by the Rules; and
 3. to keep any books and records required by the Rules.
- (b) The Compliance Department, acting on behalf of the Chief Compliance Officer, will give notice of any fine imposed pursuant to this Rule 6.13 to each Clearing Member 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 twenty (20) Business Days of serving the notice of fine, the Clearing Member, as the case may be, must either pay the fine or file notice of an appeal pursuant to Rule 6.12. Unless timely notice of appeal is filed pursuant to Rule 6.12, the fine will become final upon the expiration of twenty (20) Business Days after the notice of fine is served on the Clearing Member, as the case may be.
- (c) The Clearinghouse, in its sole discretion, may deduct the amount of any fine imposed pursuant to Rule 6.13(b) directly from the Clearing Member's Account; provided that the Clearinghouse may not make such a deduction if the result would be to cause an event of default with respect to any Open Contract Positions then held in the Account of such Participant.
- (d) The Clearinghouse will set the amount of any fines imposed pursuant to this Rule 6.13, with the maximum fine for each violation not to exceed \$5,000. Summary imposition of fines pursuant to this Rule 6.13 will not preclude the Clearinghouse from bringing any other action against the Clearing Member, as the case may be.

Rule 6.14 Summary Suspension and Other Summary Actions

- (a) Notwithstanding anything in the Rules to the contrary, the Chief Compliance Officer or the Chief Compliance Officer's designee, upon a good faith determination that there are substantial reasons to believe that such immediate action is necessary to protect the public or the best interests of the Clearinghouse, may order that any party be denied access to the Clearinghouse, or summarily limit, condition, restrict or qualify the Clearing Privileges of a Clearing Member, and may take other summary action against any Clearing Member in accordance with the Rules; provided, however, that the Chief Compliance Officer or the Chief Compliance Officer's designee in issuing an order denying access, may permit such party to submit Contracts for clearing solely for the purpose of liquidating the Open Contract Positions of such Clearing Member while the applicable suspension, limitation, condition, restriction or qualification of access is in effect.
- (b) Promptly after an order is issued pursuant to paragraph (a), the party shall be informed of the action taken, the reasons for the action, the effective date and the duration of the action. The party shall also be informed of his or her right to appeal the action under Rule 7.1.

Whenever practicable, the Compliance Department, acting on behalf of the Chief Compliance Officer, shall provide such notice prior to taking the action.

- (c) Unless timely notice of appeal is filed pursuant to Rule 6.12, the summary action will become final upon the expiration of twenty (20) Business Days after the notice of action is served on the respondent.
- (d) At the request of the Clearinghouse, a respondent against whom a summary action is brought pursuant to this Rule 6.14 must provide books and records over which the respondent has access or control and must furnish information to, or appear or testify before, the Clearinghouse in connection with the enforcement of any Rule.
- (e) A respondent whose Clearing Privileges are suspended, limited, conditioned, restricted or qualified pursuant to this Rule 6.14 may apply for reinstatement by filing with the Compliance Department a written request stating the applicant's reasons for seeking reinstatement. The Clearinghouse will not consider a respondent's request for reinstatement if the respondent:
 - 1. persists in the conduct which was the subject of the order denying access;
 - 2. owes any fines, fees, charges or costs to the Clearinghouse;
 - 3. continues to fail to appear at disciplinary proceedings without good cause; or
 - 4. continues to impede the progress of disciplinary proceedings.
- (f) Within a reasonable period after the filing of a request for reinstatement, the Appeals Panel will conduct a hearing to consider the request. At the hearing for reinstatement, the respondent will present its, his or her case supporting the reinstatement and the Compliance Department, acting on behalf of the Chief Compliance Officer may, in its discretion, present its case opposing or supporting the reinstatement and each may present relevant and admissible evidence and facts and call, examine and cross-examine witnesses. At the hearing for reinstatement, the Clearinghouse may require any Clearing Member to appear as witnesses and produce evidence if the Appeals Panel determines that the evidence is relevant.
- (g) As promptly as reasonably possible after a reinstatement hearing, the Appeals Panel will issue an order reinstating, denying the reinstatement, or placing conditions on the reinstatement of the Clearing Privileges, or association with a Clearing Member, of the respondent. The order will include a brief summary of the evidence introduced at the reinstatement hearing; and, if applicable, findings of fact and conclusions not contained in the Appeals Panel's initial order issued pursuant to Rule 6.14(d) above. The Appeals Panel's order may not be appealed.
- (h) Any decision to deny access pursuant to paragraph (a) shall not remain in effect for more than sixty (60) Business Days unless the Chief Compliance Officer or the Chief Compliance Officer's designee, upon further consideration of the circumstances giving rise

to the order denying access, issues a separate order denying access for an additional period of time, not to exceed sixty (60) Business Days. The party must be notified thereof prior to issuance of the second order, unless prior notice is impracticable. Such notice must meet the standards provided in paragraph (b). At any time, a party subject to an action under this Rule 6.14, may petition the Chief Compliance Officer or the Chief Compliance Officer's designee to reconsider an access denial pursuant to this Rule based upon materially changed circumstances.

- (i) When the Clearing Privileges of a Clearing Member are, or the association of an Authorized User with a Clearing Member is, suspended for a period of 12 months or less, none of its rights and/or Clearing Privileges (including the right to hold oneself out to the public as a Clearing Member, submit Contracts for clearing, and receive Clearing Member rates for fees, costs, and charges and deposit margin at Clearing Member levels) will apply during the period of the suspension, except for the right of the Clearing Member in question to assert claims against others as provided in the Rules. Any such suspension will not relieve the Clearing Member in question of its, his or her obligations under the Rules to perform any Contracts entered into before the suspension, or for any Clearinghouse imposed fees, costs, or charges incurred during the suspension. The Clearinghouse may discipline a suspended Clearing Member under this Chapter 6 for any violation of a Rule or provision of Applicable Law committed by the Clearing Member before, during or after the suspension.
- (j) When the Clearing Privileges of a Clearing Member are, or the association of an Authorized User with a Clearing Member is, terminated, all of its rights and Privileges will terminate, except for the right of the Clearing Member in question to assert claims against others, as provided in the Rules. A terminated Clearing Member may only seek to reinstate its Clearing Privileges by applying for Clearing Privileges pursuant to Rule 3. The Clearinghouse will not consider the application of a terminated Clearing Member if such Clearing Member, as the case may be, continues to fail to appear at disciplinary proceedings without good cause or continues to impede the progress of disciplinary proceedings.
- (k) When the Clearing Privileges of a Clearing Member are, or the association of an Authorized User with a Clearing Member is, terminated, all of its rights and Privileges will terminate, except for the right of the Clearing Member in question to assert claims against others, as provided in the Rules. A terminated Clearing Member may only seek to reinstate its Clearing Privileges by applying for Clearing Privileges pursuant to Rule 3. The Clearinghouse will not consider the application of a terminated Clearing Member if such Clearing Member, as the case may be, continues to fail to appear at disciplinary proceedings without good cause or continues to impede the progress of disciplinary proceedings.

Rule 6.15 Publication of Disciplinary Action

- (a) The Clearinghouse shall provide notice to the CFTC no later than two (2) Business Days after any disciplinary action becomes final.

- (b) The Clearinghouse will make public notice of the disciplinary action by posting on its website, in accordance with CFTC Regulation 9.13, the information required by CFTC Regulation 9.11. The disciplinary action will be considered final on the date the notice of the disciplinary action is published on the Clearinghouse website.

CHAPTER 7 DISPUTE RESOLUTION

Rule 7.1 General

- (a) Any dispute, controversy or claim related to transactions executed and cleared through the Clearing System, or otherwise related to participation on the Clearing System shall be resolved and settled through binding arbitration in Chicago, Illinois. If the parties are able to agree on an arbitrator, the arbitration shall be conducted by a single arbitrator. If the parties are unable to agree on an arbitrator, each party shall select an arbitrator and the two arbitrators shall select a third arbitrator. Any arbitrator selected in connection with such arbitration must qualify as a Public Director (if the individual is a director of the Clearinghouse) and must have reasonable prior experience in the operation and regulation of exchanges and clearinghouses providing execution and clearing services in connection with commodity futures contracts, commodity options or swaps, and with respect to the rules of the CFTC and exchanges and clearinghouses generally. The arbitrator(s) shall determine the procedures for any arbitration held under this Rule 7.1, and shall, to the extent practicable, rely on applicable provisions of Chapter 7 with respect to such procedures, including but not limited to in connection with discovery by the parties, submission of documents and a hearing, provided that the arbitrator(s) shall have the authority to determine the appropriate procedures, notwithstanding the provisions of Chapter 6. The arbitrator(s) shall have the authority to award any remedy or relief that a court of competent jurisdiction could order or grant, including the issuance of an injunction. The fees and expenses of such arbitration shall be borne by the non-prevailing party, as determined by such arbitration. This provision shall not be construed in any way as creating a cause of action.
- (b) Any failure on the part of any Clearing Member 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 and subjects such Clearing Member to disciplinary proceedings pursuant to Chapter 6, unless the parties mutually agree not to submit their dispute to arbitration.
- (c) The Clearinghouse may summarily suspend, pursuant to Chapter 6, a Clearing Member that fails to satisfy an arbitration award rendered in any arbitration pursuant to this Chapter 7.