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## **ELX FUTURES, L.P.**

### **RULES**

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BY ANY PARTICIPANT, ITS AUTHORIZED TRADER OR ITS AUTHORIZED CUSTOMER ACCESSING, OR ENTERING ANY ORDER INTO, THE ELX SYSTEM, AND WITHOUT ANY NEED FOR ANY FURTHER ACTION, UNDERTAKING OR AGREEMENT, SUCH PARTICIPANT (ON BEHALF OF ITSELF, ANY SUCH AUTHORIZED TRADER, ITS OTHER SUPERVISED PERSONS AND ANY SUCH AUTHORIZED CUSTOMER), SUCH AUTHORIZED TRADER OR SUCH AUTHORIZED CUSTOMER, AS THE CASE MAY BE, AGREES (I) TO BE BOUND BY, AND COMPLY WITH, THE RULES OF THE EXCHANGE, THE RULES OF THE CLEARINGHOUSE AND APPLICABLE LAW, IN EACH CASE TO THE EXTENT APPLICABLE TO IT, AND (II) TO BECOME SUBJECT TO THE JURISDICTION OF THE EXCHANGE WITH RESPECT TO ANY AND ALL MATTERS ARISING FROM, RELATED TO, OR IN CONNECTION WITH, THE STATUS, ACTIONS OR OMISSIONS OF SUCH PARTICIPANT (OR ANY OF ITS AUTHORIZED TRADERS, OTHER SUPERVISED PERSONS OR ITS AUTHORIZED CUSTOMERS), SUCH AUTHORIZED TRADER OR SUCH AUTHORIZED CUSTOMER, AS THE CASE MAY BE. SEE CHAPTER III AND THE RELATED DEFINITIONS IN THIS RULEBOOK.

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## CHAPTER I

### DEFINITIONS; INTERPRETATION; AMENDMENTS

#### I-1. Defined Terms

Unless otherwise specifically provided in the Rules of the Exchange or unless the context otherwise requires, the terms defined in this Rule I-1 shall for all purposes of the Rules of the Exchange have the meanings specified herein.

##### **Account Series Designation**

The term “Account Series Designation” means an identifier assigned by a Participant to a group of accounts, which facilitates their treatment as one account for purposes of a Bunched Order or an Average Price Order.

##### **Account Type Indicator**

The term “Account Type Indicator” means, with respect to any User ID granted to any Participant, Authorized Trader or Authorized Customer, the alpha or numeric code assigned to such User ID identifying whether Orders placed under the User ID will be for Proprietary Accounts of such Participant or for Customer Accounts of such Participant.

##### **Affiliate**

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

##### **Appeals Panel**

The term “Appeals Panel” means, a panel comprised of 3 individuals who are members of the Regulatory Oversight Committee and appointed by the Compliance Director pursuant to Rule VII-16, with one individual acting as chairman, which will consider appeals in accordance with Chapter VII. 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 Regulatory Oversight 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 Compliance Director pursuant to Rule VII-16. No Person serving on a Disciplinary Panel for any disciplinary proceeding may also serve on an Appeals Panel relating to such disciplinary proceedings.

### **Applicable Law**

The term “Applicable Law” means, with respect to any Person, any statute, law, regulation, rule or ordinance of any governmental authority applicable to such Person, including the CEA, CFTC Regulations, RSP rules, and margin rules adopted by the Board of Governors of the Federal Reserve System.

### **Assistant Secretary**

The term “Assistant Secretary” means an individual appointed by the Board from time to time to serve as an assistant secretary of the Exchange.

### **Assistant Treasurer**

The term “Assistant Treasurer” means an individual appointed by the Board from time to time to serve as an assistant treasurer of the Exchange.

### **Authorized Customer**

The term “Authorized Customer” means, with respect to any Participant that is an FCM, any Customer of such Participant that uses a User ID to access the ELX System directly. Authorized Customers may not place Orders on behalf of Customers.

### **Authorized Trader**

The term “Authorized Trader” means any natural person who is employed and authorized by a Participant to place Orders on the ELX System, which may also be the Participant, if such Participant is a natural person.

### **Average Price Order**

The term “Average Price Order” shall have the meaning ascribed to it in Rule IV-30.

### **Beneficial Ownership or Beneficially Owned**

The term “Beneficial Ownership”, or an interest “Beneficially Owned” by any Person, means, with respect to an account, a direct or indirect (through one or more subsidiaries or Affiliates) pecuniary interest in the account (through any contract, arrangement, understanding, relationship or otherwise).

### **Block Trade**

The term “Block Trade” shall have the meaning ascribed to it in Rule IV-16.

## **Board**

The term “Board” means the Management Board of the Exchange, which also is the Management Board of ELX Futures Holdings, LLC, as constituted from time to time in accordance with the General Partner Operating Agreement.

## **Bunched Order**

The term “Bunched Order” means a single Order for two or more Customer Accounts entered into the ELX System pursuant to Rule IV-18.

## **Business Day**

The term “Business Day” means any day on which the Exchange is open for trading.

## **Cancel Order**

The term “Cancel Order” means an Order that cancels fully or partially an existing buy or sell Order.

## **Cancel Replace Order**

The term “Cancel Replace Order” means an Order to cancel fully an existing buy or sell Order and replace it with a new Order for a different quantity or price.

## **CEA**

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

## **CFTC**

The term “CFTC” means the Commodity Futures Trading Commission, and includes any successor agency or authority.

## **CFTC Regulation**

The term “CFTC Regulation” means any rule, regulation, order or directive and any interpretation thereof adopted from time to time by the CFTC.

## **Chief Executive Officer**

The term “Chief Executive Officer” means the individual appointed by the Board from time to time to serve as chief executive officer of the Exchange.

### **Clearing Account Number**

The term “Clearing Account Number” means the unique identification code assigned by the Clearinghouse which identifies a particular Clearing Privilege Holder and an account maintained by that Clearing Privilege Holder with the Clearinghouse.

### **Clearing Privilege Holder**

The term “Clearing Privilege Holder” means any Participant that is a member of the Clearinghouse that is authorized pursuant to the Rules of the Clearinghouse to clear trades in any or all of the Contracts.

### **Clearing Privilege Holder ID**

The term “Clearing Privilege Holder ID” means a unique identification code assigned by the Clearinghouse to each Clearing Privilege Holder.

### **Clearinghouse**

The term “Clearinghouse” means any clearing organization that the Exchange may designate to provide clearing services with respect to any or all of its Contracts, which may include a Clearinghouse Affiliated with the Exchange.

### **Clip Size**

The term “Clip Size” shall have the meaning ascribed to it in Rule IV-5(k)(vi).

### **Committee**

The term “Committee” shall have the meaning ascribed to it in Rule IV-9(a).

### **Complete Volume**

The term “Complete Volume” shall have the meaning ascribed to it in Rule IV-5(k)(ii).

### **Compliance Department**

The term “Compliance Department” shall have the meaning ascribed to it in Rule VII-1(c).

### **Compliance Director**

The term “Compliance Director” means the individual appointed by the Exchange to oversee compliance matters. Such person (i) must satisfy the

applicable eligibility requirements of Rule II-7, (ii) should be knowledgeable about futures trading and futures market operations as well as Applicable Law, and (iii) shall report jointly to the Regulatory Oversight Committee and the Chief Executive Officer.

### **Conditional Order**

The term “Conditional Order” shall have the meaning ascribed to it in Rule IV-9(c)(iii)(A).

### **Contract**

The term “Contract” means any Future or Option on Futures which is traded on or subject to the Rules of the Exchange.

### **Contract Rules**

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

### **Control**

The term “Control,” including the terms “Controlling,” “Controlled by” and “under common Control with,” means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of securities, by contract, or otherwise.

### **Control Desk**

The term “Control Desk” means the designated group of employees that is responsible for Exchange market operations, real-time market monitoring, customer support and surveillance. The Control Desk will be staffed at all times with the necessary personnel designated to serve on the Control Desk. The Compliance Director or his/her designee will serve as the supervisor of the Control Desk. Only ELX employees can be designated to serve as the supervisor of the Control Desk.

### **Cross Trade**

The term “Cross Trade” shall have the meaning ascribed to it in Rule IV-17(a).

### **Customer**

The term “Customer” shall have the meaning ascribed to it by CFTC Regulation 1.3(k).

### **Customer Account**

The term "Customer Account" means an account carried by a Participant on behalf of a Customer.

### **Customer Order**

The term "Customer Order" means an Order submitted by a Participant on behalf of a Customer Account.

### **Daily Settlement Price**

The term "Daily Settlement Price" means with respect to any Contract the price at which that Contract will settle as of the conclusion of any Business Day.

### **Designated Contact**

The term "Designated Contact" means one or more natural persons authorized by a Participant or Authorized Customer, in each case, that is not an individual, to modify or withdraw any Order entered by it or on its behalf, or to identify the source of any such Order, or to request the activation or deactivation of any User ID.

### **Designee**

The term "Designee" has the meaning ascribed to it in Rule IV-9.

### **Director of Hearings**

The term "Director of Hearings" means the individual appointed by the Regulatory Services Provider on behalf of the Exchange from time to time to act as its director of hearings.

### **Disciplinary Panel**

The term "Disciplinary Panel" shall have the meaning ascribed to it in Rule VII-10(a).

### **Discretionary Account**

The term "Discretionary Account" means a Customer Account in respect of which a Participant may, pursuant to the prior consent of the relevant Customer, enter into the ELX System an Order for which the precise Contract, exact amount to be purchased or sold or the price at which the Contract is to be purchased or sold have not been designated by the Customer.

### **Discretionary Order**

The term “Discretionary Order” means an Order for a Customer Account in respect of which the Participant has discretion as to the Contract or the amount to be purchased or sold.

### **Electronic Trading Disclosure**

The term “Electronic Trading Disclosure” shall have the meaning ascribed to it in Rule V-5(a).

### **ELX System**

The term “ELX System” means the proprietary order entry and execution system operated by ELX for the placement and execution of Orders and the collection and transmission of information relating to Contracts.

### **Emergency**

The term “Emergency” means any occurrence or circumstance that, in the opinion of the Board or its authorized designee pursuant to Rule IV-19, requires immediate action and threatens or may threaten the fair and orderly trading in, or the liquidation of or delivery pursuant to, any Contract. An Emergency may include any of the following:

- (a) Any manipulative activity or attempted manipulative activity;
- (b) Any actual, attempted or threatened corner, squeeze, congestion or undue concentration of positions;
- (c) Any circumstance that may materially adversely affect the performance of Contracts, including any failure of the payment system;
- (d) Any action taken by the Federal or any foreign government, any other governmental body, or any other exchange or trading facility (foreign or domestic), in each case that may have a direct adverse effect on trading on the Exchange;
- (e) Any circumstance that may have a severe, adverse effect upon the physical functions of the Exchange, including fire or other casualty, bomb threats, terrorist acts, substantial inclement weather, power failures, communications breakdowns, computer system breakdowns, malfunctions of plumbing, heating, ventilation and air conditioning systems and transportation breakdowns;
- (f) The bankruptcy or insolvency of any Participant or Customer of a Participant or the imposition of any injunction or other restraint by any government agency, court or arbitrator upon a Participant or

Customer, that may affect the ability of such Participant or Customer to perform on its Contracts;

(g) Any circumstance in which it appears that any Participant, its Authorized Customer or any other Person has failed to perform its Contracts, is insolvent, or is in such financial or operational condition or is conducting business in such a manner that the Participant cannot be permitted to continue in business without jeopardizing the safety of other Participants, the other Customers of the Participant (if applicable), the Exchange or the Clearinghouse; and

(h) Any other unusual, unforeseeable or adverse circumstance with respect to which it is impracticable for the Exchange to submit in a timely fashion a reviewable rule to the CFTC.

#### **Exchange for Physical Transactions; EFPs**

The term “Exchange for Physical Transactions” or “EFPs” shall have the meaning ascribed to it in Rule IV-15(a)(i).

#### **Exchange for Risk Transactions; EFRs**

The term “Exchange for Risk Transactions” or “EFRs” shall have the meaning ascribed to it in Rule IV-15(a)(iii).

#### **Exchange for Swap Transactions; EFSs**

The term “Exchange for Swap Transactions” or “EFSs” shall have the meaning ascribed to it in Rule IV-15(a)(ii).

#### **Exchange of Futures for Related Positions**

The term “Exchange of Futures for Related Positions” shall have the meaning ascribed to it in Rule IV-15(a)(iv).

#### **Exchange or ELX**

The terms “Exchange” or “ELX” each mean ELX Futures, L.P., a Delaware limited partnership (including its successors), and when used with reference to the administration of any Rule of the Exchange, means either the Board or the officer, employee, agent, committee or delegee to whom appropriate authority to administer such provision has been delegated by the Board.

#### **Exchange Limited Partnership Agreement**

The term “Exchange Limited Partnership Agreement “ means the Amended and Restated Limited Partnership Agreement of ELX Futures, L.P.,

dated as of December 21, 2007, as amended, supplemented or otherwise modified from time to time.

### **Exchange Official**

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

### **Exchange Partner**

The term “Exchange Partner” means any Person that has acquired a partnership interest in the Exchange in accordance with the Exchange Limited Partnership Agreement.

### **Executive Committee**

The term “Executive Committee” means the committee of the Board constituted in accordance with Rule II-3.

### **FCM**

The term “FCM” means a futures commission merchant registered with the CFTC.

### **Fill or Kill**

The term “Fill or Kill” shall have the meaning ascribed to it in Rule IV-5(k)(iv).

### **Future**

The term “Future” means any contract for the purchase or sale of any commodity for future delivery.

### **General Partner**

The term “General Partner” means ELX Futures Holdings, LLC, a Delaware limited liability company.

### **General Partner Operating Agreement**

The term “General Partner Operating Agreement” means the Amended and Restated Limited Liability Company Agreement of the General Partner, dated as of December 21, 2007, as amended, supplemented or otherwise modified from time to time.

### **Good-Until-Cancelled**

The term “Good-Until-Cancelled” shall have the meaning ascribed to it in Rule IV-5(k)(v).

### **Hearing Panel Committee**

The term “Hearing Panel Committee” means the Exchange committee whose members are drawn from the RSP’s Hearing Committee.

### **Immediate or Cancel (IOC)**

The term “Immediate or Cancel” or “IOC” shall have the meaning ascribed to it in Rule IV-5(k)(iii).

### **Last Sale Information**

The term “Last Sale Information” means, at any given time, the price and quantity data from any and all transactions executed by the ELX System including the times at which such transactions were submitted to, and executed by, the ELX System.

### **Limit Order**

The term “Limit Order” shall have the meaning ascribed to it in Rule IV-5(b).

### **Market Data**

The term “Market Data” means any and all information relating to Orders or transactions on the ELX System, including Last Sale Information, information on bids and offers, any other data derived from such information, volume information, the format and presentation of any such data or information, and transmissions of such data or information to Participants, Market Data Vendors and other persons.

### **Market Data Vendors**

The term “Market Data Vendors” means one or more nationally recognized vendors of financial market information which have entered into agreements with the Exchange to distribute Market Data.

### **Market Making Order**

The term “Market Making Order” shall have the meaning ascribed to it in Rule IV-5(i).

### **Market on Open Order**

The term "Market on Open Order" shall have the meaning ascribed to it in Rule IV-5(j).

### **Market Open**

The term "Market Open" shall have the meaning ascribed to it in Rule IV-22(b).

### **Market Order**

The term "Market Order" shall have the meaning ascribed to it in Rule IV-5(a).

### **Market Practices Committee**

The term "Market Practices Committee" means the committee of the Board constituted in accordance with Rule II-4.

### **Market Price**

The term "Market Price" shall have the meaning ascribed to it in Rule IV-9(c).

### **Market With Protection Order**

The term "Market With Protection Order" shall have the meaning ascribed to it in Rule IV-5(f).

### **Message Traffic**

The term "Message Traffic" means electronic transmissions of Orders, Order modifications, Order cancellations, trade reports and other messages entered into the ELX System by a Participant, Authorized Trader or Authorized Customer or sent to a Participant, Authorized Trader or Authorized Customer by the ELX System. Depending on the context, Message Traffic may refer to one way or two way transmissions.

### **Minimum Volume**

The term "Minimum Volume" shall have the meaning ascribed to it in Rule IV-5(k)(i).

### **MIT Order**

The term "MIT Order" shall have the meaning ascribed to it in Rule IV-5(g).

### **MIT Limit Order**

The term “MIT Limit Order” shall have the meaning ascribed to it in Rule IV-5(h).

### **No Bust Range**

The term “No Bust Range” means the price range specified with respect to each contract traded on the ELX System, as such range is published by the Exchange from time to time, within which trades that are reviewed pursuant to Rule IV-9 will not be busted or adjusted, except as set forth in the Rules of the Exchange.

### **Notice to Participants**

The term “Notice to Participants” means a communication sent by or on behalf of the Exchange to all Participants as described in Rule III-11.

### **OCO**

The term “OCO” shall have the meaning ascribed to it in Rule IV-5(k)(vii).

### **Officer**

The term “Officer” shall have the meaning ascribed to it in Rule II-9.

### **Option on Futures**

The term “Option on Futures” means any option to buy or sell any Future traded subject to the Rules of the Exchange.

### **Order**

The term “Order” means any order to place a bid or offer into the ELX System for the purpose of buying or selling a Contract on or subject to the Rules of the Exchange.

### **OTC**

The term “OTC” shall have the meaning ascribed to it in Rule IV-15(a)(iii).

### **Participant**

The term “Participant” means any individual or entity that has been granted, and continues to have, Trading Privileges under these Rules. Participants shall be deemed to be members of the Exchange for purposes of the CEA.

### **Person**

The term “Person” means any natural person, association, partnership, limited liability company, joint venture, trust or corporation.

### **Pre-Opening Period**

The term “Pre-Opening Period” shall have the meaning ascribed to it in Rule IV-22(a).

### **Primary Clearing Privilege Holder**

The term “Primary Clearing Privilege Holder” means a Clearing Privilege Holder having the obligations set forth in Rule IV-23(a) with respect to the trades of any Participant, Authorized Trader or Authorized Customer, as the case may be, for which it is designated as the Primary Clearing Privilege Holder.

### **Primary Clearing Privilege Holder Authorization**

The term “Primary Clearing Privilege Holder Authorization” means a written agreement executed by a Clearing Privilege Holder in a form prescribed by the Exchange to guarantee and assume financial responsibility for the Exchange transactions of certain Participants, Authorized Traders or Authorized Customers, as the case may be.

### **Proprietary Account**

The term “Proprietary Account” shall have the meaning ascribed to it by CFTC Regulation 1.3(y).

### **Protected Range**

The term “Protected Range” shall have the meaning ascribed to such term in Rule IV-5(e).

### **Public Director**

The term “Public Director” means an individual with the qualifications set forth in Rule II-7(b).

### **Regulatory Oversight Committee**

The term “Regulatory Oversight Committee” means the committee of the Board constituted in accordance with Rule II-5.

### **Regulatory Services Agreement**

The term “Regulatory Services Agreement” means the agreement between the Exchange and the RSP whereby market surveillance and trade practice surveillance functions are delegated to the RSP.

### **Regulatory Services Provider; RSP**

The term “Regulatory Services Provider” or “RSP” means the organization, if any, which provides regulatory services to the Exchange pursuant to agreement.

### **Required Financial Information**

The term “Required Financial Information” shall have the meaning ascribed to it in Rule III-14.

### **Reserve or Max Display**

The term “Reserve” or “Max Display” shall have the meaning ascribed to it in Rule IV-5(k)(viii).

### **Rules of the Clearinghouse**

The term “Rules of the Clearinghouse” means the constitutive documents and any rules, regulations, interpretations, stated policies or instruments corresponding to any of the foregoing, in each case as adopted or amended from time to time by the Clearinghouse relating to the Exchange or any or all of the Contracts for which such Clearinghouse has been designated to clear such Contracts by the Exchange.

### **Rules of the Exchange**

The term “Rules of the Exchange” means any rule adopted or amended, from time to time, by the Exchange.

### **Secretary**

The term “Secretary” means the individual appointed by the Board from time to time to serve as secretary of the Exchange.

### **Source ID**

The term “Source ID” means the unique identifier included on each Order which enables ELX to identify the individual entering such Orders.

### **Stop Limit Order**

The term “Stop Limit Order” shall have the meaning ascribed to it in Rule IV-5(c).

### **Stop Order**

The term “Stop Order” shall have the meaning ascribed to it in Rule IV-5(d).

### **Stop With Protection Order**

The term “Stop With Protection Order” shall have the meaning ascribed to it in Rule IV-5(e).

### **Subject Person**

The term “Subject Person” means any Participant, Authorized Trader, Authorized Customer or Supervised Person.

### **Supervised Persons**

The term “Supervised Persons” means any directors, officers, agents, or employees (including any Authorized Traders) of any Participant or Authorized Customer.

### **Supervisory Board**

The term “Supervisory Board” means the body specified in the General Partner Operating Agreement to review and approve certain management actions of the Board.

### **Trading Hours**

The term “Trading Hours” means, with respect to any Contract, the hours during which the Exchange is regularly open for the trading of such Contract, as set forth in the relevant Contract Rules.

### **Trading Privileges**

The term “Trading Privileges” means the right granted to a Participant, Authorized Trader or Authorized Customer to submit Orders for certain or all Contracts in electronic form directly to the ELX System. No Person may exercise Trading Privileges during any suspension of such Person’s Trading ordered by the Exchange.

### **Transfer Trade**

The term "Transfer Trade" shall have the meaning ascribed to it in Rule IV-9(f).

### **Treasurer**

The term "Treasurer" means the individual appointed by the Board from time to time to serve as treasurer of the Exchange.

### **Underlying**

The term "Underlying" means with respect to any Contract the good, right, service, security, index or other asset or measure which is the subject of that Contract.

### **User ID**

The term "User ID" means a unique identification number assigned by the Exchange to a Participant, Authorized Trader or Authorized Customer to access the ELX System directly.

### **Vice President**

The term "Vice President" means any individual appointed by the Board from time to time to serve as a vice president of the Exchange.

## **I-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, Rule or Appendix refers to a Chapter or Rule of, or Appendix to, 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, Appendix 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”; and

(g) any term used herein that is defined in the CEA or CFTC Regulations shall have the meaning assigned to it therein.

**I-3. Effect of Titles**

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

**I-4. Amendment of Rules**

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

## CHAPTER II

### GOVERNANCE OF THE EXCHANGE

#### II-1. Board

(a) The business and affairs of the Exchange shall be managed by the Board in accordance with the General Partner Operating Agreement. At all times, at least 35% of the members of the Board shall be Public Directors.

(b) The actions of the Board or of any committee of the Board (including any action of the Board or any committee of the Board specified under these Rules) shall be subject to review and approval by the Supervisory Board of the General Partner in accordance with the General Partner Operating Agreement, provided, however, that the Supervisory Board shall have no review or approval authority over (i) any action by the Regulatory Oversight Committee, except as any such action may pertain to budgetary matters (including any regulatory costs to be incurred at the direction of the Regulatory Oversight Committee) which are subject to review and approval by the Supervisory Board during certain specially designated meetings, or (ii) action by the Market Practices Committee establishing or modifying Contract specifications, trading protocols and conventions for the ELX System.

(c) The Board may act (including to appoint Public Directors, to the extent provided in the General Partner Operating Agreement) only by the decision of an absolute majority in number of the members of the Board, either by vote at a meeting or by written consent without a meeting.

(d) Each Public Director shall be appointed in accordance with the General Partner Operating Agreement, and shall serve for a term of two calendar years from the date of his or her appointment (or the remainder of any Public Director term to which he or she is appointed) and until his successor is duly appointed, or until his or her earlier resignation or removal for cause.

(e) The percentage of Public Directors required to serve on the Board or any Committee thereof pursuant to this Chapter II shall be deemed to be modified to comply with the CEA and CFTC Regulations, in each case, as in effect from time to time.

(f) Without limitation of any other provisions of this Rule II-1, the provisions of Article V and Article XII of the General Partner Operating

Agreement shall be deemed to be part of these Rules, and shall be deemed to be incorporated herein, to the same extent and with the same force and effect as if set forth herein in their entirety.

## **II-2. Standing Committees**

(a) The Board shall initially have three standing committees: the “Executive Committee,” the “Market Practices Committee” and the “Regulatory Oversight Committee”.

(b) Except as otherwise specifically provided in these Rules, the members of standing committees shall be appointed in accordance with the General Partner Operating Agreement. The Board shall designate the chairperson of each standing committee.

(c) Each standing committee shall assist in the supervision, management and control of the affairs of the Exchange within its particular area of responsibility.

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

## **II-3. Executive Committee**

The Executive Committee of the Board shall consist of certain members of the Board appointed by the Board and shall have such powers as shall be delegated by the Board. At all times, at least 35% of the members of the Executive Committee will be Public Directors.

## **II-4. Market Practices Committee**

The Market Practices Committee of the Board shall consist of certain members of the Board specified in the General Partner Operating Agreement or their designated representatives. The Market Practices Committee shall be responsible for (i) establishing and modifying from time to time Contract specifications and trading protocols and conventions for the ELX System, (ii) designating and modifying from time to time products eligible for listing on the ELX System and (iii) establishing and modifying from time to time criteria for Persons who may have Trading Privileges on the ELX System. In addition, the Market Practices Committee shall have such other powers and perform such other duties as the Board may delegate to it from time to time. The Regulatory Oversight Committee shall be consulted and have opportunity to state its views in respect of any action of the Market Practices Committee.

## **II-5. Regulatory Oversight Committee**

The Regulatory Oversight Committee of the Board shall consist only of Public Directors, who shall be members of the Board, and shall be appointed from time to time by the Board. Each member of the Regulatory Oversight Committee shall serve for a term of two calendar years from the date of his or her appointment or for the remainder of Public Director term to which he or she is appointed, and until the due appointment of his or her successor, or until his or her earlier resignation or removal (as a member of the Regulatory Oversight Committee or as a member of the Board) for cause. The Regulatory Oversight Committee shall oversee the Exchange's regulatory program on behalf of the Board. It shall make such recommendations to the Board as will, in its judgment, best promote the interests of the Exchange. The Regulatory Oversight Committee shall also have such other powers and perform such other duties as the Board may delegate to it from time to time.

Without limiting the generality of the foregoing, the Regulatory Oversight Committee shall have authority to: (i) monitor the Exchange's regulatory program for sufficiency, effectiveness and independence, (ii) oversee all facets of the Exchange's regulatory program, including trade practice and market surveillance; audits, examinations, and other regulatory responsibilities with respect to Participants and their Authorized Traders, other Supervised Persons and Authorized Customers (including ensuring compliance with any financial integrity, financial reporting, sales practice, recordkeeping, and other requirements), the conduct of investigations and review of disciplinary actions, (iii) review the size and allocation of the regulatory budget and resources; and the number, hiring and termination, and compensation of regulatory personnel, (iv) supervise the Compliance Director, (v) prepare an annual report assessing the Exchange's self-regulatory program for the Board and the CFTC, which sets forth the regulatory program's expenses, describes its staffing and structure, catalogues disciplinary actions taken during the year, and reviews the performance of disciplinary committees and panels, (vi) recommend changes that would ensure fair, vigorous, and effective regulation, (vii) review regulatory proposals, as well as any proposals or actions of the Market Practices Committee, and advise the Board as to whether and how such proposals or actions changes may impact regulation, and (viii) exercise any other functions expressly assigned to it in these Rules.

## **II-6. Additional Committees and Panels**

(a) The Board may create such additional standing committees of the Board as it may from time to time deem necessary or advisable. Except as may be specified in these Rules, each member of such committees must be a member of the Board.

(b) In addition to the standing committees, the Board may from time to time constitute and appoint, by rule or resolution, special

committees of the Board and designate their composition, responsibilities and powers. The provisions regarding standing committees in Rule II-2 shall apply mutatis mutandis to any such special committees. At least 35% of the members of each special committee designated by the Board shall be Public Directors.

(c) The Exchange may create additional committees of the Exchange, or panels, for such purposes as may from time to time be necessary or advisable. Members of each such committee may be members of the Board, Participants (if individuals) or any of their Supervised Persons 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 shall be Public Directors (or individuals that would qualify as Public Directors if they were members of the Board).

## **II-7. Eligibility**

(a) No Person may serve as an Officer or a member of the Board, or any other disciplinary committee, arbitration panel or oversight panel of the Exchange or as Compliance Director if such Person:

(i) 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 disciplinary offense;

(ii) 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 disciplinary offense;

(iii) is currently suspended from trading on any 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:

(A) a finding by a final decision of a self-regulatory organization, an administrative law judge, a court of competent jurisdiction or the CFTC that such person committed a disciplinary offense; or

(B) a settlement agreement in which any of the findings or, in absence of such findings, any of the acts charged included a disciplinary offense;

(iv) 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;

(v) 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; or

(vi) 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.

(b) To qualify as a Public Director, an individual must be found, by action of the Board, to have no relationship with the Exchange or the General Partner that reasonably could affect the independent judgment or decision making of such individual as a Public Director. In addition, giving effect to the special definitions at paragraph (c) of this Rule II-7, an individual shall not be considered a "Public Director" if any of the following circumstances exist:

(i) within the last year, (a) the individual has been an officer or employee of the Exchange, or a director, officer or employee of any Affiliate of the Exchange or (b) any immediate family member of the individual has been an officer or employee of the Exchange, or a director, officer or employee of any Affiliate of the Exchange;

(ii) within the last year, (a) the individual has been an Exchange Partner or Participant, or a person employed by or affiliated with a Exchange Partner or Participant or (b) any immediate family member of the individual has been an Exchange Partner or Participant, or a person employed by or affiliated with an Exchange Partner or Participant (in this context a person is "affiliated" with an Exchange Partner or Participant if he or she is an Affiliate of the Exchange Partner or Participant or has any other relationship with the Exchange Partner or Participant such that his or her impartiality could be called into question in matters concerning the Exchange Partner or Participant);

(iii) within the last year, (a) the individual, or a firm with which the individual is affiliated, received more than \$100,000 in combined annual payments from the Exchange or any Exchange Partner, or any person or entity Affiliated with the Exchange or an

Exchange Partner, or (b) any immediate family member of the individual or a firm with which such immediate family member is affiliated received more than \$100,000 in combined annual payments from the Exchange or an Exchange Partner, or from any person or entity Affiliated with the Exchange or an Exchange Partner (in this context a person is “affiliated” with a firm if he or she is an Affiliate of the firm or has any other relationship with the firm such that his or her impartiality could be called into question in matters concerning the firm). Compensation for services as a director shall not count towards the \$100,000 payment limit, nor shall deferred compensation for services prior to becoming a director, so long as such compensation is in no way contingent, conditioned or revocable.

(c) Unless otherwise provided, for purposes of this Rule II-7, the terms “self-regulatory organization,” “disciplinary committee,” “arbitration panel,” “oversight panel,” “final decision,” “disciplinary offense,” and “settlement agreement” have the meanings set forth in CFTC Regulation 1.63(a).

(d) This Rule II-7 shall be deemed to be modified to conform to any change to the definition of “Public Director” set forth in Core Principal 15 of Section 5(d) of the CEA or any CFTC Regulation.

## **II-8. Power of the Board to Review Decisions**

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 of the Officers.

## **II-9. Officers**

The Board shall appoint a Chief Executive Officer, one or more Vice Presidents, a Secretary, a Treasurer, one or more Assistant Secretaries, one or more Assistant Treasurers, a Compliance Director and such other officers of the Exchange (all of the foregoing, collectively, the “Officers”) as it may deem necessary or appropriate from time to time, in each case for such term and on such other conditions as it sees fit. Any Officer may also be a director, officer, partner or employee of the Exchange or any of its Affiliates.

## **II-10. Conflicts of Interest**

(a) *Definitions.* For purposes of this Rule II-10, the following definitions shall apply:

(i) The term “family relationship of a Person” shall mean such Person’s spouse, former spouse, parent, stepparent, child,

stepchild, sibling, stepbrother, stepsister, grandparent, grandchild, uncle, aunt, nephew, niece or in-law.

(ii) The term “Board” shall mean the Board, and any committee thereof duly authorized to take action or to recommend the taking of action on behalf of the Exchange.

(iii) The term “member’s affiliated firm” shall mean a firm in which a member of the relevant deliberating body is an employee or a “principal”, as defined in CFTC Regulation 3.1(a).

(iv) The term “named party in interest” shall mean a Person or entity that is identified by name as a subject of any matter of a Rule enforcement nature or any disciplinary matter or appeal being considered by the Board, a disciplinary committee or oversight panel.

(v) The term “significant action” shall mean any of the following types of actions or rule changes that are implemented without the CFTC’s prior approval:

(A) Any actions or Rule of the Exchange changes which address an “Emergency”, as defined in Rule I-1; and

(B) Any changes in margin levels that are  
(i) designed to respond to extraordinary market conditions, such as an actual or attempted squeeze or corner or congestion due to undue position concentration or  
(ii) otherwise likely to have a substantial effect on prices in any Contract.

(b) *Named Party in Interest Conflict.*

(i) *Prohibition.* No Officer, Compliance Director or member of the Board or any standing committee, “disciplinary committee” or “oversight panel” (both as defined in CFTC Regulation 1.69) shall knowingly participate in such body’s deliberations or voting in any matter involving a named party in interest where such person (A) is a named party in interest, (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, (D) has a family relationship with a named party in interest or (E) has any other significant, ongoing business relationship with a named party in interest, excluding relationships limited to executing Contracts opposite each other or to clearing Contracts through the same Clearing Privilege Holders.

(ii) *Recusal.* Where the Compliance Director has or believes that he or she may have one of the relationships listed in paragraph (b)(i) of this Rule II-10 with a named party in interest, or where the Compliance Director has or believes that he or she may have any personal, professional or familial relationships with respect to any person or entity, who is likely to be materially affected by any significant action on which the Compliance Director would participate in deliberations or decision making, the Compliance Director shall recuse himself or herself from the matter giving rise to the conflict and the Board shall appoint an individual meeting all the requirements of a Compliance Director to serve as Compliance Director for the specific matter giving rise to the conflict.

(iii) *Disclosure.* Prior to consideration of any matter involving a named party in interest, each member of the deliberating body shall disclose to the Chief Executive Officer, or his or her designee, whether such member has or believes that he or she may have one of the relationships listed in paragraph (b)(i) of this Rule II-10 with a named party in interest.

(iv) *Procedure and Determination.* The Chief Executive Officer, or his or her designee, shall determine whether any member of the relevant deliberating body is subject to a conflicts restriction under this paragraph (b). Such determination shall be based upon a review of the following information:

(A) information provided by such member pursuant to clause (iii) above and any additional information requested by the Chief Executive Officer or his or her designee; and

(B) any other relevant information that is held by the Exchange or obtained from a reasonably available source that the Chief Executive Officer or his or her designee reasonably believes to be accurate.

(c) *Financial Interest in a Significant Action Conflict.*

(i) *Prohibition.* No Officer, Compliance Director or member of the Board or any standing committee, “disciplinary committee” or “oversight panel” (both as defined in CFTC Regulation 1.69) shall participate in such body’s deliberations and voting on any significant action if such person knows or reasonably should know that he or she has a direct or indirect substantial financial interest in the result of the vote based upon either Exchange or non-Exchange positions that could reasonably be expected to be affected by the significant action under consideration, as determined pursuant to this paragraph (c).

(ii) *Disclosure.* 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 Executive Officer, or his or her designee, position information known to such member with respect to any particular month or months that are under consideration, and any other positions which the deliberating body reasonably expects could be affected by the significant action, as follows:

(A) gross positions held at the Exchange in such member's personal accounts or "controlled accounts," as defined in CFTC Regulation 1.3(j);

(B) gross positions held at the Exchange in accounts of any entity in which such member is a "principal", as defined in CFTC Regulation 3.1(a); and

(C) any other types of positions, whether maintained at the Exchange or elsewhere, held in such member's personal accounts or the proprietary accounts of such member's affiliated firm, that the Exchange reasonably expects could be affected by the significant action.

(iii) *Procedure and Determination.* The Chief Executive Officer, or his or her designee, shall determine whether any member of the relevant deliberating body is subject to a conflicts restriction under this paragraph (c) based upon a review of the most recent large trader reports and clearing records available to the Exchange, information provided by such member with respect to positions pursuant to clause (ii) above and any other source of information that is held by and reasonably available to the Exchange, taking into consideration the exigency of the significant action being contemplated. Unless the deliberating body establishes a lower position level, a member thereof shall be subject to the conflicts restriction in clause (i) above if the review by the Chief Executive Officer, or his or her designee, identifies a position in such member's personal or controlled accounts or accounts of any entity in which such member is a principal as specified in subclauses (ii)(A) and (ii)(B) above, in excess of an aggregate number of 10 Futures or its equivalent in Options on Futures, or a position in the accounts of such member's affiliated firm as specified in subclause (ii)(C) above, in excess of an aggregate number of 100 lots of Futures or its equivalent in Options on Futures.

(iv) *Deliberation Exemption.* Any Officer, member of the Board, a "disciplinary committee" or "oversight panel" (both as

defined in CFTC Regulation 1.69) who would otherwise be required to abstain from deliberations and voting pursuant to this paragraph (c) (excluding the Compliance Director) may participate in deliberations, but not voting, if the deliberating body, after considering the factors specified below, determines that such participation would be consistent with the public interest, provided, however, that before reaching any such determination, the deliberating body shall fully consider the position information specified in clause (ii) above which is the basis for such member's substantial financial interest in the significant action that is being contemplated. In making its determination, the deliberating body shall consider:

(A) whether such member's participation in deliberations is necessary to achieve a quorum; and

(B) whether such member has unique or special expertise, knowledge or experience in the matter being considered.

(d) *Documentation.* The minutes of any meeting to which the conflicts determination procedures set forth in this Rule II-10 apply shall reflect the following information:

(i) the names of all members of the relevant deliberating body who attended such meeting in person or who otherwise were present by electronic means;

(ii) the name of any member of the relevant deliberating body who voluntarily recused himself or herself or was required to abstain from deliberations or voting on a matter and the reason for the recusal or abstention, if stated; and

(iii) information on the position information that was reviewed for each member of the relevant deliberating body.

## **II-11. Regulatory Cooperation**

The Exchange may from time to time exchange information and offer other forms of mutual assistance for financial surveillance, routine audits, market surveillance, investigative, enforcement and other regulatory purposes with domestic or foreign self-regulatory organizations or boards of trade, as well as their respective regulators, and may from time to time enter into agreements related to such activities, as the Exchange may consider necessary or appropriate or as the CFTC and its regulations may require.

## **II-12. Regulatory Services Agreement with the RSP**

The Exchange has contracted with the RSP to provide certain regulatory services to the Exchange pursuant to a Regulatory Services Agreement. In accordance with the Regulatory Services Agreement, the RSP may perform certain surveillance, investigative, and regulatory functions under the Rules of the Exchange and the Exchange may provide information to the RSP in connection with the performance by the RSP of those functions. The Exchange shall retain supervisory authority with respect to any functions so delegated.

## CHAPTER III

### TRADING PRIVILEGES

#### III-1. Jurisdiction

BY ANY PARTICIPANT, ITS AUTHORIZED TRADER OR ITS AUTHORIZED CUSTOMER ACCESSING, OR ENTERING ANY ORDER INTO, THE ELX SYSTEM, AND WITHOUT ANY NEED FOR ANY FURTHER ACTION, UNDERTAKING OR AGREEMENT, SUCH PARTICIPANT (ON BEHALF OF ITSELF, ANY SUCH AUTHORIZED TRADER, ITS OTHER SUPERVISED PERSONS AND ANY SUCH AUTHORIZED CUSTOMER), SUCH AUTHORIZED TRADER OR SUCH AUTHORIZED CUSTOMER, AS THE CASE MAY BE AGREES (I) TO BE BOUND BY, AND COMPLY WITH, THE RULES OF THE EXCHANGE, THE RULES OF THE CLEARINGHOUSE AND APPLICABLE LAW, IN EACH CASE TO THE EXTENT APPLICABLE TO IT, AND (II) TO BECOME SUBJECT TO THE JURISDICTION OF THE EXCHANGE WITH RESPECT TO ANY AND ALL MATTERS ARISING FROM, RELATED TO, OR IN CONNECTION WITH, THE STATUS, ACTIONS OR OMISSIONS OF SUCH PARTICIPANT (OR ANY OF ITS AUTHORIZED TRADERS, OTHER SUPERVISED PERSONS OR ITS AUTHORIZED CUSTOMERS), SUCH AUTHORIZED TRADER OR SUCH AUTHORIZED CUSTOMER, AS THE CASE MAY BE.

#### III-2. Trading Privileges

By virtue of obtaining Trading Privileges, a Participant, Authorized Customer or Authorized Trader shall not obtain any equity or other interest in the Exchange, including voting rights or rights to receive any dividends or other distributions, whether arising from a dissolution, merger, consolidation involving the Exchange or otherwise. All such rights shall be owned exclusively by the Exchange Partners, as specified in the Exchange Limited Partnership Agreement.

#### III-3. Restrictions on Certain Persons Who Possess Material, Non-Public Information; Trading Prohibitions

(a) No employee of the Exchange shall be given Trading Privileges or shall be permitted to trade, directly or indirectly (i) in any Contract listed on the Exchange, (ii) in any commodity interest traded on or cleared by the Exchange or by the Clearinghouse on behalf of the Exchange, or (iii) in any related commodity interest or any other commodity interest traded on another contract market that is fungible with or substantially similar to commodity interests traded on the Exchange.

(b) No employee of the Exchange shall be permitted to trade, directly or indirectly, in any commodity interest traded on or cleared by any other contract market or clearing organization if such employee of the Exchange has access to material, non-public information concerning such commodity interest.

(c) No employee, member of the Board, member of any committee established by the Board or consultant of the Exchange shall trade, directly or indirectly, in any commodity interest, on the basis of any material, non-public information obtained in connection with the performance of his or her official duties.

(d) Neither the Exchange, nor any employee, member of the Board, member of any committee established by the Board or consultant of the Exchange shall use or disclose to any other Person material, non-public information obtained in connection with his or her employment or agency, as the case may be, for any purpose other than the performance of his or her official duties.

(e) Nothing contained in this Rule III-3 shall prohibit an employee from participating in a pooled investment vehicle (as defined in 17 C.F.R. Sec. 1.59(a)(10)) pursuant to CFTC Regulation 1.59(b)(2)(i), so long as the employee has no direct or indirect control with respect to transactions executed by such vehicles and such employee complies with Rule III-3(c) and (d).

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

(g) Any employee that trades in a commodity interest, under the limited circumstances as permitted by this Rule III-3, shall provide to the Exchange an annual certification that the employee has not traded in any Exchange Contracts or in any related commodity interest or other commodity interest covered by Rule III-3(a), and shall provide records of the commodity interest trades conducted by the employee in the past year.

(h) For purposes of this Rule III-3, the terms "commodity interest", "related commodity interest", "material information" and "non-public information" shall have the meanings ascribed to them in CFTC Regulation 1.59, and the term "employee" shall mean any person hired or otherwise employed on a salaried or on a contractual basis by the Exchange, but does not include:

(i) Any governing board member, or functional equivalent thereof, compensated by the Exchange solely for governing board activities;

(ii) Any committee member, or functional equivalent thereof, compensated by the Exchange solely for committee activities; or

(iii) Any consultant to the Exchange.

#### **III-4. Participants**

(a) Each Participant shall have the right to access electronically the ELX System, including the right to place Orders for each of its Proprietary Accounts and Customer Accounts.

(b) Subject to the requirements and procedures set forth in this Chapter III, Trading Privileges shall be offered to all applicants from time to time approved by the Exchange as eligible to be Participants, subject to any limitation, restriction or revocation from time to time imposed by the Exchange. Trading Privileges are non-transferable, non-assignable and may not be sold or leased.

#### **III-5. Authorized Traders; Supervised Persons and Authorized Customers**

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

(b) Subject to Rule III-13, each Participant may from time to time elect to provide a User ID to one or more of its Customers to enable any such Customer to access the ELX System directly, and any such Customer will become an Authorized Customer for purposes of these Rules, and shall be entitled to exercise Trading Privileges and to access the ELX System directly, subject to the terms and conditions of these Rules. Any Participant wishing to designate an Authorized Customer shall notify the Exchange and must obtain from each Authorized Customer an agreement, in the form specified by the

Exchange, pursuant to which, among other things, the Authorized Customer agrees to comply with the Rules of the Exchange and Applicable Law. Each Authorized Customer must satisfy such requirements as may be prescribed by the Exchange from time to time and shall be subject to the disciplinary authority of the Exchange and possible fine or restriction or revocation of Trading Privileges.

(c) Each Participant may at any time revoke an authorization granted by it to any Authorized Trader or Authorized Customer by providing written notice of such revocation to the Exchange. A Participant shall take immediate measures appropriate to ensure that, after such revocation, (i) the affected Authorized Trader or Authorized Customer shall not have access to the ELX System or (ii) the affected Authorized Trader or Authorized Customer shall not utilize its User ID, and the Exchange shall act promptly, but in any event within one Business Day of receiving notice from the Participant, to disallow Order entry by any such Person.

(d) All obligations of Participants under these Rules shall also apply to each of their Authorized Traders, other Supervised Persons and Authorized Customers, and each Participant shall be responsible for the actions and omissions of each of its Authorized Traders, other Supervised Persons and Authorized Customers. Each Participant will ensure on an ongoing basis that none of its Authorized Traders, other Supervised Persons and Authorized Customers is subject to a disqualification pursuant to any Applicable Law (unless an appropriate exemption has been obtained with respect thereto) and that each of its Authorized Traders, other Supervised Persons (as applicable) and Authorized Customers will be technically proficient in respect of the use of the ELX System. Each Participant shall have procedures for performing day-to-day monitoring of its Authorized Traders, other Supervised Persons and Authorized Customers to ensure that each will conduct its business in a fair and equitable manner and in accordance with the Rules of the Exchange.

(e) For purposes of these Rules, any reference to (i) the Trading Privileges of a Participant shall also be deemed to refer and apply to the exercise of Trading Privileges by any of such Participant's Authorized Traders and Authorized Customers, (ii) a Participant submitting or receiving Orders, bids, offers or Message Traffic into or from ELX or the ELX System or engaging in transactions in Contracts on the ELX System, shall be deemed to also refer and apply to any such actions engaged in by any of such Participant's Authorized Traders and Authorized Customers and (iii) the knowledge of, or matters known to, any Participant shall be deemed to also refer to and include the knowledge of, or matters known to, its Authorized Traders, other Supervised Persons and Authorized Customers.

(f) Each Authorized Trader and Authorized Customer shall be deemed to be a “member” of the Exchange for all purposes under the CEA.

### **III-6. Eligibility**

(a) Each applicant for Trading Privileges that is a natural person must: (i) have attained the age of majority in the individual’s state of residence and (ii) satisfy such other requirements or criteria as may from time to time be adopted by the Exchange.

(b) Each applicant for Trading Privileges that is anything other than a natural person (e.g., a corporation, partnership, sole proprietorship or trust) must: (a) be duly organized, (b) be in good standing, (c) have the legal authority and be duly authorized and empowered to become a Participant and to effect transactions on the Exchange and (d) satisfy such other requirements or criteria as may from time to time be adopted by the Exchange.

(c) The Exchange may deny (or may condition) or revoke the grant of Trading Privileges to any Person:

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

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

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

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

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

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

(iii) violates any agreement with the Exchange; or

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

For the avoidance of doubt, any limitation, suspension or revocation of Trading Privileges pursuant to Rule III-6(d)(iv) may, in the sole discretion of the Exchange, (1) take the form of (x) a full suspension or revocation of Trading Privileges (y) a requirement that the positions at issue be immediately liquidated in full or reduced to a reasonable level to be set by the Exchange as a condition to the Trading Privileges remaining in effect or (z) a prohibition on the use of such Trading Privileges in respect of the trades of any Customer identified by the Exchange and (2) be applied to the Trading Privileges of the Authorized Customer or Participant at issue, such Authorized Customer's Participant or the other Authorized Customers and Authorized Traders of such Participant, in each case, as deemed reasonably necessary by the Exchange for the protection of such Persons and other Participants of the Exchange.

(e) In the case of any suspension, revocation or limitation of the Trading Privileges of any Participant pursuant to this Rule III-6, the Exchange, in its sole discretion, may also suspend, revoke or limit the Trading Privileges of such Participant's Authorized Traders and Authorized Customers, as the Exchange deems necessary to protect its other Participants, Customers of Participants and the integrity of the ELX System.

(f) In the case of any suspension, revocation or limitation of the Trading Privileges of any Authorized Trader or Authorized Customer of any Participant pursuant to this Rule III-6, the Exchange, in its sole discretion, may also suspend, revoke or limit the Trading Privileges of such Participant or such Participant's Authorized Traders or Authorized Customers, as the Exchange deems necessary to protect its other Participants and the integrity of the ELX System.

(g) Any applicant for Trading Privileges who has been rejected by the Exchange pursuant to these Rules shall not be eligible for re-application during the six months immediately following such rejection.

(i) Any Person who has been denied Trading Privileges or granted only conditional Trading Privileges pursuant to this Rule III-6, and any Person who is not permitted to keep its Trading Privileges or whose Trading Privileges are conditioned pursuant to this Rule III-6, may appeal the Exchange's decision in accordance with the provisions of Chapter VII relating to disciplinary proceeding appeals.

### **III-7. Application for Trading Privileges**

(a) Each application for Trading Privileges shall be in such form as may from time to time be prescribed by the Exchange. Each applicant for Trading Privileges shall promptly update the application materials if any of the information provided therein becomes inaccurate or incomplete after the date of submission and prior to any approval of the application. The Exchange shall act upon, and approve or disapprove, any such application without unreasonable delay.

(b) Each applicant for Trading Privileges shall:

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

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

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

(c) Upon the Exchange's approval of an applicant's application, the applicant shall obtain Trading Privileges from the Control Desk. If the application process is not completed within six months of the applicant's initial submission, the application shall be deemed to be withdrawn, unless extended by the Exchange.

(d) Applications for Trading Privileges for Authorized Traders and Authorized Customers must be authorized by a Participant and guaranteed by a Clearing Privilege Holder (which may be the same Clearing Privilege Holder of the Participant).

### **III-8. Fees**

The Board shall have the sole authority to set the times and amounts of any fees to be paid by Participants and Authorized Customers, which fees shall be paid to the Exchange when due.

If a Participant or Authorized Customer fails to pay when due any Exchange fees levied on such Participant or Authorized Customer, and such payment obligation remains unsatisfied for thirty days after its due date, the Exchange may suspend, revoke, limit, condition, restrict or qualify the Trading Privileges of such Participant as it deems necessary or appropriate.

### **III-9. Application of Rules and Jurisdiction Following Termination**

Any Participant or Authorized Customer whose Trading Privileges are revoked or terminated, shall remain bound by the Rules of the Exchange, the Rules of the Clearinghouse and Applicable Law, in each case to the extent applicable to it, and subject to the jurisdiction of the Exchange with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Participant prior to such revocation or termination.

### **III-10. Recording of Communications**

The Exchange may record conversations and retain copies of electronic communications between officers, employees or agents of the Exchange, on one hand, and Participants, their Authorized Traders, Supervised Persons, Authorized Customers or other agents, on the other hand. Any such recordings may be retained by the Exchange in such manner and for such periods of time as the Exchange may deem necessary or appropriate. The Exchange will retain such records for the retention records necessary to comply with CFTC Regulation 1.35. The RSP will have access to such recordings to the extent required to perform certain regulatory services to the Exchange pursuant to the Regulatory Services Agreement.

### **III-11. Notices to Participants**

The Exchange shall publish a notice with respect to each addition to, modification of, or clarification of, the Rules of the Exchange or of any action to implement any Rules of the Exchange, in a form and manner that is reasonably designed to enable each Participant to become aware of and familiar with, and to implement any necessary preparatory measures to be taken by it with respect to, such addition or modification, prior to the effective date thereof (each, a "Notice to Participants"); provided that any failure of the Exchange to so publish a Notice to Participants shall not affect the effectiveness of the addition or modification in question. For purposes of publication in accordance with the first sentence of this Rule III-11, it shall be sufficient (without limiting the discretion of the Exchange as to any other reasonable means of communication) if a Notice to Participants is published on the Exchange's website. Any Notice to any

Participant shall also be deemed to have been made to the Authorized Traders, other Supervised Persons and Authorized Customers of such Participant.

### **III-12. Communications between the Exchange and Participants**

Each Participant must provide the Exchange with its current electronic mail address and the electronic mail address of any of its Authorized Traders and Authorized Customers and immediately (and in any event within 24 hours) update that address whenever it changes. All communications between the Exchange and the Participant will be transmitted by electronic mail and/or posted on the Exchange website, except as otherwise specified by the Exchange. The Participant shall be responsible for conveying such communications to its Authorized Traders, other Supervised Persons and Authorized Customers. Each Participant will be responsible for promptly reviewing and, if necessary, responding to all electronic communications from the Exchange to the Participant or any of its Authorized Traders, its other Supervised Persons or Authorized Customers. The RSP will have access to such communications to the extent required to perform certain regulatory services to the Exchange pursuant to the Regulatory Services Agreement. All communications made to a Participant shall also be deemed to have been made to such Participant's Authorized Traders, other Supervised Persons and Authorized Customers.

### **III-13. Direct Access by Customers**

Authorized Customers of any Participant may access the ELX System directly, provided that the following provisions of this Rule III-13 are satisfied.

(a) The Participant must be an FCM and the Customer Account must be with the Participant or a carrying broker maintaining an account for its Customers on an omnibus basis in the name of the Participant.

(b) The Participant must provide to ELX, in a form acceptable to ELX, a guaranty from a Primary Clearing Privilege Holder for the agreement required by Rule III-5 and the Authorized Customer's account, or carrying an omnibus account in the name of the Participant through which the Authorized Customer is trading, assuring the financial performance of all trades and positions for that account.

(c) The Participant shall provide to the Control Desk such information as shall be requested pertaining to the Authorized Customer for which ELX access is sought, including but not limited to, name, address, account number, any give-up information, email address and telephone numbers.

(d) The Control Desk, once it is satisfied that all requested information has been provided, shall issue a User ID and password or identifiers and passwords for such Authorized Customer.

(e) The User ID shall not be authorized for trading through ELX until the Primary Clearing Privilege Holder enters in the ELX risk administration terminal all required risk controls for such Authorized Customer. ELX will enable the User ID when it is satisfied in its sole discretion that all requirements have been met and risk controls have been utilized. Notwithstanding the foregoing, the Participant shall remain responsible in accordance with these Rules for the acts and omissions of any of its Authorized Customers, regardless of the level of risk controls set by the Primary Clearing Privilege Holder and the approval of such risk controls by ELX.

### **III-14. Required Financial Information**

Any Participant that is an FCM and/or is a Clearing Privilege Holder shall be required to deliver to the Exchange a copy of any financial information (including any accountant's certifications thereon) required by Section 1.10 of the CFTC Regulations to be filed with the CFTC or provided to the FCM's designated self-regulatory organization (the "Required Financial Information"), in each case, within the time periods prescribed for such filing or delivery in Section 1.10 of the CFTC Regulations.

**CHAPTER IV**  
**TRADING STANDARDS**

**IV-1. Contracts Traded on the Exchange**

The Exchange shall determine which Contracts are available for trading subject to the Rules of the Exchange from time to time and approve rules containing the specifications for such Contracts, provided that certifications or applications with respect to such Contracts shall be submitted to the CFTC as required by the CEA and CFTC Regulations.

**IV-2. Business Days and Trading Hours**

The Exchange shall from time to time determine (a) the Business Days during any particular calendar year and (b) the Trading Hours with respect to any particular Contract. The Control Desk will be staffed and operate at all times during the Trading Hours of any Contract. All time references shall be based on local time prevailing in The City of New York, New York, unless otherwise expressly set forth in the relevant Contract Rules. Opening and closing times are at the exact moment cited. Trading Hours may vary among different Contracts. No Person may make any bid or offer for, or engage in any transaction in, any Contract before or after such hours.

The Exchange may from time to time adopt procedures for the opening or closing of trading in any Contract.

**IV-3. Publication of Trading Information**

The Exchange shall daily make available to the public on its website trading information for the immediately prior Business Day for all actively traded Contracts. Such information shall include prices (open, high, low, close, and Daily Settlement Price), volume, open interest, Option on Futures exercises, and any other trading information the Exchange determines is appropriate.

**IV-4. Order Entry**

(a) Orders must be entered by electronic transmission to the ELX System, and the Exchange shall maintain an electronic record of those entries. Each Participant shall be responsible for any and all Orders entered by the Participant's Authorized Traders and Customers.

(b) All Orders must contain the following information: (i) the instrument description including commodity, Contract month, and for any Option on Futures, strike price, type of option (put or call) and expiration month; (ii) whether such Order is a buy or sell Order;

(iii) Order type, (iv) price (if required); (v) quantity; (vi) account type; (vii) account designation (the number assigned by a Participant to each of its accounts); (viii) the User ID of the Person entering the Order; (ix) the Source ID of the individual entering the Order; (x) the Account Type Indicator; (xi) the Clearing Privilege Holder ID of the Clearing Privilege Holder that will clear any resultant Contracts; and (xii) such additional information as may be prescribed from time to time by the Exchange.

#### **IV-5. Acceptable Orders**

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

(a) *Market Orders*. A “Market Order” is an Order to purchase or sell a Contract at the best price obtainable in the ELX System at the time the Order is entered. A Market Order will be executed when entered to the extent that there are opposite Orders open in the ELX System, with any balance immediately cancelled. Market Orders must be submitted without a price.

(b) *Limit Orders*. A “Limit Order” is an Order to purchase or sell a Contract at a specified price or better. A Limit Order will be executed when entered to the extent that there are opposite Orders open in the ELX System, with any balance to remain as an open Order until it is executed or is cancelled. Limit Orders must be entered with a user-defined limit price. Orders submitted with a price but without a specific Order type shall default to Limit Orders.

(c) *Stop Order*. A “Stop Order” is an Order to buy or sell a stated number of Contracts at the best obtainable price as soon as the Stop Price is reached. A buy Stop Order is placed above the best available offer, whereas a sell Stop Order is placed below the best available bid. A buy Stop Order becomes a Market Order when the Contract trades at or above the specified stop price, whereas a sell Stop Order becomes a Market Order when the Contract trades at or below the stop price. Stop Orders must be submitted with a specified Stop Price.

(d) *Stop Limit Order*. A “Stop Limit Order” is an Order to buy or sell a stated number of Contracts at the best obtainable price as soon as a user-specified stop price is reached but only to a user-specified limit price. A buy Stop Limit Order becomes a Limit Order when the Contract trades at or above the specified stop price, whereas a sell Stop Limit Order becomes a Limit Order when the Contract trades at or

below the specified stop price. Stop Limit Orders must be submitted with a specified stop price and a specified limit price.

(e) *Stop With Protection Order.* A "Stop With Protection Order" is a Stop Order that is filled within a Protected Range (as defined below). A Stop With Protection Order is triggered when a user-designated trigger price is traded on the ELX System. The Order then enters the order book as a Limit Order with the limit price equal to the trigger price, plus or minus the pre-defined Protected Range. The "Protected Range" is set by ELX and is typically the trigger price, plus or minus 50 percent of the No Bust Range for that product. The Order is executed at all price levels between the trigger price and limit price. If the Order is not completely filled, the remaining quantity rests in the ELX System at the limit price. A buy Stop With Protection Order must have a trigger price greater than the last traded price for the Contract. A sell Stop With Protection Order must have a trigger price lower than the last traded price for the Contract.

(f) *Market With Protection Order.* A "Market With Protection Order" is a Market Order that is filled within a Protected Range. A Market With Protection Order enters the order book as a Limit Order with the limit price equal to the price prevailing in the ELX System at the time the Market With Protection Order is entered into the ELX System, plus or minus the Protected Range. The Order is executed at all price levels between the prevailing market price and limit price. If the Order is not completely filled, the unfilled quantity becomes a Limit Order with the limit price being set at the limit price of the Protected Range.

(g) *MIT Order (Market If Touched Order).* A "MIT Order" is an Order to buy or sell a stated number of Contracts at the best obtainable price as soon as a user-designated trigger price is reached. A buy MIT Order is placed below the best available bid and becomes a Market Order when the contract trades at or below the trigger price, whereas a sell MIT Order is placed above the best available offer and becomes a Market Order when the contract trades at the trigger price or above. MIT Orders must be submitted with a specified trigger price.

(h) *MIT Limit Order.* A "MIT Limit Order" is an Order to buy or sell a stated number of Contracts at the best obtainable price to a user-specified limit price level as soon as the user-specified trigger price is reached. A buy MIT Limit Order is placed below the best available bid and becomes a Limit Order when the Contract trades at or below the trigger price, whereas a sell MIT Limit Order is placed above the best available offer and becomes a Limit Order when the Contract trades at

the trigger price or above. MIT Limit Orders must be submitted with a specified trigger price and a specified limit price.

(i) *Market Making Order*. A “Market Making Order” permits the simultaneous submission of bids and offers into a single Option on Futures series or Futures month. Volumes for each side do not have to be equal.

(j) *Market on Open Order*. A “Market on Open Order” is an Order to buy or sell a stated number of Contracts at the opening price of the Contracts on the ELX System, determined as set forth in Rule IV-22. A Market on Open Order is not guaranteed to trade and will be matched in the manner set forth in Rule IV-22. Unmatched Market on Open Orders will be converted into Limit Orders with the opening price set as the limit price or will be cancelled if no opening price can be determined. A Market on Open Order may only be submitted during Pre-Opening Periods.

(k) The following Order preferences are permitted during regular Trading Hours:

(i) *Minimum Volume*. A “Minimum Volume” Order is executed only if there is at least the designated minimum volume available at the stated price or better. If the designated minimum volume cannot be traded, the Order is cancelled. Any residual volume from a partially executed Minimum Volume Order remains in the order book. Minimum Volume Orders must be submitted with a user-designated minimum volume. Minimum Volume may be used with the following Order types: Market Orders, Limit Orders, Stop Limit Orders and MIT Limit Orders. Minimum Volume may be used in combination with the following other Order preferences if, with respect to any Order type, the other Order preference is also compatible with the Order type: Good-Until-Cancelled and Immediate or Cancel.

(ii) *Complete Volume*. A “Complete Volume” Order is executed only if there is sufficient volume available, at the stated price or better, to execute the Order in its entirety. If the Order cannot be executed in its entirety, the entire Order is cancelled. Complete Volume may be used with the following Order types: Market Orders, Limit Orders, Stop Limit Orders and MIT Limit Orders. Complete Volume may also be used with Good-Until-Cancelled Limit Orders.

(iii) *Immediate or Cancel (IOC)*. An “Immediate or Cancel” or “IOC” Order is executed against any existing Orders at the stated price or better, up to the volume designated on the Order.

Any residual volume on the Order is cancelled. Immediate or Cancel may be used with the following Order types: Market Orders, Limit Orders, Stop Limit Orders and MIT Limit Orders. Immediate or Cancel may be used in combination with Minimum Volume Orders, if the submitted Order type is also compatible with Minimum Volume.

(iv) *Fill or Kill (FOK)*. A “Fill or Kill” Order is executed, with one or multiple executions, against any existing Orders at the stated price or better, but only in the whole volume designated on the Order, as soon as the Order is received within a designated time period. If a Fill or Kill Order could not be executed in whole, the Order shall be cancelled. Fill or Kill Orders must be submitted with a specified volume. Fill or Kill may be used with the following Order types: Market Orders, Limit Orders, Stop Limit Orders and MIT Limit Orders.

(v) *Good-Until-Cancelled*. A “Good-Until-Cancelled” Order is an Order that, unless executed, remains on the ELX System after the Participant has signed off from the ELX System and survives beyond the Trading Hours on the calendar day such Order is placed until such time as the user cancels the Order. Good-Until-Cancelled may be used with the following Order types: Limit Orders, Stop Limit Orders and MIT Limit Orders. Good-Until-Cancelled may be used in combination with the following other Order preferences if, with respect to the submitted Order type, the Order preference is also compatible with the Order type: Minimum Volume, Complete Volume and Clip Size.

(vi) *Clip Size*. A “Clip Size” Order applies to a series of Orders that are either entirely filled or partially filled according to a round-lot size stipulated as part of the order. The Clip Size is to be rounded to the nearest lot that can be filled. A Clip Size Order will only be permitted for specific products designated by the Exchange. In addition to the standard necessary fields, Clip Size Orders must be submitted with a Clip Size. The Clip Size must be greater than 0 and less than the total size of the Order; otherwise the Order will be rejected. Clip Size may be used with the following Order types: Market Orders, Limit Orders, Stop Limit Orders and MIT Limit Orders. Clip Size may also be used with Good-Until-Cancelled Limit Orders.

(vii) *OCO (One Cancels the Other or Order Cancels Order)*. An “OCO” Order involves the entry of two separate Orders where the Participant intends that either one or the other be filled, but not both. If one Order is filled, the other is automatically cancelled. OCO may be used with the following Order types: Limit

Orders, Stop Orders, Stop Limit Orders, MIT Orders and MIT Limit Orders. OCO may also be used with Good-Until-Cancelled Limit Orders.

(viii) *Reserve or Max Display.* A “Reserve” or “Max Display” Order involves ELX matching a displayed quantity before filling a reserve quantity at a requested price level. Random display sizes will be produced by the ELX System within a minimum and maximum value provided by the user. The displayable portion of the Order will always be restricted by such parameters sent with the request. Reserve quantity will not be displayed nor will any indicator be contained in the market data stream to expose its presence. Reserve may be used with the following Order types: Limit Orders, Stop Orders, Stop Limit Orders, MIT Orders and MIT Limit Orders. Reserve may also be used in combination with Good-Until-Cancelled Limit Orders.

#### **IV-6. Modification and Cancellation of Orders**

Any Order that has been entered into the ELX System may be modified or cancelled unless and until it has been executed or has otherwise expired. Any such modification or cancellation requires that a Cancel Replace Order or Cancel Order, as the case may be, with respect to the original Order be entered into the ELX System. Such modification or cancellation will become effective upon receipt by the ELX System of the Cancel Order or Cancel Replace Order, as the case may be. Any Order, other than a Good-Until-Cancelled Order, automatically expires at the end of the Trading Hours on the calendar day such Order is placed, in the event of any suspension or curtailment of trading, or in the case of any failure of the ELX System.

#### **IV-7. Execution of Orders by the ELX System**

Orders to buy or sell any Contract are subject to the minimum trading requirements specified in the relevant Contract rules. Except as expressly provided for by these Rules, all Orders are matched with each other and executed electronically through the ELX System in accordance with an algorithm that gives first priority to Orders at the best price and priority among Orders entered at the same price based on a combination of size and time priority. Without limiting the generality of the foregoing, the algorithm to match Orders entered in the ELX System is based upon the following principles:

(a) An Order at a better price will always have priority over Orders at inferior prices.

(b) As among resting Orders at the same price, the algorithm will allocate a percentage of each matching Order (such percentage to be determined by the algorithm) to be filled with such resting Orders as

follows: (i) first, with a portion of the resting Order that, at the time that resting Order was entered into the ELX system, created a new best price above or below, as the case may be, the best prevailing market price at such time, (ii) next, with a portion of all such resting Orders on a pro rata basis in proportion to their relative size (resulting in resting Orders of greater size being executed in greater proportion than resting Orders of lesser size) and (iii) finally, with a portion of certain of such resting Orders based on their respective time of entry into the ELX System. Accordingly, resting Orders entered with time priority may not necessarily be executed in full prior to, or in greater proportion than, the execution of other resting Orders at the same price and of greater size.

#### **IV-8. Information Regarding Orders**

The Exchange will make information regarding Orders (including prices bid or offered), trades and any other matters it may deem appropriate available to Participants, Authorized Traders, other Supervised Persons and Authorized Customers at such times and in such manner (whether through the ELX System, a ticker, financial information services or otherwise) as it may consider necessary or advisable from time to time.

Each Participant, Authorized Trader, other Supervised Person or Authorized Customer receiving any such information through the ELX System may redistribute such information only to such extent and in such manner as may be permitted by the Board from time to time. Employees and agents of the Exchange shall have access to the offices of any Participant, Authorized Trader, other Supervised Person or Authorized Customer during regular business hours in order to observe the compliance by such Person with the immediately preceding sentence.

#### **IV-9. Trade Cancellations and Price Adjustments**

##### *(a) Trade Cancellation Authority.*

The Exchange's trade cancellation policy authorizes the Board, through its designee the Compliance Director (or the Compliance Director's delegate) (the "Designee"), to adjust trade prices or cancel (bust) trades when such action is necessary to mitigate market disrupting events caused by the improper or erroneous use of the ELX System or by system defects. Notwithstanding any other provision of this Rule IV-9, the Designee may adjust trade prices or cancel any trade if the Designee determines that allowing the trade to stand as executed may have a material, adverse effect on the integrity of the market, provided, however, that any such determination by the Designee (if other than the Compliance Director) will be subject to review by the Compliance Director if the Designee determines such review to be necessary or appropriate.

Subject to the immediately preceding sentence, the decision of the Designee shall be final.

(b) *Review of Trades.*

The Designee may review a trade based on its analysis of market conditions or a request for review by a user of the ELX System. A request for review must be made within five minutes of the execution of the trade. The Designee shall promptly determine whether the trade will be subject to review, and upon deciding to review a trade, the Designee will promptly issue an alert to all Participants, Authorized Traders and Authorized Customers on the ELX System indicating that the trade is under review.

In the case of Contracts determined by the Designee to be illiquid, the Designee may initiate a review up to one hour after the execution of the trade, and has the authority, but not the obligation, to review trades reported more than one hour following execution if it determines that the trade price was significantly out of line with fair value.

In the course of its review of any trade, the Designee may, but is not obligated to, inform any of the parties to the trade of the identity and contact information of any other party to the trade.

(c) *Trade Price Adjustment and Cancellation Process.*

The Designee will first determine whether the trade price is within the No Bust Range. During fast market conditions, upon the release of significant news, or in other circumstances in which the Designee determines it is appropriate, the Designee may, without prior notice, temporarily increase the published No Bust Range, up to an amount that is double the published range.

In applying the No Bust Range, the Designee shall determine the market price for that Contract immediately before the trade under review (the "Market Price"). The Designee may consider any relevant information, including the existing market conditions, the volatility of the market, the prices of related instruments in other markets, the last trade price on the ELX System, a better bid or offer price, a more recent price in a different Contract month, the price of the same or related Contract established in open outcry trading and any other factors that the Designee deems relevant.

(i) Trade Price Inside the No Bust Range.

If the Designee determines that the price of the trade was inside the No Bust Range, the Designee will promptly issue an alert to all Participants, Authorized Traders and Authorized Customers on the ELX System indicating that the trade shall stand.

(ii) Trade Price Outside the No Bust Range.

If the Designee determines that a trade price is outside the applicable No Bust Range, the trade price shall be adjusted to a price agreed upon in a reasonable time by a Person not responsible for an Order that results in a trade price adjustment that is within the No Bust Range or in the absence of such agreement to a price that equals the Market Price for that Contract at the time of the questioned trade, plus or minus the standard or adjusted No Bust Range, provided, however, that in the event that such adjusted price would be outside the trading range of the day at the time of the questioned trade, then such adjustment shall be limited to the trading range as applicable. In the event there are multiple parties, prices and/or Contracts involved in the transactions at issue, the Designee has the authority, but not the obligation, to bust rather than price adjust such transactions. The Designee will promptly issue an alert to all Participants, Authorized Traders and Authorized Customers on the ELX System indicating that the prices of the trades outside the No Bust Range have been adjusted to the No Bust Range limit or have been busted.

(iii) Liability for Losses Resulting from a Price Adjustment or Trade Bust.

(A) Price-Adjusted Trades

A Person responsible for an Order that results in a trade price adjustment shall generally not be liable for losses incurred by Persons whose trade prices were adjusted, except that a Person responsible for an Order(s) that results in a trade price adjustment shall be liable for actual losses incurred by Persons whose Stop Orders, Stop Limit Orders, Stop With Protection Orders, MIT Orders or MIT Limit Orders (each, a "Conditional Order") were executed as a result of the Order(s). The compensable loss on each Futures Contract executed as part of any Conditional Order shall be the difference between the adjusted price, as determined by the Designee, and the price in the market at the time the Person knew or should have known that any such Conditional Order was erroneously executed.

(B) Busted Trades

A Person responsible for an Order that results in a trade bust may be liable for the reasonable out-of-pocket

losses incurred by Persons whose trades were busted or Persons whose Conditional Orders were executed and not busted. Issues of liability in such cases will be determined based upon all relevant facts and circumstances, including the conduct of the respective parties.

(d) *Claim Process.*

A claim for a loss pursuant to Rule IV-9(c)(iii)(A) must be submitted to the Exchange, on an Exchange claim form, within five Business Days of the price-adjusted trade giving rise to the claim. The Exchange shall reject any claim that is not permitted by Rule IV-9(c)(iii)(A) and such decision shall be final. All claims which are not rejected by the Exchange shall be forwarded to the party responsible for the Order(s) that resulted in a price adjustment and to the Clearing Privilege Holder through which the trade was placed. Such party, or the Clearing Privilege Holder on behalf of the party, shall, within ten Business Days of receipt of the claim, admit or deny responsibility in whole or in part. The liability for losses for a single incident shall be limited to \$500,000.

To the extent that liability is admitted, payment shall be made within ten Business Days. If liability is admitted but the total claims exceed \$500,000, the claims shall be reduced pro rata so that the total payment does not exceed \$500,000. To the extent that liability is denied, the claims shall be submitted to arbitration in accordance with Chapter VIII.

A claim for a loss pursuant to Rule IV-9(c)(iii)(B) must be pursued under the arbitration rules of Chapter VIII.

(e) *Trade Cancellation or Offset Procedures.*

Upon a determination by the Designee that a trade shall be busted or that trade prices shall be adjusted, that decision will be implemented. The busted trade price and any price quotes that have been adjusted will be reflected as cancelled in the Exchange's official record of time and sales.

(f) *Transfer Trades.*

Positions that result from a trade determined by the Designee to be outside the No Bust Range that cannot be busted because the trade was not reported within five minutes of the execution of the trade may be transferred between the parties using a transfer trade upon agreement of the parties (a "Transfer Trade"). The Transfer Trade must use the original trade price and quantity. Any party may, but is not required to, include a cash adjustment to another party to the trade. Trades determined by the Designee to be inside the No Bust Range may not be reversed using a Transfer Trade.

*(g) Arbitration of Disputes Regarding Transfer Trade.*

If a party does not agree to transfer a position pursuant to Rule IV-9(f), any other party to the trade may file an arbitration claim against the Person representing the other side of the trade. Written notice of such claim must be provided to the Exchange within five Business Days of the execution of the trade. Failure to file the claim within five Business Days shall be deemed a waiver of all claims. The arbitration claim will be conducted in accordance with Chapter VIII.

*(h) Voluntary Adjustment of Trade Price.*

When a trade outside of the No Bust Range is busted in accordance with this Rule IV-9, the parties to the trade may agree voluntarily to reestablish the trade but to adjust its price and make a cash adjustment provided that all of the following conditions are met:

(i) The Designee approves the adjustment.

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

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

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

*(i) Busting Trades After System Malfunction.*

In the event that the matching engine malfunctions with live Orders in the queue waiting to be matched, such Orders may be matched when the system is restored before the Designee halts the matching engine. The Designee is authorized to bust trades resulting from such matches if the price of such trades is outside of the No Bust Range at the time that a confirmation of the trades was sent.

**IV-10. Position Limits**

(a) Position limits may be established by the Exchange from time to time. The current position limits for each Contract are specified in Chapter IX. Such position limits may be specific to a particular Contract or delivery month or may be established on an aggregate basis among Contracts or delivery months. Except as specified in

paragraphs (b) and (c) below, no Person shall control, or trade in, any number of Contracts that exceeds any position limits so established by the Exchange. Except as specified in paragraphs (b) and (c) below, no Person shall be permitted to enter into any transaction on the Exchange that would cause such Person to exceed any position limits.

(b) Upon application to the Exchange, in accordance with paragraph (d) below, qualified hedge transactions shall automatically be exempt from the position limits that would otherwise apply. For purposes of this Rule IV-10, the term “qualified hedge transaction” shall include any transaction or position in a particular Contract that represents a substitute for transactions to be made or positions to be taken at a later time in the relevant Underlying, provided that the transaction entered into or position taken on the Exchange is economically appropriate to reduce risks arising from:

(i) any potential change in the value of assets that a Person owns, produces, manufactures, processes or merchandises or anticipates owning, producing, manufacturing, processing or merchandising;

(ii) any potential change in the value of liabilities that a Person owes or anticipates incurring;

(iii) any potential change in the value of services that a Person provides, purchases or anticipates providing or purchasing;  
or

(iv) any other good cause shown, as determined by the Exchange, in its sole discretion.

(c) On the basis of an application to the Exchange in accordance with paragraph (d) below, and such supplemental information as the Exchange may request, the Exchange will determine whether to approve a particular transaction as an arbitrage or spread transaction. In granting any such approval, the Exchange may impose such limitations as it may deem necessary or appropriate in light of the liquidity of the markets involved and the Person’s financial condition and business circumstances. Subject to any such limitations, transactions approved in accordance with the immediately preceding sentence shall be exempt from the position limits that would otherwise apply.

(d) Any application for an exemption from position limits for a hedging, arbitrage or spread transaction must be made by the relevant Person wishing to enter into the transaction or wishing to take the position at issue to the Exchange in such form, and within such time

limits, as the Exchange may from time to time prescribe. Without limiting the foregoing, any such application must include the following:

(i) If a qualified hedge transaction, an arbitrage transaction or a spread transaction, a representation that such transaction or position constitutes a qualified hedge transaction, an arbitrage transaction or a spread transaction, as the case may be, and is not used in an attempt to violate or avoid any Rule of the Exchange;

(ii) If a qualified hedge transaction, a representation that such transaction or position is necessary or advisable as an integral part of the business of such Person, which representation shall also include a description of such business;

(iii) If an arbitrage or spread transaction, an undertaking that the prospective arbitrageur or spreader will specify the extent of the Person's current or planned activity in the relevant Underlying;

(iv) If an arbitrage or spread transaction, a representation that the positions involved are moved in an orderly manner and not initiated or liquidated in a manner calculated to cause unreasonable price fluctuations or unwarranted price changes;

(v) A representation that such Person has complied with any applicable federal requirement relating to hedging, arbitrage or spread transactions, as the case may be, and has obtained any and all necessary approvals from the CFTC;

(vi) A schedule of the maximum number of Contracts, long and short, that such Person intends to enter into for hedging, arbitrage or spread transaction purposes, as the case may be;

(vii) An agreement that such Person will comply with any additional limits on its trading as the Exchange may from time to time impose; and

(viii) An agreement by such Person to submit promptly a supplemental statement explaining any change in circumstances that may affect the nature of its positions.

Any exemption from the speculative position limits for hedging purposes must be renewed annually, by filing a renewal application in accordance with this paragraph (d).

(e) In determining whether any Person has exceeded the position limits established by the Exchange, all positions in accounts

for which such Person, by power of attorney or otherwise, directly or indirectly controls trading shall be included. Position limits shall apply to positions held by two or more Persons acting pursuant to an express or implied agreement or understanding in the same manner as if such positions were held by a single Person.

(f) The Exchange shall have the authority to review and rescind any exemption granted by it pursuant to paragraphs (b) and (c) above at any time in its sole discretion.

(g) For purposes of paragraph (e) above, "control" exists when the Person in question makes investment decisions for the account or accounts in question or materially influences, directly or indirectly, the actions of any Person who makes such investment decisions. In circumstances in which a Person (A) holds an ownership interest of 10 percent or more in the Person holding the account or accounts in question, or (B) shares in 10 percent or more of the profits or losses related to such account or accounts, or where the Persons holding the account or accounts in question have common directors or management, ELX may, but is not required to, determine that positions should be aggregated for purposes of compliance with the position limits, if it concludes that such factors, together with any other relevant factors, effectively result in common control. In addition, "control" will be presumed to exist in the following circumstances:

(i) Among all parties to a joint account who have authority to act on behalf of such account;

(ii) Among all general partners to a partnership account;  
or

(iii) If a Person has the authority to execute transactions in the account or accounts in question.

(h) Any presumption of control on the basis of the foregoing circumstances can be rebutted by proving that such circumstances do not exist or by showing other circumstances which negate the presumption of control. Initial determinations of "control" shall be made by the Chief Executive Officer or his or her designee.

(i) Except as may be specified in the Chapter IX of these Rules relating to any particular Contract, there shall be an exemption from the aggregation requirements of this Rule IV-10 as provided in this paragraph (i). Positions carried by an "eligible entity", as defined in CFTC Regulation 150.1(d), on behalf of Customers and in a separate account or accounts of an "independent account controller", as defined

in CFTC Regulation 150.1(e), may exceed the position limits established by the Exchange.

(j) If the independent account controller is Affiliated with the eligible entity or another independent account controller, each Affiliate must:

(i) Have, and enforce, written procedures to preclude each Affiliate from having knowledge of, gaining access to, or receiving data about, trades of the other. Such procedures must include document routing, and other procedures or security arrangements, including separate physical locations, which would maintain the independence of their activities. However, such procedures may provide for the disclosure of information which is reasonably necessary for an eligible entity to maintain the level of control consistent with its fiduciary responsibilities and necessary to fulfill its duty to supervise diligently the trading done on its behalf;

(ii) Trade such accounts pursuant to separately developed and independent trading systems and market such trading systems separately; and

(iii) Solicit funds for such trading by separate disclosure documents that meet the standards of CFTC Regulations 4.24 or 4.34, as applicable.

#### **IV-11. Position Accountability**

A Person who holds or controls aggregate positions in any Contract in excess of those specified for such Contract in Chapter IX of these Rules shall be subject to the following provisions:

(a) Such Person shall provide, in a timely manner upon request by the Exchange, information regarding the nature of the position, trading strategy, and hedging information if applicable.

(b) Such Person shall be deemed to have consented, when so ordered by the Exchange acting in its discretion, not to increase further the positions which exceed the levels specified in Chapter IX.

(c) Such positions must be initiated and liquidated in an orderly manner.

(d) For purposes of this Rule IV-11, all positions in accounts for which such Person, by power of attorney or otherwise, directly or indirectly controls trading shall be included with the positions held by such Person. Control shall be presumed to exist in accordance with the terms of Rule IV-10(g). This Rule IV-11 also shall apply to

positions held by two or more Persons acting pursuant to an express or implied agreement or understanding, in the same manner as if such positions were held by a single Person.

(e) This Rule IV-11 shall not limit the jurisdiction of the Exchange to take action that it determines necessary or appropriate in respect of any positions on the Exchange.

#### **IV-12. Price Limits**

The rules governing a particular Contract shall contain any price limits that apply to trading in such Contract.

#### **IV-13. Required Reports**

(a) Each Participant (on behalf of itself and its Customers) or Authorized Customer required to file any report, statement, form or other information with the Commission pursuant to Commission Regulations Part 15 or 17 concerning any Contract or commodity underlying a Contract must simultaneously file a copy of such report, form or other information with the Exchange. Each Participant shall be required to file with the Exchange any such report on behalf of any Customer of such Participant who does not file such report to the Exchange itself. Each Participant or Authorized Customer must submit the report, form or other information to the Exchange in the form and manner designated by the Exchange.

(b) For purposes of filings made or information provided to the Exchange pursuant to Commission Regulations Part 15 or 17 each Participant (on behalf of itself or any of its Customers who does not file such report itself) or Authorized Customer, as the case may be, must report open Contract positions at or above such levels as the Exchange (or, if applicable, the Commission) establishes from time to time, as set forth in Chapter IX.

#### **IV-14. Transfers of Positions**

(a) A Clearing Privilege Holder may transfer a position on its books to:

(i) correct errors in an existing Contract, provided that the original trade documentation confirms the error;

(ii) transfer an existing Contract from one account to another within the same Participant where no change in ownership is involved;

(iii) transfer an existing Contract from one Clearing Privilege Holder to another Clearing Privilege Holder where no change in ownership occurs; or

(iv) transfer an existing Contract through operation of law from death or bankruptcy.

(b) Subject to Rule IV-10, a Participant may transfer a position on its books to other accounts Beneficially Owned by such Participant.

(c) Upon written request, the Exchange may, in its sole discretion, allow the transfer of a position as a result of a merger, asset purchase, consolidation, or similar non-recurring transaction for a Clearing Privilege Holder that is an organization.

(d) Transfers of positions pursuant to this Rule IV-14 must be made at the same prices that appear on the books of the transferring Clearing Privilege Holder or Participant, as the case may be transferor, and the transfer must indicate the date when the original trade was made. Each Clearing Privilege Holder or Participant that is a party to a transfer of positions must make and retain records stating the nature of the transaction and the name of the counter-party Clearing Privilege Holder or Participant, as the case may be. Each Clearing Privilege Holder that is a party to a transfer of positions must adhere to the Rules of the Clearinghouse related to transfers of positions and must provide any information required by the Clearinghouse related to such transfer.

#### **IV-15. Exchange of Futures for Related Positions**

(a) The following transactions may be executed outside of the ELX System in all Futures in accordance with the requirements of this Rule and shall be referred to as Exchanges of Futures for Related Positions.

(i) Exchanges of Futures for, or in connection with, cash commodities (“Exchange for Physical Transactions” or “EFPs”).

(ii) Exchanges of Futures for, or in connection with, swap transactions (“Exchange for Swap Transactions” or “EFSs”).

(iii) Exchanges of Futures for, or in connection with, over-the-counter derivatives (“OTC”) transactions (“Exchange for Risk Transactions” or “EFRs”). The OTC component of an EFR must comply with any applicable regulatory requirements prescribed by the CFTC.

(iv) Exchange of Futures for, or in connection with, futures transactions (“Exchange for Futures Transactions: or “EFTS”).

(b) The Related Position (cash, swap, futures or OTC derivative) must involve the commodity underlying the Future, or must be a derivative, by-product or related product of such commodity that has a reasonable degree of price correlation or other significant price relationship to the commodity underlying the Future.

(c) An Exchange of Futures for a Related Position consists of two discrete, but related simultaneous transactions. One party must be the buyer of (or have the long market exposure associated with) the Related Position and the seller of the corresponding Future, and the other party must be the seller of (or have the short market exposure associated with) the Related Position and the buyer of the corresponding Future. However, a Participant may facilitate, as principal, an Exchange of Futures for a Related Position on behalf of a Customer, provided that the Participant can demonstrate that the Futures Position or Related Position, as the case may be, was passed through to the Customer.

(d) The accounts involved on each side of an Exchange of Futures for a Related Position: (i) must have different Beneficial Ownership; (ii) must be under separate control; or (iii) must involve separate legal entities.

(e) The quantity covered by the Related Position must be approximately equivalent to the quantity covered by the Futures.

(f) Exchanges of Futures for Related Positions may be entered into in accordance with the applicable trading increments for the Future involved, at such prices as are mutually agreed upon by the two parties to the transaction.

(g) Clearing Privilege Holders on opposite sides of an Exchange of Futures for a Related Position shall subsequently approve the terms of the transaction, including price, quantity, commodity, Contract month and date prior to submitting the transaction to the Clearinghouse. All Exchanges of Futures for Related Positions must be submitted to the Clearinghouse by a Clearing Privilege Holder acting on its own behalf or for the beneficial account of a Customer who is a party to the transaction.

(h) Reporting: All Exchanges of Futures for Related Positions must be reported to the Clearinghouse by a Clearing Privilege Holder acting on its own behalf or for the beneficial account of a Customer who is a party to the transaction by 5:30 p.m. on the same day of

execution if the EFRP is executed before 3:30 p.m. and if executed at or after 3:30 p.m. no later than 10 a.m. the next trade date. The Exchange will publish preliminary EFRP volume figures on the website promptly after they become available on the trade date, and final figures promptly after they become available the following day. From time to time the Exchange will publish a Notice of Procedures setting forth a schedule for submission of forms to the clearinghouse, and the date on which an EFRP will be cleared depending on the time of submission.

(i) Each Exchange of Futures for a Related Position shall be designated as such, and cleared through the Clearinghouse as if it were a transaction executed on the ELX System. The transaction shall be submitted to the Clearinghouse within the time period and in the manner specified by the Clearinghouse.

(j) The time of execution of an Exchange of Futures for a Related Position must be recorded and included on the record submitted to the Clearinghouse.

(k) Parties to any Exchange of Futures for a Related Position must maintain all documents relevant to the Future and the related transactions, including all documents customarily generated in accordance with cash or other relevant market practices and any documents reflecting payment and transfer of title, and must provide such documents to the Exchange upon its request.

(l) Any Exchange of Futures for a Related Position for the 1<sup>st</sup> nearby contract month must be submitted to the Clearinghouse no later than 1:00 p.m. ET (12:00 p.m. CT) on the relevant day as follows:

(i) U.S. Treasury Bond Futures: the 2nd business day following the Last Trading Day.

(ii) Long Term (6 ½ to 10 Year) U.S. Treasury Note Futures: the 2nd business day following the Last Trading Day.

(iii) Medium Term (5 Year) U.S. Treasury Note Futures: the business day following the Last Trading Day.

(iv) Short Term (2 Year) U.S. Treasury Note Futures: the business day following the Last Trading Day.

#### **IV-16. Block Trades**

The Exchange may designate any Contract as eligible for privately negotiated transactions, or “Block Trades”, under this Rule and shall determine the minimum size thresholds for the Contracts in which Block Trades are

permitted. In determining the minimum size threshold, the Exchange shall take into consideration (to the extent available) the size distribution of transactions in the Contract, the size distribution of transactions in the related cash or over-the-counter markets, and all other information relevant to transaction size in the relevant Contract. The hours of operation of the Block Trade facility shall be determined by the Exchange.

Participants, Authorized Traders and Authorized Customers may enter into Block Trades outside of the ELX System, at prices mutually agreed, with respect to Contracts that have been designated by the Exchange for such purpose, provided that the following conditions are satisfied:

(a) Each buy or sell Order underlying a Block Trade must (i) state explicitly that it is to be, or may be, executed by means of a Block Trade and (ii) be at least for the minimum transaction size as determined by the Exchange. Orders may not be aggregated in order to achieve the minimum transaction size; provided that a commodity trading advisor registered (or exempt from registration) under the CEA, including any investment advisor registered (or exempt from registration) under the Investment Advisors Act of 1940, or a foreign person performing a similar role or function subject as such to foreign regulation, with total assets under management exceeding \$25 million, may aggregate Customer Orders in order to achieve the minimum transaction size.

(b) The price at which a Block Trade is executed must be fair and reasonable in light of (i) the size of such Block Trade; (ii) the price and size of other trades in the same Contract at the relevant time; and (iii) the price and size of trades in other relevant markets, including the underlying cash market or other related futures markets, at the relevant time. The price at which a Block Trade is executed shall not affect conditional Orders such as Limit Orders or Stop Orders.

(c) Each party to a Block Trade must qualify as an “eligible contract participant”, as that term is defined in Section 1a(12) of the CEA, provided that, if any Block Trade is entered into on behalf of Customers by a commodity trading advisor registered (or exempt from registration) under the CEA, including any investment advisor registered (or exempt from registration) under the Investment Advisors Act of 1940, or a foreign person performing a similar role or function subject as such to foreign regulation, with total assets under management exceeding \$25 million, the individual Customers need not so qualify.

(d) Each Block Trade executed pursuant to this Rule must be cleared through Clearing Privilege Holders. Information identifying the relevant Contract, Contract month, price, quantity, time of execution,

counterparty Clearing Privilege Holder, and for Options on Futures, strike price, put or call and expiration month, for each Block Trade must be reported by the seller to the Exchange within 15 minutes immediately following execution of such Block Trade. The Exchange will publicize information identifying the trade as a Block Trade and identifying the relevant Contract, Contract month, price or premium, quantity and, if applicable, the underlying commodity, whether the transaction involved a put or a call and the strike price, for each Block Trade immediately after such information has been reported to the Exchange.

(e) Each Clearing Privilege Holder and each party to a Block Trade shall record the following details on its order ticket: the Contract (including the delivery or expiry month) to which such Block Trade relates; that the trade is a Block Trade; the number of Contracts traded; the price of execution or premium; the time of execution; the identity of the counterparty; for Options on Futures, strike price, and put or call and, if applicable, details regarding the Customer for which the Block Trade was executed, whether the transaction involved a put or a call and the strike price. Upon request by the Exchange, such Clearing Privilege Holder or party shall produce satisfactory evidence, including the order ticket referred to in the preceding sentence, that the Block Trade meets the requirements set forth in this Rule.

#### **IV-17. Pre-Discussed Trades and Cross Trades**

(a) Except in the case of transactions effected pursuant to Rules IV-15 or IV-16, no Person shall enter through the ELX System into a pre-discussed transaction for illegal or improper purposes (including, without limitation, any conduct prohibited by Chapter VI of these Rules) or knowingly assume on its own behalf or on behalf of a Customer Account the opposite side of its own Order or its Customer's Order (a "Cross Trade"), except where the Person is entering into both sides of a Customer Order on a non-discretionary basis, unless:

(i) prior written blanket or transaction specific consent has been obtained in respect of any relevant Customer Account; and

(ii) the Person waits for a reasonable period of time, which shall be presumed to be not less than 5 seconds, after the initial Order is submitted before submitting the opposite side Order.

(b) Notwithstanding the foregoing, a Participant shall not be in violation of Rule IV-17(a) due to Cross Trades executed by two Participants trading for the same account, or for separate accounts of the same Beneficial Ownership, where neither Participant has

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

**IV-18. Allocation and Priority of Orders; No Withholding of Orders**

(a) Each Participant shall ensure that Orders are allocated to the appropriate accounts and shall establish and enforce procedures to ensure appropriate allocations. Without limitation of the foregoing, Bunched Orders may be submitted to the ELX System by a Participant, only if all the requirements of (i) or (ii) below are satisfied:

(i) If trade allocation is to be made based upon a pre-determined allocation system, then:

(A) The Bunched Order must be accompanied by an Account Series Designation;

(B) each account within such series is a Discretionary Account; and

(C) the Participant entering the Bunched Order has, and follows, a written, pre-determined allocation system that defines the series and provides for an equitable allocation of prices, or

(ii) If trade allocation is made on a post execution basis, then:

(A) the person placing and directing the allocation shall be an "eligible account manager", as defined by CFTC Regulation 1.35(a-1)(5)(i), acting pursuant to a prior written grant of trading discretion on behalf of each participating Customer Account;

(B) each Bunched Order is accompanied by an Account Series Designation that references the eligible account manager's Order initiation document;

(C) the allocation is made by the end of the Business Day on which the Bunched Order trade occurred; and

(D) the allocation is made in compliance with CFTC Regulation 1.35(a-1)(5) and is otherwise fair and

equitable such that no account or group of accounts shall receive consistently favorable or unfavorable treatment.

(b) A Participant shall not withhold or withdraw from the ELX System any Order, or any part of an Order, for the benefit of any Customer.

(c) No Participant shall enter an Order into the ELX System for its own account, an account in which it has a direct or indirect financial interest or a Discretionary Account, including, without limitation, an Order allowing discretion as to time and price, when such Participant is in possession of any Order for the benefit of a Customer that the ELX System is capable of accepting.

#### **IV-19. Emergencies**

(a) *General.* In the event of an Emergency, the Chief Executive Officer, the Compliance Director or any other individual designated by the Chief Executive Officer and approved by the Board may place into immediate effect a temporary emergency rule which may provide for, or may authorize the Board or any committee thereof to undertake, actions necessary or appropriate to respond to the Emergency, including such actions as:

- (i) changing margin requirements;
- (ii) fixing a settlement price;
- (iii) ordering transfer of Customer Contracts and margin;
- (iv) limiting trading to liquidation only, in whole or in part;
- (v) changing the delivery month or extending or shortening the term of any Contract;
- (vi) changing delivery points or the means of delivery provided in any relevant Contract Rules;
- (vii) imposing or modifying position or price limits with respect to a particular Contract;
- (viii) ordering the liquidation of Contracts, the fixing of a Settlement Price or any reduction in positions;
- (ix) ordering the exercise of Options on Futures;
- (x) extending, limiting or changing the hours of trading, or adapting the Market Open or Pre-Opening Period;

(xi) suspending or curtailing trading in any or all Contracts or modifying circuit breakers; or

(xii) modifying or suspending any provision of the Rules of the Exchange or the Rules of the Clearinghouse.

Any such action placed into effect in accordance with the preceding sentence shall be reviewed by the Board as soon as practicable under the circumstances and may be revoked, suspended or modified by the Board.

(b) *Physical Emergency.* If, in the judgment of the Chief Executive Officer, or any individual designated by the Chief Executive Officer and approved by the Board, the physical functions of the Exchange are, or are threatened to be, severely and adversely affected by a physical emergency, such Person shall have authority to take such action as he or she may deem necessary or appropriate to respond to such physical emergency, including closing the Exchange, delaying the opening of trading in one or more Contracts or suspending trading in or extending trading hours for one or more Contracts. In the event that any action has been taken pursuant to the immediately preceding sentence, any Person who is authorized to take such action may subsequently order the removal of any restriction previously imposed pursuant to such sentence, upon a determination by such Person that the physical emergency that gave rise to such restriction has sufficiently abated to permit the physical functions of the Exchange to continue in an orderly manner. Any Order by any Person pursuant to this sentence shall be subject to review, modification or reversal by the Board. In the event that trading is suspended in any or all Contracts, unexecuted Orders for the suspended Contracts that are currently resting in the ELX System will automatically be cancelled and must be resubmitted upon resumption of trading in the affected Contracts.

(c) *Notification and Recording.* The Exchange will notify the CFTC of any action taken, or proposed to be taken, pursuant to this Rule IV-19, and in addition will notify the CFTC of any required rule change in accordance with CFTC Regulation 40.6. The decision-making process with respect to, and the reasons for, any such action will be recorded in writing.

(d) *Conflicts of Interest.* The conflict of interest provisions set forth in Rule II-10 and the related documentation requirements set forth in Rule II-10 shall apply, with any such modifications or adaptations as may be necessary or appropriate under the circumstances, to the taking of any action under this Rule IV-19 by the Chief Executive Officer, or his or her designee.

#### **IV-20. Information regarding Nominal Prices and Settlement Prices**

Pursuant to CFTC Regulation 16.01(b)(3), the Exchange shall make readily available to the public, in printed form at the office of the Exchange and on its website, the method used by the Exchange in determining nominal prices and settlement prices, and if discretion is used by the Exchange in determining the opening and closing ranges or the settlement prices, an explanation that certain discretion may be employed by the Exchange and a description in which that discretion may be employed.

#### **IV-21. Limitation of Liability**

EXCEPT AS OTHERWISE PROVIDED, AND EXCEPT IN INSTANCES WHERE THERE HAS BEEN A FINDING OF WILLFUL OR WANTON MISCONDUCT, IN WHICH CASE THE PARTY FOUND TO HAVE ENGAGED IN SUCH CONDUCT CANNOT AVAIL ITSELF OF THE PROTECTIONS IN THIS RULE IV-21, NEITHER THE EXCHANGE (INCLUDING ITS AFFILIATES AND ANY CONTRACTORS AND SUB-CONTRACTORS PROVIDING SERVICES TO THE EXCHANGE) NOR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES OR AGENTS SHALL BE LIABLE TO ANY OTHER PERSON, INCLUDING ANY PARTICIPANT, AUTHORIZED TRADER, OTHER SUPERVISED PERSON, CUSTOMER OR AUTHORIZED CUSTOMER, FOR ANY LOSSES, DAMAGES, COSTS OR EXPENSES (INCLUDING LOSS OF PROFITS, LOSS OF USE, DIRECT, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES), ARISING FROM (A) ANY FAILURE OR MALFUNCTION, INCLUDING ANY INABILITY TO ENTER OR CANCEL ORDERS, OF THE ELX SYSTEM OR ANY EXCHANGE SERVICES OR FACILITIES USED TO SUPPORT THE ELX SYSTEM, OR (B) ANY FAULT IN DELIVERY, AND ANY DELAY, OMISSION, SUSPENSION, INACCURACY OR TERMINATION, OR ANY OTHER CAUSE, IN CONNECTION WITH THE PROVISION OF SERVICES BY THE EXCHANGE, THE OPERATION OF THE ELX SYSTEM OR THE FURNISHING, PERFORMANCE, MAINTENANCE, USE OF OR INABILITY TO PROVIDE ALL OR ANY PART OF THE ELX SYSTEM OR ANY EXCHANGE SERVICES OR FACILITIES USED TO SUPPORT THE ELX SYSTEM. THE FOREGOING SHALL APPLY REGARDLESS OF WHETHER A CLAIM ARISES IN CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY OR OTHERWISE. FURTHERMORE, THERE SHALL BE NO LIABILITY BASED UPON, OR IN CONNECTION WITH, ANY QUOTE OR OTHER INFORMATION IF NO CORRELATIVE PURCHASE OR SALE OF A CONTRACT IS MADE, AND IF A CORRELATIVE PURCHASE OR SALE OF A CONTRACT IS MADE, ANY LIABILITY SHALL BE LIMITED IN AMOUNT TO THE AGGREGATE PRICE OF THE CONTRACTS PURCHASED OR SOLD.

NOTWITHSTANDING THE FOREGOING, THE EXCHANGE MAY ASSUME RESPONSIBILITY FOR DIRECT, OUT-OF-POCKET LOSSES DIRECTLY CAUSED BY THE GROSS NEGLIGENCE OF THE EXCHANGE OR

ITS DIRECTORS, OFFICERS, EMPLOYEES OR AGENTS; PROVIDED THAT THE TOTAL COMBINED AGGREGATE LIABILITY OF THE EXCHANGE AND ITS DIRECTORS, OFFICERS, EMPLOYEES OR AGENTS SHALL NOT EXCEED \$100,000 FOR ALL LOSSES FROM ALL CAUSES SUFFERED ON A SINGLE DAY; \$200,000 FOR ALL LOSSES SUFFERED FROM ALL CAUSES IN A SINGLE CALENDAR MONTH; AND \$2,000,000 FOR ALL LOSSES FROM ALL CAUSES SUFFERED IN A SINGLE CALENDAR YEAR.

THERE ARE NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS PROVIDED BY THE EXCHANGE (INCLUDING ITS AFFILIATES AND ANY CONTRACTORS AND SUBCONTRACTORS PROVIDING SERVICES TO THE EXCHANGE), RELATING TO THE ELX SYSTEM OR ANY EXCHANGE SERVICES OR FACILITIES USED TO SUPPORT THE ELX SYSTEM, INCLUDING WARRANTIES OF MERCHANTABILITY AND WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE OR USE. THE SERVICES OF THE EXCHANGE ARE BEING PROVIDED ON AN "AS IS" BASIS AT THE SOLE RISK OF THE PARTICIPANT, AUTHORIZED TRADER, OTHER SUPERVISED PERSON, CUSTOMER OR AUTHORIZED CUSTOMER, AS THE CASE MAY BE. NEITHER THE EXCHANGE (INCLUDING ITS AFFILIATES AND ANY CONTRACTORS AND SUBCONTRACTORS PROVIDING SERVICES TO THE EXCHANGE) NOR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES OR AGENTS MAKE ANY WARRANTY WITH RESPECT TO, AND NO SUCH PARTY SHALL HAVE ANY LIABILITY TO ANY PARTICIPANT, AUTHORIZED TRADER, OTHER SUPERVISED PERSON, CUSTOMER OR AUTHORIZED CUSTOMER FOR, THE ACCURACY, TIMELINESS, COMPLETENESS, RELIABILITY, PERFORMANCE OR CONTINUED AVAILABILITY OF THE ELX SYSTEM OR THE EXCHANGE, DELAYS, OMISSIONS OR INTERRUPTIONS IN EXCHANGE SERVICES OR THE CREDITWORTHINESS OF ANY OTHER PARTICIPANT, AUTHORIZED TRADER OR OTHER SUPERVISED PERSON OR ANY CUSTOMER OR AUTHORIZED CUSTOMER, AS THE CASE MAY BE. THE EXCHANGE SHALL HAVE NO DUTY OR OBLIGATION TO VERIFY ANY INFORMATION DISPLAYED ON THE ELX SYSTEM OR OTHERWISE. EACH PARTICIPANT, AUTHORIZED TRADER, OTHER SUPERVISED PERSON, CUSTOMER AND AUTHORIZED CUSTOMER ACKNOWLEDGES AND AGREES THAT THE EXCHANGE (INCLUDING ITS AFFILIATES AND ANY CONTRACTORS AND SUBCONTRACTORS PROVIDING SERVICES TO THE EXCHANGE) DOES NOT AND SHALL NOT SERVE AS THE PRIMARY BASIS FOR ANY DECISIONS MADE BY SUCH PARTICIPANT, AUTHORIZED TRADER, OTHER SUPERVISED PERSON, CUSTOMER OR AUTHORIZED CUSTOMER, AS THE CASE MAY BE, AND IS NOT AN ADVISOR OR FIDUCIARY OF SUCH PARTICIPANT, AUTHORIZED TRADER, OTHER SUPERVISED PERSON, CUSTOMER OR AUTHORIZED CUSTOMER, AS THE CASE MAY BE.

ANY DISPUTE ARISING OUT OF THE USE OF THE ELX SYSTEM OR EXCHANGE SERVICES OR FACILITIES USED TO SUPPORT

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

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

ANY PARTICIPANT, AUTHORIZED TRADER, OTHER SUPERVISED PERSON, CUSTOMER OR AUTHORIZED CUSTOMER WHO FAILS TO PREVAIL IN A LAWSUIT OR OTHER LEGAL PROCEEDING INSTITUTED BY SUCH PERSON AGAINST THE EXCHANGE (INCLUDING ITS AFFILIATES) OR ANY OF ITS DIRECTORS, COMMITTEE MEMBERS, OFFICERS, EMPLOYEES, AGENTS OR CONTRACTORS, AND RELATED TO THE BUSINESS OF THE EXCHANGE, WILL PAY TO THE EXCHANGE ALL REASONABLE EXPENSES, INCLUDING ATTORNEYS' FEES, INCURRED BY THE EXCHANGE IN THE DEFENSE OF SUCH PROCEEDING TO THE EXTENT THAT SUCH EXPENSES EXCEED FIFTY THOUSAND DOLLARS (\$50,000.00). THIS PROVISION WILL NOT APPLY TO DISCIPLINARY ACTIONS BY THE EXCHANGE, ADMINISTRATIVE APPEALS OF EXCHANGE ACTIONS OR IN ANY SPECIFIC INSTANCE WHERE THE BOARD HAS GRANTED A WAIVER OF THIS PROVISION.

NOTWITHSTANDING ANY OF THE FOREGOING PROVISIONS, THIS RULE IV-21 SHALL IN NO WAY LIMIT THE LIABILITY OF ANY PERSON ARISING FROM ANY VIOLATION OF SUCH PERSON OF THE CEA OR CFTC REGULATIONS THEREUNDER.

#### **IV-22. Market Opening**

(a) During a period designated by the Exchange prior to the Market Open (the “Pre-Opening Period”), Orders may be entered into the ELX System for execution upon Market Open or for execution in the Business Day generally.

(b) At the time designated by the Exchange to commence a trading session (the “Market Open”), the Exchange will apply an uncrossing algorithm to calculate the opening price at which the maximum volume will be traded for each Contract and will utilize as the opening price the price at which the greatest number of Orders would be traded. All Orders at a price better than the opening price will be fully matched and executed at the opening price in the order in which they were received. Any other Orders that are not executed at the opening price shall become part of the general order book and shall be matched pursuant to the algorithm described in Rule IV-7. The Exchange does not guarantee the execution of any Order at the opening price. Only Market on Open Orders and Limit Orders (including GTC Limit Orders) may be entered during the Pre-Opening Period.

(c) After the Market Open, each Contract will be traded on a continuous basis until a time designated by the Exchange for the close of daily trading for such Contract except in the event that trading is halted. If trading is halted prior to the scheduled close, there shall be a Pre-Opening Period, as described in paragraph (a) above, prior to the resumption of trading which will begin with a Market Open procedure as described in paragraph (b) above, except in the event that parties authorized as per Rule IV-19(a) determine that, given the circumstances associated to each Emergency, a Pre-Opening Period is not possible or the best course of action.

#### **IV-23. Primary Clearing Privilege Holder Authorization**

(a) No Order may be submitted to the ELX System except using a User ID that has been guaranteed by a Primary Clearing Privilege Holder Authorization in a form acceptable to the Exchange. A Participant may be its own Primary Clearing Privilege Holder. The Primary Clearing Privilege Holder of any Participant shall be obligated to clear any ELX System trade validly entered by such Participant and any of such Participant’s Authorized Traders or Authorized Customers, in each case, that is not cleared by another Person.

(b) With the agreement of its Primary Clearing Privilege Holder, a Participant, Authorized Trader or Authorized Customer may be authorized, upon the execution and delivery to the Exchange of a

Clearing Privilege Holder authorization acceptable to the Exchange, to enter Orders to be cleared by one or more additional Clearing Privilege Holders. Upon such authorization, the additional Clearing Privilege Holder shall be liable for all ELX System trades validly made under such other Clearing Privilege Holder's Clearing Account Number.

(c) A Clearing Privilege Holder may terminate its authorization of a Participant, Authorized Trader or Authorized Customer without prior notice. Written notice that authorization has been terminated shall be made to the Exchange immediately and shall not be effective until received by the Exchange. Any Participant that shall receive notice that its Primary Clearing Privilege Holder has been terminated shall not enter any Order into the Exchange and shall not permit any Order to be entered by any of its Authorized Traders or Authorized Customers, in each case, pending either the filing with the Exchange of a written reinstatement from the terminating Primary Clearing Privilege Holder or a new Primary Clearing Privilege Holder Authorization.

#### **IV-24. Requirements for Persons Submitting Orders**

(a) Each Order submitted to the ELX System shall be submitted under the applicable User ID and Source ID, and shall indicate the Clearing Account Number for the Clearing Privilege Holder that has agreed to guarantee the trade.

(b) To qualify to receive one or more User IDs, the Person must be a Participant, Authorized Trader or Authorized Customer, and such Person shall meet all Exchange mandated fitness standards and other requirements under the Rules. Each Participant and Authorized Customer shall be responsible for granting and/or authorizing the use of any Source ID for Orders that are submitted using that Participant's or Authorized Customer's User ID and shall be responsible for all Orders entered, or other actions taken, through the use of its User IDs.

(c) Each Participant, Authorized Trader or Authorized Customer, as applicable, shall provide in writing to the Exchange, and keep current such information as the Exchange may require concerning (i) itself, and (ii) in the case of a Participant, each of its Authorized Traders and Authorized Customers.

(d) Each Participant or Authorized Customer, as applicable, shall provide in writing to the Exchange upon request, such information as the Exchange may require concerning each of its Supervised Persons having a Source ID, including but not limited to the identity of each such Supervised Person.

(e) Any request that the Exchange activate or deactivate a User ID shall be submitted in writing by a Designated Contact of the relevant Person in the manner provided for by the Exchange; provided that the consent of the Designated Contact of a Participant shall be required for the activation of the User ID of any of such Participant's Authorized Traders and Authorized Customers. The Designated Contact of any Participant shall have the right to activate or deactivate the User ID of any of such Participant's Authorized Traders or Authorized Customers. The Exchange shall have no liability for any action or inaction due to its good faith reliance upon a written request or for any communication system failure.

#### **IV-25. User ID and Source ID Use**

No Person may use a User ID or Source 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 or Source ID. Each Participant and Authorized Customer on behalf of itself and each of its Supervised Persons and Customers shall ensure that no User ID or Source ID is used by any Person not authorized by these Rules.

Participants and Authorized Customers, in each case as applicable, that are not individuals, must have in place policies and procedures acceptable to ELX, which:

(a) restrict access through password protection to any system capable of submitting Orders to ELX to individual users authorized by the relevant Participant (including its Authorized Traders, Supervised Persons and Customers) or Authorized Customer (including its Supervised Persons), as the case may be, and having a Source ID;

(b) require creation, maintenance and record keeping, as required in Rule V-1, of accurate and complete records regarding each individual that is issued or authorized to use a unique Source ID;

(c) require, in the case of a Participant, such Participant's Authorized Customers, to create, maintain and record keep, as required in Rule V-1, accurate and complete records regarding the individuals that are issued or authorized to use a unique Source ID; and

(d) require that individuals protect and maintain the security of any User ID or Source ID and prohibit the use of such User ID, except as permitted in this section, or any use of such Source ID by any other Person, including subsidiaries, affiliates, divisions or business units of Participants or Authorized Customers. Participants and Authorized Customers may be issued, and may utilize, multiple User IDs solely for

the purpose of identifying their subsidiaries, affiliates, divisions or business units which make separate trading decisions. Multiple individuals trading in the name of a single Participant or the Participant's customers under the same User ID are permitted to trade through the use of that User ID provided that each order submitted by each such individual is further identified by that individual's unique Source ID.

#### **IV-26. Designated Contact**

Each Participant, Authorized Trader and Authorized Customer shall (i) identify in writing to the Exchange one or more Designated Contacts as the Exchange may determine, and (ii) ensure that at least one of its Designated Contacts is available by telephone at all times when any person to whom it has given permission is accessing the ELX System or has an open Order.

#### **IV-27. Compliance**

Each Participant, Authorized Trader and Authorized Customer shall, by making application for a User ID, or by placing any Order, be deemed to have agreed to (i) be bound by the Rules of the Exchange, (ii) be subject to the jurisdiction of the Exchange, (iii) comply with all applicable Rules of Exchange and (iv) comply with Applicable Law.

#### **IV-28. Responsibility for Orders**

Each Participant and Authorized Customer shall be responsible for (i) all Orders placed by it, and by any of its Supervised Persons or Customers (in the case of a Participant) and (ii) use of any of the User IDs assigned to it and any of its Authorized Traders or Authorized Customers (in the case of a Participant).

#### **IV-29. Recording of Orders and Record Keeping**

(a) Any Order, except an Order for a Proprietary Account, which is not in the form of an electronic or written record and which is not immediately entered into the ELX System upon receipt, must within one minute of its receipt be recorded in writing or caused to be recorded in writing by the Participant receiving such Order.

(b) The record of any Orders required to be recorded in writing under paragraph (a) of this Rule IV-29 shall:

(i) include the account identification, User ID, Source ID, if applicable, and Order number assigned by the receiving Participant;

(ii) include a date and time stamp to the nearest minute when the Order was received; and

(iii) be written or in an electronic form, in each case, which is not subject to erasure and is otherwise satisfactory to the Exchange.

(c) All memoranda reflecting Orders for a Customer Account shall be retained in accordance with Rule V-1.

(d) All Order related information entered into the ELX System shall be retained by the Exchange for the time period set forth in Rule V-1.

#### **IV-30. Average Price Trades**

An average price may be provided by a Participant to a Customer Account when multiple execution prices are received on an Order or series of Orders (each an "Average Price Order") provided:

(a) Each Average Price Order is the same as to Order type, Contract, Contract month and purchase or sale;

(b) Each Average Price Order is for the same Customer Account or is for two or more Customer Accounts which have the same Account Series Designation;

(c) Each relevant Customer Account has received adequate disclosure of the method used to calculate the average price;

(d) Each of the confirmation and monthly statement provided for each relevant Customer Account indicate that the price represents an average price; and

(e) The Participant maintains such records relating to disclosure, actual execution prices, average price calculations, and allocations as may be required by CFTC Regulations.

#### **IV-31. Revocation of Clearing Authorization: Trade Nullification**

In the event that the Clearinghouse terminates a Clearing Privilege Holder's authorization, any trade executed for that Clearing Privilege Holder or for a Person guaranteed by that Clearing Privilege Holder after the Exchange actually receives and processes notice from the Clearinghouse and prior to any reinstatement of such clearing authorization, shall be nullified and cancelled by the Exchange at the price at which the nullified transaction was executed. The Exchange shall process such notice promptly, but in any event within one Business Day of actually receiving written notice.

#### **IV-32. Message Traffic**

The Chief Executive Officer or his delegate may at any time restrict or establish utilization fees in respect of Message Traffic, either with respect to all or any Participants, Authorized Traders or Authorized Customers, in order to safeguard the security or operations of the ELX System, or to preserve market, integrity, fair and orderly trading, or if otherwise in the public interest.

#### **IV-33. Proprietary Nature of Market Data**

All Participants, Authorized Traders, other Supervised Persons and Authorized Customers (i) acknowledge the Exchange's proprietary interest in Market Data as well as all related trade data and settlement prices relating to all Contracts traded through the ELX System and (ii) agree to comply with any reasonable policies that the Exchange publishes from time to time relating to the protection of such proprietary interest.

## CHAPTER V

### OBLIGATIONS OF EXCHANGE USERS

#### **V-1. Books and Records; Cooperation in Proceedings**

(a) Each Participant, Authorized Trader, other Supervised Person and Authorized Customer shall prepare and keep current all books, ledgers and other similar records required to be kept by it pursuant to the CEA, CFTC Regulations and the Rules of the Exchange, and shall prepare and keep current such other books and records and adopt such forms as the Exchange may from time to time prescribe. Such books and records shall be made available to the Exchange, the CFTC, the Department of Justice and their respective authorized representatives upon request.

(b) Each Participant, Authorized Trader, other Supervised Person and Authorized Customer shall keep all books and records required to be kept by it pursuant to these Rules for a period of five years from the date on which they are first prepared, unless otherwise provided in these Rules or required by law. Such books and records shall be readily accessible during the first two years of such five-year period. During such five-year period, all such books and records shall be made available for inspection by, and copies thereof shall be delivered to, the Exchange and its authorized representatives upon request.

(c) Each Participant shall be responsible for the compliance with this Rule V-1 by each of its Authorized Traders and Authorized Customers.

#### **V-2. Cooperation with the RSP**

Each Participant, Authorized Trader, other Supervised Person and Authorized Customer shall provide the RSP with the same access to their books and records and offices as they are required to provide the Exchange under these Rules and Applicable Law.

#### **V-3. Trade Notifications**

(a) For each trade executed on the Exchange, the Exchange shall immediately notify each Participant, Authorized Trader and Authorized Customer party to the trade of the matching of bids and offers through the ELX System indicating the Contract bought or sold, the price, quantity, time of execution and such other information as the Exchange may require. In the case of an Option on Futures trade,

such notification shall also indicate: (i) the amount of the premium; (ii) the Option on Futures series; and (iii) the expiration date of the Option on Futures.

(b) Promptly upon the expiration or exercise of any Option on Futures, the Exchange shall furnish to each Clearing Privilege Holder of any Person holding such Option on Futures a written notification, which shall include the date of such occurrence, a description of such Option on Futures, and in the case of exercise, the details of the Future position resulting therefrom.

(c) Notwithstanding paragraphs (a) and (b) above, a trade that is executed for a commodity pool needs to be confirmed only to the operator of such pool.

**V-4. Reserved**

**V-5. Risk Disclosure Statements**

(a) A risk disclosure statement in the form approved by the Exchange for purposes of CFTC Regulation 1.55 and any other disclosure statement from time to time required by the Exchange is included in the Trading Privileges application form. Such risk disclosure statement shall include the Uniform Electronic Trading and Order Routing System Disclosure Statement (“Electronic Trading Disclosure”) developed by the RSP.

(b) No Participant shall accept an Order from, or on behalf of, a Customer unless such Customer is first provided with the Electronic Trading Disclosure.

**V-6. System Security**

(a) Each Participant shall (i) be solely responsible for controlling and monitoring the use of all User IDs issued to it, its Authorized Customers and Authorized Traders by the Exchange, (ii) ensure that each Person accessing the ELX System using such User IDs is assigned a unique password and that each password is used only by the Person to whom it is assigned, and (iii) shall notify the Exchange promptly upon becoming aware of any unauthorized disclosure or use of such User IDs or passwords or access to the Exchange or of any other reason for deactivating User IDs or passwords. Each Participant shall be bound by any actions taken through the use of such User IDs or passwords (other than any such actions resulting from the fault or negligence of the Exchange), including the execution of transactions, whether or not such actions were authorized by such Participant or any of its Supervised Persons or executed by anyone other than an Authorized Trader or Authorized Customer of such Participant.

## **V-7. Front-End User Interface**

Each Participant shall be solely responsible for ensuring that any front-end interface connecting to the ELX System that is not provided by ELX, and that is used by the Participant, its Authorized Traders or Authorized Customers, is in compliance, in design and operation, with Applicable Law and these Rules.

## **V-8. Customer Margin**

### **(a) Customer Margin**

(i) A Participant shall not effect a transaction or carry any Customer Account without obtaining margin at the times, in the amounts, and in the forms required by the Exchange.

(ii) The Exchange will publish the minimum initial and maintenance margin requirements for each Contract or combination of Contracts.

(iii) Any changes in Contract margin requirements will apply to both new and existing Contracts in any Customer Account.

(iv) Unless otherwise stated in these Rules, a Participant must use a risk based portfolio margining system acceptable to the Exchange to calculate margin requirements for Customer Accounts.

(v) If a Participant does not obtain and maintain the required minimum margin deposits for a Customer Account pursuant to this Rule, the Exchange may require the Participant to immediately liquidate Contracts in the Customer Account to eliminate the margin requirement shortfall.

(vi) The Exchange or a Participant may impose margin requirements on a Customer that are in excess of the existing margin requirements imposed by this Rule.

(vii) Terms used in this Rule, but not otherwise defined by these Rules, carry the meaning set forth in the Joint Audit Committee's Margins Handbook. In addition, a Participant must adhere to the procedures specified in the Joint Audit Committee's Margins Handbook for the computation, issuance, collection, and offsets for margin calls and corresponding capital charges for the Participant unless the Manual is inconsistent with the Exchange's Rules, in which case the Exchange's Rules will prevail.

(viii) A Participant must collect at least the minimum margin requirements established by the Exchange for its Contracts in a Customer Account.

(ix) The full premium value for a long call or put on an Option on a Future Contract must be collected from the Customer.

(x) When additional margin deposits are required pursuant to Exchange Rules, a Participant must call for the additional margin in a prompt manner not to be any later than one business day after the event giving rise to the call. The margin call must be sufficient to ensure the Customer Account will at least meet the minimum initial margin requirement (i) when the margin equity in the Customer Account initially falls below the minimum maintenance requirements and (ii) subsequently when the margin equity plus existing margin calls on the Customer Account are less than the minimum maintenance margin requirements.

(xi) The Participant must collect the full amount of the margin call from a Customer in a prompt manner and within a reasonable period.

(xii) If a margin call is outstanding for an unreasonable time, the Participant may only accept Orders from the Customer that will reduce the Customer's margin requirements. If the Exchange determines, upon being given notice of such an event, that a Participant has failed in its duties to adequately oversee the risk posed by the positions of the Customer, the Exchange may take any action it deems reasonably necessary.

(xiii) If a Customer fails to deposit the required margin deposit within a reasonable time, the Participant may, but is not required to, liquidate all or a portion of the Customer's Contracts to restore the Customer's account to a properly margined level. However, the inability of the Participant to liquidate all or a portion of a Customer's Contracts does not affect any liability of the Customer to the Participant.

(xiv) A Participant must make and retain a written record of margin calls to Customers that reflects date, amount and other relevant information for all margin calls made (whether made by telephone, in writing or by other means) as well as margin calls reduced, satisfied or relieved.

(b) Release of Customer Margin

A Participant may only release free funds in connection with a Customer Account if after the release the Customer Account has equity at least equal to the initial margin requirement level.

(c) Omnibus Accounts

A Participant must calculate margin requirements for an omnibus account (whether domestic or foreign) on a gross Contract basis. However, a Participant may impose maintenance margin rates for Contracts in the omnibus account. A Participant must obtain written representation of spread or hedge positions from an omnibus account in order to afford any Contracts in the account spread or hedge margin treatment.

(d) Aggregation

(i) When determining margin requirements, margin calls and release of margin deposits, a Participant may aggregate identically-owned Customer Accounts within the same regulatory account classification of Customer segregated, Customer secured and nonsegregated.

(ii) In satisfaction of a margin deficiency, a Participant may not apply available free funds from an identically-owned Customer Account that has a different regulatory classification. The Participant must transfer the free-funds from the identically-owned Customer Account to the Customer Account having the margin deficiency.

(iii) Except for omnibus accounts, a Participant may calculate margin requirements on a net basis for concurrent long and short Contracts in identically owned Customer Accounts within the same regulatory account classification.

(e) Extension of Credit

A Participant shall not extend or maintain credit to or for a Customer to evade or circumvent any requirements of these Rules. A Participant may extend or maintain (or arrange for the extension or maintenance of) credit or a loan to or for a Customer to meet the margin requirements of these Rules provided the credit or loan is secured as defined by Commission Regulation § 1.17(c)(3) and the proceeds are treated by the Participant in accordance with Commission Regulation § 1.30.

(f) Allowable Margin Deposits

(i) A Participant may only accept the following as margin deposits:

(A) U.S. dollars and foreign currencies,

(B) U.S. government treasury and agency securities,

(C) Municipal securities,

(D) Readily marketable securities (which means securities traded on a “ready market” as defined by SEC Rule 15c3-1(c)(11)),

(E) Money market mutual funds that meet the requirements of Commission Regulation § 1.25 (other than securities issued by the Customer or an affiliate of the Customer), and / or

(F) Irrevocable letters of credit in a form, and issued by banks or trust companies, approved by the applicable Clearing Privilege Holder (other than letters of credit issued by the Customer or an affiliate of the Customer).

(ii) The assets, securities and instruments accepted by a Participant to meet a Customer’s margin requirements must be and remain unencumbered by third party claims.

(iii) Acceptance of foreign currencies will require a Participant to obtain a subordination agreement and value the foreign currencies as required by Commission Interpretation #12 – Deposit of Customer Funds in Foreign Depositories.

(iv) Securities must be valued at no greater than their current market value less any haircuts specified by SEC Rule 15c3-1.

(v) No guarantee against a margin deficiency for a Customer Account from any party may be considered.

**CHAPTER VI**  
**BUSINESS CONDUCT**

**VI-1. Rule Violations**

It shall be an offense for any Subject Person to violate any Rule of the Exchange or Rule of the Clearinghouse regulating the conduct or business of a Subject Person, or any agreement made with the Exchange, or to engage in fraud, dishonorable or dishonest conduct, or in conduct which is inconsistent with just and equitable principles of trade.

**VI-2. Fraudulent Acts**

No Subject Person shall engage in any fraudulent act or engage in any scheme to defraud, deceive, trick or mislead in connection with or related to any trade on or other activity related to the Exchange or the Clearinghouse.

**VI-3. Fictitious, Wash or Non-Competitive Transactions**

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

**VI-4. Market Disruption**

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

**VI-5. Market Manipulation**

Any intentional attempted or completed manipulation of the market in any Contract is prohibited.

**VI-6. Prohibition of Misstatements**

It shall be an offense to make any knowing misstatement of a material fact to the Exchange (including the Board, any committee thereof or any panel of any such committee, any Exchange Official or any committee of the Exchange) or to the RSP (including any members of its staff).

#### **VI-7. Acts Detrimental to Welfare of Exchange**

It shall be an offense to engage in any act which is detrimental to the interest or welfare of the Exchange.

#### **VI-8. Adherence to Law**

No Subject Person shall engage in conduct in violation of Applicable Law, the Rules of the Exchange or the Rules of the Clearinghouse (insofar as the Rules of the Clearinghouse relate to the reporting or clearance of any transaction in Contracts). Without limitation of the foregoing, all Participants that are FCMs and/or Clearing Privilege Holders shall comply with (a) applicable capital requirements under CFTC Regulations, the rules of the Clearinghouse and the rules of its DSRO, as in effect from time to time, and (b) Applicable Laws regarding the treatment of Customer funds and Customer Orders.

#### **VI-9. Use of Trading Privileges**

No Subject Person may use its Trading Privileges or access the Exchange in any way which could be expected to bring disrepute upon such Person or the Exchange.

#### **VI-10. Responsibility for Procedures to Assure Compliance by Authorized Customers, Authorized Traders and Supervised Persons**

A Participant shall be responsible for establishing, maintaining and administering reasonable procedures to ensure that its Authorized Customers, Authorized Traders and Supervised Persons comply with Applicable Law, the Rules of the Exchange and the Rules of the Clearinghouse pertaining to their trading on the Exchange which includes any transactions done as per section IV-14, IV-15 and IV-16 of these rules, and may be held accountable for the actions of such Persons.

#### **VI-11. Disclosing Orders**

Except in accordance with any policies or procedures for pre-execution discussion from time to time adopted by the Exchange, no Subject Person shall disclose to any other Person any Order placed by such Subject Person which has not as yet then disseminated by the Exchange, except that (i) any Orders may be disclosed among any Participant, its Authorized Traders and other Supervised Persons for the sole purpose of executing or recording such Order and (ii) any Order may be disclosed by any Subject Person to an Exchange Official or a member of the staff of the CFTC, the RSP, or the Department of Justice.

#### **VI-12. Pre-Arranged Trades**

No Subject Person shall enter any Order into the ELX System which has been prearranged, except in accordance with the policies and procedures for pre-execution discussion from time to time adopted by the Exchange.

#### **VI-13. General Trading Standards**

(a) Except as may be expressly provided by these Rules, no Participant shall aggregate together Orders for two or more Customer Accounts or allocate trades or provide for average price trades among Customer Accounts.

(b) No Participant shall knowingly submit to the ELX System a bid to purchase, or offer to sell, any Contract, for its or his own account, or for any account in which it or he has an interest, while holding an Order of another Person on the same side of the market in respect of a similar Contract which is executable at the market price or at the price at which such transaction can be made for the account or the account in which it has an interest.

(c) No Participant shall submit a Discretionary Order to the ELX System for any account of another Person, without the prior specific written consent of such other Person to the exercise of such discretion, provided, however, that the restrictions set forth in this subparagraph (c) shall not apply to a Discretionary Order for: (i) an account of that Person's spouse, parent, parent of a spouse, brother, sister, child, or spouse of a child; or (ii) a Proprietary Account of the Participant.

#### **VI-14. Orders of Other Participants**

(a) No Participant shall accept an Order from another Participant, unless it is for a Proprietary Account and if:

(i) The Order is initiated by a Participant and the Person accepting the Order is properly registered under the CEA to accept Customer Orders; and

(ii) A predetermined unique identification number for each of the Persons initiating and accepting the Order is recorded on the Order ticket and is entered into the ELX System.

(b) No Participant shall accept or submit any Order for or on behalf of another Participant, without the prior written consent, filed with the Exchange, of such other Participant. If such Order results in a transaction, the Person accepting the Order must send promptly a

duplicate confirmation of the transaction to the Person from whom the prior written consent is required pursuant to this Rule VI-14.

## CHAPTER VII

### DISCIPLINE AND ENFORCEMENT

#### VII-1. General

(a) All Subject Persons shall be subject to the Exchange's jurisdiction. All Subject Persons are subject to this Chapter VII if they, or with respect to a Participant, any of its Authorized Traders, other Supervised Persons or Authorized Customers, are alleged to have violated, to have aided and abetted a violation, to be violating, or to be about to violate, any Rule of the Exchange or any provision of Applicable Law for which the Exchange possesses disciplinary jurisdiction.

(b) The Exchange 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 VII.

(c) The Exchange may delegate any or all of its powers or responsibilities under this Chapter VII to the RSP (acting in its compliance role, and in conjunction with any applicable Exchange personnel, the "Compliance Department") and the Disciplinary Panel, which may take any actions on behalf of the Exchange that the Exchange is permitted to take hereunder, provided, however, that the Exchange shall retain supervisory authority with respect to such powers and responsibilities. In the event of any such delegation, references to the Exchange in this Chapter VII shall be construed to be references to the Compliance Department or the Disciplinary Panel, as the case may be.

(d) No member of the staff of the Exchange 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 member of the Board 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 Board member is not a member of the relevant Appeals Panel.

(e) Any Subject Person 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 VII.

(f) (i) Pursuant to this Chapter VII, the Exchange may hold a Participant liable for, and impose sanctions against such Participant, for such Participant's own acts and omissions that constitute a violation as well as for the acts and omissions of each (A) Authorized Trader authorized by such Participant, (B) other Supervised Person of such Participant, (C) Authorized Customer of such Participant, (D) other Person using a User ID of such Participant, Authorized Trader or Authorized Customer (whether or not authorized) or (E) other agent or representative of such Participant, in each case, that constitute a violation as if such violation were that of the Participant.

(ii) Pursuant to this Chapter VII, the Exchange may hold an Authorized Trader liable for, and impose sanctions against him or her, for such Authorized Trader's own acts and omissions that constitute a violation as well as or for the acts and omissions of any other agent or representative of such Authorized Trader that constitute a violation as if such violation were that of the Authorized Trader.

(iii) Pursuant to this Chapter VII, the Exchange may hold an Authorized Customer liable for, and impose sanctions against him, her or it, for such Authorized Customer's own acts and omissions that constitute a violation as well as or for the acts and omissions of any other agent or representative of such Authorized Customer that constitute a violation as if such violation were that of the Authorized Customer.

(g) With respect to any of the disciplinary and enforcement procedures provided for in this Chapter VII including, without limitation, any disciplinary proceeding or hearing, settlement proceeding or summary action and any appeal therefrom, the Exchange may, in accordance with Rule VII-18(a), in its sole discretion, determine to deny, revoke, suspend or otherwise limit in any manner the Trading Privileges of any Subject Person subject to such procedures (or to maintain or suspend any prior decision to deny, revoke, suspend or otherwise limit any such Trading Privileges). The Exchange may initiate or maintain any such denial, revocation, suspension or limitation effective immediately upon the initiation of any such procedures or appeal therefrom, in each case, pending their resolution.

## **VII-2. Inquiries and Investigation**

(a) The Compliance Department will investigate any matter within the Exchange's disciplinary jurisdiction of which it becomes

aware. 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 Exchange.

(b) The Compliance Department has the authority to:

- (i) initiate and conduct inquiries and investigations;
- (ii) prepare investigative reports and make recommendations concerning initiating disciplinary proceedings;
- (iii) prosecute alleged violations within the Exchange's disciplinary jurisdiction; and
- (iv) represent the Exchange on appeal from any disciplinary proceeding, summary imposition of fines, summary suspension or other summary action.

(c) Each Subject Person:

- (i) is obligated to appear and testify and respond in writing to interrogatories within the time period required by the Compliance Department in connection with: (A) any Rule of the Exchange; (B) any inquiry or investigation; or (C) 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 Exchange;
- (ii) 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: (A) any Rule of the Exchange; (B) any inquiry or investigation; or (C) 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 Exchange; and
- (iii) 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.

### **VII-3. Reports of Investigations**

(a) The Compliance Department will maintain a log of all inquiries, 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 Exchange's jurisdiction has occurred or is about to occur or whether the evidence gathered results in closing the matter without further action or through summary action.

(b) Any written report of investigation 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 (iv) initiating disciplinary proceedings. An informal disposition (including the issuance of a warning letter) will not constitute a finding of a violation or a sanction.

#### **VII-4. Opportunity to Respond**

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

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

#### **VII-5. Review of Investigative Reports**

(a) The Compliance Director will review each completed investigation report to determine whether a reasonable basis exists to believe that a violation within the Exchange's jurisdiction has occurred or is about to occur. The Compliance Director shall generally make such determinations within 10 Business Days of receiving the applicable investigation report, subject to extension for a reasonable period of time in the reasonable discretion of the Compliance Director.

(b) If the Compliance Director determines that additional investigation or evidence is needed to decide whether a reasonable basis exists to believe that a violation within the Exchange's jurisdiction

has occurred or is about to occur, the Compliance Director will direct the Compliance Department to conduct further investigation.

(c) After receiving completion of an investigation, the Compliance Director will determine for each potential respondent whether to authorize:

(i) the commencement of disciplinary proceedings because a reasonable basis exists to believe that a violation within the Exchange's jurisdiction has occurred or is about to occur;

(ii) the informal disposition of the investigation, which may include the issuance of a warning letter or guidelines for future conduct, in cases where a reasonable basis exists to believe that a violation has occurred or is about to occur but disciplinary proceedings are unwarranted, in which case the Compliance Director shall provide a written explanation to the RSP; or

(iii) the closing of the investigation without any action because no reasonable basis exists to believe that a violation within the Exchange's jurisdiction has occurred or is about to occur in which case the Compliance Director shall provide a written explanation to the RSP.

#### **VII-6. Notice of Charges**

(a) If the Compliance Director authorizes disciplinary proceedings pursuant to Rule VII-5(c)(i), the Compliance Department will prepare, and serve in accordance with Rule VII-8, a notice of charges.

(b) A notice of charges will:

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

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

(iii) state the proposed sanctions;

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

(v) state the period of time within which the respondent can request a hearing on the notice of charges, which will not be less than 20 days after service of the notice of charges;

(vi) 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

(vii) advise the respondent that any allegation in the notice of charges that is not expressly denied will be deemed to be admitted.

**VII-7. Answer to Notice of Charges**

(a) If the respondent determines to answer a notice of charges, the respondent must file answers within 20 days after being served with such notice, or within such other time period determined appropriate by the Director of Hearings.

(b) To answer a notice of charges, the respondent must in writing:

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

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

(iii) specify any specific facts that contradict the notice of charges;

(iv) specify any affirmative defenses to the notice of charges; and

(v) sign and serve the answer on the Director of Hearings.

(c) Any failure by the respondent to timely serve an answer to a notice of charges will be deemed to be an admission to the allegations in such notice. Any failure by the respondent to 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.

**VII-8. Service of Notice of Charges**

Any notice of charges or other documents contemplated to be served pursuant to this Chapter VII may be served (and service shall be deemed complete) upon the respondent either personally or by 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 Exchange or, at the option of the Exchange, via electronic mail.

#### **VII-9. 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 Exchange 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 Compliance Director with a recommendation on whether to accept or reject the offer. Any preliminary determination by the Compliance Director to accept the offer shall be submitted for review by the Regulatory Oversight Committee. If the Regulatory Oversight Committee agrees, then the Compliance Director shall conditionally accept an offer of settlement, and that the settlement will become final upon the expiration of 20 days after an order of the disciplinary proceedings consistent with the terms of the offer of settlement is served on the respondent.

(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 by agreement between the Compliance Director and the Regulatory Oversight Committee, 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.

#### **VII-10. Disciplinary Panel**

(a) A disciplinary panel consisting of five individuals selected by the ROC from the Exchange's Hearing Panel Committee (with one

individual acting as chairman) (the “Disciplinary Panel”), will conduct hearings in connection with any disciplinary proceedings, to make findings and impose sanctions pursuant to this Chapter VII. A separate Disciplinary Panel will be established prior to the commencement of each disciplinary matter. Each Disciplinary Panel shall consist of at least one individual who would qualify as a Public Director (if the individual was a director of the Exchange), except in cases limited to decorum, attire, or the timely submission of accurate records required for clearing or verifying each day’s transactions.

(b) Within 10 days of being notified of the appointment of the Disciplinary Panel, a respondent may seek to disqualify any individual named to the Disciplinary Panel for the reasons identified in Rules of the Exchange or for any other reasonable grounds, by serving written notice on the Compliance Director and providing a copy thereof to the Director of Hearings. 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 Compliance Director 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.

#### **VII-11. Convening Hearings of Disciplinary Proceedings**

(a) All disciplinary proceedings (except for summary impositions of fines pursuant to Rule VII-17) will be conducted at a hearing before the Disciplinary Panel. A hearing will be conducted privately and confidentially. 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.

(b) After no less than 20 Business Days’ prior notice to each respondent, and no later than 60 Days following such notice (which may be extended by the Disciplinary Panel, in its reasonable discretion, for a reasonable period of time based on the complexity of the matter and the nature and complexity of pre-hearing requests and motions by the parties) the Disciplinary Panel will promptly convene a hearing to conduct the disciplinary proceedings with respect to such respondent. Parties to a disciplinary proceeding include each respondent and the Compliance Department.

(c) 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 Exchange will provide guidance to the chairman of the Disciplinary Panel on the conduct of the hearing.

(d) Except for procedural and evidentiary matters decided by the chairman of the Disciplinary Panel pursuant to paragraph (c) above and Rule VII-12, unless each respondent otherwise consents, the entire Disciplinary Panel must be present during the entire hearing and any related deliberations.

## **VII-12. Respondent Review of Evidence**

(a) Prior to the commencement of a hearing, each respondent will be given the opportunity to review all books, records, documents, papers, transcripts of testimony and other tangible evidence in the possession or under the control of the Exchange that the 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 Exchange will have no obligation to disclose, any information protected by attorney-client privilege.

(b) If any books, records, documents, papers, transcripts of testimony, or other 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:

(i) will not redact, edit or code competitive or investigative information contained in documents in a manner that would impair the respondent's ability to defend against the allegations or proposed sanctions in the notices of charges, and

(ii) will provide the respondent with access to the information and portions of the documents that the Compliance Department intends to rely on to support the allegations or proposed sanctions in the notice of charges.

(d) For purposes of this Rule VII-12, 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 Subject Person and the personal finances of the Person providing the information.

### **VII-13. Conducting Hearings of Disciplinary Proceedings**

(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 VII-7, 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:

- (i) present evidence and facts determined relevant and admissible by the chairman of the Disciplinary Panel;
- (ii) call and examine witnesses; and
- (iii) 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 VII-7.

(d) Any Person entitled, or required or called upon, to attend a hearing before a Disciplinary Panel pursuant to this Rule VII-13 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 Exchange will require all Subject Persons (that are individuals) that are called as witnesses to appear at the hearing and

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

(e) If during any disciplinary proceedings the Disciplinary Panel determines that a reasonable basis exists to believe that the respondent violated or is about to violate a Rule of the Exchange or a provision of Applicable Law other than the violations alleged in the notice of charges, the Disciplinary Panel may consider those apparent violations after providing the respondent with an opportunity to answer the additional allegations in accordance with Rule VII-7. 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 Subject Person that impedes or delays the progress of a hearing.

(g) The Exchange 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.

#### **VII-14. Decision 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 Exchange will serve a copy of the order of the disciplinary proceedings on the respondent and the Compliance Department. The order will include:

- (i) the notice of charges or summary of the allegations;
- (ii) the answer, if any, or a summary of the answer;
- (iii) a brief summary of the evidence introduced at the hearing;

(iv) findings of fact and conclusions concerning each allegation, including each specific Rule of the Exchange and provision of Applicable Law that the respondent is found to have violated;

(v) the imposition of sanctions, if any, and the effective date of each sanction; and

(vi) notice of the respondent's right to appeal pursuant to Rule VII-16.

(c) Unless a timely notice of appeal is filed pursuant to Rule VII-16, the order of the disciplinary proceedings will become final upon the expiration of 20 days after the order is served on the respondent and a copy thereof is provided to the Compliance Department.

#### **VII-15. Sanctions**

(a) After notice and opportunity for hearing in accordance with these Rules, the Exchange will impose sanctions if any Subject Person is found to have violated or to have attempted to violate a Rule of the Exchange or provision of Applicable Law for which the Exchange possesses disciplinary jurisdiction. The Exchange may impose one or more of the following sanctions or remedies: (i) censure; (ii) limitation on Trading Privileges or other activities, functions or operations; (iii) suspension of Trading Privileges for a period not to exceed 12 months (not considering the duration of any suspension of Trading Privileges pursuant to Rule VII-1(g)); (iv) fine (subject to paragraph (b) below); (v) restitution or disgorgement; (vi) termination of Trading Privileges; or (vii) any other sanction or remedy deemed to be appropriate. Any suspension, limitation or revocation of Trading Privileges pursuant to this Rule VII-15 shall supercede any decision under Rule VII-1(g) unless otherwise specified by the Exchange.

(b) The Exchange may impose a fine of up to \$500,000 for each violation. 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. Each Participant will be responsible for paying any fine or other amount imposed on, but not paid by, any of its Authorized Traders, other Supervised Persons and Authorized Customers.

**VII-16. Appeal from Disciplinary Panel Decision, Summary Impositions of Fines and Other Summary Actions**

(a) Each respondent found by the Disciplinary Panel to have violated (or, in the case of a Participant, whose Authorized Trader, other Supervised Person or Authorized Customer was found to have violated) a Rule of the Exchange or a provision of Applicable Law or who is subject to any summary fine imposed pursuant to Rule VII-17 or any summary action imposed pursuant to Rule VII-18 may appeal the decision within 20 days of receiving the order of the disciplinary proceedings or the notice of summary action, as the case may be, by filing a notice of appeal with the Compliance Director. While an appeal is pending, the effect of the order of disciplinary proceedings or the summary action (including any sanctions, remedies or costs imposed thereby) shall be suspended, except that the Exchange may revoke, suspend or limit Trading Privileges pending the resolution of any appeal pursuant to Rule VII-1(g).

(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:

(i) the order or decision was arbitrary, capricious, an abuse of discretion, or not in accordance with the Rules of the Exchange;

(ii) the order or decision exceeded the authority or jurisdiction of the Disciplinary Panel, the Compliance Director or the Exchange;

(iii) the order or decision failed to observe required procedures;

(iv) the order or decision was unsupported by the facts or evidence; or

(v) the imposed sanctions, remedies or costs are inappropriate or unsupported by the record.

(c) The Compliance Director 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 20th day after filing a notice of appeal, the appellant must file with the Compliance Director and serve on the Compliance Department a brief supporting the notice of appeal and documents supporting the brief. On or before the 20th day after the date on which the appellant serves their supporting brief, the appellee must file and

serve its brief in opposition. On or before the 10th day after the date on which the appellee serves its brief in opposition, the appellant must file and serve a brief in reply.

(d) In connection with any appeal, the Compliance Department will furnish to the Compliance Director 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 30 days after the last submission filed pursuant to paragraph (c) above, the Compliance Director will appoint the Appeals Panel to consider and determine the appeal. Within 10 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 Rules of the Exchange or for any other reasonable grounds, by serving written notice on the Compliance Director and providing a copy thereof to the Director of Hearings. By not timely filing a request for disqualification, the respondent will be deemed to have waived any objection to the composition of a Appeals Panel. The Compliance Director 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.

(f) The Appeals Panel may hold a hearing to allow parties to present oral arguments. Any hearing will be conducted privately and confidentially. Notwithstanding the confidentiality of hearings, the Appeals Panel may appoint an expert to attend any hearing and assist in the deliberations if such individuals agree to be subject to appropriate confidentiality agreements. In determining procedural and evidentiary matters, the Appeals Panel will not 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 Compliance Director, 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, 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 of the Exchange, or remanding the matter to the same or a different Disciplinary Panel

for further disciplinary proceedings or for reconsideration by the Compliance Director. The Appeals Panel shall not set aside, modify or amend the appealed decision unless it determines, by a majority vote, that the decision was:

(i) arbitrary, capricious, or an abuse of the Disciplinary Panel's discretion;

(ii) in excess of the authority or jurisdiction of the Disciplinary Panel, the Compliance Director or the Exchange, as the case may be; or

(iii) based on a clearly erroneous application or interpretation of Exchange rules.

Where the standards for setting aside, modifying or amending the appealed decision have not been met, the Appeals Panel may order a new hearing by majority vote, upon a reasonable belief that the original decision resulted from a specific error, impropriety, or deficiency in the proceeding.

(i) 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 of the Exchange and provision of Applicable Law that the respondent is found to have violated, if any, and the imposition of sanctions, remedies and costs, if any, and the effective date of each sanction, remedy or cost.

(j) The Appeals 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 Exchange and will not be subject to appeal within the Exchange.

#### **VII-17. Summary Imposition of Fines**

(a) The Compliance Director may summarily impose a fine against any Subject Person (including against a Participant on behalf of any of its Authorized Traders, other Supervised Persons or Authorized Customers) for failing:

(i) to make timely payments of original or variation margin, options premiums, fees, cost, charges or fines to the Exchange or the Clearinghouse;

(ii) to make timely and accurate submissions to the Exchange of notices, reports or other information required by the Rules of the Exchange; and

(iii) to keep any books and records required by the Rules of the Exchange.

(b) The Compliance Department, acting on behalf of the Compliance Director, will give notice of any fine imposed pursuant to this Rule VII-17 to each Person subject thereto. The notice will specify (i) the violations of the Rules of the Exchange for which the fine is being imposed, (ii) the date of the violation for which the fine is being imposed and (iii) the amount of the fine. Within 20 days of serving the notice of fine, the Person subject thereto must either pay or cause the payment of the fine or file notice of an appeal pursuant to Rule VII-16. Unless timely notice of appeal is filed pursuant to Rule VII-16, the fine will become final upon the expiration of 20 days after the notice of fine is served on the Person subject thereto.

(c) The Exchange will set the amount of any fines imposed pursuant to this Rule VII-17, with the maximum fine for each violation not to exceed \$5,000. Summary imposition of fines pursuant to this Rule VII-17 will not preclude the Exchange from bringing any other action against any Subject Person in accordance with this Chapter VII.

## **VII-18. Summary Suspensions and Other Summary Actions**

(a) Notwithstanding anything in the Rules of the Exchange to the contrary, the Compliance Director may, after consultation with the Regulatory Oversight Committee, if practicable, summarily suspend, revoke, limit, condition, restrict or qualify the Trading Privileges of any Subject Person, and may take other summary action against any Subject Person in accordance with the Rules of the Exchange; provided, however, that the Compliance Director must reasonably believe that the business, conduct or activities of the Subject Person (or, in the case of a Participant, any of its Authorized Traders or Authorized Customers) in question is not in the best interests of the Exchange or the marketplace, including based on any of the following: (i) statutory disqualification from registration as provided in CEA Section 8a(2) or (3); (ii) non-payment of fees, costs, charges, fines or arbitration awards; or (iii) the reasonable belief that immediate action is necessary to protect the public or the best interests of the Exchange.

(b) Whenever practicable, the Compliance Department, acting on behalf of the Compliance Director, shall provide prior written notice to the party against whom any action in accordance with paragraph (a) shall be taken. If prior notice is not practicable, the Exchange will give

notice at the earliest possible opportunity to the respondent against whom the action is brought. The Compliance Department, acting on behalf of the Compliance Director, will prepare a notice of summary action (which will state the action, the reasons for the action, and the effective time, date and duration of the action) and serve the notice on such party.

(c) Unless timely notice of appeal is filed pursuant to Rule VII-16, the summary action will become final upon the expiration of 20 days after the notice of action is served on the respondent.

(d) At the request of the Exchange or the Clearinghouse, a respondent against whom a summary action is brought pursuant to this Rule VII-18 must provide books and records over which the respondent has access or control and must furnish information to, or appear or testify before, the Exchange or the Clearinghouse in connection with the enforcement of any Rule of the Exchange or Rule of the Clearinghouse.

(e) A respondent whose Trading Privileges are suspended, revoked, limited, conditioned, restricted or qualified pursuant to this Rule VII-18 may apply for reinstatement by filing with the Compliance Department a written request stating the applicant's reasons for seeking reinstatement. The Exchange will not consider a respondent's request for reinstatement if the respondent (or, in the case of a Participant, any of its Authorized Traders or Authorized Customers) (i) owes any fines, fees, charges or costs to the Exchange, (ii) continues to fail to appear at disciplinary proceedings without good cause or (iii) continues to impede the progress of disciplinary proceedings.

(f) Within a reasonable period after the filing of a request for reinstatement, the Appeals Panel will conduct a hearing to consider the request. At the hearing for reinstatement, the respondent will present its, his or her case supporting the reinstatement and the Compliance Department, acting on behalf of the Compliance Director 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 Exchange may require any Subject Person to appear as a witness and produce evidence if the Appeals Panel determines that the evidence is relevant.

(g) As promptly as reasonably possible after a reinstatement hearing, the Appeals Panel will issue an order reinstating, denying the reinstatement, or placing conditions on the reinstatement of the Trading Privileges of the respondent. The order will include a brief summary of the evidence introduced at the reinstatement hearing; and,

if applicable, findings of fact and conclusions not contained in the notice of summary action issued pursuant to Rule VII-18(b) above. The Appeals Panel's order may not be appealed.

#### **VII-19. Rights and Responsibilities after Suspension or Termination**

(a) When the Trading Privileges of a Subject Person are suspended for a period of 12 months or less, none of its rights and Trading Privileges (including the right to hold oneself out to the public as a Participant, Authorized Trader or Authorized Customer, enter Orders into the ELX System and receive Participant rates for fees, costs, and charges and deposit margin at Participant levels) will apply during the period of the suspension, except for the right of the Subject Person in question to assert claims against others as provided in the Rules of the Exchange. Any such suspension will not affect the rights of creditors under the Rules of the Exchange or relieve the Subject Person in question of its, his or her obligations under the Rules of the Exchange to perform any Contracts entered into before the suspension, or for any Exchange fees, costs, or charges incurred during the suspension. The Exchange may discipline a suspended Subject Person under this Chapter VII for any violation of a Rule of the Exchange or provision of Applicable Law committed by the Subject Person before, during or after the suspension.

(b) When the Trading Privileges of a Subject Person are terminated, all of its rights and Trading Privileges will terminate (and, in the case of a Participant, the Trading Privileges of its Authorized Customers and Authorized Traders will terminate), except for the right of the Subject Person in question (or, in the case of a Participant, its Authorized Traders and Authorized Customers) to assert claims against others, as provided in the Rules of the Exchange. Any such termination will not affect the rights of creditors under the Rules of the Exchange. A terminated Subject Person may only seek to reinstate its Trading Privileges by applying for Trading Privileges pursuant to Rule III-7. The Exchange will not consider the application of a terminated Subject Person if such Subject Person continues to fail to appear at disciplinary proceedings without good cause or continues to impede the progress of disciplinary proceedings.

(c) A suspended or terminated Subject Person remains subject to the Rules of the Exchange and the jurisdiction of the Exchange for acts and omissions of itself and, in the case of a Participant, of its Authorized Traders and Authorized Customers, in any case, prior to the suspension or termination, and must cooperate in any inquiry, investigation, disciplinary proceeding, appeal of disciplinary proceedings, summary suspension or other summary action as if the suspended or terminated Subject Person still had Trading Privileges.

(d) ELX shall have the authority to order the transfer of positions and assets held in Customer Accounts from a Participant in the event that the Trading Privileges of such Participant have been suspended or revoked.

**VII-20. Notice to the Respondent, the RSP and the Public**

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

## **CHAPTER VIII**

### **ARBITRATION**

#### **VIII-1. General**

Except as otherwise provided in the Rules of the Exchange, Subject Persons must arbitrate all controversies arising in connection with their Exchange business between or among themselves. Notwithstanding the foregoing, this Rule VIII-1 does not require arbitration of claims alleging employment discrimination (including sexual harassment) in violation of Applicable Law.

#### **VIII-2. Forum**

The RSP will conduct any and all arbitrations of a type described in Rule VIII-1.

#### **VIII-3. Applicable Arbitration Rules**

Any and all arbitrations of a type described in Rule VIII-1 above will be conducted pursuant to the arbitration rules applicable to members of the RSP.

#### **VIII-4. Customer Arbitration**

Any dispute between a Participant or any of its Supervised Persons, on the one hand, and a Customer, on the other hand, arising out of or in connection with the solicitation or acceptance of any order for execution of any Contract shall be subject to arbitration by the RSP in accordance with its Code of Arbitration; provided, however, that the submission of any such dispute to arbitration shall be voluntary on the part of any Customer who is not an eligible contract participant.

#### **VIII-5. Penalties**

(a) Any failure on the part of any Subject Person to arbitrate a case subject to arbitration, or the commencement by any such Person of a suit in any court prior to arbitrating a case subject to arbitration, violates the Rules of the Exchange and subjects such Subject Person and its Participant, if applicable, to disciplinary proceedings pursuant to Chapter VII.

(b) The Exchange may summarily suspend, pursuant to Chapter VII, a Subject Person (and the Participant of any such Subject Person) that fails to satisfy an arbitration award rendered in any arbitration pursuant to this Chapter VIII.

## CHAPTER IX

### CONTRACTS

#### IX-1. Contract Specifications

Each Contract will meet such specifications, and all trading in such Contract will be subject to such procedures and requirements, as set forth in the rules governing such Contract.

#### IX-2. Contract Modifications

The specifications for, and the procedures and requirements for trading, any Contract may not be modified in any respect without the prior approval of the Exchange.

#### IX-3. Contract Rules

(a) General Terms:

(i) *Notice of Intent to Deliver.* Where delivery requires a Notice of Intent to Deliver, such notice shall be given to the Clearinghouse in the form and manner specified by the Clearinghouse by the cut-off time specified by the Rules or by the Clearinghouse from time to time on the second business day preceding delivery days.

(ii) *Invoice Dispute.* In the event the long Clearing Privilege Holder does not agree with the terms of the invoice received from the short Clearing Privilege Holder, the long Clearing Privilege Holder must notify the short Clearing Privilege Holder, and the dispute must be settled by 9:30 a.m. on the delivery day.

(iii) *Wire Failure.* In the event that delivery cannot be accomplished because of a failure of the Federal Reserve wire, or because of a failure of either the long Clearing Privilege Holder's bank or the short Clearing Privilege Holder's bank to access the Federal Reserve wire, delivery shall be made before 9:30 a.m. on the next business day on which the Federal Reserve wire, or bank access to it, is operable. In the event of such failure, the short Clearing Privilege Holder making delivery shall remit to the long Clearing Privilege Holder taking delivery such interest on the U.S. Treasury notes being delivered as accrues between the day on which the notes were originally to be delivered and the day on which the notes are actually delivered. Both the long Clearing Privilege Holder and the short Clearing Privilege Holder must provide to the Exchange documented evidence that they gave

instructions to their respective banks in accordance with the applicable Rules pertaining to payment and delivery.

(iv) *Qualified Bank.* For purpose of this Rule IX-3, the term “qualified bank” shall mean a U.S. commercial bank (either Federal or State charter) that is a member of the Federal Reserve System and that has capital (capital, surplus and undivided earnings) in excess of one hundred million dollars (\$100,000,000).

(v) *Alternative Delivery Procedure.* A seller and buyer that have been matched to settle delivery obligations between each other may mutually agree to settle such contractual obligations under terms or conditions which differ from the terms and conditions prescribed by this chapter. In such a case, Clearing Privilege Holders shall execute an alternative delivery procedure notification on the form prescribed by the Clearinghouse and shall deliver a completed and executed copy of such notification to the Clearinghouse. The acceptance of an executed alternative delivery procedure notification by the Clearinghouse shall release the Clearing Privilege Holders, the Clearinghouse and the Exchange from their respective obligations under the Exchange contracts as provided in the rules of the Clearinghouse, and the Clearing Privilege Holders shall indemnify the Clearinghouse and the Exchange as set forth in the rules of the Clearinghouse.

(b) U.S. Treasury Bond Futures:

(i) *Contract Size.* One U.S. Treasury bond having face value at maturity of \$100,000.

(ii) *Deliverable Grades.* U.S. Treasury bonds that, if callable, are not callable for at least 15 years from the first day of the delivery month or, if not callable, have a remaining term to maturity of at least 15 years from the first day of the delivery month. The invoice price equals the futures settlement price times a conversion factor, plus accrued interest. The conversion factor is the price of the delivered bond (\$1 par value) to yield 6 percent.

(iii) *Tick Size.* The minimum price fluctuation shall be one half of one thirty-second (1/32) of one point (\$15.625 rounded up to the nearest cent per Contract) except for inter-month spreads, where the minimum price fluctuation shall be one quarter of one thirty-second of one point (\$7.8125 per Contract). Par shall be on the basis of 100 points.

(iv) *Price Quote.* Points (\$1,000) and halves of 1/32 of a point. For example, 105-16 represents 105 16/32, and 105-165 represents 105 16.5/32.

(v) *Delivery Months.* March, June, September and December.

(vi) *Last Trading Day.* Seventh Business Day preceding the last Business Day of the delivery month.

(vii) *First Delivery Day.* First Business Day of the delivery month.

(viii) *Last Delivery Day.* Last Business Day of the delivery month.

(ix) *Day of Intention.* No later than 9:00 p.m. on the second business day preceding the intended day of delivery, the short Clearing Privilege Holder must tender to the Clearinghouse all notices of intention to make delivery such as it has received from its customers who are short. Where an FCM, as a Clearing Privilege Holder, has an interest both long and short for customers on its own books, it must tender all such notices of intention to deliver. To each short Clearing Privilege Holder who has issued a notice of intention to make delivery, the Clearinghouse shall assign long Clearing Privilege Holders who shall be obligated to take delivery. Upon making such assignment, the Clearinghouse shall promptly furnish to each short Clearing Privilege Holder making delivery the names of the long Clearing Privilege Holders assigned to take delivery from such short Clearing Privilege Holder.

(x) *Date of Delivery.* No later than 11:00 a.m. on the delivery day, the short Clearing Privilege Holder must have contract grade U.S. Treasury Bonds in place at its bank in delivery form acceptable to its bank. The short Clearing Privilege Holder must notify its bank to transfer contract grade U.S. Treasury Bonds by book-entry to the long Clearing Privilege Holder's account at the long Clearing Privilege Holder's bank on a delivery versus payment basis. On the delivery day, the long Clearing Privilege Holder must make funds available by 8:30 a.m. and notify its bank to accept contract grade U.S. Treasury Bonds and to remit the funds via the federal wire system to the short Clearing Privilege Holder's account at the short Clearing Privilege Holder's bank in payment for delivery of the notes or bonds. Contract grade U.S. Treasury Bonds must be transferred and payment must be made before 2:00 p.m. on the delivery day. All deliveries must be assigned by the Clearinghouse.

(xi) *Delivery Method.* Federal Reserve book-entry wire transfer system between accounts of Clearing members at qualified banks, in accordance with 31 CFR Part 306—General Regulations Governing U.S. Securities, Subpart O—Book-Entry Procedure, and 31 CFR Part 357—Regulations Governing Book-Entry of U.S. Treasury Bonds, Notes and Bills Held in Legacy Treasury Direct®.

(xii) *Seller Invoice to Buyer.* Upon determining the buyers obligated to accept deliveries tendered by issuers of delivery notices, the Clearinghouse will promptly furnish each issuer the names of the buyers obligated to accept delivery from the issuer, and a description of each security tendered by the issuer which was assigned by the Clearinghouse to each such buyer. Thereupon, sellers (issuers of delivery notices) shall prepare invoices addressed to their assigned buyers, describing the documents to be delivered to each such buyer. Such invoices shall show (i) the identity of the U.S. Treasury Bonds that shall be tendered and (ii) the amount which buyers must pay to sellers in settlement of the actual deliveries, based on the delivery prices established by the Clearinghouse, and adjusted for applicable interest payments. Such invoices shall be delivered to the Clearinghouse by the cut-off time specified by the Clearinghouse from time to time in its operations manual on the Business Day preceding the day of delivery (deliveries to be made on the last delivery day may have a different specified cut-off time than deliveries on other delivery days). Upon receipt of such invoices, the Clearinghouse shall promptly make them available to buyers to whom they are addressed.

(xiii) *Buyer Invoice to Seller.* No later than 5:00 p.m. on the Business Day preceding the delivery day, the long Clearing Privilege Holder shall provide the short Clearing Privilege Holder a Banking Notification. The Banking Notification shall include the identification number and name of the long Clearing Privilege Holder taking delivery, the delivery date, the notification number of the Clearinghouse delivery assignment, the identification number and name of the short Clearing Privilege Holder making delivery, the quantity of the contract being delivered, the long Clearing Privilege Holder's bank, bank account number and specific instructions for the transfer of the securities.

(xiv) *Trading Hours.* 6:30 p.m. – 5:00 p.m., New York City time, Sunday – Friday. Trading for the 1st nearby contract will close at 1:01 p.m. ET on the Last Trading Day.

(xv) *Ticker Symbols.* Electronic Outright: ZBe.

(xvi) *Daily Price Limit.* None.

(xvii) *Position Limit (applicable to the last ten trading days of the expiring futures month).* 25,000.

(xviii) *Position Accountability.* 10,000.

(xix) *Reportable Level.* 1,500.

(c) Long Term (6 ½ to 10 Year) U.S. Treasury Note Futures:

(i) *Contract Size.* One U.S. Treasury note having face value at maturity of \$100,000.

(ii) *Deliverable Grades.* U.S. Treasury notes with a remaining term to maturity of at least 6 1/2 years, but no more than 10 years, from the first day of the delivery month. The invoice price equals the Futures settlement price times a conversion factor, plus accrued interest. The conversion factor is the price of the delivered bond (\$1 par value) to yield 6 percent.

(iii) *Tick Size.* The minimum price fluctuation shall be one half of one thirty-second (1/32) of one point (\$15.625 rounded up to the nearest cent per Contract) except for inter-month spreads, where the minimum price fluctuation shall be one quarter of one thirty-second of one point (\$7.8125 per Contract). Par shall be on the basis of 100 points.

(iv) *Price Quote.* Points (\$1,000) and halves of 1/32 of a point. For example, 105-16 represents 105 16/32, and 105-165 represents 105 16.5/32.

(v) *Delivery Months.* March, June, September and December.

(vi) *Last Trading Day.* Seventh Business Day preceding the last Business Day of the delivery month.

(vii) *First Delivery Day.* First Business Day of the delivery month.

(viii) *Last Delivery Day.* Last Business Day of the delivery month.

(ix) *Day of Intention.* No later than 9:00 p.m. on the second business day preceding the intended day of delivery, the short Clearing Privilege Holder must tender to the Clearinghouse all notices of intention to make delivery such as it has received from its

customers who are short. Where an FCM, as a Clearing Privilege Holder, has an interest both long and short for customers on its own books, it must tender all such notices of intention to deliver. To each short Clearing Privilege Holder who has issued a notice of intention to make delivery, the Clearinghouse shall assign long Clearing Privilege Holders who shall be obligated to take delivery. Upon making such assignment, the Clearinghouse shall promptly furnish to each short Clearing Privilege Holder making delivery the names of the long Clearing Privilege Holders assigned to take delivery from such short Clearing Privilege Holder.

(x) *Date of Delivery.* No later than 11:00 a.m. on the delivery day, the short Clearing Privilege Holder must have contract grade U.S. Treasury Notes in place at its bank in delivery form acceptable to its bank. The short Clearing Privilege Holder must notify its bank to transfer contract grade U.S. Treasury Notes by book-entry to the long Clearing Privilege Holder's account at the long Clearing Privilege Holder's bank on a delivery versus payment basis. On the delivery day, the long Clearing Privilege Holder must make funds available by 8:30 a.m. and notify its bank to accept contract grade U.S. Treasury Notes and to remit the funds via the federal wire system to the short Clearing Privilege Holder's account at the short Clearing Privilege Holder's bank in payment for delivery of the notes or bonds. Contract grade U.S. Treasury Notes must be transferred and payment must be made before 2:00 p.m. on the delivery day. All deliveries must be assigned by the Clearinghouse.

(xi) *Delivery Method.* Federal Reserve book-entry wire transfer system between accounts of Clearing members at qualified banks, in accordance with 31 CFR Part 306—General Regulations Governing U.S. Securities, Subpart O—Book-Entry Procedure, and 31 CFR Part 357—Regulations Governing Book-Entry of U.S. Treasury Bonds, Notes and Bills Held in Legacy Treasury Direct®.

(xii) *Seller Invoice to Buyer.* Upon determining the buyers obligated to accept deliveries tendered by issuers of delivery notices, the Clearinghouse will promptly furnish each issuer the names of the buyers obligated to accept delivery from the issuer, and a description of each security tendered by the issuer which was assigned by the Clearinghouse to each such buyer. Thereupon, sellers (issuers of delivery notices) shall prepare invoices addressed to their assigned buyers, describing the documents to be delivered to each such buyer. Such invoices shall show (i) the identity of the U.S. Treasury Notes that shall be tendered and (ii) the amount which buyers must pay to sellers in settlement of the actual deliveries, based on the delivery prices established by the Clearinghouse, and adjusted for applicable interest payments.

Such invoices shall be delivered to the Clearinghouse by the cut-off time specified by the Clearinghouse from time to time in its operations manual on the Business Day preceding the day of delivery (deliveries to be made on the last delivery day may have a different specified cut-off time than deliveries on other delivery days). Upon receipt of such invoices, the Clearinghouse shall promptly make them available to buyers to whom they are addressed.

(xiii) *Buyer Invoice to Seller.* No later than 5:00 p.m. on the Business Day preceding the delivery day, the long Clearing Privilege Holder shall provide the short Clearing Privilege Holder a Banking Notification. The Banking Notification shall include the identification number and name of the long Clearing Privilege Holder taking delivery, the delivery date, the notification number of the Clearinghouse delivery assignment, the identification number and name of the short Clearing Privilege Holder making delivery, the quantity of the contract being delivered, the long Clearing Privilege Holder's bank, bank account number and specific instructions for the transfer of the securities.

(xiv) *Trading Hours.* 6:30 p.m. – 5:00 p.m., New York City time, Sunday – Friday. Trading for the 1st nearby contract will close at 1:01 p.m. ET on the Last Trading Day.

(xv) *Ticker Symbols.* Electronic Outright: ZNe.

(xvi) *Daily Price Limit.* None.

(xvii) *Position Limit (applicable to the last ten trading days of the expiring futures month).* 60,000.

(xviii) *Position Accountability.* 7,500.

(xix) *Reportable Level.* 2,000.

(d) Medium Term (5 Year) U.S. Treasury Note Futures:

(i) *Contract Size.* One U.S. Treasury note having face value at maturity of \$100,000.

(ii) *Deliverable Grades.* U.S. Treasury notes with an original term to maturity of not more than 5 years and 3 months and a remaining term to maturity of not less than 4 years and 2 months as of the first day of the delivery month. The invoice price equals the Futures settlement price times a conversion factor, plus accrued interest. The conversion factor is the price of the delivered bond (\$1 par value) to yield 6 percent.

(iii) *Tick Size.* The minimum price fluctuation shall be one quarter of one thirty-second ( $1/32$ ) of one point (\$7.8125 rounded up to the nearest cent per Contract). Par shall be on the basis of 100 points.

(iv) *Price Quote.* Points (\$1,000) and quarters of  $1/32$  of a point. For example, 101-16 represents  $101\ 16/32$ , 101-162 represents  $101\ 16.25/32$ , 101-165 represents  $101\ 16.5/32$  and 101-167 represents  $101\ 16.75/32$ .

(v) *Delivery Months.* March, June, September and December.

(vi) *Last Trading Day.* Last Business Day of the delivery month.

(vii) *First Delivery Day.* First Business Day of the delivery month.

(viii) *Last Delivery Day.* Third Business Day following the last trading day.

(ix) *Day of Intention.* No later than 9:00 p.m. on the second business day preceding the intended day of delivery, the short Clearing Privilege Holder must tender to the Clearinghouse all notices of intention to make delivery such as it has received from its customers who are short. Where an FCM, as a Clearing Privilege Holder, has an interest both long and short for customers on its own books, it must tender all such notices of intention to deliver. To each short Clearing Privilege Holder who has issued a notice of intention to make delivery, the Clearinghouse shall assign long Clearing Privilege Holders who shall be obligated to take delivery. Upon making such assignment, the Clearinghouse shall promptly furnish to each short Clearing Privilege Holder making delivery the names of the long Clearing Privilege Holders assigned to take delivery from such short Clearing Privilege Holder.

(x) *Date of Delivery.* No later than 11:00 a.m. on the delivery day, the short Clearing Privilege Holder must have contract grade U.S. Treasury Notes in place at its bank in delivery form acceptable to its bank. The short Clearing Privilege Holder must notify its bank to transfer contract grade U.S. Treasury Notes by book-entry to the long Clearing Privilege Holder's account at the long Clearing Privilege Holder's bank on a delivery versus payment basis. On the delivery day, the long Clearing Privilege Holder must make funds available by 8:30 a.m. and notify its bank to accept contract grade U.S. Treasury Notes and to remit the funds via the

federal wire system to the short Clearing Privilege Holder's account at the short Clearing Privilege Holder's bank in payment for delivery of the notes or bonds. Contract grade U.S. Treasury Notes must be transferred and payment must be made before 2:00 p.m. on the delivery day. All deliveries must be assigned by the Clearinghouse.

(xi) *Delivery Method.* Federal Reserve book-entry wire transfer system between accounts of Clearing members at qualified banks, in accordance with 31 CFR Part 306—General Regulations Governing U.S. Securities, Subpart O—Book-Entry Procedure, and 31 CFR Part 357—Regulations Governing Book-Entry of U.S. Treasury Bonds, Notes and Bills Held in Legacy Treasury Direct®.

(xii) *Seller Invoice to Buyer.* Upon determining the buyers obligated to accept deliveries tendered by issuers of delivery notices, the Clearinghouse will promptly furnish each issuer the names of the buyers obligated to accept delivery from the issuer, and a description of each security tendered by the issuer which was assigned by the Clearinghouse to each such buyer. Thereupon, sellers (issuers of delivery notices) shall prepare invoices addressed to their assigned buyers, describing the documents to be delivered to each such buyer. Such invoices shall show (i) the identity of the U.S. Treasury Notes that shall be tendered and (ii) the amount which buyers must pay to sellers in settlement of the actual deliveries, based on the delivery prices established by the Clearinghouse, and adjusted for applicable interest payments. Such invoices shall be delivered to the Clearinghouse by the cut-off time specified by the Clearinghouse from time to time in its operations manual on the Business Day preceding the day of delivery (deliveries to be made on the last delivery day may have a different specified cut-off time than deliveries on other delivery days). Upon receipt of such invoices, the Clearinghouse shall promptly make them available to buyers to whom they are addressed.

(xiii) *Buyer Invoice to Seller.* No later than 5:00 p.m. on the Business Day preceding the delivery day, the long Clearing Privilege Holder shall provide the short Clearing Privilege Holder a Banking Notification. The Banking Notification shall include the identification number and name of the long Clearing Privilege Holder taking delivery, the delivery date, the notification number of the Clearinghouse delivery assignment, the identification number and name of the short Clearing Privilege Holder making delivery, the quantity of the contract being delivered, the long Clearing Privilege Holder's bank, bank account number and specific instructions for the transfer of the securities.

(xiv) *Trading Hours.* 6:30 p.m. – 5:00 p.m., New York City time, Sunday – Friday. Trading for the 1st nearby contract will close at 1:01 p.m. ET on the Last Trading Day.

(xv) *Ticker Symbols.* Electronic Outright: ZFe.

(xvi) *Daily Price Limit.* None.

(xvii) *Position Limit (applicable to the last ten trading days of the expiring futures month).* 45,000.

(xviii) *Position Accountability.* 7,500.

(xix) *Reportable Level.* 2,000.

(e) Short Term (2 Year) U.S. Treasury Note Futures:

(i) *Contract Size.* One U.S. Treasury note having face value at maturity of \$200,000.

(ii) *Deliverable Grades.* U.S. Treasury notes with an original term to maturity of not more than 5 years and 3 months, and a remaining term to maturity of (1) not less than 1 year and 9 months as of the first day of the delivery month and (2) not more than 2 years from the last day of the delivery month. The invoice price equals the Futures settlement price times a conversion factor, plus accrued interest. The conversion factor is the price of the delivered bond (\$1 par value) to yield 6 percent.

(iii) *Tick Size.* The minimum price fluctuation shall be one quarter of one thirty-second (1/32) of one point (\$15.625 rounded up to the nearest cent per Contract). Par shall be on the basis of 100 points.

(iv) *Price Quote.* Points (\$2,000) and quarters of 1/32 of a point. For example, 101-16 represents 101 16/32, 101-162 represents 101 16.25/32, 101-165 represents 101 16.5/32 and 101-167 represents 101 16.75/32.

(v) *Delivery Months.* March, June, September or December.

(vi) *Last Trading Day.* Last Business Day of the delivery month.

(vii) *First Delivery Day.* First Business Day of the delivery month.

(viii) *Last Delivery Day.* Third Business Day following the last trading day.

(ix) *Day of Intention.* No later than 9:00 p.m. on the second business day preceding the intended day of delivery, the short Clearing Privilege Holder must tender to the Clearinghouse all notices of intention to make delivery such as it has received from its customers who are short. Where an FCM, as a Clearing Privilege Holder, has an interest both long and short for customers on its own books, it must tender all such notices of intention to deliver. To each short Clearing Privilege Holder who has issued a notice of intention to make delivery, the Clearinghouse shall assign long Clearing Privilege Holders who shall be obligated to take delivery. Upon making such assignment, the Clearinghouse shall promptly furnish to each short Clearing Privilege Holder making delivery the names of the long Clearing Privilege Holders assigned to take delivery from such short Clearing Privilege Holder.

(x) *Date of Delivery.* No later than 11:00 a.m. on the delivery day, the short Clearing Privilege Holder must have contract grade U.S. Treasury Notes in place at its bank in delivery form acceptable to its bank. The short Clearing Privilege Holder must notify its bank to transfer contract grade U.S. Treasury Notes by book-entry to the long Clearing Privilege Holder's account at the long Clearing Privilege Holder's bank on a delivery versus payment basis. On the delivery day, the long Clearing Privilege Holder must make funds available by 8:30 a.m. and notify its bank to accept contract grade U.S. Treasury Notes and to remit the funds via the federal wire system to the short Clearing Privilege Holder's account at the short Clearing Privilege Holder's bank in payment for delivery of the notes or bonds. Contract grade U.S. Treasury Notes must be transferred and payment must be made before 2:00 p.m. on the delivery day. All deliveries must be assigned by the Clearinghouse.

(xi) *Delivery Method.* Federal Reserve book-entry wire transfer system between accounts of Clearing members at qualified banks, in accordance with 31 CFR Part 306—General Regulations Governing U.S. Securities, Subpart O—Book-Entry Procedure, and 31 CFR Part 357—Regulations Governing Book-Entry of U.S. Treasury Bonds, Notes and Bills Held in Legacy Treasury Direct®.

(xii) *Seller Invoice to Buyer.* Upon determining the buyers obligated to accept deliveries tendered by issuers of delivery notices, the Clearinghouse will promptly furnish each issuer the names of the buyers obligated to accept delivery from the issuer, and a description of each security tendered by the issuer which was assigned by the Clearinghouse to each such buyer. Thereupon,

sellers (issuers of delivery notices) shall prepare invoices addressed to their assigned buyers, describing the documents to be delivered to each such buyer. Such invoices shall show (i) the identity of the U.S. Treasury Notes that shall be tendered and (ii) the amount which buyers must pay to sellers in settlement of the actual deliveries, based on the delivery prices established by the Clearinghouse, and adjusted for applicable interest payments. Such invoices shall be delivered to the Clearinghouse by the cut-off time specified by the Clearinghouse from time to time in its operations manual on the Business Day preceding the day of delivery (deliveries to be made on the last delivery day may have a different specified cut-off time than deliveries on other delivery days). Upon receipt of such invoices, the Clearinghouse shall promptly make them available to buyers to whom they are addressed.

(xiii) *Buyer Invoice to Seller.* No later than 5:00 p.m. on the Business Day preceding the delivery day, the long Clearing Privilege Holder shall provide the short Clearing Privilege Holder a Banking Notification. The Banking Notification shall include the identification number and name of the long Clearing Privilege Holder taking delivery, the delivery date, the notification number of the Clearinghouse delivery assignment, the identification number and name of the short Clearing Privilege Holder making delivery, the quantity of the contract being delivered, the long Clearing Privilege Holder's bank, bank account number and specific instructions for the transfer of the securities.

(xiv) *Trading Hours.* 6:30 p.m. – 5:00 p.m., Eastern Standard Time, Sunday – Friday. Trading for the 1st nearby contract will close at 1:01 p.m. ET on the Last Trading Day.

(xv) *Ticker Symbols.* Electronic Outright: ZTe.

(xvi) *Daily Price Limit.* None.

(xvii) *Position Limit (applicable to the last ten trading days of the expiring futures month).* 25,000.

(xviii) *Position Accountability.* 7,500.

(xix) *Reportable Level.* 1,000.

(f) Ultra Long-Term U.S. Treasury Bond Futures:

(i) *Contract Size.* One U.S. Treasury bond having face value at maturity of \$100,000.

(ii) *Deliverable Grades.* U.S. Treasury bonds that, if callable, are not callable for at least 25 years from the first day of the delivery month or, if not callable, have a remaining term to maturity of at least 25 years from the first day of the delivery month. The invoice price equals the futures settlement price times a conversion factor, plus accrued interest. The conversion factor is the price of the delivered bond (\$1 par value) to yield 6 percent.

(iii) *Tick Size.* The minimum price fluctuation shall be one half of one thirty-second ( $1/32$ ) of one point (\$15.625 rounded up to the nearest cent per Contract) except for inter-month spreads, where the minimum price fluctuation shall be one quarter of one thirty-second of one point (\$7.8125 per Contract). Par shall be on the basis of 100 points.

(iv) *Price Quote.* Points (\$1,000) and halves of  $1/32$  of a point. For example, 105-16 represents 105  $16/32$ , and 105-165 represents 105  $16.5/32$ .

(v) *Delivery Months.* March, June, September and December.

(vi) *Last Trading Day.* Seventh Business Day preceding the last Business Day of the delivery month.

(vii) *First Delivery Day.* First Business Day of the delivery month.

(viii) *Last Delivery Day.* Last Business Day of the delivery month.

(ix) *Day of Intention.* No later than 9:00 p.m. on the second business day preceding the intended day of delivery, the short Clearing Privilege Holder must tender to the Clearinghouse all notices of intention to make delivery such as it has received from its customers who are short. Where an FCM, as a Clearing Privilege Holder, has an interest both long and short for customers on its own books, it must tender all such notices of intention to deliver. To each short Clearing Privilege Holder who has issued a notice of intention to make delivery, the Clearinghouse shall assign long Clearing Privilege Holders who shall be obligated to take delivery. Upon making such assignment, the Clearinghouse shall promptly furnish to each short Clearing Privilege Holder making delivery the names of the long Clearing Privilege Holders assigned to take delivery from such short Clearing Privilege Holder.

(x) *Date of Delivery.* No later than 11:00 a.m. on the delivery day, the short Clearing Privilege Holder must have contract

grade U.S. Treasury Bonds in place at its bank in delivery form acceptable to its bank. The short Clearing Privilege Holder must notify its bank to transfer contract grade U.S. Treasury Bonds by book-entry to the long Clearing Privilege Holder's account at the long Clearing Privilege Holder's bank on a delivery versus payment basis. On the delivery day, the long Clearing Privilege Holder must make funds available by 8:30 a.m. and notify its bank to accept contract grade U.S. Treasury Bonds and to remit the funds via the federal wire system to the short Clearing Privilege Holder's account at the short Clearing Privilege Holder's bank in payment for delivery of the notes or bonds. Contract grade U.S. Treasury Bonds must be transferred and payment must be made before 2:00 p.m. on the delivery day. All deliveries must be assigned by the Clearinghouse.

(xi) *Delivery Method.* Federal Reserve book-entry wire transfer system between accounts of Clearing members at qualified banks, in accordance with 31 CFR Part 306—General Regulations Governing U.S. Securities, Subpart O—Book-Entry Procedure, and 31 CFR Part 357—Regulations Governing Book-Entry of U.S. Treasury Bonds, Notes and Bills Held in Legacy Treasury Direct®.

(xii) *Seller Invoice to Buyer.* Upon determining the buyers obligated to accept deliveries tendered by issuers of delivery notices, the Clearinghouse will promptly furnish each issuer the names of the buyers obligated to accept delivery from the issuer, and a description of each security tendered by the issuer which was assigned by the Clearinghouse to each such buyer. Thereupon, sellers (issuers of delivery notices) shall prepare invoices addressed to their assigned buyers, describing the documents to be delivered to each such buyer. Such invoices shall show (i) the identity of the U.S. Treasury Bonds that shall be tendered and (ii) the amount which buyers must pay to sellers in settlement of the actual deliveries, based on the delivery prices established by the Clearinghouse, and adjusted for applicable interest payments. Such invoices shall be delivered to the Clearinghouse by the cut-off time specified by the Clearinghouse from time to time in its operations manual on the Business Day preceding the day of delivery (deliveries to be made on the last delivery day may have a different specified cut-off time than deliveries on other delivery days). Upon receipt of such invoices, the Clearinghouse shall promptly make them available to buyers to whom they are addressed.

(xiii) *Buyer Invoice to Seller.* No later than 5:00 p.m. on the Business Day preceding the delivery day, the long Clearing Privilege Holder shall provide the short Clearing Privilege Holder a Banking Notification. The Banking Notification shall include the

identification number and name of the long Clearing Privilege Holder taking delivery, the delivery date, the notification number of the Clearinghouse delivery assignment, the identification number and name of the short Clearing Privilege Holder making delivery, the quantity of the contract being delivered, the long Clearing Privilege Holder's bank, bank account number and specific instructions for the transfer of the securities.

(xiv) *Trading Hours.* 6:30 p.m. – 5:00 p.m., New York City time, Sunday – Friday. Trading for the 1st nearby contract will close at 1:01 p.m. ET on the Last Trading Day.

(xv) *Ticker Symbols.* Electronic Outright: ZUe.

(xvi) *Daily Price Limit.* None.

(xvii) *Position Limit (applicable to the last ten trading days of the expiring futures month).* 20,000.

(xviii) *Position Accountability.* 10,000.

(xix) *Reportable Level.* 1,500.

## **CHAPTER X**

### **CLEARING**

#### **X-1. Settlement by Clearance**

All Contracts, including Contracts made by Participants upon behalf of non-Participants, shall be cleared through the Clearinghouse and all such Contracts shall be subject to those rules, policies, and procedures of such Clearinghouse (including margin requirements) and shall otherwise also remain subject to these Rules as well as the policies and procedures of the Exchange.

#### **X-2. Clearing Services**

The Exchange may discontinue the clearance of contracts through the Clearinghouse, and select and substitute another Clearinghouse or method of clearance.

#### **X-3. Transfer of Open Positions to Clearinghouse**

Each Clearing Privilege Holder shall comply in all respects with any statement of policy or other notice issued by the Exchange relating to the procedures and processes that must be followed to effectuate the transfer of open positions to any Clearinghouse.

#### **X-4. Substitution**

Where a Contract is cleared through the Clearinghouse, the Clearinghouse shall be deemed substituted as seller to the buyer, and shall also be deemed substituted as buyer to the seller, and thereupon the Clearinghouse shall have all of the rights and be subject to all of the liabilities of the original parties with respect to such contract.

#### **X-5. Offsets**

Where a Clearing Privilege Holder buys and sells the same Contract for the same delivery, and such Contracts are cleared through the Clearinghouse, the purchases and sales shall be offset to the extent of their equality, and the Clearing Privilege Holder shall be deemed a buyer from the Clearinghouse to the extent that his purchases exceed his sales, or a seller to the Clearinghouse to the extent that his sales exceed his purchases.