# Bitnomial Exchange, LLC &
# Bitnomial Clearinghouse, LLC

## Rulebook Changes

# Rule 101: Definitions

The following terms as used in the Rules have the meanings set forth in this Chapter, unless otherwise specifically provided elsewhere in the Rules or required by the context.

- **Account Administrator**: means an officer or employee of a Participant, or a Participant that is a natural person, appointed pursuant to Rule 310.
- **Affiliate**: means a Person who directly or indirectly, controls, is controlled by, or is under common control with another Person.
- **Affiliate Participants and Clearing Members**: has a meaning set forth in Rule 1012.
- **API**: means Application Programming Interface, a programmatic software interface.
- **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 Rules.
- **Approved Financial Institution**: has the meaning set forth in Rule 803.2.7.
- **Audit Trail**: has the meaning set forth in Rule 510.
- **Authorized User**: means a natural person, authorized by the Exchange as ~~an Authorized User~~such in accordance with Rule 306, who is either employed by or is an agent of a Clearing Member or a Participant, or who is a Participant.
- **Bankruptcy Code**: means Title 11 of the U.S. Code.
- **Bankruptcy Event**: has the meaning set forth in Rule 818.
- **Block Trade**: means a privately negotiated transaction in a Contract that meets certain quantity thresholds and that is permitted to occur away from the Exchange and reported in accordance with Rule 505.
- **Board**: means the Board of Directors of the Exchange and the Clearinghouse, which serves as a single governing body for both entities.
- **Board of Appeals**: means a panel comprised of a chair and two individuals appointed by the Board to consider appeals under Chapter 6.
- **Board of Trade**: means a board of trade as defined in CEA Section 1a(6) that has been approved by the Clearinghouse for the submission of Contracts for clearing, including the Exchange.
- **Business Day**: means any day on which the Exchange and Clearinghouse are open for trading and clearing.
- **CEA**: means the Commodity Exchange Act, as amended from time to time.
- **CFTC**: means the U.S. Commodity Futures Trading Commission or any successor agency.
- **CFTC Rules**: means the rules, regulations and orders of the CFTC, as amended from time to time.
- **Chair**: means the Chair of the Board.
- **Chief Executive Officer**: means the individual appointed by the Board to serve as the chief executive officer.
- **Chief Regulatory Officer**: means the individual appointed by the Board to serve as the chief regulatory officer.
- **Clearinghouse**: means Bitnomial Clearinghouse, LLC, a Delaware limited liability company registered by the CFTC as a derivatives clearing organization that is designated by the Exchange to provide clearing services with respect to any or all of the Contracts.

- **Clearinghouse Official**: means any Officer or Employee of the Clearinghouse and any member of the Board, a committee established by the Board, a Hearing Panel or Board of Appeals.
- **Clearing Member**: means a Person meeting the requirements of, and approved for, clearing membership at the Clearinghouse pursuant to Rule 803 that is authorized pursuant to the Rules to clear Contracts.
- **Clearing Member Agreement**: means an agreement between the Clearinghouse and a Clearing Member which must be signed in order for a Clearing Member to have access to the Clearinghouse for clearing services with respect to any or all of the Contracts.
- **Close-Out Value**: has the meaning set forth in Rule 818.
- **Collateral**: means such property as may be delivered by a Clearing Member to the Clearinghouse as collateral for the obligations of such Clearing Member to the Clearinghouse (including but not limited to Initial Margin and Variation Margin), and all proceeds of the foregoing and all proceeds of any of the foregoing, held in or for the accounts of a Clearing Member in connection with the financial obligations of such Clearing Member, however created, arising or evidenced, whether direct or indirect, absolute or contingent, existing, due or to become due. A list of Collateral accepted by the Clearinghouse is available on the Website.
- **Compliance Department**: has the meaning set forth in Rule 602.
- **Contract**: means any contract, agreement, or transaction approved for trading on the Exchange or for clearing by the Clearinghouse and pursuant to the Rules.
- **Contract Specifications**: means the descriptions of the contractual items for each Contract as set forth in the document available on the Website.
- **CPT**: means Central Prevailing Time.
- **Customer**: means any Person for whom a Participant carries an account (other than such Participant or any of its affiliates) or from whom a Participant solicits or accepts an order.
- **Customer Account**: means an account established by a Clearing Member with the Clearinghouse in which the Clearing Member maintains trades, positions and Margin solely for Customers of the Clearing Member.
- **Daily Settlement Price**: means the price for each Contract supplied by the Board of Trade to the Clearinghouse at the end of each trading day. For Exchange Contracts, has the meaning set forth in Rule 509.

- **Direct Access Participant**: means a Person who has met the requirements for Participants set forth in Rule 303 and that accesses the Exchange systems directly or on behalf of a Customer.

- **Director**: means an individual serving on the Board.
- **Disciplinary Action**: has the meaning set forth in Rule 601.
- **Disciplinary Committee**: means a function of the Compliance Department to fulfill various adjudicative responsibilities and duties described in Rule 602.
- **ECM**: or Entity Clearing Member, means an entity approved as a Clearing Member pursuant to Rule 803.
- **Emergency**: means the occurrences or circumstances which, in the opinion of the Board, require immediate action to be taken in accordance with Rule 213.
- **Exchange**: means Bitnomial Exchange, LLC, a Delaware limited liability company designated by the CFTC as a designated contract market.
- **Exchange Official**: means any Officer or employee of the Exchange and any member of the Board, a committee established by the Board, a Hearing Panel or Board of Appeals.

- **Expiry**: means the Contract date of expiration.
- **FCM**: means a futures commission merchant as defined in the CEA and CFTC Rules and registered with the CFTC as such.
- **Fully Collateralized Swap**: means a swap contract cleared by the Clearinghouse that requires the Clearinghouse to hold, at all times, funds in the form of the required payment sufficient to cover the maximum possible loss that a party or counterparty could incur upon liquidation or expiration of the contract, as defined in 17 CFR § 39.2.
- **FDICIA**: has the meaning set forth in Rule 818.
- **Final Settlement Price**: means the price for each Contract supplied by the Board of Trade to the Clearinghouse as the Final Settlement Price for the Expiry. For Exchange Contracts, has the meaning set forth in Rule 509.
- **Governmental Authority**: means any domestic or foreign government (or political subdivision), governmental or regulatory authority, agency, court, commission or other governmental or regulatory entity (including any Self-Regulatory Organization).
- **Guaranty Fund**: means fund comprising the monies, securities and instruments capitalized by Clearinghouse, which fund shall be used as provided in Rule 815 to reimburse the Clearinghouse for losses sustained by the Clearinghouse as a result of the failure of any Clearing Member to discharge its financial obligations in accordance with the Rules.
- **House Account**: has the meaning set forth in CFTC Rule 39.2.
- **ICM**: or Individual Clearing Member, means a natural person approved as a Clearing Member pursuant to Rule 803.

- **Indirect Access Participant**: means a Person who has met the requirements for Participants set forth in Rule 303 and that is a customer of its Sponsoring Member and that accesses the Exchange solely through the systems of its Sponsoring Member, without a User ID of its own.

- **Initial Margin**: means the initial amount of Collateral that must be deposited with or paid to the Clearinghouse by Clearing Members in accordance with the Rules as a performance bond in respect of the Contracts held in any house account and customer accounts of such Clearing Members.
- **Investigation Team**: means a group within the Compliance Department, whose function is to fulfill the investigative and enforcement responsibilities described in Rule 602.
- **Last Trading Day**: means the last day a Contract may be traded as defined in Rule 502.
- **Liquidity Event**: has the meaning given to it in Rule 809.
- **LLC Agreement**: means the Limited Liability Company Agreement of the Exchange and Clearinghouse as amended or restated from time to time.
- **Margin**: means Initial Margin and Variation Margin or either of them.
- **NFA**: means the National Futures Association.
- **Official**: means an Exchange Official and a Clearinghouse Official.
- **Officer**: has the meaning given to it in Rule 203.
- **Order**: means any order to buy or sell a Contract on or subject to the Rules of the Exchange.
- **Participant**: means~~an entity that has signed the Participant Agreement for purposes of entering into Contracts for its own account or accesses the Exchange on behalf of~~ a ~~Customer.~~Direct Access Participant and an Indirect Access Participant. In addition, a Clearing Member who does not enter into Contracts for its own account shall be deemed to be a Participant hereunder solely for the purpose of accessing the Exchange in order to liquidate Contracts and any resulting positions previously submitted to the Clearinghouse for the account of such Clearing Member on behalf of a Participant that is in

default for failure to perform its obligations to the Exchange or such Clearing Member (to the extent applicable).

- **Participant Agreement**: means an agreement between the Exchange and a Direct Access Participant which ~~must be signed~~is required in order for a Direct Access Participant to have access to the Exchange for the execution of trades involving commodity derivative products and related financial instruments.
- **Person**: means an individual, sole proprietorship, partnership, limited liability company, association, firm, trust, corporation or other entity, as the context may require.
- **Position Transfer**: means a transaction in a Contract(s) that is executed by the Exchange or the Clearinghouse personnel for administrative purposes outlined in Rule 507.
- **Price Bands**: mean a price range for aggressive orders based on the last top-of-book price as defined in Rule 504.3.1.
- **Price Limits**: mean a price range at which new Orders will be accepted as defined in Rule 504.3.2.
- **Public Director**: means a Director having the qualifications set out in Rule 202.
- **Regulatory Services Agreement**: means the agreement(s) between the Exchange or the Clearinghouse and the Regulatory Service Provider(s) whereby certain functions mandated under the CEA, such as market monitoring and trade practice surveillance, are delegated to the Regulatory Services Provider(s).
- **Regulatory Services Provider**: means NFA and such other organizations, if any, that provide regulatory services to the Exchange or the Clearinghouse, together with any such organization's employees and agents.
- **Requirements**: means the Rules; other requirements implemented by the Exchange or the Clearinghouse pursuant to the Rules; each term of a Contract; and the documentation and other contractual obligations between a Participant (including its Authorized Users) and the Exchange or a Clearing Member and the Clearinghouse.
- **Respondent**: means a Participant or Clearing Member under investigation for alleged Rule violation(s) or against which charges have been filed.
- **Rule**: means any rule, interpretation, stated policy, or instrument corresponding to any of the foregoing, including these Rules, in each case as adopted from time to time by the Exchange or the Clearinghouse.
- **Self-Regulatory Organization**: has the meaning given to such term in CFTC Rule 1.3(ee) and includes a derivatives clearing organization that is registered as such with the CFTC.
- **Settlement Bank**: means a bank that maintains an account either for the Clearinghouse or for any of its Clearing Members, which is used for the purpose of any settlement activity described in 17 CFR § 39.14.
- **Settlement Facility**: means a facility authorized by the Exchange for the delivery or transfer of underlying assets for physically settled Contracts. For delivery of Digital Asset futures, the Settlement Facility is Bitnomial Settlement, LLC, or any successor organization authorized by the Exchange. Bitnomial Settlement, LLC is authorized by the Exchange and not licensed, approved, or registered with the CFTC. For delivery of Digital Asset spot, the Settlement Facility is Bitnomial Clearinghouse, LLC.
- **Settlement Price**: means the price for each Contract supplied by the Board of Trade to the Clearinghouse at the end of each trading day (Daily Settlement Price) or at the end of the Final Settlement Period on the expiration day of the Contract (Final Settlement Price).

- **Sponsoring Member**: has the meaning set forth in Rule 303.9.

- **Surveillance Team**: means the group within the Compliance Department that is responsible for real-time and post-trade surveillance of the Exchange's trading systems, as described in Rule 602.

- **Trade Risk Limit**: has the meaning set forth in Rule 504.
- **Trading Account**: means a trading account to be separately tracked and margined by a Participant's Clearing Member.
- **Trading Account ID**: means an Exchange assigned ID that represents a Trading Account for use by the Clearinghouse and its Clearing Members.
- **Market Hours**: means, for any Business Day, the hours specified on the trading calendar on the Website and the hours specified in Rule 501.
- **Transaction**: means a Contract executed on a Board of Trade.
- **Variation Margin**: means on the Business Day a Contract has been accepted for clearing by the Clearinghouse, the difference between the price at which such Contract was bought or sold and the Settlement Price for such Contract; obligations to pay, as applicable, any settlement variation payment and other Contract-related payments due including options premiums and upfront fees; and thereafter, the difference, as applicable, between: the Settlement Price on a given Business Day and the preceding Settlement Price for such Contract, or the price at which such Contract was closed on the books of the Clearinghouse and the preceding Settlement Price for such Contract.
- **Website**: means bitnomial.com/exchange.

## Rule 302: Participants

1. The Exchange has two classes of Participants: Direct Access Participants and Indirect Access Participants. Each Participant will have the right to access the ~~Exchange, including~~Exchange within the parameters of its class, directly or, in the case of an Indirect Access Participant, through the systems of its Sponsoring Member. A Direct Access Participant has the right to place Orders for each of its proprietary accounts. An Indirect Access Participant has the right, through its Sponsoring Member, to place Orders in Perpetual Futures for its own account. Each Participant is entitled to the Exchange's fee schedule and any incentive, rebate or fee program available to Participants of its class, in each case on terms that do not discriminate among Participants of the same class. The access rights of a Participant hereunder may not be transferred, assigned, sold or leased.

2. A Participant will not become a partner, shareholder or limited liability company member of the Exchange or the Clearinghouse and will not obtain any equity, ownership or other interest in the Exchange or Clearinghouse, including voting rights or rights to receive any dividends or other distributions, whether arising from a dissolution, merger or consolidation involving the Exchange, the Clearinghouse, or otherwise.

3. The Exchange formally recognizes each Participant as a member, with the privileges of membership on the Exchange as a contract market, with respect to transactions for its own account, other than for a commodity pool operated by a commodity pool operator that is an NFA Member. An Indirect Access Participant is recognized as a member for Perpetual Futures only, and in its capacity as an Indirect Access Participant may only enter into Contracts on Perpetual Futures. Recognition under this Rule 302.3 takes effect upon admission under Rule 303 and ends upon the earlier of termination of the Participant's status and, in the case of an Indirect Access Participant, the date on which no Sponsoring Member carries its account.

# Rule 303: Requirements for Participants

1. **Admission and Eligibility**. A Participant must be admitted to the Exchange. A Direct Access Participant must enter into a Participant Agreement with the Exchange ~~and deliver an executed~~for admission. An Indirect Access Participant ~~Agreement.~~is admitted through its Sponsoring Member in accordance with Rule 303.9. To be eligible for admission, ~~the~~a Participant must demonstrate to the Exchange directly, or in the case of an Indirect Access Participant, through its Sponsoring Member, that it:
    1. is of good reputation and business integrity;
    2. ~~complies~~complies, to the extent applicable to it, with the financial responsibility, recordkeeping and reporting requirements set out in Rule 304;
    3. if an entity, is validly organized, in good standing, and authorized by its governing body and, if relevant, documents of organization, to trade Contracts;
    4. is not insolvent;
    5. is not prohibited from using the services of the Exchange for any reason whatsoever;
    6. holds all registrations required under Applicable Law, if any, including any FCM, Supervisory Person and/or Associated Person registration, as applicable;
    7. is not subject to statutory disqualification under Section 8a(2) of the CEA;
    8. satisfies any other criteria that the Exchange may require from a Participant.
2. **Application Information; U.S. Agent**. As part of the application procedure, the Exchange may request such information and documentation as it may reasonably require in order to determine whether the Exchange's eligibility requirements have been satisfied. Any Participant organized or located outside of the United ~~States~~States, other than an Indirect Access Participant whose account is carried by a Sponsoring Member that is registered with the CFTC as a futures commission merchant, shall enter into a written agreement acceptable to the Exchange appointing a third party as its U.S. agent for service of process for purposes of CFTC Rule 15.05, and shall provide the Exchange with a copy of the agreement. Each Sponsoring Member shall ensure that any notice or designation required by CFTC Rule 15.05 with respect to an Indirect Access Participant organized or located outside the United States is given.
3. **Denial, Conditioning and Termination**. The Exchange may deny, condition, suspend, or terminate Participant status of any ~~entity~~Person that:
    1. is unable to satisfactorily demonstrate its ability to satisfy the eligibility criteria to become or remain compliant as a Participant;
    2. is unable to satisfactorily demonstrate its capacity to adhere to all applicable Rules;
    3. would bring the Exchange into disrepute as determined by the Exchange in its sole discretion; or
    4. shows such other cause as the Exchange may reasonably determine.
4. **Notice of Denial**. If the Exchange decides to deny or condition an applicant's ~~application,~~application or to suspend or terminate a Participant's status under Rule 303.3, the Exchange shall promptly notify the applicant or Participant in writing ~~to~~using the ~~address~~contact information provided by the applicant ~~on~~at registration or, in the ~~Exchange application form.~~case of an Indirect Access Participant, provided by its Sponsoring Member, which shall forward the notice to the Indirect Access Participant without delay.
5. **Clearing Arrangements**. If the Participant is not itself a Clearing Member, the Participant must also be party to an agreement with a Clearing ~~Member in accordance with Rule 802.~~Member, directly or through its FCM.

6. **Subject to the Rules**. A person approved as a Participant shall be subject to~~all of~~ the Rules of the ~~Exchange.~~Exchange in accordance with their terms.

7. **Information and Cooperation**. Each applicant and each Participant agrees (i) promptly to provide, or procure the provision of, such information and documents as the Exchange may reasonably request, and (ii) that the Exchange, without being prevented by any duty of confidentiality by any holder of information, may obtain such information and documents from any Clearing Member or from the Clearinghouse.

8. **Independent Software Vendors**. The Exchange shall grant access to independent software vendors that meet the requirements for Participants set out in this Rule 303.

9. **Admission of Indirect Access Participants**. An Indirect Access Participant may be admitted to the Exchange through a representation to the Exchange, which may be made electronically, by an FCM or Clearing Member that itself is a Direct Access Participant and that carries the account of the prospective Indirect Access Participant (the "Sponsoring Member"), certifying that, with respect to the identified prospective Indirect Access Participant:

1. the Sponsoring Member has verified the Indirect Access Participant's identity and has provided the Exchange with the Indirect Access Participant's name, mailing address, e-mail address and telephone number for the delivery of notices;

2. the Indirect Access Participant has represented to the Sponsoring Member pursuant to a contract by and between the Indirect Access Participant and the Sponsoring Member, identified by form and date, or other means acceptable to the Exchange in its sole discretion, that the Indirect Access Participant agrees to be bound by all Rules, as may be amended or restated from time to time, including all provisions applicable to Indirect Access Participants, that all Contracts which it may enter into in its capacity as an Indirect Access Participant on the Exchange are subject to the Rules, and that it consents to the jurisdiction of the Exchange, including its authority to investigate potential Rule violations, require the production of information and records, conduct disciplinary proceedings, and impose sanctions in accordance with the Rules;

3. the Indirect Access Participant has authorized the Sponsoring Member to disclose information about the Indirect Access Participant to the Exchange and consents to the Exchange and the Clearinghouse sharing that information with registered entities as provided in Rule 211.2; and

4. the Sponsoring Member has applied its customer acceptance procedures to the Indirect Access Participant and, on the basis of those procedures and any other information known to it, the Indirect Access Participant satisfies each of the eligibility criteria set forth in Rule 303.1, trades solely for its own account, and is not a commodity pool operated by a commodity pool operator that is an NFA Member.

10. **Sponsoring Member Duties**. For each Indirect Access Participant that it has certified under Rule 303.9, the Sponsoring Member:

1. accepts the responsibility described in Rule 1009.4;

2. agrees to maintain the records described in Rule 305.3 on the Indirect Access Participant's behalf;

3. agrees to retain records evidencing the matters certified under Rule 303.9, including the form and version of the agreement and the date, time and manner of the Indirect Access Participant's acceptance, for at least five (5) years and to make such records available to the Exchange upon request; and

4. agrees to notify the Exchange promptly if it ceases to be a Direct Access Participant or ceases to carry the account of the Indirect Access Participant, or becomes aware that the Indirect Access Participant no longer satisfies Rule 303.1, and to forward to the Indirect Access Participant, without delay, any notice that the Exchange delivers to the Sponsoring Member for the Indirect Access Participant.

11. **Termination and Review**. The Participant status of an Indirect Access Participant terminates upon the earlier of its termination under Rule 303.3 and the date on which no Sponsoring Member carries its account, unless another Sponsoring Member has certified the Indirect Access Participant under Rule 303.9 on or before that date. The Exchange may at any time request, and the Sponsoring Member shall promptly

provide, the records described in Rule 303.10.3 for any Indirect Access Participant, and the Exchange shall periodically review a sample of admissions under this Rule 303 for compliance with the Rules.

# Rule 305: Duties and Responsibilities of Participants

1. Each Participant shall, and shall cause its Authorized Users to:
    1. access the Exchange in a responsible manner and not for any improper purpose;
    2. access the Exchange only to conduct business that is subject to the Rules and the Requirements and in a manner consistent with the Rules and the Requirements;
    3. comply with the Rules and the Exchange Requirements and act in a manner consistent with the Rules and the Requirements;
    4. comply with the rules of the Clearinghouse that accepts for clearing a Contract traded by the Participant on the Exchange, to the extent applicable to such Participant and such ~~Contract;~~Contract, and assist its Clearing Member, if any, and the Clearinghouse in the clearing of its Contracts;
    5. observe high standards of integrity, market conduct, commercial honor, fair dealing, and just and equitable principles of trade while conducting or seeking to conduct any business connected with or concerning the Exchange;
    6. not knowingly mislead or conceal any material fact or matter in any dealings or filings with the Exchange or in connection with a Disciplinary Action;
    7. cooperate promptly and fully with the Exchange in any investigation, inquiry, audit, examination or proceeding regarding compliance with the Rules or any Disciplinary Action or arbitration;
    8. comply with any order issued by the Exchange;
    9. in the case of a Direct Access Participant, employ practices to monitor and enforce compliance with risk limits;
    10. keep all User IDs, account numbers and passwords related to the Exchange confidential;
    11. in the case of a Direct Access Participant, keep, or cause to be kept, complete and accurate books and records, including, without limitation, all books and records required to be maintained pursuant to the Applicable Law, for at least five (5) years, and make such books and records available for inspection by a representative of the Exchange, the CFTC or the U.S. Department of Justice; and
    12. in the case of a Direct Access Participant, operate electronic trading systems and conduct activity on the Exchange in a manner that is reasonably intended to prevent, detect, and mitigate market disruptions or system anomalies associated with electronic trading.
2. In addition to the requirements of Rule 305.1, each Direct Access Participant shall employ practices to monitor and enforce compliance with its internal risk ~~limits~~limits, and each Participant shall be responsible for all Orders and Transactions effected on the Exchange by or for the account of such Participant, its Authorized Users or by any Person using its or their User IDs.

3. An Indirect Access Participant satisfies Rule 305.1.11 if its Sponsoring Member keeps on the Participant's behalf, for at least five (5) years, complete and accurate books and records of the Participant's account as required by Applicable Law and makes them available for inspection by a representative of the Exchange, the CFTC or the U.S. Department of Justice.

# Rule 306: Authorized Users

1. ~~All Participants~~Each Direct Access Participant must have at least one Authorized User. A Participant that is a natural person may be its own Authorized User.
2. A Direct Access Participant ~~who~~that is not a natural Person must designate one of its employees as an Authorized User.
3. By agreeing to become an Authorized User, an individual agrees to be bound by the duties and responsibilities of an Authorized User set out in Rule 307 and to be subject to, and comply with Applicable Law and the Rules.
4. To designate an Authorized User, a Participant must follow the procedures established by the Exchange. The Exchange may establish criteria that individuals must fulfill to become an Authorized User. Without limiting the generality of the foregoing, each Participant will ensure on an ongoing basis that (i) none of its Authorized Users is subject to a disqualification pursuant to any Applicable Law (unless an appropriate exemption has been obtained with respect thereto) and (ii) each of its Authorized Users is technically proficient and conducts its business in a fair and equitable manner.
5. The Exchange will promptly notify a Participant in writing of the approval of designated Authorized User(s) or if the Exchange declines to approve the nomination of an Authorized User.
6. The Exchange will maintain a list of all designated Authorized Users for each Participant.
7. The Exchange may, in its sole discretion and/or pursuant to CEA Section 8a(2), revoke or suspend the designation of an individual as an Authorized User and shall promptly notify the Participant and its Clearing Member of such action.
8. To request the termination of the designation of an individual as an Authorized User, the Participant must follow the procedures established by the Exchange. The Exchange may, in its sole discretion, refuse to accept a request to terminate the registration of an Authorized User or may postpone the effective date of the termination of registration if the Exchange considers it necessary for the protection of the Participant or in the Exchange's best interest. Based on the information provided to, and other information gathered by, the Exchange regarding the request to terminate the registration of an Authorized User, the Exchange will determine whether to:
    1. accept the request to terminate such registration;
    2. postpone the effective date of termination of the registration; and/or
    3. impose any terms or conditions before or after the effective date of termination of the registration.

# Rule 309: Required Notices

1. Each Participant shall immediately notify the Exchange upon becoming aware of any of the following ~~events:~~events, and each Sponsoring Member will immediately notify the Exchange upon being aware of any of the following events applicable to its Indirect Access Participants:
    1. any material changes to the information provided to the Exchange by the Participant;
    2. in the case of a Direct Access Participant, any damage to, or failure or material inadequacy of, the systems, facilities or equipment of the Participant used to effect Transactions on the Exchange;
    3. any refusal of admission to, or withdrawal by the Participant of any application for membership in, any Self-Regulatory Organization;
    4. any denial or withdrawal of an application for registration or license by or from any Governmental Authority, and any revocation, suspension or conditioning of a registration or license granted by any Governmental Authority;
    5. the commencement of any judicial or administrative proceeding against the Participant by a Governmental Authority or the imposition of any fine, cease and desist order, denial of trading privileges, censure or other sanction or remedy (whether through an adverse determination, voluntary settlement or otherwise) imposed by any Governmental ~~Authority;~~Authority (and, in the case of an Indirect Access Participant, only if relating to the purchase or sale of any commodity, security, futures contract, option or other financial instrument);
    6. the indictment or conviction of, or any confession of guilt or plea of guilty or nolo contendere by, the Participant or any of its officers for any felony or misdemeanor involving, arising from, or related to, the purchase or sale of any commodity, security, futures contract, option or other financial instrument, or involving or arising from fraud or moral turpitude; and
    7. the insolvency of the Participant or any of its Affiliates.
2. Each Participant that is not a natural person shall notify the Exchange at least ten business days prior to any merger, sale or transfer of substantially all of its assets, acquisition, consolidation, combination, sale or other material change of ownership.
3. Nothing in this Rule 309 is intended to substitute for or limit any other reporting obligations that a Participant may have to the Exchange or any regulatory agency or Self-Regulatory Organization.

# Rule 310: Account Administrators

1. Each Direct Access Participant shall appoint at least one Account Administrator, who shall (1) be responsible for monitoring the Participant's participation on the Exchange, the compliance of the Participant with the Rules and communication with the Exchange, and (2) be entitled to access the Exchange for risk management, audit and other back-office purposes as specified by the Exchange from time to time. A Participant that is a natural person may be its own Account Administrator.
2. A Participant shall promptly notify the Exchange of a change in the identity of any of its Account Administrators.

## Rule 313: Inspections by the Exchange

1. The Exchange and the Regulatory Services Provider, if any, shall have the right, in connection with determining whether the Rules are being, will be, or have been complied with by the Participant, to:
    1. inspect systems, equipment and software operated by the Participant in connection with business that is or may be subject to the Rules, wherever located;
    2. access the systems, equipment, software, and the premises on which the systems, equipment, and software are located, any data stored in any of the systems or equipment, during the regular business hours of the Exchange, without prior notice to the Participant; and/or
    3. copy and/or reproduce any data to which the Exchange has access under this rule.
2. Each Participant shall provide the Regulatory Services Provider with the same access as it would be required to provide to the Exchange.
3. The Exchange may require a Participant to furnish such information concerning the Participant's business that is subject to the Rules of the Exchange as the Exchange deems necessary to enable the Exchange to perform its obligations under Applicable Law, including information relating to (i) Contracts executed on the Exchange and in related derivatives markets, including in the products underlying those Contracts, and (ii) information requested by a Governmental Authority relating to the Exchange's business as a designated contract market and/or the Exchange's compliance with Applicable Law that the Exchange believes is maintained by, or otherwise in the possession of, a Participant.

4. Rules 313.1 and 313.2 apply only to a Direct Access Participant. Each Sponsoring Member shall furnish information requested by the Exchange under Rule 313.3 concerning the Orders and Contracts of its Indirect Access Participants.

# Rule 401: Business Conduct

1. **Regulatory Compliance**. No Participant or any of its Authorized Users and no Clearing Member shall engage in conduct that is a violation of the CEA or CFTC Rules, the Rules of the Exchange or the Rules of the Clearinghouse and will conduct its business in accordance with all applicable laws, regulations, tariffs and rules, and in good faith, with a commitment to honest dealing.

2. **Fraud**. No Participant or any of its Authorized Users and no Clearing Member shall engage or attempt to engage in any fraudulent act or engage or attempt to engage in any scheme to defraud, deceive, trick or mislead in connection with or related to any Exchange or Clearinghouse activity.

3. **Good Faith.** No Participant or any of its Authorized Users shall knowingly enter, or cause to be entered, bids or offers into the system other than in good faith for the purpose of executing bona fide transactions.

4. **Transaction Integrity**. Participants and their Authorized Users shall honor the terms and conditions of their registration with the ~~Participant Agreement~~Exchange and will transact in Contracts only for legitimate~~business~~ purposes, such as managing ~~business risk~~risk, speculation or investment, or that otherwise have economic substance.

5. **Antitrust**. No Participant or any of its Authorized Users and no Clearing Member shall collude with other market participants to affect the price or supply of any commodity or Contracts, or otherwise unlawfully restrain competition.

6. **Risk Management**. Participants and Clearing Members ~~shall~~shall, to the extent appropriate to the size and scope of their activities, adopt, adhere to and enforce risk management and other policies and structures that are designed to ensure that trading activities are conducted in accordance with the Rules.

# Rule 402: General Trading Practices

1. **Skills**. Each Participant and Authorized User is responsible for ~~understanding~~understanding, to the extent appropriate to the size and scope of its activities, all factors that influence the markets in Contracts in order to maintain a high level of competence in its trading.

2. **Rules**. The Exchange will provide updates and amendments to these Rules and notices or advisories regarding the application and interpretation of these Rules. It is the obligation of each Participant and its Authorized User to ensure these documents are read and understood. It shall be prohibited for a Participant and its Authorized Users to violate any Rule or any agreement made with the Exchange, or to engage in fraud, dishonorable or dishonest conduct, or conduct which is inconsistent with just and equitable principles of trade, even where a Rule does not specifically reference "Participant" or "Authorized User."

3. **Price Manipulation, Fictitious, Non-Competitive or Artificial Transactions**. No Participant or Authorized User shall (1) effect or induce (or attempt to effect or induce) the purchase or sale of any Contract for the purpose of creating or inducing a false, misleading, or artificial appearance of activity in such Contract, or for the purpose of unduly or improperly influencing the market price of such Contract or for the purpose of making a price which does not reflect the true state of the market in such Contract, (2) effect or induce (or attempt to effect or induce) any conduct proscribed by CEA section 9(a)(2) in any Contract. No Participant or Authorized User shall arrange and execute simultaneous offsetting buy and sell Orders in a Contract with the intent to artificially affect reported revenues, trading volumes or prices.

4. **Market Manipulation**. No Participant or Authorized User shall (1) attempt to manipulate or manipulate the market in any Contract or (2) engage in any conduct proscribed by CEA section 9(a)(2). No Participant or Authorized User shall directly or indirectly participate in or have any interest in the profit of a manipulative operation or knowingly manage or finance a manipulative operation. This includes any pool, syndicate, or joint account, whether in corporate form or otherwise, organized or used intentionally for the purposes of unfairly influencing the market price of any Contract.

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

6. **Disruptive Trading Practices**.

    1. No Participant or Authorized User shall knowingly enter, or cause to be entered, bids, or offers into the Exchange other than in good faith for the purpose of executing bona fide transactions.

    2. No Participant or Authorized User shall enter an Order or market message, or cause an Order or market message to be entered, with:

        1. The intent to cancel the Order before execution, or modify the Order to avoid execution;

        2. The intent to mislead other market participants;

        3. The intent to overload, delay, or disrupt the systems of the Exchange or other market participants;

        4. The intent to disrupt the orderly conduct of trading, or the fair execution of transactions; and/or

        5. Reckless disregard for the adverse impact of the Order or market message.

    3. No Participant or Authorized User shall knowingly enter any bid or offer for the purpose of making a market price which does not reflect the true state of the market, or knowingly enter, or

cause to be entered bids or offers other than in good faith for the purpose of executing bona fide transactions.

7. **Prohibition on the Use or Attempted use of Manipulative and Deceptive Devices**. No Participant, Authorized User or Clearing Member shall:
    1. use or employ, or attempt to use or employ, any manipulative device, scheme, or artifice to defraud;
    2. make, or attempt to make, any untrue or misleading statement of a material fact or to omit to state a material fact necessary in order to make the statements made not untrue or misleading;
    3. engage, or attempt to engage, in any act, practice, or course of business, which operates or would operate as a fraud or deceit upon any Person; or
    4. deliver or cause to be delivered, or attempt to deliver or cause to be delivered a false or misleading or inaccurate report concerning market information or conditions that affect or tend to affect the price of any commodity in interstate commerce, knowing, or acting in reckless disregard of the fact that such report is false, misleading or inaccurate. Notwithstanding the foregoing, no violation of this subsection shall exist where the Person mistakenly transmits, in good faith, false or misleading or inaccurate information to a price reporting service.
8. **Gratuities**. Except with the prior written approval of the Chief Regulatory Officer, no Participant, Authorized User or Clearing Member shall, directly or indirectly, give or permit to be given anything of value, including gifts and gratuities, to an Official in an amount that exceeds the maximum value permitted by the Exchange and the Clearinghouse gifts and entertainment policy.
9. **Rumors**. No Participant, Authorized User or Clearing Member shall knowingly circulate, in any manner, rumors of a character which might affect market conditions in any Contract; provided, however, that this shall not prohibit discussion of unsubstantiated information, so long as its source and unverified nature are disclosed.
10. **False Reports**. No Participant, Authorized User or Clearing Member shall make any knowing misstatement of a material fact to the Exchange, the Clearinghouse, any Official, or any Board committee or panel.
11. **Wash Sales**. No Participant or Authorized User shall place or accept buy and sell Orders in the same Contract and expiration month, where known or reasonably should know that the purpose of the Orders is to avoid taking a bona fide market position exposed to market risk (transactions commonly known or referred to as wash sales). Buy and sell Orders by Participants or Authorized Users that are entered with the intent to negate market risk or price competition shall be deemed to violate the prohibition on wash trades. Additionally, no Participant or Authorized User shall knowingly execute or accommodate the execution of such Orders by direct or indirect means.
12. **Financial Condition**. No trading will be conducted for the purpose of misrepresenting the financial condition of a Participant or Authorized User.
13. **Acts Detrimental to the Exchange or the Clearinghouse**. No Participant, Authorized User or Clearing Member shall engage in any act that is detrimental to the Exchange or the Clearinghouse.
14. **Misuse of the Exchange or the Clearinghouse**. No Participant, Authorized User or Clearing Member shall permit the unauthorized use of the Exchange or the Clearinghouse, to assist any Person in obtaining unauthorized access to the Exchange or the Clearinghouse, to trade on the Exchange without an agreement and an established account with a Clearing Member, to alter the equipment associated with the Exchange or the Clearinghouse (except with the Exchange or the Clearinghouse written consent), to interfere with the operation of the Exchange or the Clearinghouse, to intercept or interfere with information provided thereby, or in any way to use the Exchange or the Clearinghouse in a manner contrary to the Rules.
15. **Supervision**. A Participant ~~shall~~shall, to the extent appropriate to the size and scope of its activities, establish, maintain and administer reasonable supervisory procedures to monitor the compliance of

Authorized Users and supervised persons with the Rules and any applicable provisions of the CEA and CFTC Rules and such Participant may be held accountable for the actions of such Authorized Users or supervised persons.

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

## Rule 411: Compliance

Each ~~Participant~~Direct Access Participant, and each Sponsoring Member, will have a compliance program commensurate with the size and scope of its trading activities on the Exchange and designed to ensure appropriate, timely and ongoing review of trading practices and compliance with the Rules.

~~Participants~~Direct Access Participants, Sponsoring Members, and Clearing Members will act in accordance with these ~~practices~~practices, to the extent appropriate to the size and scope of their activities, for compliance and monitoring with regard to its Exchange and Clearinghouse activity:

1. Provide for proper training of personnel on the provisions of the Rules.
2. Maintain internal policies and procedures to promote compliance with the Rules.
3. Promptly disclose to the Exchange the details of any violations of the Rules involving Participant's activities on the Exchange or provision of market information to the Exchange or any of its Affiliates.
4. Provide an environment that encourages employees within the Participant's or Clearing Member's organization to engage in safe and confidential discussions and to disclose to senior management any trading practices that might violate the Rules.
5. Require any consultant, contractor and/or subcontractor to disclose all financial affiliations and conflict of interests with Participants, Clearing Members, the Exchange, the Clearinghouse and its affiliates. Ensure that consultants, contractors or subcontractors do not cause any disclosure of information in violation of any Rule and that confidentiality agreements are in effect where appropriate.
6. Establish clear lines of accountability for the Participant's or Clearing Member's trading practices, including provisions relating to the responsibilities of corporate officers, with appropriate oversight by the Participant's or Clearing Member's board of directors or other senior corporate management committee.

## Rule 503: User IDs

1. Each Participant must request one or more Trading Account ID as needed to accommodate the nature and volume of the Participant's ~~business.~~business, or, in the case of an Indirect Access Participant, its Sponsoring Member must do so on its behalf.
2. Each ~~Participant~~Direct Access Participant, and its Authorized ~~Users~~Users, must have a unique, Exchange-assigned, registered User ID.
3. Each Order entered will track to a User ID that identifies the Authorized User that entered the Order.
4. No Person may use a User ID to place any Order except as permitted by these Rules, nor may any Person knowingly permit or assist the unauthorized use of a User ID. Each Participant and Authorized User shall ensure that no User ID is used by any Person not authorized by these Rules. Each Participant that is not an individual must have in place policies and procedures acceptable to the Exchange to ensure the proper use and protection of User IDs.
5. Each Participant shall ensure the accuracy of the registration information of its Authorized Users at all times.
6. Each Participant shall be solely responsible for controlling and monitoring the use of all User IDs issued to it and its Authorized Users of the Exchange.
7. Each Participant shall notify the Exchange promptly upon becoming aware of:
    1. any unauthorized disclosure or use of any User ID assigned to it or any of its Authorized Users and of any other reason for deactivating a User ID; and
    2. any unauthorized access to the Exchange by any Authorized User or by any Person using a User ID assigned to such Participant or Authorized User.
8. Each Participant and its Authorized Users shall be bound by any actions taken through the use of a User ID assigned to such Participant or Authorized User (other than any such actions resulting from the fault or negligence of the Exchange), including the submission of Orders and/or execution of Transactions, whether or not such actions were taken or authorized by such Participant or Authorized User, as the case may be.
9. Each Participant must be able to identify all Orders submitted under an Authorized User's respective User ID at all times.

# Rule 510: Recordkeeping; Audit Trail

1. Each Clearing Member and Direct Access Participant~~that accesses the Exchange electronically~~ is responsible for maintaining or causing to be maintained a front-end audit trail for all electronic Orders, which shall include Order entry, modification, and cancellation (the "**Audit Trail**") entered into the Exchange System by the Participant for which the Clearing Member is identified in the order or quote submission as the Clearing Member for the execution of the order or quote, including all related modifications and cancellations. For Orders entered on behalf of an Indirect Access Participant, the Audit Trail shall identify the Indirect Access Participant by Trading Account ID, and the Sponsoring Member shall be responsible for maintaining it.

2. Such Audit Trail shall include Orders submitted and the times of Order entry and of any Order modification or cancellation. Times that are so captured must not be capable of being modified by the Person entering the Order and must reflect all necessary data fields specified by the Exchange from time to time. For executed Orders, the Audit Trail must record the execution time of the trade along with all award information.

3. Each Clearing Member and Participant shall maintain such Audit Trail information for a minimum of five (5) years and must have the ability to produce Audit Trail data in a standard format upon request of the Exchange. Notwithstanding anything to the contrary herein, each Participant is required to comply with the provisions of Commission Regulation §1.35 as applicable to that Participant.

# Rule 603: Disciplinary Matters

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

   Upon request by a member of the Investigation Team, a Participant, Authorized User, Clearing Member, and Customer:

   1. is obligated to appear and testify and respond in writing to interrogatories within the specified time period in connection with:
      1. the Rules;
      2. any inquiry or investigation; or
      3. any preparation by and presentation during a Disciplinary Action;
   2. is obligated to produce books, records, papers, documents or other tangible evidence in its or their possession, custody or control within the specified time period in connection with:
      1. the Rules;
      2. any inquiry or investigation; or
      3. any preparation by and presentation during a Disciplinary Action;
   3. may not impede or delay any Disciplinary Action.

2. **Reports of Investigations**. The Investigation Team will submit a written report of each investigation to the Disciplinary Committee and maintain a log of all investigations and their disposition. The written report of the investigation (the "**Investigation Report**") will include the reasons for initiating the investigation, all relevant facts and evidence gathered, analysis and conclusions, the Participant's or Clearing Member's disciplinary history at the Exchange or Clearinghouse, and will consist of one of the following recommendations:
   1. closing the investigation without further action;
   2. settlement;
   3. summary action;
   4. the preparation and service of a notice of charges for instituting a disciplinary proceeding; or
   5. resolving the investigation through an informal disposition, including the issuance of a warning letter. An informal disposition (including the issuance of a warning letter) will not constitute a finding of a violation or a sanction, however, the investigative report must include a copy of any warning letter and no more than one warning letter for the same potential violation may be issued to the same Participant or Clearing Member during a rolling 12-month period.

3. **Review of Reports of Investigations**. The Disciplinary Committee will determine whether a reasonable basis exists to believe that a violation within the Exchange or Clearinghouse's jurisdiction has occurred or is about to occur. The Disciplinary Committee will determine for each Respondent whether to authorize:

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

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

5. **Service of Notice of Charges**. Once the Disciplinary Committee authorizes disciplinary proceedings, the Compliance Department will prepare and serve a notice of charges that will provide as follows:
    1. state the acts, practices or conduct that the Respondent is alleged to have engaged in;
    2. state the Exchange or Clearinghouse Rule or provision of applicable law alleged to have been violated or about to be violated;
    3. state the proposed sanctions;
    4. advise the Respondent of its right to a hearing;
    5. advise the Respondent that they have the right to be represented by legal counsel or any other representative of its choosing in all succeeding stages of the disciplinary process;
    6. state the period of time within which the Respondent can request a hearing on the notice of charges, which will not be less than fourteen (14) days after service of the notice of charges;
    7. advise the Respondent that any failure to request a hearing within the period stated, except for good cause, will be deemed to constitute a waiver of the right to a hearing; and
    8. advise the Respondent that any allegation in the notice of charges that is not expressly denied will be deemed to be admitted.

    The service of notice upon the Respondent shall be deemed complete via email to the contact as it appears on the books and records of the Exchange or Clearinghouse or in the~~Participant Agreement or~~ Clearing Member Agreement.

6. **Answer to Service of Notice of Charges**. If the Respondent decides to answer a notice of charges, the Respondent must file answers within fourteen (14) days after being served with such notice, or within such other time period as stated in such notice of charges. The Respondent must answer the notice of charges in writing as follows:
    1. specify the allegations that the Respondent denies or admits;
    2. specify the allegations that the Respondent does not have sufficient information to either deny or admit;
    3. specify any specific facts that contradict the notice of charges;
    4. specify any affirmative defenses to the notice of charges; and
    5. sign and serve the answer on the Chief Regulatory Officer.

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

7. **Settlement Offers**. At any time after a notice of charges has been issued, a Respondent may at any time submit to the Compliance Department a written offer of settlement related to anticipated or instituted disciplinary proceedings. The Disciplinary Committee may, in its discretion, permit the Respondent to settle disciplinary proceedings without admitting or denying the rule violations if the Respondent consents to the entry of findings and sanctions imposed. If an offer of settlement is accepted, the Disciplinary Committee shall issue a written decision specifying the rule violations it has reason to believe were committed and any penalties imposed. All offers of settlement that have been accepted by the Disciplinary Committee may not be appealed.

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

8. **Hearing Panel**.

   1. Participants and Clearing Members may request a formal hearing on charges denied in the Respondent's answer to the notice of charges per Rule 603.6. The Hearing Panel, appointed by the Board at the recommendation of the Chief Regulatory Officer, shall be comprised of not less than three individuals from among Participants and Clearing Members (consisting of one Public Director, one representative of the brokerage community and one representative of the trading community), and/or other individuals with knowledge and experience in the financial markets, who are not involved in the conduct giving rise to the alleged Rule violations. The individuals on the Hearing Panel will serve until the related proceedings are completed. The chair of the Hearing Panel will be an individual qualified to be a Public Director.

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

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

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

      1. The Compliance Department shall prosecute the case.

      2. Formal rules of evidence do not apply.

      3. The Respondent shall be entitled to appear personally at the hearing and have the choice of being represented by legal counsel or another representative. The Respondent's representation is limited to two individuals.

      4. The Respondent has the power to cross-examine witnesses and present documentary evidence.

      5. The burden of proof is on the Compliance Department.

      6. A majority vote of the Hearing Panel is needed to find a violation of the Rules.

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

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

    1. present evidence and facts determined relevant and admissible by the chair of the Hearing Panel;

    2. call and examine witnesses; and

    3. cross-examine witnesses called by other parties.

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

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

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

    1. issue a warning letter;

    2. issue a cease and desist order;

    3. suspend the Participant's or Clearing Member's rights to engage in Transactions on the Exchange;

    4. expel the Participant or Clearing Member from the Exchange or Clearinghouse; and/or

    5. impose any other sanction deemed appropriate under the circumstances.

All decisions will be subject to CFTC Rules 38.708(a)-(f).

10. The Respondent may appeal the Hearing Panel decision within fourteen (14) days of receiving the order by filing a written notice of appeal pursuant to Rule 604. The order of the Hearing Panel's decision will become final upon expiration of fourteen (14) days after the order is served on the Respondent.

9. **Settlement**. At any time prior to the issuance of the written decision of the Hearing Panel, the Respondent may submit an offer of settlement to the Compliance Department for review. The Disciplinary Committee will determine whether to accept or reject the offer and forward the basis for its recommendation to the Hearing Panel for final determination. If the Hearing Panel agrees, the Chief Regulatory Officer will conditionally accept the settlement offer, which will become final upon the expiration of fourteen (14) days after the order of the Hearing Panel consistent with the terms of the settlement offer is served on the Respondent. The offer of settlement must detail the rule violations, including the basis for the Hearing Panel's conclusions and any sanction to be imposed, which must include full customer restitution where customer harm is demonstrated. If applicable, the decision must also include a statement that the Respondent has accepted the sanctions imposed without either admitting or denying the rule violations. The acceptance of a settlement offer and the related final order by the Hearing Panel constitutes a waiver of the Respondent's right to notice, opportunity for a hearing and review, and appeal under Exchange or Clearinghouse Rules. If the settlement offer is not accepted, fails to become final, or is withdrawn by the Respondent, the matter will proceed as if the offer had not been made and the offer and all documents related to it will not become part of the record.

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

    1. censure;
    2. limitation or restriction on trading privileges, access to the Exchange or Clearinghouse and other activities, functions or operations;
    3. suspension of trading privileges and access the Exchange or Clearinghouse;
    4. fine;
    5. restitution;
    6. disgorgement;
    7. termination of trading privileges and access the Exchange or Clearinghouse; or
    8. any other sanction or remedy deemed to be appropriate.

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

# Rule 701: In General

1. Participants, Clearing Members, and Customers shall arbitrate through NFA in accordance with NFA's Code of Arbitration and NFA's member arbitration rules. All disputes, controversies or claims between or among themselves that relate to or arise out of any Contract or otherwise arise out of one or more Transactions made or to be made on the Exchange or subject to the Rules and that are based upon facts and circumstances that occurred at a time when the parties were Participants, Clearing Members, or Customers.

2. To initiate arbitration, a Person shall notify the NFA, either in writing or orally. The NFA shall maintain a record of the receipt of such notice and shall promptly provide such Person with a copy of the member arbitration rules and an Arbitration Claim form. The intent to arbitrate must be received by NFA within two years from the date when the party filing the Arbitration Claim form knew or should have known of the act or transaction that is the subject of the controversy.

3. The party filing a claim shall pay a hearing fee based on the amount claimed in accordance with NFA's member arbitration rules. The arbitrator(s), in their discretion, may assess the entire fee against any party or divide the fee among any or all parties. Hearing fees shall be paid to NFA in advance of the hearing sessions to which they apply.

4. The arbitration will be conducted in Chicago, Illinois, by an arbitrator operating in accordance with the provisions of NFA's member arbitration rules in effect at the time of filing of the claim for arbitration. The arbitrator shall have the authority to award any remedy or relief that a court of competent jurisdiction could order or grant, including the issuance of an injunction.

5. Except as necessary in court proceedings to enforce this arbitration provision or an award rendered hereunder, or to obtain interim relief, neither a Party nor an arbitrator may disclose the existence, content or results of any arbitration hereunder without the prior written consent of the Parties. For the purposes of this section, the NFA is not considered a Party.

6. Controversies or claims solely related to the Clearinghouse between Clearing Members and the Clearinghouse arising out of or relating to the Rules, or the breach thereof, shall be settled by arbitration administered by the American Arbitration Association in accordance with its Commercial Arbitration Rules and judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. The place of arbitration shall be Chicago, Illinois. Claims against the Clearinghouse must be pursued pursuant to the rules of the Clearinghouse. In the event of a conflict between the American Arbitration Association Commercial Arbitration Rules, the terms of the Rulebook shall control.

7. **Customers of Commission Registrants**. Nothing in this Chapter 7 requires an Indirect Access Participant to agree, before a claim or grievance arises, to arbitrate a dispute with its Sponsoring Member or any other Person registered with the CFTC, except as permitted by CFTC Rule 166.5. Any agreement to arbitrate such a dispute shall comply with CFTC Rule 166.5 where that Rule applies, shall be voluntary, and shall not be a condition of access to the Exchange or of admission under Rule 303.9. This Rule 701.7 does not limit any right to seek reparations under Section 14 of the CEA.

## Rule 802: Participants

1. Each~~Participant must assist its~~ Clearing ~~Member, if any, and the Clearinghouse, in the clearing of its Contracts. Without limiting the generality of the foregoing, each Participant~~Member must provide ~~its Clearing Member, if any,~~the Clearinghouse with a telephone number so that such ~~Participant~~Clearing Member may be reached at any time during the day in the event that there is a discrepancy in the clearing of a Contract. If the Participant for which a Contract is ~~not present at~~carried cannot be reached by the ~~time specified above,~~Clearing Member in the event of such ~~Participant's~~a discrepancy, the Clearing ~~Member, if any, will be~~Member is authorized to resolve any discrepancy in the manner it deems appropriate, but such resolution will not be relevant to the determination of the liability of any party to the trade.

# Rule 820: Margins and Liquidations

1. The Clearinghouse shall establish minimum Margin requirements and Clearing Members shall collect Margins for Customer Accounts at or in addition to such minimum Margins in accordance with CFTC Rule 39.13(g)(8)(ii).

2. The Clearinghouse may change Margin requirements at any time superseding previous Margin requirements and post in accordance with CFTC Rule 39.13(g)(8).

3. The Clearinghouse shall accept Collateral as Margin in a manner acceptable to the Clearinghouse and Approved Financial Institutions.

4. The Clearinghouse, at its sole discretion, may make a Margin call at any time for any Clearing Member based on the Clearing Member's open interest.

5. The Clearinghouse may direct a~~Participant or~~ Clearing Member that has failed to deposit Margin as required by the Clearinghouse, and is therefore in default under Rule 814, to liquidate positions or transfer positions to another Clearing ~~Member if the Clearing Member fails to deposit Margin as required by the Clearinghouse.~~Member. If ~~transfer or liquidation~~such instructions are not satisfied within one (1) hour, the Clearinghouse will~~originate orders to~~ take such action ~~directly.~~directly in accordance with Rules 816 and 817.

6. Liquidation costs incurred with actions taken in accordance with the Rules will be included in the failed Clearing Member's losses, and any financial obligations owed by a Clearing Member to the Clearinghouse after such liquidations or transfers may be assessed to that Clearing Member's financial resources available under Rule 807.

# Rule 1009: Governing Law; Legal Proceedings

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

2. Any action, suit or proceeding against the Exchange or the Clearinghouse, and any of their Officials, Officers, Directors, limited liability company members, employees, agents, or any member of any committee must be brought within one (1) year from the time that a cause of action has accrued. Any such action, suit or proceeding shall be brought in the State or Federal courts located within the City of Chicago, Illinois. Each Participant and Clearing Member expressly consents, for itself and its Authorized Users, to the jurisdiction of any such court, waives any objection to venue therein, and waives any right it may have to a trial by jury.

3. In the event that a Participant or Clearing Member or an Affiliate thereof fails to prevail in a lawsuit or other legal proceeding instituted by such Participant, Clearing Member or such Affiliate against (1) the Exchange or the Clearinghouse, or (2) any Affiliate of the Exchange or the Clearinghouse or any of their respective Officials, officers, directors, equity holders, employees, agents, or any member of any committee, such Participant, Clearing Member or Affiliate shall pay to the Exchange or the Clearinghouse, as applicable, all reasonable costs and expenses, including attorneys' fees, incurred by the Exchange or the Clearinghouse in the defense of such proceeding. This paragraph (2) shall not apply to Exchange or Clearinghouse disciplinary actions, appeals thereof, or an instance in which the Board has granted a waiver of the provisions hereof.

4. Rules 602.3, 1002.3, 1002.4, 1009.2, 1009.3, 1010 and 1011.1 through 1011.5 apply to an Indirect Access Participant only if the Participant has affirmatively agreed to them in writing or by electronic acknowledgment, which may be given in the account documentation of its Sponsoring Member. If such an Indirect Access Participant has not so agreed, its Sponsoring Member is responsible to the Exchange under Rules 602.3, 1009.3 and 1010 for the Participant's account and its Contracts on the Exchange as if it were the Participant, and the Exchange need not first seek recovery from the Participant. For the avoidance of doubt, the agreement required under Rule 303.9 shall constitute affirmative assent for the purposes of this Rule only to the extent that it expressly incorporates the provisions identified herein and such assent is enforceable under Applicable Law.

# Rule 1011: Limitation of Liability; No Warranties

1. Participant's and Clearing Member's use of the Services, the System, Exchange and Clearinghouse property and any other information and materials provided by the Exchange or the Clearinghouse, is at the Participant's and Clearing Member's own risk, and the Services, the Exchange and Clearinghouse property and any other information and materials provided by the Exchange or the Clearinghouse hereunder are provided on an "as is" and "as available" basis, without warranties or representations of any kind, express or implied, by statute, common law or otherwise including all implied warranties of merchantability, fitness for a particular purpose and non-infringement and any warranties arising from a course of dealing, usage or trade practice. The Exchange and the Clearinghouse do not guarantee that (1) Exchange and Clearinghouse property or Services will operate in an error free, secure or uninterrupted manner, or (2) any information or materials provided by the Exchange, the Clearinghouse or accessible through Exchange or Clearinghouse property will be accurate, complete, reliable, or timely, or (3) the Exchange and Clearinghouse property or any aspects of the Services will be free from viruses or other harmful components. Neither Exchange nor its Affiliates shall have any liability for the creditworthiness of any Participant or for the acts or any aspect of the Services or System. Participants and Clearing Members are solely responsible for the security and integrity of their technology. Participants and Clearing Members acknowledge that their access to the System and the Services is internet-based and that the Exchange and the Clearinghouse have no control over the internet or Participant's and Clearing Member's connections thereto. Participants and Clearing Members further acknowledge that the internet, computer networks, and communications links and devices necessary to enable Participants and Clearing Members to access and use the System and the Services are inherently insecure and vulnerable to attempts at unauthorized entry and that no form of protection can ensure Participant's and Clearing Member's data, hardware, or software or the System or other Exchange or Clearinghouse property will be fully secure. Furthermore, neither the Exchange nor the Clearinghouse shall be obligated to monitor or verify any information displayed through the System.

2. Excluding any liability for such party's fraud or willful misconduct, and excluding any indemnification obligations under a~~Participant Agreement or a~~ Clearing Member ~~Agreement (as applicable),~~Agreement, each party agrees that in no event shall either party be liable for any indirect, special, punitive, exemplary or consequential damages, including damages for loss of profits, loss of revenue, loss or corruption of data, trading losses or business interruption and the like, arising in any manner whatsoever out of or in connection with this agreement or any use (whether or not authorized) or inability to use Exchange or Clearinghouse property or any other information or materials provided to a Participant or Clearing Member by the Exchange or Clearinghouse or accessible through the Systems or Services, including the accuracy, completeness, reliability, timeliness, quality, security, performance, or pricing of the Systems or Services or any failures, malfunctions, interruptions, degradations or delays associated therewith, regardless of whether such damages arise in tort, contract, or otherwise, and even if it has been advised of the possibility of such damages.

3. Notwithstanding the foregoing, if a court or other tribunal of competent jurisdiction should find the Exchange, the Clearinghouse or any of their Affiliates liable for any loss, damage or expenses, the aggregate liability of the Exchange, the Clearinghouse and their Affiliates, regardless of the form of action, shall in no event exceed the greater of:

    1. $100,000 and
    2. the total commissions, fees, or other amounts (excluding any applicable taxes and duties) paid to the Exchange and Clearinghouse by the applicable Participant or Clearing Member during the six months preceding the date on which the events giving rise to such liability arose.

4. Any claim for redress or damages hereunder shall be filed in a court of competent jurisdiction or filed for arbitration in accordance with Rule 701 within one (1) year of the date on which such claim allegedly arose. Failure to institute litigation or arbitration within such time period shall be deemed to be a waiver of such claim and the claim shall be of no further force or effect. The allocations of liability in this Rule 1011 represent the agreed and bargained for understanding of the parties, and each party

acknowledges that the other party's rights and obligations hereunder reflect such allocations. The parties agree that they will not allege that this remedy fails its essential purpose.

5. Participant further agrees that the provisions of the Rules of the Clearinghouse limiting the liability of the Clearinghouse to its members shall apply to Participant as fully as if Participant were a member of the Clearinghouse mutatis mutandis. The Clearinghouse shall not be liable for any obligations of a non-clearing member, obligations of a Clearing Member to a nonmember, obligations of a Clearing Member to another member of the Clearinghouse who is acting for them as broker, or obligations to a Customer by a Clearing Member; nor shall the Clearinghouse become liable to make deliveries to or accept deliveries from a Customer of its Clearing Members.

6. Neither the Exchange nor the Clearinghouse will have any responsibility or liability to any Person for the use of, or any failure, error, action or omission of, the Settlement Facility.