# KALSHI KLEAR LLC

# DERIVATIVES CLEARING ORGANIZATION RULES

**DCO Version 1.4**

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# DERIVATIVES CLEARING ORGANIZATION RULES OF KALSHI KLEAR LLC

## Introduction

The Commodity Exchange Act requires that Kalshi Klear LLC (the "Company") comply with the core principles set forth in the Commodity Exchange Act, as amended, and the regulations, rules and orders of the Commodity Futures Trading Commission (the "CFTC" or the "Commission"), and establish, monitor and enforce its Rules relating to its business as a derivatives clearing organization ("DCO"). The following DCO Rules of the Company pertain to the clearing of Contracts as a provider of Clearing Services and the rights and Obligations of Participants and Introducing Brokers in connection with such activities. Capitalized terms not defined herein will have the meanings assigned to them in Chapter 1.

# Chapter 1 DEFINITIONS

## Rule 1.1 Definitions

As used in these Rules, the following terms have the following respective meanings:

**Affiliate:** A Person who, directly or indirectly, controls, is controlled by, or is under common control with another Person.

**Anti-Money Laundering or AML:** All laws, regulations and guidance relating to the prevention of money-laundering and terrorist financing, including without limitation, the Bank Secrecy Act, the PATRIOT Act, and all related regulations and orders issued by the U.S. Department of the Treasury or the CFTC.

**Appeals Committee**: A committee of the Board composed of Directors pursuant to Rule 2.11, and that acts in an adjudicative role and fulfills various adjudicative responsibilities and duties as described in Chapter 9.

**Applicable Law:** With respect to any Person, any statute, law, regulation, rule or ordinance of any government, governmental or self-regulatory authority applicable to such Person, including without limitation the CEA and CFTC Regulations and any laws and regulations relating to economic or trade sanctions.

**As Soon As Technologically Practicable**: As soon as possible, taking into consideration the prevalence, implementation, and use of technology by comparable market participants.

**Authorized Representative:** With respect to any Member that is an entity, an officer of such entity who is responsible for supervising clearing activities of the Member, including activities of its Authorized User(s) and activities of its employees relating to Transactions, and for providing information regarding the Member to the Company upon request of the Company.

**Authorized User:** A natural person who is either employed by or is an agent of a Member and who is authorized by the Member to clear Transactions; for the avoidance of doubt, an Introducing Broker is not an Authorized User with respect to its IB Customers.

**Block Trade:** A privately negotiated transaction effected away from the central limit order book.

**Board:** The Board of Directors of the Company.

**Business Day:** Any day on which a DCM or a SEF that clears trades through the Company is open for trading, as the context requires

**CEA:** The Commodity Exchange Act, as amended.

**CFTC Regulations:** The regulations of the CFTC, as in effect from time to time, including any Commission-issued orders or interpretive or no-action letters.

**Chief Compliance Officer:** The individual designated to serve as the Company's chief compliance officer, who has full responsibility and authority to develop and enforce, in consultation with the board of directors, appropriate compliance policies and procedures, to fulfill the duties set forth in the Act and Commission regulations.

**Chief Executive Officer:** The individual appointed by the Board to serve as the Company's chief executive officer.

**Chief Risk Officer:** The individual appointed by the Board to serve as the Company's chief risk officer, and is responsible for implementing the risk management framework and for making appropriate recommendations to the risk management committee or board of directors, as applicable, regarding risk management functions.

**Cleared Swaps Customer**: As set forth in CFTC Regulation 22.1.

**Cleared Swaps Customer Account**: As set forth in CFTC Regulation 22.1.

**Cleared Swaps Customer Collateral**: As set forth in CFTC Regulation 22.1.

**Clearing House:** the Company, a DCO.

**Clearing Privileges:** Any right granted by the Company to a Member to clear Contracts.

**Clearing Services:** The provision by the Clearing House to a registered DCM or SEF of clearing, settlement and ancillary services in a non-discriminatory manner, subject to the rules of the registered DCM or SEF.

**Commission or CFTC:** The U.S. Commodity Futures Trading Commission.

**Company:** Kalshi Klear LLC.

**Company Official:** A Director, Officer, committee member, or such other individual as the Board may designate from time to time.

**Company Personnel:** A Company employee, consultant of the Company, contractor of the Company or agent of the Company.

**Company Representative:** Any Company official, Company employee, consultant of the Company, contractor of the Company, or agent of the Company.

**Compliance Department:** The department, reporting to the Chief Compliance Officer, that is responsible for compliance, investigations and disciplinary proceedings.

**Contract:** Any contract for which the Clearing House provides Clearing Services subject to the Rules.

**Contract Specifications:** The terms and conditions of a Contract as published in the rules of and posted by a Platform.

**Customer Due Diligence or CDD:** The ongoing monitoring and documentation related to each Member's activities and risk profile in accordance with Applicable Laws.

**Default**: As set forth in Chapter 12.

**Designated Contract Market or DCM:** A board of trade designated by the CFTC as a contract market under Section 5 of the CEA and in accordance with the provisions of Part 38 of CFTC Regulations.

**Director:** A member of the Board.

**Disciplinary Action:** Any inquiry, investigation, disciplinary proceeding, appeal from a disciplinary proceeding, summary imposition of fines, summary suspension or other summary action.

**Disciplinary Panel:** A panel appointed by the Regulatory Oversight Committee pursuant to Rule 2.11 to act in an adjudicative role and fulfill various adjudicative responsibilities and duties as described in Chapter 9.

**Eligible Contract Participant or ECP:** As set forth in Section 1a(18) of the CEA and as further defined in CFTC Regulation 1.3.

**Emergency:** Any occurrence or circumstance which, in the opinion of the Board, the Chief Executive Officer, the Chief Compliance Officer, or a designee duly authorized to issue such an opinion, requires immediate action, and which threatens, or may threaten, such things as the fair and orderly trading in, the liquidation, settlement, delivery, or the integrity of any Contract or the timely collection and payment of funds in connection with clearing and settlement by the Company, including without limitation:

a. any circumstance that may materially affect the performance of any Contract, including without limitation failure of the payment system, the bankruptcy or insolvency of any Member, or any actual, attempted or threatened theft or forgery of, or other interference with, the collateral or delivery or transfer thereof;

b. any action taken by any United States or foreign regulatory, self-regulatory, judicial, arbitral, or governmental (whether national, state or municipal) or quasi- governmental authority, or any agency, department, instrumentality, or subdivision thereof; or other Person exercising, or entitled to exercise any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power; or any other entity registered with the Commission, board of trade, market or facility which may have a direct impact on trading, clearing, or settlement of any Contract cleared through the Company;

c. any actual, attempted, or threatened corner, squeeze, congestion, or undue concentration of positions in any Contract cleared through the Company;

d. any other circumstance that may have a severe, adverse effect upon the functioning of the Company; or any manipulative or attempted manipulative activity.

**Emergency Action:** An action deemed to be necessary or appropriate to respond to an Emergency and taken pursuant to Rule 2.12.

**Emergency Rules:** Procedures or rules adopted in response to an Emergency pursuant to Rule 2.12.

**Futures Commission Merchant or FCM:** A futures commission merchant as defined in Section 1a(28) of the CEA that is registered with the CFTC and a member of the NFA.

**FCM Member**: A Futures Commission Merchant that has entered into an FCM Member Agreement with the Company and may be authorized by a Platform to carry customer accounts.

**Futures Customer:** As set forth in CFTC Regulation 1.3.

**Futures Customer Account**: As set forth in Rule 7.10.

**Futures Customer Collateral**: All money, securities, or other property received by the Company from, for, or on behalf of a futures customer of a FCM Member, which money, securities or other property is intended to or does margin, guarantee, or secure a futures contract.

**FCM Customer:** A customer of an FCM Member.

**FCM Customer Account**: A Member Account established and maintained by the Company for an FCM Member for its FCM Customers.

**Introducing Broker or IB**: Either a registered (i) Introducing Broker that may solicit or accept Orders from IB Customers for execution on a Platform, where any resulting Contracts are submitted for clearing by the Company, or (ii) futures commission merchant engaged in such activity but not clearing any such resulting Contracts (i.e., a futures commission merchant acting solely in an IB capacity).
**IB Customer:** A customer of an IB who is also a Self-Clearing Member or clearing through an FCM Member as an FCM Customer.

**Know Your Customer or KYC:** The policies and procedures required to obtain and retain a record of the essential facts concerning a Participant.

**Fully Collateralized Contract**: A Contract entered into by a Member maintaining sufficient Margin with the Company to fully collateralize the Obligation of the Member to the Company associated with the Contract.

**Initial Margin**: Any Margin other than Variation Margin, including the initial amount of collateral that must be deposited with or paid to the Company by Members in accordance with the Rules in respect of Contracts held in Member Accounts.

**Legal Entity Identifier or LEI:** The identifying code that is required of each counterparty to any swap subject to the CFTC's jurisdiction and that is used in all recordkeeping and all swap data reporting pursuant to Part 45 of CFTC Regulations, including any predecessor identifiers and including the Global Markets Entity Identifier ("GMEI"), which is the current identifier required by the CFTC until the establishment of a global Legal Entity Identifier system. LEIs must be renewed on an annual basis.

**Market Participant Director:** A Director who has been found by the Board to be a market participant and suitable to be a Director pursuant to Section 5b(c)(2)(Q) of the CEA.

**Margin:** Initial Margin or Variation Margin or either of them.

**Margined Contract**: Any Contract that is not a Fully Collateralized Contract.

**Material Relationship**: As set forth in Rule 2.2G.

**Maximum Downside Exposure:** The Total Exposure less the minimum possible settlement value of the positions of a Participant.

**Member**: An FCM Member and/or a Self-Clearing Member.

**Member Account**: An account established and maintained for a Member by the Company on its books and records to which a financial asset is or may be credited in accordance with these Rules and such other procedures as the Company may implement from time to time.

**Member Agreemen**t: The agreement between the Company and any Person that the Person must agree to prior to the Person becoming a Member (FCM Members and Self-Clearing Members each have a specific Member Agreement).

**Member Portal**: The vehicle through which Members send and receive messages to or from the Company and other Members, update account and contact information, and submit deposit and withdrawal notifications. This can include a Platform or an IB, if Members send and receive messages via the Platform or IB.

**Membership Committee**: A committee of the Board composed of Directors pursuant to Rule 2.9.

**NFA:** The National Futures Association.

**Notice**: A communication sent by or on behalf of the Company to all Members or IBs in accordance with Rule 2.17.

**Notice of Charges:** As set forth in Rule 9.4.

**Novation:** The process whereby a party to a Contract entered into on a SEF or DCM that clears through the Company transfers all of its rights, liabilities, duties and obligations under the Contract to a new legal party other than the counterparty to the original Contract. The transferee accepts all of the transferor's rights, liabilities, duties and obligations under the original Contract.

**Obligation:** Any Rule, order or procedure issued by the Company, including a Notice or other requirement implemented by the Company under the Rules, as well as any contractual obligations between, on the one hand, a Person, and on the other hand, the Company, and any Transaction entered into by a Member, Authorized User, or FCM Customer.

**OFAC:** The Office of Foreign Assets Control of the U.S. Department of the Treasury.

**Officer:** An individual as set forth in Rule 2.3.

**Operating Agreement:** The Limited Liability Company Operating Agreement of the Company, as it may be modified from time to time.

**Order:** Either a bid or an offer for a Contract cleared by the Company that is subject to these Rules.

**Participant:** A Self-Clearing Member, an FCM Member, and/or an FCM Customer.

**Person:** As defined in Section 1a(38) of the CEA and in CFTC Regulation 1.3.

**Platform:** The electronic trading facility operated by the SEF or DCM that clears through the Company that provides Members with the ability to execute Orders and Transactions from the interaction of multiple bids and multiple offers within a pre-determined, non-discretionary automated trade matching and execution algorithm.

**Proprietary Data and Personal Information:** Information identifying a natural person (*e.g.*, name, e-mail address) or other data proprietary to any Person that discloses such Person's trade secrets, market positions and/or other business transactions, excluding Transaction Data.

**Proprietary Information:** As set forth in Rule 13.2A.

**Public Director:** A Director who has been found by the Board to have no Material Relationship with the Company in accordance with Rule 2.2G.

**Public Dissemination and Publicly Disseminate**: To publish and make available Swap transaction and pricing data in a non-discriminatory manner, through the Internet or other electronic data feed that is widely published (in a manner that is freely available and readily accessible to the public) and in machine-readable electronic format.

**Regulatory Agency:** Any government body, including the Commission, and any organization, whether domestic or foreign, granted authority under statutory or regulatory provisions to regulate its own activities and the activities of its members, and includes the Company, any SEF or DCM that clears through the Company, and NFA.

**Regulatory Oversight Committee:** The committee of the Board constituted in accordance with Rule 2.7.

**Regulatory Swap Data:** Includes (i) Swap Transaction and Pricing Data, (ii) Required Swap Creation Data and (iii) Required Swap Continuation Data.

**Reporting Counterparty:** As set forth in Part 45 of CFTC Regulations and means the Participant that is designated as the Reporting Counterparty for swap data reporting purposes.

**Required Swap Continuation Data:** As set forth in CFTC Regulation 45.1.

**Required Swap Creation Data:** As set forth in CFTC Regulation 45.1.

**Respondent:** Any Person subject to a Disciplinary Action and such Person's legal counsel or representative.

**Risk Management Committee:** The committee appointed by the Board and constituted in accordance with Rule 2.8.

**Rules:** These rules of the Company, as in effect and as may be amended from time to time.

**Self-Clearing Member**: A Person, other than an FCM Member, that has entered into the Member Agreement for Self-Clearing Members or an FCM Member clearing for its own proprietary account (as defined by CFTC Regulation 1.3).

**Self-Clearing Member Account**: A Member Account established and maintained by the Company for a Self-Clearing Member, which includes a Member Account for an FCM Member clearing for its proprietary account (as defined by CFTC Regulation 1.3).

**Self-Regulatory Organization:** Except for purposes of Rule 2.4A-6., as set forth in CFTC Regulation 1.3 and includes a DCO, SEF, and DCM.

**Settlement Bank:** A depository approved by the Company as an acceptable location for depositing Member funds.

**Settlement Bank Business Day:** A day a Settlement Bank is open for business.

**Sub-Account:** Distinct account segments maintained by a Self-Clearing Member, each with a unique identification code for the separate recording of details of Transactions based on the manner in which the Transactions were executed (*e.g.*, through a particular Introducing Broker or Authorized User), for which margin and collateral are calculated separately.

**Swap:** A Contract that is a swap as defined in Section 1a(47) of the CEA and as further defined by CFTC Regulation 1.3, and shall include Contracts that are options as set forth in the Contract Specifications.

**Swap Data Repository or SDR:** As set forth in Section 1a(48) of the CEA and registered with the Commission pursuant to Section 21 of the CEA and in accordance with Part 49 of CFTC Regulations.

**Swap Execution Facility or SEF:** As set forth in Section 1a(50) of the CEA and registered with the Commission pursuant to Section 5h of the CEA and in accordance with the provisions of Part 37 of CFTC Regulations.

**Swap Transaction and Pricing Data:** Any data required to be reported under Part 43 of CFTC Regulations.

**Total Exposure:** The sum of the price basis of contracts purchased by a Participant, in the absence of any netting or hedging.

**Trading Hours:** The hours during which Orders may be entered according to the rules of a SEF or DCM that clears through the Company, and as may be revised from time to time by such SEF or DCM.

**Transaction:** Any purchase or sale of any Contract made on a Platform or pursuant to the Rules.

**Transaction Data:** Orders, bids, offers and related information concerning Contracts executed subject to the Rules, together with all information and other content contained in, displayed on, generated by or derived from the Platform.

**UCC:** The Uniform Commercial Code as in effect in the State of New York.

**Underlying:** The index, rate, risk, measure, instrument, differential, indicator, value, contingency, commodity, occurrence, or extent of an occurrence that shall determine the amount payable or deliverable under a Contract.

**Unique Swap Identifier or USI or Unique Transaction Identifier or UTI:** The unique identifier for a swap transaction, which shall be created, transmitted, and used for each swap executed on a SEF or DCM that clears through the Company as provided in CFTC Regulation 45.5.

**Variation Margin**: The Margin calculated and paid in accordance with Rule 7.4.

**Website:** The Company home page and related web pages on the Internet, or a website to which the Company home page has a link, or the website of a Platform.

**Withdrawal Close-Out Deadline Date:** (i) In the case of a Member whose status as a Member has been involuntarily terminated by the Company, the date so designated by the Company; and (ii) in the case of a Member that has delivered a Withdrawal Notice, the date falling 30 Business Days after such Clearing Member's Withdrawal Notice Date or such later date as the Company may in its discretion permit and notify in writing to the affected Member, provided such date is not in excess of the earlier of the end of the most recent Cooling Off Period existing as of the Withdrawal Notice Date or six months from the Withdrawal Notice Date.

**Withdrawal Date**: In respect of the termination of Member status for a withdrawing Member, the later of (i) where applicable, the Withdrawal Close-Out Deadline Date; and (ii) the date as of which all of the withdrawing Member's open positions in respect of its Member Account(s), as applicable, have been terminated or closed out in full and all obligations of the withdrawing Member in respect thereof have been satisfied and performed in full.

**Withdrawal Notice**: A notice served by the Member to the Company under the Rules indicating that such Member intends to withdraw from being a Member (and thereby becomes a "withdrawing Member").

**Withdrawal Notice Date**: The date on which a Member delivers a Withdrawal Notice to the Company.

Rule 1.2 **Rules of Construction**

For purposes of these Rules, the following rules of construction shall apply:

1. Words conveying a singular number include the plural number, where the context permits, and vice versa.
2. References to any Regulatory Agency include any successor Regulatory Agency.
3. If, for any reason, a Rule is found or determined to be invalid or unenforceable by a court of law, the Commission or another governmental or quasi-governmental agency with supervisory authority, such Rule shall be considered severed from the Rules and all other Rules shall remain in full force and effect.
4. All references to time are to the local time in New York, New York unless expressly provided otherwise.
5. All terms defined in the UCC and not otherwise defined herein shall have the respective meanings accorded to them therein.

6. In the event of a conflict between these Rules and a non-disclosure agreement between the Company, or an Affiliate of the Company, and a Participant or IB, these Rules shall govern.

7. In the event of a conflict between these Rules and the CEA or CFTC Regulations, the applicable provision of the CEA and/or CFTC Regulation shall govern.

8. All cross-references to Rules are for convenience only. A Rule's meaning is not altered because of an out-of-date or erroneous cross-reference.

9. All references to CFTC Regulation parts and sections include successor parts and sections.

10. All ambiguities are to be resolved in favor of an interpretation that is consistent with Applicable Law.

# Chapter 2 Company Governance

## Rule 2.1 Ownership

The Company is a Delaware limited liability company. The management and operation of the Company is governed by the Operating Agreement and the Rules. Member status does not confer any equity interest or voting right in the Company.

## Rule 2.2 Board

A. The Board's mission is to oversee Klear's business activities to ensure that Klear continues to provide safe, secure, and efficient Clearing Services for the financial markets.

B. The Board shall, subject to applicable provisions in the Operating Agreement:

1. Be the governing body of the Company;

2. Be constituted, and shall constitute its committees or subcommittees, to permit consideration of the views of market participants;

3. Have charge and control of all property of the Company;

4. Provide, acquire and maintain adequate Company offices and facilities;

5. Adopt, amend or repeal any Rules, with the input of Officers and committees or subcommittees;

6. Have the power to act in Emergencies as detailed in Rule 2.12; and

7. Make certain that the Company's design, rules, overall strategy, and major decisions appropriately reflect the legitimate interests of clearing members, customers of clearing members, and other relevant stakeholders.

C. To the extent consistent with other statutory and regulatory requirements on confidentiality and disclosure:

1. Major decisions of the Board shall be clearly disclosed to Participants and other relevant stakeholders in the manner set forth in this Chapter, and to the Commission; and

2. Major decisions of the Board having a broad market impact shall be clearly disclosed to the public via publication on the Website.

D. Any authority or discretion by the Rules vested in any Officer or delegated to any committee or subcommittee shall not be construed to deprive the Board of such authority or discretion and, in the event of a conflict, the determination of the matter by the Board shall prevail.

E. A majority of the Directors serving on the Board, including at least one Public Director, shall constitute a quorum for the transaction of business of the Board. At all times when the Board is conducting business at a meeting of the Board, a quorum of the Board must be present at such meeting. The Board may act only by the decision of a majority of the Directors constituting a quorum of the Board by vote at a meeting, by unanimous written consent without a meeting, or as otherwise set forth in the Operating Agreement.

F. The Board shall comprise the number of Directors set forth in the Operating Agreement, which shall include Public Directors and Market Participant Directors in at least the number or percentage required under the CEA or CFTC Regulations, but in any event, (i) no less than two Directors shall be Public Directors, and (ii) no less than one Director shall be a Market Participant Director.

G. To qualify as a Public Director, an individual must be found, by the Board and on the record, to have no Material Relationship, as defined below, with the Company. The Board must make such finding at the time the Public Director is elected and as often as necessary in light of all circumstances relevant to such Public Director, but in no case less than annually. A "Material Relationship" is one that reasonably could affect the independent judgment or decision-making of the Director. The Board need not consider previous service as a Director of the Company to constitute a Material Relationship. A Director shall be considered to have a Material Relationship with the Company if any of the following circumstances exist or have existed within the past year:

1. such Director is or was an Officer or an employee of the Company, or an officer or an employee of an Affiliate of the Company; or

2. such Director is or was a director, an officer, or an employee of a Participant or IB.

H. If any of the immediate family of a Director, i.e., spouse, parents, children, and siblings, in each case, whether by blood, marriage, or adoption, or any person residing in the home of the Director or that of his or her immediate family have a Material Relationship as defined above, then that Material Relationship is deemed to apply to such Director.

I. The Board shall have procedures, as may be adopted by the Board from time to time, to remove a Director where the conduct of such Director is likely to be prejudicial to the sound and prudent management of the Company.

J. The Board shall review its performance and that of its individual Directors annually and shall consider periodically using external facilitators for such review.

Rule 2.3 **Officers**

A. The Board shall appoint a Chief Executive Officer, Chief Compliance Officer, Chief Risk Officer and such other officers of the Company as it may deem necessary or appropriate from time to time.

B. The Chief Compliance Officer must:

1. have the background and skills appropriate for fulfilling the responsibilities of the position;

2. be an individual who would not be disqualified from registration under Section 8a(2) or 8a(3) of the CEA;

3. report to the Board or, in the event that the Board delegates its authority to the Chief Executive Officer, to the Chief Executive Officer; and

4. fulfill his or her duties as required pursuant to CFTC Regulations, including, but not limited to, the preparation and submission of an annual compliance report as described in CFTC Regulation 39.10(c)(3), and assist the Regulatory Oversight Committee in its preparation of an annual report.

C. Any Officer may also be a director, officer, partner or employee of the Company or of any of its Affiliates, subject to disclosure and resolution of conflicts of interest.

D. The Officers shall have such powers and duties in the management of the Company as the Board may prescribe from time to time, subject to any limitations set forth in the Operating Agreement.

E. Each Officer is entitled to indemnification pursuant to the Operating Agreement with respect to matters relating to the Company.

Rule 2.4 **Eligibility and Fitness**

A. An individual may not serve as a Director or Officer, or serve on a committee or subcommittee established by the Board, or hold a 10 percent or more ownership interest in the Company, if the individual:

1. within the prior three years has been found, by a final decision of a court of competent jurisdiction, an administrative law judge, the CFTC, or any Self-Regulatory Organization, to have committed a disciplinary offense;

2. within the prior three years has entered into a settlement agreement in which any of the findings or, in the absence of such findings, any of the acts charged included a disciplinary offense;

3. is currently suspended from trading on a Designated Contract Market or a Swap Execution Facility, is suspended or expelled from membership in a Self-Regulatory Organization, is serving any sentence of probation, or owes any portion of a fine or penalty imposed pursuant to either:

   a. a finding by final decision of a court of competent jurisdiction, an administrative law judge, the CFTC or any Self-Regulatory Organization that such person committed a disciplinary offense; or

b. a settlement agreement in which any of the findings or, in the absence of such findings, any of the acts charged included a disciplinary offense;

4. is currently subject to an agreement with the CFTC or Self-Regulatory Organization not to apply for registration with the CFTC or for membership in the applicable Self-Regulatory Organization;

5. is currently, or within the past three years has been, subject to a revocation or suspension of registration by the CFTC, or has been convicted within the past three years of any of the felonies listed in Section 8a(2)(D)(ii) through (iv) of the CEA;

6. is currently subject to a denial, suspension or disqualification from serving on a disciplinary panel, arbitration panel or governing board of any Self-Regulatory Organization as that term is defined in Section 3(a)(26) of the Securities Exchange Act of 1934; or

7. is subject to a statutory disqualification pursuant to Section 8a(2) of the CEA.

For purposes of this Rule 2.4A, the terms “disciplinary offense,” “final decision” and “settlement agreement” have the meaning given those terms in CFTC Regulation 1.63(a).

B. An individual may not serve as a Director or Officer, or serve on a committee or subcommittee established by the Board, or hold a 10 percent or more ownership interest in the Company, if the individual has been informed by the Company in a notice under Chapter 9 of these Rules that the person has committed a disciplinary offense, for the duration of the time specified in the Notice.

C. Any Director, Officer, member of a committee established by the Board, and any individual nominated to serve in any such role, shall immediately notify the Chief Executive Officer if such individual is subject to one or more of the criteria in Rule 2.4A. Prior to nomination to the Board, each individual shall certify he or she is not disqualified pursuant to Rule 2.4A. Upon appointment, each Director, Officer, and member of a committee shall provide to the Company, where applicable, changes in registration information within 30 days and certification of compliance accordingly. The Company shall verify information supporting Board compliance with eligibility criteria.

D. To serve as a Director, an individual must possess the ability to contribute to the effective oversight and management of the Company, taking into account the needs of the Company and such factors as the individual’s experience, perspective, skills and knowledge of the industry in which the Company operates.

E. A Director or Officer must meet any qualifications set forth from time to time in the Operating Agreement.

F. An individual may not serve on any Disciplinary Panel, arbitration panel, or the Appeals Committee during any proceeding affecting or concerning such individual, to be determined in a reasonable manner by the Company's Chief Compliance Officer.

G. If the Company determines that an individual subject to this Rule 2.4 no longer meets the criteria set forth in this Rule 2.4.A., the Company shall inform the CFTC of such determination. The Company shall provide to the CFTC, upon request, an individual's certification of compliance with the criteria set forth in Rule 2.4.A.

H. The Company shall submit to the CFTC within thirty days after each Board election, a list of the Board's Directors, the Participant interests they represent, and how the composition of the Board meets the requirements of CFTC Regulation 1.64(b) and the Company's Rules and procedures.

Rule 2.5 **[Reserved]**

Rule 2.6 **Committees and Subcommittees**

A. The Board may create, appoint Directors to serve on, and delegate powers to committees and subcommittees. There shall be a Regulatory Oversight Committee, a Risk Management Committee, a Membership Committee, a Disciplinary Panel, and an Appeals Committee, as well as any other committee that the Board duly forms.

B. Each committee and subcommittee shall assist in the supervision, management and control of the affairs of the Company within its particular area of responsibility, subject to the Operating Agreement and the authority of the Board.

C. Subject to the authority of the Board, each committee and subcommittee shall determine the manner and form in which its proceedings shall be conducted. A majority of the members serving on a committee or subcommittee, including at least one Public Director, shall constitute a quorum for the transaction of business of a committee or subcommittee. Each committee and subcommittee may act only by the decision of a quorum, by vote at a meeting or by unanimous written consent without a meeting. The Board has the authority to overrule the decisions of any committee or subcommittee.

D. In the event the Board rejects a recommendation or supersedes an action of the Regulatory Oversight Committee, the Risk Management Committee or the Chief Compliance Officer, the Company shall maintain documentation detailing: (1) the recommendation or action of the Regulatory Oversight Committee, the Risk Management Committee or the Chief Compliance Officer, as the case may be; (2) the rationale for such recommendation or action; (3) the rationale of the Board for rejecting such recommendation or superseding such action; and (4) the course of action that the Board decided to take contrary to such recommendation or action.

E. In the event that the Risk Management Committee rejects a recommendation or supersedes an action of any of its subcommittees, the Company shall maintain documentation detailing (1) the recommendation or action of the subcommittee; (2) the rationale for such recommendation or action; (3) the rationale of the Risk Management Committee for rejecting such recommendation or superseding such action; and (4) the course of action that the Risk Management Committee decided to take contrary to such recommendation or action.

Rule 2.7 **Regulatory Oversight Committee**

A. The Regulatory Oversight Committee shall be a standing committee of the Board consisting of only Public Directors, as appointed from time to time. No less than two Public Directors shall serve on the Regulatory Oversight Committee.

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

C. The Regulatory Oversight Committee of the Board of Directors' mission is to ensure that the Company performs its function and mission in a manner that is fully compliant with the CEA, CFTC Regulations, and Applicable Law.

D. The Regulatory Oversight Committee shall oversee the Company's regulatory program on behalf of the Board. The Board shall delegate sufficient authority, dedicate sufficient resources, and allow sufficient time for the Regulatory Oversight Committee to fulfill its mandate. The Regulatory Oversight Committee shall make such recommendations to the Board that will, in its judgment, best promote the interests of the Company. The Regulatory Oversight Committee shall also have such other powers and perform such other duties as set forth in the Rules and as the Board may delegate to it from time to time.

E. The Regulatory Oversight Committee shall appoint individuals to the Disciplinary Panel in accordance with these Rules, Applicable Law and the composition requirements of the Disciplinary Panel. The Committee shall appoint at least one person who would not be disqualified from serving as a Public Director, and who shall serve as the Chairperson of the Disciplinary Panel.

F. The Regulatory Oversight Committee shall supervise the Chief Compliance Officer of the Company. The Regulatory Oversight Committee has sole authority to determine and implement changes to the Chief Compliance Officer's salary that exceed 10%. The Regulatory Oversight Committee has sole authority to terminate the Chief Compliance Officer.

G. The Regulatory Oversight Committee shall prepare an annual report that assesses the Company's self-regulatory program for the Board and the CFTC. The annual report sets forth the regulatory program's expenses, describes its staffing and structure, catalogues disciplinary actions taken during the year, and reviews the performance of the

Disciplinary Panel. Such report may be prepared in conjunction with the Chief Compliance Officer's annual compliance report as required pursuant to CFTC Regulation 39.10(c)(3).

H. Without limiting the generality of the foregoing, the Regulatory Oversight Committee shall have the authority to:

1. monitor the regulatory program of the Company for sufficiency, effectiveness, and independence;

2. oversee all facets of the regulatory program, including trade practice and market surveillance; audits, examinations, and other regulatory responsibilities with respect to Participants and IBs (including ensuring compliance with financial integrity, financial reporting, sales practice, recordkeeping, and other requirements); and the conduct of investigations;

3. review the size and allocation of the regulatory budget and resources; and the number, hiring, termination, and compensation of regulatory personnel;

4. recommend changes that would ensure fair, vigorous, and effective regulation; and

5. review all regulatory proposals prior to implementation to make certain that the proposals appropriately reflect the legitimate interests of Participants, IBs, and other relevant stakeholders and advise the Board as to whether and how such changes may impact regulation.

Rule 2.8 **Risk Management Committee**

A. The Risk Management Committee shall be a standing committee consisting of no fewer than one Public Director, two Market Participant Directors, two representatives of customers of Members, and one Company Officer. The Risk Management Committee also may allow the participation of other market participants.

B. Each member of the Risk Management Committee shall serve for a term of one calendar year from the date of his or her appointment or for the remainder of his or her term as a Public Director, as applicable, and until the due appointment of his or her successor, or until his or her earlier resignation or removal, with or without cause, as a member of the Risk Management Committee or as a Public Director. A member of the Risk Management Committee may serve for multiple terms.

C. The Risk Management Committee's mission is to oversee the Company's risk management program as it relates to clearing and margin risk and the Company's default management program, and to ensure that the Company adequately controls risk.

D. The Risk Management Committee shall oversee the Company's risk management program as it relates to clearing and margin risk. The Board shall delegate sufficient authority, dedicate sufficient resources, and allow sufficient time for the Risk

Management Committee to fulfill its mandate. The Risk Management Committee shall make such recommendations to the Board that will, in its judgment, best promote the interests of the Company.

E. The Committee shall establish and oversee at least one market participant risk advisory working group (“Working Group”) as a forum to seek risk-based input from a broad array of market participants. The Committee may establish more than one Working Group, at its discretion.

F. The Risk Management Committee shall also have such other powers and perform such other duties as set forth in the Rules, in the Risk Management Committee Charter, and as the Board may delegate to it from time to time.

Rule 2.9 **Membership Committee**

A. The Membership Committee shall be a standing committee of the Board consisting of at least 35 percent Public Directors, as appointed from time to time. No less than two Public Directors shall serve on the Membership Committee.

B. Each member of the Membership Committee shall serve for a term of one calendar year from the date of his or her appointment or for the remainder of his or her term as a Public Director, as applicable, and until the due appointment of his or her successor, or until his or her earlier resignation or removal, with or without cause, as a member of the Membership Committee or as a Public Director. A member of the Membership Committee may serve for multiple terms.

C. The Membership Committee shall, determine the standards and requirements for initial and continuing membership or participation eligibility; review appeals of Company staff denials of applications for Membership; and approve measures that would result in different categories or classes of Company membership. In reviewing staff denials, the Membership Committee shall not uphold any such Company staff denial if the relevant application satisfies the standards and requirements that the Membership Committee sets forth. The Membership Committee shall not, and shall not permit the Company to, restrict access or impose burdens on access in a discriminatory manner within each category or class of Members or between similarly situated categories or classes of Members.

**Rule 2.10 [Reserved]**

Rule 2.11 **Disciplinary Panel and Appeals Committee**

A. The Disciplinary Panel shall be:

1. a standing committee consisting of at least three members, including at least one person who would not be disqualified from serving as a Public Director who will serve as the chairperson, as appointed from time to time. At least one member of the Disciplinary Panel must be a Member or an employee of a Member. The

Board may establish more than one Disciplinary Panel. The Regulatory Oversight Committee will appoint individuals for membership on the Disciplinary Panel. Each Disciplinary Panel shall include members with sufficient differing experience and Participant interests so as to ensure fairness and to prevent special treatment or preference for any Person.

2. responsible for conducting hearings, rendering decisions, and imposing sanctions with respect to any Disciplinary Action. The Disciplinary Panel shall also have such other powers and perform such other duties as set forth in the Rules and as the Board may determine from time to time.

B. Each member of the Disciplinary Panel shall serve for a term of two calendar years from the date of his or her appointment, and until the due appointment of his or her successor, or until his or her earlier resignation or removal, with or without cause, as a member of the Disciplinary Panel. A member of the Disciplinary Panel may serve for multiple terms.

C. The Appeals Committee shall be:

1. a standing committee consisting of at least three members of the Board. The members of the Appeals Committee and its Chairperson shall be appointed by the Chairperson of the Board, provided that, at all times the Appeals Committee shall include at least one Public Director who shall serve as the Chairperson of the Appeals Committee.

2. responsible for conducting hearings of appeals of decisions of the Disciplinary Panel, rendering decisions of such appeals, and imposing sanctions with respect to such appeals. The Appeals Committee shall also have such other powers and perform such other duties as set forth in these Rules and as the Board may determine from time to time.

D. Each member of the Appeals Committee shall serve for a term of one calendar year from the date of his or her appointment or for the remainder of his or her term as a Public Director, as applicable, and until the due appointment of his or her successor, or until his or her earlier resignation or removal, with or without cause, as a member of the Appeals Committee or as a Public Director. A member of the Appeals Committee may serve for multiple terms.

Rule 2.12 **Emergency Rules**

A. During an Emergency, the Company may implement temporary emergency procedures and rules pursuant to Rule 2.12D, subject to the applicable provisions of the CEA and CFTC Regulations.

B. The Chief Compliance Officer or his or her designee or, if the Chief Compliance Officer or his or her designee is unavailable, the Chief Executive Officer or his or her designee, are authorized to determine whether an Emergency exists and whether Emergency Rules or Emergency Actions are warranted. Emergency Rules may require or authorize the

Company, the Board, any committee of the Board or any Officer to take Emergency Actions, including, but not limited to, the following actions:

1. suspend or curtail clearing of any Contract traded on a SEF or DCM that clears through the Company, or limit such clearing to transactions that result in liquidations;

2. [Reserved];

3. provide alternative settlement mechanisms for any Contract cleared by the Company (including by altering the settlement terms or conditions or fixing the settlement price);

4. order the transfer or liquidation of open positions in any Contract cleared by the Company; provided that if a Contract is fungible with a contract on another Platform in addition to the Company, the liquidation or transfer of open interest in such Contract will be ordered only as directed, or agreed to, by CFTC staff or the CFTC;

5. [Reserved];

6. require Participants to meet special margin requirements;

7. order the transfer of Contracts and the associated margin;

8. impose or modify position limits, price limits, and intraday market restrictions; or

9. any other action, if so directed by the CFTC.

C. Before taking an Emergency Action, the effects of such Emergency Action on markets underlying the Contract(s) affected by such Emergency Action, on markets that are linked or referenced to such Contracts and similar markets on other trading venues, or any potential conflicts of interest shall be considered and documented as required under Rule 2.12F.

D. Before any Emergency Rule may be adopted and enforced, the Regulatory Oversight Committee shall approve the implementation of such Emergency Rule at a duly convened meeting. If the Chief Compliance Officer, or his or her designee, or if the Chief Compliance Officer or his or her designee is unavailable, the Chief Executive Officer, or his or her designee, determines that Emergency Rules must be implemented with respect to an Emergency before a meeting of the Regulatory Oversight Committee can reasonably be convened, then the Chief Compliance Officer, or his or her designee, or if the Chief Compliance Officer or his or her designee is unavailable, the Chief Executive Officer, or his or her designee, shall have the authority, without Board or committee action, to implement any Emergency Rules with respect to such Emergency that he or she deems necessary or appropriate to respond to such Emergency. In such circumstances, the Chief Compliance Officer, or his or her designee, or if the Chief Compliance Officer or his or her designee is unavailable, the Chief Executive Officer, or his or her designee, must convene a meeting of the Regulatory Oversight Committee to ratify the actions taken by the Chief Compliance Officer, or his or her designee, or the Chief Executive Officer, or his or her designee, as soon as practicable. Whenever the Company implements an Emergency Rule or takes an Emergency Action, a duly authorized representative of the Company, where possible, will inform Participants through a Notice.

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

F. Upon taking any Emergency Action, the Company will document the decision- making process related to such Emergency Action, including the process for minimizing conflicts of interest, the extent to which the Company considered the effect of its Emergency Action on the Underlying markets and on markets that are linked or referenced to the contract market and similar markets on other trading venues, and reasons for using emergency authority under this Rule 2.12. Such documentation will be maintained in accordance with Rule 2.14.

G. The Chief Compliance Officer, or his or her designee, or if the Chief Compliance Officer or his or her designee is unavailable, the Chief Executive Officer, or his or her designee, may determine that an Emergency has been reduced sufficiently to allow the Company to resume normal functioning, in which case any Emergency Actions responding to such Emergency may be terminated and a duly authorized representative of the Company will inform Members through a Notice.

H. Members must promptly notify the Company of any circumstance that may give rise to a declaration of an Emergency.

Rule 2.13 **Conflicts of Interest**

A. Named Party in Interest Conflict

1. No member of the Board, Board Committee, or Disciplinary Panel shall participate in such body's deliberations or voting in any matter involving a named party in interest where such member:

a. is the named party in interest in the matter;

b. is an employer, employee or fellow employee of a named party in interest;

c. is associated with a named party in interest through a "broker association" as defined in CFTC Regulation 156.1;

d. has any other significant, ongoing business relationship with a named party in interest, excluding relationships limited to Contracts cleared through the Company; or

e. has a family relationship (i.e., the member's spouse, parents, children, and siblings, in each case, whether by blood, marriage, or adoption, or any person residing in the home of the member or that of his or her immediate family) with a named party in interest.

2. Prior to consideration of any matter involving a named party in interest, each member of the deliberating body shall disclose to the Chief Compliance Officer whether such member has one of the relationships listed above with a named party in interest.

3. The Chief Compliance Officer shall determine whether any member of the relevant deliberating body is subject to a conflicts restriction under this Rule 2.13.A. Such determination shall be based upon a review of the following information:

a. information provided by such member pursuant to clause (2) above; and

b. any other source of information that is held by and reasonably available to the Company.

B. Financial Interest in a Significant Action Conflict

1. No member of the Board, Board Committee or Disciplinary Panel shall participate in the body's deliberations or voting on any significant action if such member knowingly has a direct and substantial financial interest in the result of the vote based upon either Company or non-Company positions that could reasonably be expected to be affected by the action.

2. Prior to consideration of any significant action, each member of the deliberating body who does not choose to abstain from deliberations and voting shall disclose to the Chief Compliance Officer any information that may be relevant to a determination of whether such member has a direct and substantial financial interest in the result of the vote.

3. The Chief Compliance Officer shall determine whether any member of the relevant deliberating body who does not choose to abstain from deliberations and voting is subject to a conflicts restriction under this Rule 2.13.B based on a review of the totality of the circumstances.

4. Any member who would otherwise be required to abstain from deliberations and voting pursuant to clause (1) above may participate in deliberations, but not in voting, if the deliberating body, after considering the factors specified below, determines that such participation would be consistent with the public interest (e.g. if the member has significant expertise and background that provides useful context); provided, however, that before reaching any such determination, the deliberating body will fully consider the information specified in clause (3) above which is the basis for such member's direct and substantial financial interest in

the significant action that is being contemplated. In making its determination, the deliberating body shall consider:

a. whether such member's participation could unduly influence the outcome of the deliberations;

b. whether such member's participation in the deliberations is necessary to achieve a quorum; and

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

C. The minutes of any meeting to which the conflicts determination procedures set forth in this Rule apply shall reflect the following information:

1. the names of all members who participated in such meeting;

2. the name of any member who voluntarily recused himself or herself or was required to abstain from deliberations or voting on a matter and the reason for the recusal or abstention, if stated;

3. the information that was reviewed for each member of the relevant deliberating body; and

4. any determination made in accordance with Rule 2.13A.3 or Rule 2.13B.4 above.

D. The Company provides Clearing Services for the Kalshi Exchange, and is an affiliate of the Kalshi Exchange. In addition, Company employees also work for the Kalshi Exchange. This affiliation and the existence of employees who work for both the Company and a Platform may present conflicts of interest. Participants should take this into consideration prior to clearing with Company or trading on the Kalshi Exchange.

Rule 2.14 **Recordkeeping**

A. The Company shall keep, or cause to be kept, complete and accurate books and records of accounts and activities of the Company, including all books, records and other documentation required to be maintained pursuant to the CEA and CFTC Regulations.

B. The Company shall retain all such books and records in accordance with the CEA and CFTC Regulations.

C. The Company will provide information required to be maintained or provided pursuant to the CEA and CFTC Regulations to the Commission, the U.S. Securities and Exchange Commission (the "SEC"), the U.S. Department of Justice or any representative of a prudential regulator as authorized by the Commission, upon request, in each case in the form and manner required under these Rules, and/or the CEA and CFTC Regulations.

Rule 2.15 **Information-Sharing Agreements**

A. The Company may enter into information-sharing agreements or other arrangements or procedures to coordinate surveillance with other markets on which financial instruments related to the Contracts cleared through the Company trade. As part of any information-sharing agreements or other arrangements or procedures adopted pursuant to this Rule, the Company may:

1. provide market surveillance reports to other markets;

2. share information and documents concerning current and former Participants, IBs, or Member's Authorized Users with other markets;

3. share information and documents concerning ongoing and completed investigations with other markets; or

4. require its current or former Participants, IBs, or Member's Authorized Users to provide information and documents to the Company at the request of other markets with which the Company has an information-sharing agreement or other arrangements or procedures.

B. The Company may enter into any information-sharing agreements or other arrangements or procedures, including an information-sharing agreement or other arrangement or procedure similar to that described above in paragraph (A), with any Person or body (including but not limited to a Regulatory Agency or Swap Data Repository) if the Company considers such agreement, arrangement or procedures to be in furtherance of the Company's purpose or duties under these Rules or Applicable Law.

C. The Company may provide information to a duly authorized foreign governmental authority, as directed by the CFTC, in accordance with an information-sharing agreement or other arrangements or procedures executed with such foreign governmental authority or the CFTC.

Rule 2.16 **[Reserved]**

Rule 2.17 **Public Information**

A. Accurate, complete and current copies of these Rules shall be published on the Website.

B. The Company shall make public on a daily basis information on settlement prices, volume, open interest, and opening and closing ranges for actively traded Contracts.

C. Except as provided herein, the Company shall publish on its Website a Notice with respect to each addition to, modification of, or clarification of, the Rules, and any Contract Specification prior to the earlier of:

1. the effective date thereof; and

2. the filing of such change with the Commission.

D. If confidential treatment is sought with respect to any information the Company submits to a Regulatory Agency, only the public version of such filing shall be disclosed pursuant to Rule 2.17C.

E. Any Notice shall be deemed to have been made to all Participants and any other such Person as may be required by the following:

1. For Members and IBs, by sending such Notice to the email address on file with the Company.

2. For all Participants and the public, by posting the Notice on the Website.

Rule 2.18 **Affiliate Entities**

A. The Company, pursuant to approval by the Board, permits an affiliated entity (the "Affiliate") to participate on its Platform, subject to the following provisions:

1. The Affiliate is a Self-Clearing Member of the Platform.

2. The Company has ensured the Affiliate does not have access to the Company's material non-public information, and the Company ensures the Affiliate's access to information is limited to public information available to all Members. (The provision of information to common directors of the Company, any affiliate or the holding company shall not constitute a violation of this proscription.) The Company ensures the Affiliate maintains operational independence from the Company. Operational independence means that the Affiliate must:

a. Have and maintain operations, including servers, databases, accounts, tools, software, and development tooling, separate from the Company;

b. Have no access to Company operations;

c. Be subject to all of the rules in this Rulebook, including the rules regarding Participation (see Chapter 3);

d. Not have access to material non-public information, including but not limited to information regarding order flow, trading, settlement, contracts, and compliance; and

e. Have and maintain physical separation from the Company.

B. All capital underlying trading by an Affiliate will not originate from the Company.

# Chapter 3 Participant and Introducing Broker Rules

## Rule 3.1 Jurisdiction, Applicability of Rules

A. ANY PERSON, INCLUDING A PARTICIPANT, INTRODUCING BROKER OR AN AUTHORIZED USER, DIRECTLY OR INDIRECTLY INITIATING, EXECUTING, SUBMITTING, AND/OR CLEARING A TRANSACTION ON THE COMPANY OR SUBJECT TO THESE RULES, AND ANY PERSON FOR WHOSE BENEFIT SUCH A TRANSACTION HAS BEEN INITIATED, SUBMITTED, OR EXECUTED, AND/OR CLEARED, INCLUDING AN AUTHORIZED REPRESENTATIVE AND ANY EMPLOYEE OR AGENT OF A PARTICIPANT, AND ANY OTHER PERSON ACCESSING THE COMPANY: (i) AGREES TO BE BOUND BY AND COMPLY WITH THESE RULES, THE OBLIGATIONS AND APPLICABLE LAW, IN EACH CASE TO THE EXTENT APPLICABLE TO SUCH PERSON; (ii) EXPRESSLY CONSENTS AND SUBMITS TO THE JURISDICTION OF THE COMPANY WITH RESPECT TO ANY AND ALL MATTERS ARISING FROM, RELATED TO, OR IN CONNECTION WITH, THE STATUS, ACTIONS OR OMISSIONS OF SUCH PERSON; AND (iii) AGREES TO ASSIST THE COMPANY IN COMPLYING WITH THE COMPANY'S LEGAL AND REGULATORY OBLIGATIONS, COOPERATE WITH THE COMPANY, THE CFTC AND ANY REGULATORY AGENCY WITH JURISDICTION OVER THE COMPANY IN ANY INQUIRY, INVESTIGATION, AUDIT, EXAMINATION OR PROCEEDING. ANY AMENDMENTS TO OR THE REPEAL OF A RULE, OR THE ADOPTION OF A NEW RULE, SHALL, UPON THE EFFECTIVE DATE OF SUCH AMENDMENT, REPEAL OR ADOPTION, AS APPLICABLE, BE BINDING ON ALL PERSONS SUBJECT TO THE JURISDICTION OF THE COMPANY, REGARDLESS OF WHEN SUCH PERSON BECAME SUBJECT TO THE COMPANY'S JURISDICTION, AND ON ALL CONTRACTS AS APPLICABLE.

B. ALL COMPANY PARTICIPANTS AND INTRODUCING BROKERS ARE ALSO SUBJECT TO THE JURISDICTION OF THE CFTC REGARDLESS OF LOCATION, NATIONALITY, CITIZENSHIP, OR PLACE OF INCORPORATION.

## Rule 3.2 Member Agreements, Eligibility Criteria, Classifications and Privileges

The Company will provide fair and open access to Members.

A. Each Member shall have the right to access electronically its proprietary account, provided that such Member is eligible for and has applied and received Clearing Privileges.

B. In order to become a Member, an applicant must:

1. agree to the relevant Member Agreement, as well as submit any material or information required by the Company, and remit any application fee, as may be established by the Company from time to time;

2. not be subject to any economic or trade sanctions programs administered by OFAC or other relevant U.S. or non-U.S. authority, and must not be listed on OFAC's List of Specially-Designated Nationals and Blocked Persons, or if applicant is an entity, not include any such person among its beneficial owners;

3. (for U.S. applicants:) if an applicant is an entity, be validly organized, and in good standing, in the United States;

4. not be prohibited from using the services of the Company for any reason whatsoever;

5. designate at least one Authorized User (or in the case of a natural person Member, such natural person shall be deemed to be the Authorized User);

6. if an applicant is an entity, designate at least one Authorized Representative who is responsible for supervising all activities of the Member, its Authorized User(s) and its employees relating to Transactions, for making withdrawal requests and for providing any information the Company may request regarding such Member; and

7. meet any other criteria and provide the Company with any other information the Company may request regarding the Member.

C. In order to clear Margined Contracts, a Member must:

1. If it is clearing as a Self-Clearing Member, qualify as an ECP. The Company may request additional information from a Member to facilitate the Company's evaluation of such qualification with respect to the Member.

2. Demonstrate to the Company sufficient operational and financial capacity to provide Margin on a timely basis. The Company may deny or impose additional conditions or limitations on a Member's eligibility to clear Margined Contracts to the extent the Company determines that a Member lacks such capacity.

D. [Reserved]

E. [Reserved]

F. [Reserved]

G. By agreeing to the Member Agreement, the applicant agrees to be bound by the Rules and the published policies of the Company.

H. No person affiliated, within the meaning of Section 5b(c)(2)(O) of the CEA, with a director of the Company or a Member (for purposes of this Rule, an "affiliate") shall meet criteria for refusal to register a person under Section 8a(2) of the CEA; unless the Risk Management Committee finds that there are special circumstances warranting the waiver of such disqualification with respect to the affiliate.

1. With respect to affiliates, the Board shall be entitled to rely on a representation from the relevant director or Member that, to the best of such person's knowledge, none of its affiliates is subject to disqualification pursuant to the Company's fitness standards and that such person will notify the Company if at any time such director or Member becomes aware that any such affiliate fails to meet the fitness standards.

2. Section 5b(c)(2)(O)(ii)(IV) of the CEA requires each DCO to establish fitness standards for persons with direct access to the settlement or clearing activities of the DCO ("Access Persons"). The only persons with such access are Members.

I. Applicants for Membership status of the Company may withdraw their applications at any time without prejudice or without losing their right to apply at a future time.

J. Company staff may, in its sole discretion, approve, deny, or condition the Clearing Privileges of any applicant as Company staff deems necessary or appropriate.

1. In the event that Company staff decides to decline or condition the Clearing Privileges of an application for admission as a Member, or to terminate a Person's status as Member, Company staff shall notify such Person thereof and the notice will specify the basis for the Company's decision. Such Person may, within 28 Business Days, request that the Membership Committee reconsider the determination.

2. Within 28 Business Days of receiving a request for reconsideration, the Membership Committee shall confirm, reverse, or modify the original determination and shall promptly notify such Person accordingly. The Membership Committee may, in its sole discretion, schedule a hearing (in person or by teleconference), request additional information from such Person or establish any other process that it believes is necessary or appropriate to consider the request for reconsideration.

3. The Membership Committee's decision is the final action of the Company and is not subject to appeal within the Company.

K. Upon approval by the Company of an applicant as a Member, the Member shall continue to comply with all applicable eligibility criteria in this Rule or as the Company may require, and shall have Clearing Privileges, which the Company may revoke, amend, or expand in accordance with these Rules.

L. The Company will apply Member access criteria in a fair and non-discriminatory manner that is not anti-competitive.

Rule 3.3 **Member Obligations**

A. Each Member consents to the Company providing information related to KYC, CDD, or AML to Settlement Banks or potential Settlement Banks.

B. Each Member must immediately notify the Company in writing upon becoming aware:

1. that the Member, any of the Member's officers or any of the Member's Authorized Users has had trading or clearing privileges suspended, access to, or membership or clearing membership in any Regulatory Agency denied;

2. that the Member, any of the Member's officers or any of the Member's Authorized Users has been convicted of, pled guilty or no contest to, or entered a plea agreement to any felony in any domestic, foreign or military court, or with the CFTC, as applicable;

3. that the Member, any of the Member's officers or any of the Member's Authorized Users has been convicted of, plead guilty or no contest to, or entered a plea agreement to a misdemeanor in any domestic, foreign or military court, or with the CFTC, as applicable, which involves:

   a. embezzlement, theft, extortion, fraud, fraudulent conversion, forgery, counterfeiting, false pretenses, bribery, gambling, racketeering, or misappropriation of funds, securities or properties; or

   b. any Transaction in or advice concerning swaps, futures, options on futures or securities;

4. that the Member, any of the Member's officers or any of the Member's Authorized Users has been subject to, or associated with a firm that was subject to, regulatory proceedings before any Regulatory Agency;

5. of any other material change in any information contained in the Member's application, including any failure to continue to meet the requirements to be an Eligible Contract Participant with respect to any SEF that clears through the Company or Block Trades;

6. of becoming the subject of a bankruptcy petition, receivership proceeding, or the equivalent, or being unable to meet any financial obligation as it becomes due. (Note: Members subject to the jurisdiction of the U.S. Bankruptcy Court may be subject to any or all of the following actions: liquidation or transfer of positions, suspension, or revocation of clearing membership. The Company will further comply with all requirements placed upon it under law with regard to the bankruptcy.); or

7. of information that concerns any financial or business developments that may materially affect the Member's ability to continue to comply with applicable participation requirements.

C. Each Member must diligently supervise all activities of the Member's employees and/or agents, including all Authorized Users and Authorized Representatives, relating to Orders, Transactions and communications with the Company. Any violation of these

Rules by any employee, Authorized Representative or Authorized User of a Member may constitute a violation of the Rules by such Member.

D. Each Member must provide all reports required by Applicable Law to the Company, including, but not limited to, the reports required under CFTC Regulation 39.12(a)(5). Such reports must be made available by the Member to the CFTC when so required, and the Company will also make such reports available to the CFTC when so required.

E. Each Member must provide to the CFTC all reports required to be so provided under Applicable Law.

Rule 3.4 **Participant, Introducing Broker and Authorized User Obligations**

A. Each Participant, IB and Authorized User must comply with these Rules, applicable provisions of the CEA and relevant CFTC Regulations. Each Participant, IB and Authorized User also must cooperate promptly and fully with the Company, its agents, and the CFTC in any investigation, call for information, inquiry, audit, examination, or proceeding. Such cooperation shall include providing the Company with access to information on the activities of such Participant, IB and/or Authorized User in any referenced market that provides the underlying prices for any Company market. If any Participant, IB or Authorized User fails to satisfy any Obligation, the Participant, IB or Authorized User may be subject to discipline under these Rules, and may also be subject to civil or criminal prosecution.

B. Each Participant, IB and Authorized User consents to allow the Company to provide all information the Company has about the Participant, IB or Authorized User, including the Participant's, IB's or Authorized User's trading activity, to the CFTC or any other Regulatory Agency, law enforcement authority, or judicial tribunal, including (as may be required by information-sharing agreements or other arrangements or procedures or other contractual, regulatory, or legal provisions) foreign regulatory or self-regulatory bodies, law enforcement authorities, or judicial tribunals, without notice to the Participant, IB or Authorized User.

C. Each Participant, IB and Authorized User, upon a request of the Company or any Regulatory Agency, must promptly respond to any requests for information, including by providing any necessary information for the Company to perform any of the functions described in the CEA.

   A. Each IB acknowledges and agrees that the Company is delegating, and the IB is assuming, all of the Company's KYC, AML, and CDD obligations with respect to the IB Customers of such IB. Each IB agrees to perform such obligations based on Company-approved criteria, terms, and conditions that shall at all times comply with this Rulebook and Applicable Law.

   B. Each IB agrees to maintain a compliance program designed to achieve and monitor the IB's compliance with all applicable KYC, AML and CDD requirements that will, at a minimum:

1. Establish and implement policies, procedures and internal controls reasonably designed to prevent money laundering or the financing of terrorist activities;

2. Designate an individual or individuals responsible for the implementation and monitoring of the program;

3. Provide ongoing training for any compliance personnel; and

4. Include risk-based procedures for conducting CDD, including developing robust customer risk profiles and conducting ongoing monitoring to identify and report suspicious customer behavior.

C. Each IB agrees to enter into an IB Agreement with the Company which shall set forth the terms and conditions under which the Company will permit the IB to solicit or accept Orders from IB Customers for execution on a Platform, where any resulting Contracts are submitted for clearing by the Company.

D. Each IB agrees that, subject to the terms of this Rulebook and any other agreement that such IB may enter into with the Company, that the Company has the right to request an independent audit of the compliance program and AML, KYC, and CDD procedures of such IB. Further, each IB acknowledges that any duly authorized request by a federal, state or other regulatory examiner to examine the Company's performance of its AML, KYC and CDD obligations with respect to IB Customers shall extend to permitting such examiners to obtain information and records relating to such IB's performance of those obligations on the Company's behalf.

Rule 3.5 **FCM Customer Obligations**

A. FCM Customers must follow the rules and requirements imposed by the FCM Member.

B. FCM Customers must accept and be bound by these Rules.

Rule 3.6 **Dues, Fees and Expenses Payable by Participants**

A. Members are not required to pay dues.

B. Members may be charged fees in connection with Clearing Privileges in such amounts as may be revised from time to time. Fees and any revisions to such fees will be provided on the Website and in Notices.

C. Participant may be charged fees related to clearing, such as for the settlement of Contracts at expiration, in an amount to be reflected from time to time on the Website and in Notices.

D. The Company may also deduct from a Self-Clearing Member Account (or relevant Sub-Account, if any) fees or expenses incurred in connection with the Member's trading or account activity, such as fees for wire transfers or check processing via electronic check, or storage or other fees or expenses related to trading or Clearing Privileges. All such fees shall be charged in an amount to be reflected from time to time on the Website and in Notices.

E. The Company may also deduct from an FCM Customer Account fees or expenses incurred in connection with FCM Customers' trading or account activity, and the FCM Member's trading, account or FCM Member activity, such as fees for wire transfers or check processing via electronic check, or storage or other fees or expenses related to trading or Clearing Privileges. All such fees shall be charged in an amount to be reflected from time to time on the Website and in Participant Notices.

F. If the Company determines in the future to impose dues or new fees, the Company shall notify Members of any dues or additional fees that will be imposed at least 10 days before they take effect.

Rule 3.7 **Recording of Communications**

The Company may record conversations and retain copies of electronic communications between Company Officials, on one hand, and Participants, Introducing Brokers, Authorized Users, Authorized Representatives or other agents, on the other hand. Any such recordings may be retained by the Company in such manner and for such periods of time as the Company may deem necessary or appropriate. The Company shall retain such records for the retention periods necessary to comply with CFTC Regulation 1.35 or such longer period as the Company deems appropriate.

Rule 3.8 **Member Accounts**

A. The Company shall establish and maintain a Member Account (or, if applicable, Member Accounts) for each Member, and the Company undertakes to treat the Member for whom each Member Account is maintained as entitled to exercise the rights that comprise each financial asset which is credited to such Member Account. However, the Company shall have complete and absolute discretion as to whether any particular financial asset is accepted by it for credit for any Member Account.

B. For collateral, margin, and settlement purposes, each Self-Clearing Member Account may be subdivided into one or more Sub-Accounts, each identified by a unique Sub-Account code. The Company shall:

- Credit to each Sub-Account only the specific assets or collateral designated by the Member;
- Calculate and enforce all margin and collateralization requirements (as detailed in Chapter 7) on a per Sub-Account basis; and
- Restrict withdrawals at the Sub-Account level, such that no Sub-Account's shortfall may be offset by collateral from any other Sub-Account.

C. The Company shall have only such duties and obligations with respect to each Member Account as are set forth in Article 8 of the UCC or otherwise mandated by Applicable Law. Each Member acknowledges and agrees that the Company is not a fiduciary for any Member.

Rule 3.9 **Termination of Member Status**

A. To voluntarily terminate Member status, a Member must deliver to the Company a Withdrawal Notice. Such Withdrawal Notice shall be accepted immediately upon receipt and shall be effective upon such Member's fulfillment of its obligations under paragraph (C) below, or at such other time as the Company may determine in its reasonable discretion is desirable for the efficient operation of the Company. Platforms may offer Members the ability to request termination through the Platform, and the Platform will communicate the request to the Company.

B. When the Company accepts a Withdrawal Notice from a withdrawing Member, all rights and privileges of such Member terminate (including, without limitation, Clearing Privileges) except as set forth in paragraph (C) below. The accepted request to terminate Member status shall not affect the rights of the Company under these Rules or relieve the former Member of such Member's Obligations under the Company Rules before such withdrawal. Notwithstanding the accepted request to terminate Member status, the terminated Member remains subject to the Company Rules, the Obligations and the jurisdiction of the Company for acts done and omissions made while a Member, must comply with paragraphs (C) and (E) below, must cooperate in any Disciplinary Action under Chapter 9 as if the terminated Member were still a Member, and must comply with requests for information from the Company regarding activities and Obligations while a Member for at least five years following its withdrawal.

C. A Member that has requested termination of Member status pursuant to paragraph (A) above or whose status as a Member has been terminated by the Company pursuant to Chapter 9 (a "terminated Member") shall be subject to the following requirements, Obligations and provisions:

1. it must use all reasonable endeavors to close out or transfer all open positions in its Member Account(s), as applicable, prior to the Withdrawal Close-Out Deadline Date;

2. after the Withdrawal Notice Date, the Member may only be entitled to submit Transactions for clearing which it can demonstrate have the overall effect of reducing open positions or risks to the Company, whether by hedging, transferring, terminating, liquidating or otherwise closing out open Contracts;

3. with respect to withdrawing or terminated Members clearing Margined Contracts, the Company may call for additional Initial Margin or Variation Margin until such time as all such open Margined positions have been terminated or transferred, and such Member shall provide to the Company such additional Initial Margin as is requested in a timely manner;

4. except as provided in paragraph (5), there shall be no rebalancing, resetting or recalculation of the Guaranty Fund Deposit Requirement or the liability limits of Replenishments or Assessments of a Member that has served a Withdrawal Notice;

5. if the Member has any open positions in Margined Contracts with the Company after the Withdrawal Close-Out Deadline Date, the Member shall be subject to the Company exercising rights under Rule 7.2 and Chapter 12 with respect to Obligations of the Member incurred prior to the Withdrawal Date.

D. Any request to terminate Member status pursuant to paragraph (A) above shall be irrevocable by the Member and membership may only be reinstated pursuant to a new application for membership following the close-out or transfer of all open Contracts in such Member's Member Account(s).

E. In the event of an Emergency, or otherwise at the discretion of the Board, a Member clearing Margined Contracts that requests to terminate its Member status may be required by the Company immediately upon delivery of the request to terminate to provide Assessments in an amount not to exceed 550% of its Guaranty Fund Deposit Requirement (as in effect immediately prior to the date of the request), such amounts to be held by the Company until the Withdrawal Date and applied only as permitted in accordance with these Rules (a "Withdrawal Deposit"). Any references in these Rules to Assessments being called or to Guaranty Fund Deposit Requirements to the Guaranty Fund being replenished or applied in respect of a Member which has provided such a Withdrawal Deposit shall be interpreted as a reference to such Withdrawal Deposit being applied as necessary in satisfaction of such requirements, and a Member that has served a request to terminate and made such Withdrawal Deposit shall not be liable for any further Assessments, regardless of how many Monetary Defaults take place.

F. Following termination of all open positions to which a withdrawing Member was party to in relation to its Member Account(s), as applicable, and satisfaction in full by such withdrawing Member of all Obligations in respect thereof, the Company shall return the withdrawing Member's unused contributions to the Guaranty Fund and any unused Withdrawal Deposit, as well as any other assets of the withdrawing Clearing Member not previously returned on the date that is sixty (60) days after the withdrawing Member's Withdrawal Date, or such earlier date as is determined by the Company.

G. A Member whose membership has terminated pursuant to this Rule 3.9 shall, following the Withdrawal Date, cease to be liable for Replenishments or Assessments under Rule 12.5 in respect of Monetary Defaults that occur after the Withdrawal Date.

H. Notwithstanding anything in these Rules:

(a) the Company may at its discretion return amounts due to the withdrawing Member by way of transfer or return of U.S. dollars to the withdrawing Member; and

(b) the Company may make partial payment of any amounts due, excluding the withdrawing Member's Guaranty Fund contribution, prior to the time specified in this Rule 3.9.

I. This Rule 3.9 shall not apply to a Defaulting Member.

# Chapter 4 FCM Members and FCM Customers

## Rule 4.1 FCM Members

A. For the avoidance of doubt, this Rule 4.1 shall apply only to FCMs that are Members of the Platform and are engaged in clearing activities on behalf of themselves or FCM Customers. This Rule 4.1 shall not apply to any FCMs acting solely in an IB capacity.

B. An FCM Member must execute an FCM Member Agreement with the Company, adhere to the terms of that agreement, accept and be bound by these Rules, and at all times act in a manner that is consistent with these Rules.

C. An FCM Member must be a member (or equivalent term) of a Platform or have arrangements to clear for an FCM Customer or IB that is a member (or equivalent term) of a Platform.

D. FCM Members may establish accounts as permitted by the Rules of any Platform where they carry customer accounts, including but not limited to a trading account, error account, test account, and an account used for liquidating FCM Customer positions pursuant to this Rule, or an equivalent account with a similar purpose.

E. If an FCM Customer's account with the FCM Member becomes negative due to the FCM Customer's activity on a Platform, and as a result the FCM Customer owes the FCM Member money, the FCM Member may liquidate some or all of the FCM Customer's positions.

F. FCM Members must, on an annual basis, submit their business continuity and disaster recovery plans to the Company's Compliance Department for review. FCM Members must ensure that their plans coordinate with the Company's in an adequate manner to enable effective resumption of daily processing, clearing, and settlement of Transactions following a disruption. As part of this requirement, FCM Members must coordinate with the Company's periodic, synchronized testing of its business continuity and disaster recovery plan. FCM Members must also adopt, adhere to, and enforce risk management and other policies and procedures in accordance with CFTC Regulation 1.11. FCM Members must promptly provide, upon request by the Company or the CFTC, information related to the risk management policies, procedures and practices of the FCM Member.

G. The Company may, in its sole discretion, approve, deny, revoke, or condition any application to become an FCM Member as it deems necessary or appropriate to the discharge of its legal and regulatory obligations. The Company may, in its sole discretion and as it deems necessary or appropriate to the discharge of its legal and regulatory obligations or to preserve the integrity of the Company's clearing systems, pause or terminate access for an FCM Member.

H. FCM Members must cooperate with the Company, the CFTC, and any related governmental authority in any inquiry, investigation, audit, examination or proceeding relating to the FCM Member's business carrying customer accounts with the Company, including disclosing the identity and contact information of FCM Customers as relevant (such information will be walled off by the Company solely for the purpose of its compliance with its legal and regulatory obligations, and cannot be utilized for any commercial purpose). FCM Members must keep complete and accurate books and records as required to be maintained pursuant to the CEA and CFTC Regulations for the time period, and in the manner, specified by CFTC Regulations. FCM Members must make such books and records available for inspection by the Company, the CFTC or other governmental authority.

I. FCM Members must perform all required KYC, CDD, and AML activities with regard to their FCM Customers.

J. FCM Members must not engage in practices that may cause degradation of the clearing systems or the Platform and its systems. FCM Members must also not engage in acts or practices contrary to the purposes of the Company, nor commit any act or engage in any conduct that is likely to bring the Company into disrepute. These prohibited practices include, but are not limited to, (i) engaging in any activity that presents a risk of harm to the Company, other FCM Members, a Platform, or the public, and (ii) engaging in conduct or practices that are detrimental to the best interests of the Company or that adversely affect the integrity of the Company or its systems.

K. All FCM Customer funds received by the Company from an FCM Member to purchase, margin, guarantee, secure, or settle positions of FCM Customers, and all money accruing to such FCM Customers as a result thereof, shall be segregated as either Futures Customer Collateral or Cleared Swaps Customer Collateral in accordance with all relevant provisions of the CEA and CFTC Regulations. This Rule satisfies the requirement in CFTC Regulations 1.20(d)(1) and 22.5 that an FCM Member must obtain a written acknowledgement from the Company that such FCM Customer funds are being held in accordance with such provisions.

L. Each FCM Member authorizes the Company to debit any fee owed to the Company by the FCM Member or the FCM Customers from the FCM Customer Account.

M. Each FCM Member must require each FCM Customer to accept and be bound by these Rules prior to allowing the FCM Customer to trade on a Platform.

N. Each FCM Member must enforce eligibility criteria on its FCM Customers to ensure that it accepts as FCM Customers only Persons who are permitted under Applicable Law to participate on a Platform and with the Company. Each FCM Member must also require its FCM Customers to inform it of any change to the FCM Customer's eligibility.

O. FCM Members shall comply with all Applicable Law, including but not limited to CFTC Regulations 1.10, 1.12, and 1.20 - 1.32 and Part 22 of CFTC Regulations.

Rule 4.2 **FCM Customers**

A. FCM Customers accept and agree to be bound by the relevant FCM Member's rules and these Rules.

B. FCM Customers may also be Self-Clearing Members, provided that if an FCM Customer is not an ECP, the FCM Customer may not clear Margined Contracts as a Self-Clearing Member.

C. As required in CFTC Regulations 39.15(d), an FCM Customer may request to transfer the FCM Customer's positions from an FCM Member to an account with a different FCM Member, or the FCM Customer's own account, but only if the following conditions are met:

1. The FCM Customer instructs the FCM Member to make the transfer;

2. The FCM Customer is not currently in Default to the FCM Member; and

3. The other FCM Member has consented to the transfer.

Rule 4.3 **FCM Accounts**

A. Each FCM Member must establish with the Company the accounts and financial relationships set forth in the FCM Member Agreement.

B. All FCM Customer funds deposited by FCM Members with the Company are held in either a Futures Customer Account or Cleared Swaps Customer Account and are treated as either Futures Customer Collateral or Cleared Swaps Customer Collateral.

C. As described in Rule 7.7, and as required by CFTC Regulations 1.20 and 22.3, respectively, Futures Customer Collateral and Cleared Swaps Customer Collateral must remain segregated from all other funds.

D. Each FCM Member must monitor funding levels in the FCM Member's account and ensure that there is sufficient collateral to support predicted future trading volume.

E. All FCM Member proprietary funds deposited by an FCM Member with the Company are held in the Self-Clearing Member Account of that FCM Member and are treated as Self-Clearing Member collateral, unless such funds are deposited as a residual interest in an FCM Customer Account in which case they are treated as Cleared Swaps Customer Collateral or Futures Customer Collateral as applicable.

Rule 4.4 **FCM Member Financial Requirements**

A. Unless otherwise provided, all FCM Members must comply with the requirements set forth in CFTC Regulations 1.10, 1.12, 1.17, and 1.18 (this provision does not exclude the requirement for FCM Members, as Participants, to comply with all Applicable Law). This includes, but is not limited to, the following:

1. Maintenance of minimum capital requirements;

2. Submission of a timely and complete Form 1-FR, FOCUS Report or other requested information;

3. Notification requirements when a clearing member:

   i. Fails to maintain minimum capital requirements;

   ii. Fails to maintain early warning capital requirements;

   iii. Fails to maintain current books and records;

   iv. Determines the existence of a material inadequacy as specified in CFTC Regulation 1.16(d)(2);

   v. Changes its fiscal year; or

   vi. Changes its public accountant.

4. Completely and accurately computing and recording the balances in the net capital computation including capital requirements;

5. Subordination agreement requirements, including the filing of such agreements; and

6. Preparation of a monthly computation of adjusted net capital and minimum financial requirements.

B. In addition to the notifications, forms, and reports required by CFTC regulations, copies of the notifications must be furnished to both the Company and the Platform within twenty-four hours of when the notification was furnished to the CFTC.

C. The specific requirements in this rule do not diminish in any way the obligation of FCM Members to satisfy the requirements applicable to all Members to provide all required reports set forth in Chapter 3.

# Chapter 5 [Reserved]

# Chapter 6 CLEARING

## Rule 6.1 Clearance and Substitution

A. Upon submission of a Transaction for a Fully Collateralized Contract, the Company will conduct a review of the relevant Member Account (or relevant Sub-Account, if any) to ensure that the Transaction is fully collateralized prior to accepting the Transaction for clearing. If such Member Account (or relevant Sub-Account, if any) does not have the necessary funds and/or collateral to fully collateralize the Transaction, the Company will not accept the Transaction. For Self-Clearing Members this means that the Company will review the Self-Clearing Member Account (or relevant Sub-Account, if any); for FCM Customers, the Company will review the FCM Customer Account.

B. The Company will coordinate with all Platforms to develop procedures and system integrations that facilitate prompt, efficient, and accurate processing of all Transactions submitted to the Company for clearing. Additionally, the Company will coordinate with each Member that is an FCM, swap dealer, or major swap participant to establish fully automated systems for accepting or rejecting trades that are submitted to the Company for clearing by or for the Member or a FCM Customer of the Member, or, if fully automated systems are not practicable, as quickly as would be technologically practicable if fully automated systems were used.

C. For trades executed competitively on or subject to the rules of a Platform:

1. The Company will coordinate with all Platforms to establish automated systems that will accept or reject for clearing all Contracts that are listed for clearing by the Company and are executed competitively on or subject to the rules of a Platform.

2. The Company will accept for clearing all trades made

    a. On a Platform; and

    b. That satisfy the criteria of the Company, including but not limited to applicable risk filters. The Company's criteria will be non-discriminatory across trading venues. The Company will also coordinate with Platforms to integrate and be able to apply the criteria in a fully automated system and if that is impracticable, the Company will apply the criteria as quickly as would be technologically practicable if fully automated systems were used.

3. The Company will only accept for clearing, trades that satisfy the requirements that are set out in Chapter 7 of these Rules.

D. For trades not executed on or subject to the rules of a DCM or SEF or which are executed non-competitively on or subject to the rules of a Platform, the Company will coordinate with Platforms to integrate and implement a fully automated system to reject or accept trades for clearing, or if not practicable, as quickly after submission to the Company as would be technologically practicable if fully automated systems were used.

1. The Company will accept all trades:

   a. That are submitted by the parties to the Company in accordance with CFTC Regulation 23.506;

   b. For which the executing parties have clearing arrangements in place with Members of the Company;

   c. For which the executing parties identify the Company as the intended clearinghouse; and

   d. That satisfy the criteria of the Company, including but not limited to applicable risk filters. The Company's criteria will be non-discriminatory across trading venues. The Company will also coordinate with Platforms and executing parties to integrate and be able to apply the criteria in a fully automated system and if that is impracticable, the Company will apply the criteria as quickly as would be technologically practicable if fully automated systems were used.

2. The Company will only accept for clearing, trades that satisfy the requirements that are set out in Chapter 7 of these Rules.

E. The submission of a Transaction to the Company by or on behalf of the buying and selling Members shall constitute a request, by such Members, for the clearing of such Transaction by the Company. Upon acceptance thereof, by the Company:

1. The Transaction, if a Transaction in futures contracts, shall be novated and the Company shall immediately be substituted as and assume, the position of seller to the Participant buying and buyer to the Participant selling the relevant Contract. Upon Novation, the original Contract is extinguished and the buying and selling Participants shall be released from their Obligations to each other, and such Participants shall be deemed to have bought the Contract from or sold the Contract to the Company, as the case may be, and the Company shall have all the rights and be subject to all the liabilities of such Participants with respect to such Transactions. Such substitution shall be effective in law for all purposes. The Participants of the Contract are deemed to consent to the Novation by entering the applicable Orders on a Platform and the Company consents to the Novation by accepting the Transactions for clearing; or

2. The Transaction, if a Transaction in a swap, shall be extinguished, and replaced with an equal and opposite swap between the Company and each Member. Upon extinguishing and replacing the original Contract, the Members shall be released from their obligations to each other, and, along with the Company, shall have all

rights and obligations under the Contract that replaced the extinguished Contract, in each case as provided in the Rules.

3. Where an FCM Member acts to clear a Contract made for the account of a FCM Customer, the FCM Member becomes obligated to the Company, and the Company becomes obligated to the Member, with respect to such Contract in the same manner and to the same extent as if the Contract were for the proprietary account of the FCM Member.

F. Transactions for Contracts with the same terms and conditions, as defined by the Contract Specifications, submitted to the Company for clearing, are economically equivalent within the Company and may be offset with each other within the Company.

G. All terms of a cleared swap must conform to product specifications established under Company rules. Upon acceptance of a cleared swap contract Transaction for clearing, the Company will provide a confirmation of the trade to the Members directly or, for a Member that is an IB Customer, through the IB that executed the Transaction. That confirmation will serve as the definitive written record of the terms of the transaction which shall legally supersede any previous agreement, serve as a confirmation of the swap and shall be available on the Platform.

Rule 6.2 **Settlement of Contracts**

A. Except as otherwise provided by Commission order, the Company shall effect settlement at least once each Business Day, and shall have the authority and operational capacity to effect a settlement with each Member, on an intraday basis, either routinely, when thresholds specified by the Company are breached, or in times of extreme market volatility.

B. The Company shall maintain, in its systems, a record of each Participant's Contracts.

C. Upon the settlement resulting from expiration, all Participants who have an open position will be notified of the final amount payable. Such notice may be delivered by the Platform, or for FCM or IB Customers, by the applicable FCM or IB. The Company will transfer the amount payable under the Contract's terms to the relevant Member Accounts for Participants who held open positions. For Self-Clearing Members (including those that are (i) IB Customers or (ii) FCM Members clearing for their proprietary accounts), the amount payable will be transferred to the Self-Clearing Member Account (and relevant Sub-Account(s), if any); for FCM Customers, the amount payable will be transferred to the FCM Customer Account for the FCM Member to credit the FCM Customer.

D. For a Transaction in a Fully-Collateralized Contract that results in an increase in a Participant's Maximum Downside Exposure, the Company will designate as committed collateral funds from the appropriate Member Account(s) in the amount necessary to cover the increase. For Self-Clearing Members (including those that are (i) IB Customers or (ii) FCM Members clearing for their proprietary accounts), the Self-Clearing Member

Account (and relevant Sub-Account(s), if any) will be debited. For FCM Customers, the FCM Member will debit the funds in the FCM Customer's account with the FCM Member and the Company will debit the Funds in the FCM Customer Account.

E. For a Transaction in a Fully-Collateralized Contract that results in a decrease to a Participant's Maximum Downside Exposure, the Company will undesignate the decreased amount from constituting committed collateral funds within the relevant Member Account(s) (and relevant Sub-Account(s), if any). For Self-Clearing Members (including those that are (i) IB Customers or (ii) FCM Members clearing for their proprietary accounts), the Self-Clearing Member Account will be credited and relevant Sub-Account(s), if any); for FCM Customers, the FCM Member will credit the funds in the FCM Customer's account with the FCM Member and the Company will credit the funds in the FCM Customer Account.

F. For a Transaction in a Margined Contract that results in a realized loss or gain, the Company will record the corresponding pending Variation Margin obligation(s) and/or entitlement(s).

G. For a Transaction in a Margined Contract that results in an increase or decrease to a Participant's Initial Margin requirements, the Company will record the corresponding pending Initial Margin Obligation(s) and/or entitlement(s).

H. To the extent that a Transaction described in this section requires reconciliation in order to maintain the segregation required under Rule 7.7, including rebalancing of the funds held in customer and Member accounts at the Settlement Bank, reconciliation will be performed as set forth in Rule 6.6.

Rule 6.3 **Deposit Procedures**

A. Members make deposits to the Company through a Member Portal which is linked to the applicable payment processor or money transmitter service for the payment type selected, by direct bank transfers to the relevant Settlement Bank, or via transfers from another Member Account as authorized by the relevant Member. Direct bank transfers and transfers from another Member Account must be executed pursuant to the instructions provided by the Platform.

B. Funds are available for use with respect to Clearing Privileges no later than the next Settlement Bank Business Day after the funds arrive in the Settlement Bank.

Rule 6.4 **Withdrawal Procedures**

A. Members make withdrawals through a Member Portal or other means as specified by the Company in writing to Members.

B. Members are responsible for providing accurate account information to allow the Company to effect transfers to the Members.

C. Withdrawals occur no later than the next Settlement Bank Business Day after a Member has submitted a withdrawal request via a Member Portal or otherwise if the Member submits a withdrawal notification during Trading Hours.

D. If a Member fails to adhere to the withdrawal procedures set forth herein, the Company will take reasonable measures to effect the withdrawal; however, if unable to effect the withdrawal, the Member's collateral may become the sole property of the Company, to the extent permitted by Applicable Law.

E. The Company may apply a Member's collateral against the Member's Obligations.

Rule 6.5 **[Reserved]**

Rule 6.6 **Reconciliation**

A. The Company shall reconcile the positions and cash and collateral balances of each Member Account (whether a Self-Clearing Member Account or an FCM Customer Account) periodically, including at the end of each Settlement Bank Business Day, and shall rebalance the funds held for the benefit of Self-Clearing Member Accounts and FCM Customer Accounts as necessary to maintain the segregation required under Rule 7.3. The Company shall make available to each Member at all times the positions and cash and collateral balances of each such Member and its Sub-Accounts. Upon request from a Self-Clearing Member that is an IB Customer, the Company shall also provide the Introducing Broker with the balances of any Sub-Account(s) associated with the Self-Clearing Member's trading through the Introducing Broker.

B. On a daily basis, the Company shall provide IBs with a full list of their IB Customers' trades, open positions, transfers, and settlements from the previous trading day. Each IB is required to reconcile their internal state of customer positions and balances with those reported by the Company for the previous day and, in the event of any inconsistencies, must immediately report the inconsistency to the Company.

C. All Members and IBs shall be responsible, pursuant to Applicable Law, for reconciling their records of their positions and cash and collateral balances with the records of positions and cash and collateral balances that the Company makes available to Members and IBs.

Rule 6.7 **Swap Data Reporting**

A. The Company shall report to the CFTC in accordance with the reporting requirements in the CEA, CFTC Regulations, and CFTC guidance. In accordance with CFTC Letter No 25-02 ("Letter") issued on January 31, 2025, the Company relies upon no-action relief with respect to various swap data reporting requirements under Parts 43 and 45 of the Commission's regulations for contracts traded on or pursuant to the rules of the Company.

B. If the Company provides Clearing Services that are not otherwise addressed in the Letter:

1. The Company shall report Regulatory Swap Data for Swaps to a single Swap Data Repository for purposes of complying with the CEA and applicable CFTC Regulations governing the regulatory reporting of Swaps. The Company shall report all data fields as required by Appendix A to Part 43 of CFTC Regulations and Appendix 1 to Part 45 of CFTC Regulations, as applicable, including, but not limited to, Swap counterparties, Contract type, option method, option premium, LEIs, buyer, seller, USIs, unique product identifiers, underlying asset description, the Swap price or yield, quantity, maturity or expiration date, the size, settlement method, execution timestamp, timestamp of submission to the SDR, the CTI Code, Member Accounts, and whether a Participant is a swap dealer, major swap participant or a financial entity. The Company shall identify each counterparty to any Transaction in all recordkeeping and all Regulatory Swap Data reporting using a single LEI as prescribed under CFTC Regulation 45.6. As Soon As Technologically Practicable after execution, the Company also shall transmit to both Swap counterparties the USI for the Swap created pursuant to CFTC Regulation 45.5 and the identity of the SDR. For Swaps involving allocation, the Company will transmit the USI to the Reporting Counterparty and the agent as required by CFTC Regulation 45.5(d)(1).

2. The Company shall from time to time designate a Swap Data Repository in respect of one or more Swaps and shall notify Members of such designation.

3. Members that become aware of an error or omission in Regulatory Swap Data for a Transaction shall promptly submit corrected data to the Company. Members shall not submit or agree to submit a cancellation or correction in order to gain or extend a delay in Public Dissemination of accurate Swap Transaction and Pricing Data or to otherwise evade the reporting requirements of Part 43 of CFTC Regulations. The Company will report any errors or omissions in Regulatory Swap Data to the same SDR to which it originally submitted the Data, As Soon As Technologically Practicable after discovery of any such error or omission.

4. The Company sends the Regulatory Swap Data as set forth in Rule 6.7A to the Swap Data Repository As Soon As Technologically Practicable after a trade has been executed on the Platform, or pursuant to the Company Rules. Following the transmittal of the Data to the Swap Data Repository, the Company will make available the Swap Transaction and Pricing Data to all Participants accessing the Platform. However, due to transmission and posting timing of the Swap Data Repository, Participants should be aware that the Swap Transaction and Pricing Data may be available on the Company Platform prior to being Publicly Disseminated by the Swap Data Repository.

Rule 6.8 **Risk Management Actions**

A. As provided in CFTC Regulation 39.13(h)(6), the Company may take the following actions as appropriate, based on the application of objective and prudent risk management standards:

- Imposing position limits;
- Prohibiting an increase in positions;
- Requiring a reduction of positions;
- Liquidating or transferring positions; and
- Suspending or revoking clearing membership.

B. The Company may take any other action it deems necessary based on the application of objective and prudent risk management standards.

Rule 6.9 **Finality of Settlements**

All payments or transfers of funds to and from the Company and within the Company, including, but not limited to, Margin payment, are irrevocable and unconditional when, as the case may be, they are debited from or credited to an account of the Company, whether such account of the Company is held at the Company or at a Settlement Bank, provided that adjustments may be made after such time for the correction of errors.

## Chapter 7 Margin

### Rule 7.1 **Margin Requirements; Margin Payments**

A. With respect to Margined Contracts:

1. The relevant Member shall deposit with, pay to, or otherwise maintain with, the Company unencumbered assets sufficient to satisfy the Initial Margin and Variation Margin for each Margined Contract in such amounts, in such forms, at such times, and in accordance with such procedures or methodologies as may be prescribed by the Company pursuant to the Rules or the Company's policies in respect thereof. The Member shall be responsible for all fees associated with deposits, withdrawals, or transfers of Margin to or from the Company.

2. Each transfer of United States dollars in respect of Initial Margin or Variation Margin shall constitute a settlement (within the meaning of CFTC Regulation 39.14) and shall be final as of the time the Company's accounts are debited or credited with the relevant payment.

B. Each Member clearing Margined Contracts shall establish and maintain accounts ("Margin Accounts") at a Settlement Bank including, for an FCM Member, accounts for its FCM Customers. The Member shall use such accounts for the payment of Variation Margin and Initial Margin. The Company shall have the right to instruct such Settlement Bank to debit the Margin Accounts maintained by a Member for any deposits of Initial Margin or payments of Variation Margin due to the Company pursuant to the Rules and to deposit such funds into the appropriate Company account.

### Rule 7.2 **Mechanics for Margin Payments**

A. The Company shall advise each Member clearing Margined Contracts of the amount of Initial Margin and Variation Margin owing to or from such Member after the close of each Business Day or at such frequency as the Company shall set forth in a schedule published to Members. Transfers of Initial Margin and Variation Margin shall be made between such Member (through its Settlement Bank) and the Company in accordance with the Company's policies and procedures in effect from time to time provided that, on any day in which Initial Margin or Variation Margin for a FCM Customer's Cleared Swaps Customer Account or Futures Customer Account is owed by an FCM Member to the Company, the Company shall not transfer funds owed to the FCM Member in respect of its Self-Clearing Member Account until the amount owed by such FCM Member to the Company with respect to such FCM Member's Cleared Swaps Customer Account or Futures Customer Account has been paid in full.

B. Notwithstanding any other provision of the Rules, if the Chief Risk Officer or his or her delegate determines, (i) that unstable conditions relating to one or more Margined Contracts exist, or that the maintenance of an orderly market or the preservation of the financial integrity of the Company so requires, or (ii) that any Member is carrying Margined Contracts or incurring risks in its Member Account(s) that are larger than is justified by the financial and/or operating condition of the Member, the Company may issue an unscheduled intra-day call requiring the advance deposit of Initial Margin and/or Variation Margin with the Company by such time as the Company shall specify. An unscheduled intra-day call based on a determination as to the conditions specified in clause (i) above may be issued to any or all Members clearing Margined Contracts, an unscheduled intra-day call based on a determination as to the conditions specified in clause (ii) above may be issued to any Member with respect to which such determination is made. If the Company determines to make an unscheduled intra-day call for either Initial Margin and/or Variation Margin, the Company shall:

1. Give notice to each Member that is required to make payment to the Company of the amount payable by such Member; and

2. Immediately after giving or making reasonable efforts to give the notice described in Rule 7.2B-1, the Company shall instruct the Settlement Bank at which each such Member maintains Margin Accounts to wire transfer funds from the appropriate account of each such Member into the appropriate account of the Company in the amount due to the Company as determined by the Company.

C. Initial Margin and Variation Margin shall be deposited in United States dollars by each Member with the Company as provided in Rule 7.2A.

D. Subject to Rule 7.2G, the Company shall return to a Member the amount of any excess Margin on deposit from such Member, provided that the Company receives a request for such a release from such Member by such time as may be specified by the Company on the day such release is to be made. Notwithstanding any provision to the contrary in these Rules, the Company may refuse to release the amount of excess Initial Margin on deposit in the Member Account(s) of a Member that has requested such release if the Chief Risk Officer or his or her delegate concludes that the financial or operational condition of the Member is such that the release of excess Initial Margin would be contrary to the fiscal integrity of the Company, unless the Member is an FCM Member and substantiates to the satisfaction of the Company that the amount to be released will be returned to one or more of its FCM Customers in accordance with Applicable Law.

E. Excess Margin shall not be released pursuant to Rule 7.2D if, (i) the excess Margin is due to any Self-Clearing Member Account of an FCM Member, unless the Member has deposited and paid all Margin and other amounts required from such Member for its Self-Clearing Member Account, Cleared Swaps Customer Accounts and Futures Customer Accounts, or (ii) the excess Margin is due to the FCM Customer Accounts of an FCM Member, unless the Member has deposited and paid all Margin required from its Cleared Swaps Customer Accounts and Futures Customer Accounts pursuant to these Rules for such accounts.

F. An FCM Member shall not permit its FCM Customer(s) to withdraw Margin from its account if such withdrawal would cause the Margin deposits that would remain in such account following the withdrawal to be less than the then-prevailing Initial Margin requirement.

G. Upon notice from the Company that a transfer of funds from a Member's account pursuant to Rule 7.2A was not effected as instructed by the Company for any reason, the Member shall deliver to the Company the amount required at such time and in such form as the Company may prescribe.

Rule 7.3 **Initial Margin**

A. Initial Margin requirements shall be determined by the Company from time to time, in accordance with CFTC Regulation 39.13(g) and the applicable Margin policies of the Company.

B. Initial Margin requirements shall be calculated on a gross basis for each Member, and FCM Members are not permitted to net positions of different FCM Customers against one another. In order to comply with CFTC Regulation 39.13(g)(8)(ii), FCM Members shall identify categories of FCM Customers with heightened risk profiles and collect Initial Margin for each account at a level that exceeds the Initial Margin requirement determined by the Company by an amount commensurate with the risk presented by each account.

C. Without limitation of the Company's other rights to use or apply a Member's Initial Margin as permitted in the Rules, the Company may: (i) invest any cash deposited as Initial Margin in accordance with Rule 7.9 and CFTC Regulation 1.25 and any interest, capital gain, or other income earned on such investments shall belong and be credited to the Company, (ii) use a Self-Clearing Member's Initial Margin from time to time to meet temporary liquidity needs of the Company (whether or not such Member is in Default) in a manner consistent with the Company's liquidity policies and Applicable Law, including by way of assignment, transfer, pledge, repledge or creation of a lien on or security interest in such Initial Margin in connection with borrowing, repurchase transactions or other liquidity arrangements to support payment obligations of the Company in respect of Margined Contracts, and (iii) charge and collect any operational fees or expenses incurred by the Company in connection with the deposit by a Member of Margin, and the Company shall have the right to instruct each Settlement Bank to debit the Member Account(s) maintained by such Member, and/or any other account designated by such Member for purposes of this Rule, for any payment of these fees or expenses due to the Company.

D. The methodology used by the Company to calculate Initial Margin shall incorporate at a minimum the following factors, among others as determined by the Chief Risk Officer from time to time consistent with the guidance of the Risk Management Committee and in consultation therewith as appropriate:

1. An estimate of the potential risk exposure of the Company to price movements in a Margined Contract over an estimated liquidation period which shall be no less than five (5)-day liquidation for Margined Contracts that are Swaps or one (1)-day liquidation for Margined Contracts that are futures contracts, or such longer liquidation time as is appropriate based on the specific characteristics of a

particular Margined Contract or Member's positions, or such shorter period as the Commission may approve, and

2. One or more measures designed to limit procyclicality. Further, the Company's procyclicality measures shall be designed to deliver forward looking, stable and prudent Margin requirements that limit procyclicality to the extent that the soundness and financial security of the Company is not negatively affected.

The Company may, in its sole and absolute discretion, reduce the Initial Margin requirements for positions of a Member that the Company has determined to have a sufficient correlation with each other, in accordance with CFTC Regulation 39.13(g)(4), if the Company has determined that the price risks arising from such positions are significantly and reliably correlated and based on such other factors as determined by the Chief Risk Officer, consistent with the guidance of the Risk Management Committee and in consultation therewith as appropriate.

Rule 7.4 **Variation Margin**

Where Margined Contracts are accepted for clearing and the price of such Contracts is less than the settlement price therefor, the selling Member shall be obligated to pay Variation Margin to, and the buying Member shall be entitled to receive Variation Margin from, the Company as set forth in Rule 7.2. Where Margined Contracts are accepted for clearing and the price of such Contracts is greater than the settlement price, the buying Member shall be obligated to pay Variation Margin to, and the selling Member shall be entitled to receive Variation Margin from, the Company as set forth in Rule 7.2. Thereafter, Members shall be obligated to pay or entitled to receive Variation Margin on open Margined Contracts and on Margined Contracts that have been closed on the books of the Company at such times and in such manner as the Company may prescribe. All Variation Margin payments to the Company shall be made in cash. If a Settlement Bank fails to pay Variation Margin on behalf of a Member, such Member will remain obligated to pay such Variation Margin to the Company notwithstanding such failure.

Rule 7.5 **Fully Collateralized Positions**

A. All trades in Fully Collateralized Contracts must, at all times, be fully collateralized. Self Clearing Members must maintain with the Company sufficient funds to fully collateralize their Maximum Downside Exposure for Fully Collateralized Contracts. FCM Members that are trading on a Platform through one of the permitted types of accounts specified in these Rules must maintain sufficient funds to fully collateralize their Maximum Downside Exposure for Fully Collateralized Contracts. The Company will not clear a position in a Fully Collateralized Contract that is not fully collateralized.

B. If a Self-Clearing Member holds Sub-Accounts within their primary account, collateralization checks for orders to trade from such Sub-Accounts will occur on a Sub-Account level.

C. Upon receipt of an Order to trade one or more Fully Collateralized Contracts from an FCM Customer, the FCM Member must ensure that the FCM Customer has on deposit enough funds (as will be set forth in the FCM Member's Member Agreement) to satisfy the full collateralization requirement set forth in this Rule 7.5 before the FCM Member submits the Order to a Platform. These funds must be reserved and made unavailable for uses other than collateralizing such an Order until the Order resolves, either through cancellation, expiry, rejection, or execution. Once the Order resolves, the FCM Member must adjust the reservation of funds on the FCM Customer's account as appropriate.

Rule 7.6 **Collateral**

A. United States dollars is the sole form of acceptable collateral.

B. Except as otherwise provided herein, collateral must be and remain unencumbered, other than the encumbrance in favor of the Company described in this paragraph. Each Participant posting collateral hereby grants to the Company a continuing first priority security interest in, lien on, right of setoff against and collateral assignment of all of such Participant's right, title and interest in and to any property and collateral deposited with the Company by the Participant, whether now owned or existing or hereafter acquired or arising, including without limitation the Participant's account and all securities entitlements held therein, and all proceeds of the foregoing. A Participant shall execute any documents required by the Company to create, perfect and enforce such lien.

C. Each Participant hereby agrees that, with respect to any financial asset which is or may be credited to the Participant's Participant Account, the Company shall have control over such financial asset pursuant to Section 9-106(a) and 8-106(e) of the UCC and a perfected security interest pursuant to Section 9-314(a) of the UCC.

D. The Company will not be responsible for any diminution in value of collateral that a Participant deposits with the Company. Participants acknowledge and agree to bear the risk of market fluctuations.

E. Participants' collateral shall be held in a bank located in the United States and in a manner which minimizes the risk of loss or of delay in the access by the Company to such funds and assets and in a manner consistent with the CEA and CFTC Regulations. Any interest earned on Participant collateral may be retained by the Settlement Bank or the Company.

F. The Company has the right to liquidate a Person's Contracts or non-cash collateral to the extent necessary to close or transfer Contracts, fulfill obligations to the Company or other Participants, and/or to return collateral in the event that, (i) the Person ceases to be a Participant, (ii) the Company suspends or terminates the Person's Clearing Privileges, (iii) the Person's open position in any Contract becomes insufficiently collateralized, or (iv) the Company determines in its sole discretion that it is necessary to liquidate the Contracts or non-cash collateral for such purposes.

G. Collateral transfers made by a Participant to the Company or by the Company to a Participant are irrevocable and unconditional when effected.

Rule 7.7 **Segregation of Participant Funds**

A. Participants' collateral shall be legally and operationally segregated from the property of the Company.

B. Participants' collateral that relates to a Platform shall be legally and operationally segregated from the property of Participants that relate to a different Platform, even in the event that a single Participant is a member of both Platforms and the Company provides Clearing Services to members of both Platforms.

C. The Company shall maintain a proprietary account that will be credited with fees or other payments owed to the Company that are debited from Members's Member Accounts as a result of Participants' trades and settlements of Contracts cleared by the Company. The Company shall maintain a record of all Member Account and Sub-Account balances and each Participant's Contracts.

D. All Futures Customer Collateral deposited by an FCM Member with the Company on behalf of Futures Customers are protected by CFTC Regulation 1.20 and shall be held in accordance with the CEA and CFTC Regulation 1.20 in an account identified as "Customer Segregated." Such Futures Customer Collateral shall be segregated from all other funds held by the Company and treated as belonging to such Futures Customers. Pursuant to this Rule, a Member shall satisfy the segregation acknowledgement letter requirements of the CEA and CFTC Regulation 1.20 for FCM Customer deposits held at the Company.

E. All Cleared Swaps Customer Collateral deposited by an FCM Member with the Company on behalf of Cleared Swaps Customers are protected by CFTC Regulation 22.2 and shall be held in accordance with the CEA and CFTC Regulation 22.2 in an account identified as a "Location of Cleared Swaps Customer Collateral." Such Cleared Swaps Customer Collateral shall be segregated from all other funds held by the Company and treated as belonging to such Cleared Swaps Customers, as required by CFTC Regulation 22.3. Pursuant to this Rule, a Member shall satisfy the segregation acknowledgment letter requirements of the CEA and CFTC Regulation 22.5 for Cleared Swaps Customer deposits held at the Company.

F. All funds deposited by a Self-Clearing Member (including an FCM Member clearing for its Self-Clearing Member Account) shall be segregated from all other funds held by the Company and treated as belonging to Members.

Rule 7.8 **Concentration Limits**

A. The Company will monitor the full range and concentration of its exposures to its Settlement Bank(s) and assess the potential losses and liquidity pressures in the event that the Settlement Bank with the largest share of settlement activity were to fail.

Rule 7.9 **Investment of Participant Funds**

A. The Company may invest Participant funds. Any investment of Participant funds will be made in accordance with the standards and requirements in CFTC Regulations 1.25, 22.1, and 39.15 (or any successor regulations).

B. All investments will be managed consistent with the objectives of preserving the principal amounts and maintaining liquidity.

1. All investments will be able to be converted into cash within one business day without a material discount in value.

2. Investments will be exclusively in U.S. Treasury securities and U.S. government agency securities, reverse repurchase agreements for these securities, and U.S. government money market mutual funds. Under the Company's investment policy, the maximum maturity for any investment security cannot exceed 2 years.

3. All investments will be held at U.S. situs banks.

C. Participants' funds will not, under any circumstances, be commingled with the Company's funds.

D. Klear may pay interest to Members' accounts at a floating rate to be determined by Klear on funds in Participant's accounts in excess of an amount to be determined by Klear. For FCM Customer's funds, the distribution of such interest, if any, will be governed by the agreements between the clearinghouse and the FCM Member, and between the FCM Member and the FCM Customer.

E. Klear will retain all profit from investment of Participant funds not paid to Members.

**Rule 7.10 Separate Account Classes**

For purposes of these Rules, each of the following constitutes a separate account class (references to either or both, as the context requires, an "Account Class"): (i) futures positions executed on or subject to the rules of an exchange that is registered with the CFTC as a DCM and Margin amounts or other collateral held in an account consistent with section 4d(a) of the CEA and CFTC Regulations thereunder ("Futures Account Class"); and (ii) swap positions held in an account consistent with CFTC Part 22 Regulations ("Cleared Swaps Account Class"). Each Account Class is further divided into a FCM Customer class and proprietary class. Pursuant to Rule 7.7-D and E, the Company will hold FCM Customer positions (i) in the Futures Account Class, in segregated accounts protected under CFTC Regulation 1.20 ("Futures Customer Accounts"); and (ii) in the Cleared Swaps Account Class, in Cleared Swaps Customer Accounts protected under the CFTC Part 22 Regulations.

# Chapter 8 BUSINESS CONDUCT AND TRADING PRACTICES

## Rule 8.1 Scope

This Chapter 8 applies to all Transactions except as may be provided herein. Participants and, where applicable, Authorized Users, IBs and Authorized Representatives, shall adhere to and comply fully with this Chapter 8.

## Rule 8.2 Acts Detrimental to the Welfare or Reputation of the Company Prohibited

No Participant, Authorized Representative, IB, Authorized User or ISV shall engage in any Company activity that tends to impair the welfare, reputation, integrity or good name of the Company.

## Rule 8.3 Supervision; Information Sharing

A. A Member that has one or more Authorized Users or IBs shall be responsible for establishing, maintaining and administering reasonable supervisory procedures to ensure that its Authorized Users or IBs comply with these Rules and Applicable Law, and such Member may be held accountable for the actions of such Authorized Users or IBs with respect to the Company.

B. Members, IBs and Authorized Users shall cooperate fully with the Company or a Regulatory Agency in any investigation, call for information, inquiry, audit, examination or proceeding.

C. Members, IBs and Authorized Users shall ensure that any information disclosed to the Company is accurate, complete and consistent. No existing or prospective Member, IB or Authorized User shall make any false statements or misrepresentations in any application, report or other communication to the Company.

## Rule 8.4 Business Conduct

A. Conducting clearing activities in an honorable and principled manner consistent with these Rules is the essence of ethical conduct with respect to the Company. Participants, IBs, Authorized Users, Authorized Representatives, and other Persons subject to the Company's jurisdiction shall act with ethical integrity with regard to their Company activity, and shall adhere to the following ethical standards:

1. A Member, IB, Authorized User, Authorized Representative, and any other Person subject to the Company's jurisdiction shall abstain from engaging in conduct that is a violation of these Rules or Applicable Law, and will conduct its business in accordance with Applicable Law, and in good faith, with a commitment to honest dealing.

2. No Member, IB, Authorized User, Authorized Representative, or other Person subject to the Company's jurisdiction shall engage in any fraudulent act or engage

in any scheme to defraud, deceive, trick or mislead in connection with or related to any Company activity.

## Rule 8.5 **Compliance**

Each Participant and IB shall take appropriate steps to ensure compliance with these rules and Applicable Law. When relevant, Participants and IB shall have a compliance program commensurate with the size and scope of its activities involving the Company and designed to ensure appropriate, timely and ongoing review of trading practices and compliance with the Rules. Each Participant and IB shall act in accordance with these practices for compliance and monitoring with regard to its Company activity:

A. Provide for proper training of personnel on the provisions of the Rules;

B. Maintain internal policies and procedures to promote compliance with the Rules;

C. Promptly disclose to the Company the details of any violations of the Rules involving a Participant's or IB's activities on the Company, including its own activities or those of another Participant or IB, and Participants and IBs shall promptly disclose to the Company the details of any disciplinary sanctions, fines or other related determinations made by a Regulatory Agency or, with respect to Participants and IBs, another market on which such Participant or IB trades or provision of market information to the Company or any of its Affiliates;

D. Provide an environment that encourages employees to engage in safe and confidential discussions and to disclose to senior management any trading practices that might violate the Rules;

E. Require any consultant, contractor and subcontractor to disclose all financial affiliations and conflicts of interest. Ensure that consultants, contractors or subcontractors do not cause any disclosure of information in violation of the Rules, including this code of conduct, and that confidentiality agreements are in effect where appropriate; and

F. Establish clear lines of accountability for trading practices, including provisions relating to the responsibilities of corporate officers, with appropriate oversight by the board of directors or other senior corporate management committee.

# Chapter 9 DISCIPLINE AND ENFORCEMENT

## Rule 9.1 General

A. Market Monitoring

1. The Company shall record and store a record of all data entered into the Platform that is provided to the Company, including the Participant's, IB's, and Authorized User's identity, information on Transactions and any other information required and in accordance with the Company's policies.

2. The Compliance Department will conduct investigations when Compliance Department staff at any time has reason to believe that inappropriate activity of any sort is taking place that relates to the Company or a Platform.

B. Compliance Department

1. The Company has a Compliance Department consisting of one or more compliance staff. The Chief Compliance Officer is responsible for overseeing the Compliance Department and shall report to the Regulatory Oversight Committee and the CEO.

2. The Compliance Department shall investigate activity that it determines could constitute a violation of these Rules and Applicable Laws, and shall enforce the Rules and prosecute possible Rule violations within the Company's disciplinary jurisdiction.

3. The Compliance Department shall conduct periodic reviews of Members and IBs to verify compliance with these Rules. Such reviews may include, but are not limited to, reviews of randomly selected samples of audit trail data, and reviews of account numbers.

C. The Company, through the Compliance Department, Disciplinary Panel, and Appeals Committee, shall conduct inquiries, investigations, disciplinary proceedings, appeals from disciplinary proceedings, summary impositions of fines, summary suspensions, and other summary actions in accordance with this Chapter 9. Any Person subject to the Company's jurisdiction under Rule 3.1 is subject to the Company's disciplinary authority set forth in this Chapter 9.

D. The Company, through the Compliance Department, will commence an investigation upon (i) the discovery or receipt of information that indicates a reasonable basis for finding that a violation may have occurred or will occur, or (ii) the receipt of a request from Commission staff.

E. No Company Official shall interfere with or attempt to influence the process or resolution of any Disciplinary Action, except to the extent provided under these Rules with respect to a proceeding in which a Person is a member of the relevant Disciplinary Panel or Appeals Committee.

F. Representation by Counsel

1. A Respondent, upon being served with a Notice of Charges, has the right to retain and be represented by legal counsel or any other representation of its choosing, except any Director or a member of the Disciplinary Panel or person substantially related to the underlying investigations, such as material witnesses or respondents during such proceedings.

2. In the event of any appeal that requires the Company to retain legal counsel, the Respondent shall be responsible for the reasonable attorney's fees incurred by the Company if the Respondent does not prevail in the dispute.

G. The Company may hold a Participant or IB liable for, and impose sanctions against such Participant or IB, for such Participant's or IB's own acts and omissions that constitute a violation, and with regard to Members for the acts and omissions of each Authorized User, or other agent or representative of such Member, in each case, that constitute a violation as if such violation were that of the Member.

H. Ex Parte Communications

1. A Respondent (and any counsel or representative of such Respondent) and the Compliance Department (and any counsel or representative of the Compliance Department) shall not knowingly make or cause to be made an ex parte communication relevant to the merits of a disciplinary proceeding or an appeal from a disciplinary proceeding to any member of the Disciplinary Panel or the Appeals Committee that hears such proceeding.

2. Members of a Disciplinary Panel or Appeals Committee shall not knowingly make or cause to be made an ex parte communication relevant to the merits of a disciplinary proceeding or an appeal from a disciplinary proceeding to any Respondent (and any counsel or representative of such Respondent) or the Compliance Department (and any counsel or representative of the Compliance Department).

3. Any Person who receives, makes or learns of any communication that is prohibited by this Rule 9.1 shall promptly give notice of such communication and any response thereto to the Compliance Department and all parties to the proceeding to which the communication relates.

4. A Person shall not be deemed to have violated this Rule 9.1 if the Person refuses an attempted communication concerning the merits of a proceeding as soon as it becomes apparent that the communication concerns the merits, and promptly gives notice of such attempt to the Compliance Department.

Rule 9.2 **Investigations**

A. If after review of a suspected violation the Compliance Department determines that there are sufficient grounds to warrant it, the Compliance Department will commence an investigation. The Compliance Department will endeavor to complete any investigation within 12 months of the time a potential Rule violation is suspected, unless there exists significant reason to extend the investigation beyond such period. Upon the conclusion of any investigation, the Compliance Department shall draft a report detailing the facts that led to the opening of the investigation, the facts that were found during the investigation, and the Compliance Department's analysis and conclusion. Such internal report shall be maintained in accordance with Rule 2.14.

B. The Compliance Department has the authority to:

1. initiate and conduct inquiries and investigations;

2. examine books and records of any Person subject to the Company's jurisdiction under Rule 3.1;

3. prepare investigative reports and make recommendations concerning initiating disciplinary proceedings;

4. issue a Notice of Charges to a Respondent;

5. prosecute alleged violations within the Company's disciplinary jurisdiction; and

6. represent the Company on appeal from any disciplinary proceeding, summary imposition of fines, summary suspension or other summary action.

C. Each Person subject to the jurisdiction of the Company:

1. is obligated to appear and testify and respond in writing to interrogatories within the time period required by the Compliance Department in connection with:

    a. any Rule;

    b. any inquiry or investigation; or

    c. any preparation by and presentation during a Disciplinary Action;

2. is obligated to produce books, records, papers, documents or other tangible evidence in its possession, custody or control within the time period required by the Compliance Department in connection with:

    a. any Rule;

    b. any inquiry or investigation; or

c. any preparation by and presentation during a Disciplinary Action; and

3. may not impede or delay any Disciplinary Action.

Rule 9.3 **Disciplinary Panel**

A. If the Respondent disputes the Compliance Department's findings with respect to a Disciplinary Action, the Company shall convene the Disciplinary Panel to adjudicate the findings by the Compliance Department that are under dispute. The Chief Compliance Officer, or an individual designated by the Chief Compliance Officer, may be appointed to argue the matter on behalf of the Company.

1. Members of the Disciplinary Panel shall be individuals that do not have a direct interest (financial, personal or otherwise) in the matter, but in no event may be members of the Compliance Department or any Persons involved in adjudicating any other stage of the same proceeding.

2. In the event that members of the Disciplinary Panel do not satisfy the requirements of Rule 9.3.A.1, then the Regulatory Oversight Committee may substitute a new member for the Disciplinary Panel or act as the Disciplinary Panel, to the extent that the substituted member or the Regulatory Oversight Committee, as the case may be, does not have a direct interest (financial, personal or otherwise) in the matter.

B. Members of the Disciplinary Panel and the Compliance Department may not communicate regarding the merits of a matter brought before the Disciplinary Panel without informing the Respondent who is the subject of the communication of the substance of such communication and allowing the Respondent an opportunity to respond. The Compliance Department may compel testimony, subpoena documents, and require statements under oath from any Respondent or, to the extent the Respondent is a Member, any of its Authorized Users, Authorized Representatives or other employees or agents.

C. The Compliance Department and other Company Representatives working under the supervision of the Compliance Department may not operate under the direction or control of any Member, Authorized User, Authorized Representative, IB, or any other representative of a Member or IB.

Rule 9.4 **Notice of Charges**

A. If the Compliance Department determines that there is reasonable cause to believe that a Respondent has violated these Rules or Applicable Law, the Compliance Department will issue a Notice of Charges to respondent. The Notice of Charges will be sent via email to the Respondent's last known email address. The Notice of Charges shall include:

1. the reason the investigation was initiated;

2. the Rule or Rules alleged to have been violated;

3. the Respondent's response, if any, or a summary of the response;

4. a summary of the investigation conducted;

5. findings of fact and the Compliance Department's conclusions as to each charge, including which of these Rules the Respondent violated, if any;

6. a summary of the Respondent's, and any relevant Authorized User's or Authorized Representative's, disciplinary history, if any;

7. the penalty, if any, proposed by the Compliance Department; and

8. the Respondent's right to a hearing.

B. If the Compliance Department institutes an investigation of any Affiliate of the Company, the Chief Compliance Officer shall notify the Commission's Division of Market Oversight or the Division of Clearing and Risk, as appropriate, or their successor divisions, of that fact. At the conclusion of any such investigation, the Chief Compliance Officer shall provide the Commission's Division of Market Oversight, or the Division of Clearing and Risk, as appropriate, or their successor divisions, with a copy of the report or other documentation specified in Rule 9.2.

Rule 9.5 **Contesting and Appeals**

A. The Respondent subject to the investigation may contest the Notice of Charges by submitting an answer to the Notice of Charges by electronic mail to the Compliance Department within 15 days of receipt of the Notice of Charges. The Respondent's answer must contain a detailed response to the findings and conclusions as to each charge and any other information the Respondent believes is relevant.

B. The Respondent has a right to examine all relevant books, documents, or other evidence in the possession or under the control of the Compliance Department, except that the Compliance Department may withhold from inspection any documents that:

1. are privileged or that constitute attorney work product;

2. were prepared by any Company Representative but which will not be offered in evidence in the disciplinary proceedings;

3. may disclose a technique or guideline used in examinations, investigations, or enforcement proceedings;

4. may disclose the identity of an unrelated Participant or IB;

5. may disclose any confidential information other than Respondent's; or

6. disclose the identity of a confidential source.

C. If the Respondent fails to answer a Notice of Charges, then such failure shall be deemed an admission to the findings in the Notice of Charges, and the Compliance Department's findings and conclusions shall become final and the Compliance Department shall impose the penalty (if any) that it proposes. The Compliance Department shall notify the Respondent of the imposition of any penalty by email sent to Respondent's last known email address.

D. If the findings of the Compliance Department are contested, the Compliance Department's report and the Respondent's response will be submitted to a Disciplinary Panel.

E. The Disciplinary Panel will conduct a fair hearing with the Compliance Department or other Company Representative and the Respondent within 15 calendar days of receipt of the Participant's or IB's answer to the Notice of Charges contesting such Notice of Charges, unless Respondent and the Compliance Department agree to an extension. Parties may attend virtually. The formal rules of evidence shall not apply, but the hearing procedures must not deny a fair hearing.

1. The hearing shall be recorded, and all information submitted by the parties and the recording of the hearing shall be preserved by the Compliance Department, along with the Disciplinary Panel's findings, as the record of the proceedings (the "hearing record") in accordance with Rule 2.14.

2. The hearing record shall be transcribed if requested by the Commission or Respondent, if the decision is appealed pursuant to these Rules, or if the Commission reviews the decision pursuant to Section 8c of the CEA or Part 9 of CFTC Regulations.

F. Prior to the Disciplinary Panel's hearing, the parties may (but need not) submit proposed findings, briefs, and exhibits (including affidavits), and during the hearing the parties may present witnesses. The Respondent is entitled to cross-examine witnesses. Persons within the Company's jurisdiction who are called as witnesses must participate in the hearing and produce evidence within the rules set forth in paragraph B of this Rule. The Compliance Department shall use reasonable efforts to secure the presence of all other witnesses whose testimony would be relevant.

G. Within 14 business days after the Disciplinary Panel's hearing, the Disciplinary Panel shall issue a decision, which shall be delivered to the Respondent by email to Respondent's last known email address. The findings of the Disciplinary Panel shall contain the following information:

1. A brief summary of the hearing;

2. findings and conclusions with respect to each charge, and a complete explanation of the evidence and other basis for such findings and conclusions;

3. a declaration of any penalty to be imposed on the Respondent as the result of the findings and conclusions, including the basis for such penalty;

4. the effective date and duration of that penalty; and

5. a statement that the Respondent has the right to appeal any adverse decision by the Disciplinary Panel to the Appeals Committee within 15 calendar days of receipt of the Disciplinary Panel's decision, and the email addresses to send notice of Respondent's decision to appeal.

H. Either the Respondent or the Compliance Department may appeal the decision of the Disciplinary Panel within 15 calendar days by filing an appeal by email with the Appeals Committee and forwarding a copy to the other parties to the appeal. The Appeals Committee may review a decision on its own initiative. Any penalties shall be stayed pending appeal unless the Regulatory Oversight Committee determines that a stay pending appeal would likely be detrimental to the Company, other Participants, IBs, or the public, in which case the penalty shall apply during the appeal period. The Appeals Committee shall review the hearing record and any information submitted by the Compliance Department or the Company Representative and the Respondent on appeal and issue a decision, which shall be final on the date of such issuance. The Respondent shall be notified of the Appeals Committee's decision by email and the Respondent's last known email address. The hearing record, any information submitted on appeal, and the Appeals Committee's decision shall be preserved as the record on appeal in accordance with Rule 2.14. The decision shall contain:

1. a brief statement of the facts on appeal;

2. findings and conclusions with respect to each charge that was appealed, and a complete explanation of the Appeals Committee's conclusions;

3. the Appeals Committee's determination with regard to each penalty;

4. a statement that any Person aggrieved by the action may have a right to appeal the action pursuant to Part 9 of the Commission's Regulations, within 30 calendar days of service; and

5. a statement that any Person aggrieved by the action may petition the Commission for a stay pursuant to Part 9 of the Commission's Regulations, within ten calendar days of service.

I. Notice of the Appeals Committee's decision will be sent to Respondent via email to Respondent's last known email address. Notice will be sent no later than two business days after the Appeals Committee members sign the decision.

Rule 9.6 **Settlements**

A. The Compliance Department may enter into settlements with any Respondent any time following the issuance of a Notice of Charges and prior to any final decision by the

Appeals Committee. The Respondent may initiate a settlement offer. Any settlement offer shall be forwarded to the Disciplinary Panel with a recommendation by the Compliance Department that the proposed settlement be accepted, rejected, or modified. A settlement offer may be withdrawn at any time before it is accepted by the Disciplinary Panel.

B. The Disciplinary Panel may accept or reject a proposed settlement, and the decision of the Disciplinary Panel shall be final and may not be appealed. In addition, the Disciplinary Panel may propose a modification to the proposed settlement for consideration by the Respondent and the Compliance Department.

C. Any settlement under this Rule shall be in writing and shall state:

1. the Notice of Charges or a summary thereof;

2. the Respondent's answer, if any, or a summary thereof;

3. a summary of the investigation conducted;

4. findings and conclusions as to each charge, including each act the Respondent was found to have committed or omitted, be committing or omitting, or be about to commit or omit, and each of these Rules or Applicable Law that such act or practice violated, is violating, or is about to violate;

5. any penalty imposed and the penalty's effective date; and

6. where customer harm is found to exist, full customer restitution where it can be reasonably determined.

D. Failed settlement negotiations or withdrawn settlement offers, will not prejudice a Respondent or otherwise affect subsequent procedures in the Rule enforcement process.

Rule 9.7 **Notice of Decision**

A. The Compliance Department shall provide to the NFA for inclusion in its Internet-accessible database of disciplinary matters within two Settlement Bank Business Days after a decision becomes final, notice of any decision providing that a Respondent is suspended, expelled, disciplined or denied access to the Company.

B. The Compliance Department shall make public notice of the Disciplinary Action, when the Disciplinary Action becomes final, by posting on its Website the information required by CFTC Regulation 9.11 for a period of five consecutive Settlement Bank Business Days in accordance with CFTC Regulation 9.13.

Rule 9.8 **Penalties**

A. As a result of a Disciplinary Action or as part of a settlement, the Compliance Department may impose one or more of the following penalties, commensurate with the violation committed, in consideration with the Respondent's disciplinary history, and including full customer restitution where customer harm is found and where such restitution can be reasonably determined:

1. a letter of warning, censure, or reprimand (although no more than one such letter may be issued to the same Person found to have committed the same Rule violation within a rolling 12-month period);

2. a fine or penalty for each Rule or Applicable Law violation sufficient to deter recidivism plus the monetary value of any benefit received as a result of the violation or the cost of damages to the unoffending counterparty;

3. suspension of Participant, IB, or a Member's Authorized User status or privileges for a specified period, including partial suspension of such privileges (for example, suspension of Clearing Privileges in particular types of Contracts or of placement of certain types of Orders); and

4. revocation of Participant, IB, or a Member's Authorized User status or privileges, including partial revocation of such privileges (for example, revocation of Clearing Privileges in particular types of Contracts).

B. Penalties that the Company may be separate from any penalty that a Platform imposes.

Rule 9.9 **Summary Suspension**

A. The Compliance Department may summarily suspend or restrict a Participant's, IB's or a Member's Authorized User's privileges if the Chief Compliance Officer believes suspension or restriction is necessary to protect the swaps, commodity futures or options markets, the Company, the public, or other Participants.

B. The Compliance Department may deny or terminate or restrict the status of a Participant, IB or a Member's Authorized User if, (i) such Person is unable to demonstrate its ability to satisfy the applicable criteria set forth in Chapter 3 of these Rules, (ii) such Person is unable to demonstrate its compliance with all other applicable Rules, (iii) such Person's inability to demonstrate compliance with such criteria or Rules would, in the Company's sole discretion, bring the Company into disrepute or cause the Company to fail to be in compliance with the CEA, CFTC Regulations or other laws and regulations, (iv) such Person or any of its Authorized Users, as applicable, has committed a violation of the Rules, or (v) other good cause is shown as the Company may reasonably determine in its discretion.

C. Whenever practicable, the Compliance Department shall notify the Participant, IB or a Member's Authorized User whose privileges are to be summarily suspended by email at the Participant's, IB's or Member's Authorized User's last known email address before the action is taken. If prior notice is not practicable, the Participant, IB or Member's Authorized User shall be served with notice at the earliest opportunity. This notice shall:

1. state the action taken or to be taken;

2. briefly state the reasons for the action;

3. state the time and date when the action became or becomes effective and its duration; and

4. state that any Person aggrieved by the action may petition the Commission for a stay of the effective date of the action pending a hearing pursuant to Part 9 of CFTC Regulations, within ten calendar days of service.

D. In the case of an Authorized User, notice will also be sent to the relevant Member, via email to the Member's last known email address.

E. The Participant, IB or Member's Authorized User whose privileges are to be summarily suspended shall be given an opportunity for appeal under the procedures outlined in Rule 9.5.

Rule 9.10 **Reporting Violations to the Commission**

A. Whenever the Company suspends, expels, fines or otherwise disciplines or denies any Person access to the Company, the Company will make the disclosures required by CFTC Regulations. Without limiting the generality of the foregoing, upon rendering a final decision regarding a disciplinary or access denial action, the Company shall provide notice to the Commission in a form and manner specified by the Commission.

B. The Company will submit to the Commission a schedule listing all those Company Rule violations which constitute disciplinary offenses as defined in paragraph (a)(6)(i) of CFTC Regulation 1.63 and, to the extent necessary to reflect revisions, will submit an amended schedule within thirty days of the end of each calendar year. The Company will maintain the schedule required by this section, and post the schedule on the Company's website.

C. The Company will submit to the Commission, within thirty days of the end of each calendar year, a certified list of any Participants, IBs, or Persons who have been removed from any Disciplinary Panel, the Board or any Company committee pursuant to these Rules or Applicable Law during the prior year.

D. Whenever the Company finds by final decision that a Participant, IB, or Person has violated a Rule or otherwise committed a disciplinary offense, and such finding makes such person ineligible to serve on the Company's Disciplinary Panels, Company committees, or the Board, the Company shall inform the Commission of such finding and the length of the ineligibility in a notice it is required to provide to the Commission pursuant to either CEA Section 17(h)(1) or CFTC Regulation 9.11.

Rule 9.11 **Coordination with Platforms**

The Compliance Department may coordinate rule surveillance and enforcement with Platforms as the Chief Compliance Officer deems appropriate. This includes sharing information, except where prohibited, and analyses. This applies for the Company's Rules, and for a Platform's rules.

Rule 9.12 **Disciplinary Offenses**

Notices of disciplinary decisions sent to Participants, IBs, and a Member's Authorized Users under this Chapter will include whether the violation is considered a disciplinary offense within the meaning of Chapter 2. This will enable any person who has been found to have committed a Rule violation to know whether the person is now disqualified from Company committee service and the duration of any such disqualification.

Rule 9.13 **Reporting Offenses to the CFTC**

Disciplinary offenses will be reported to the CFTC and/or its designee(s).

# Chapter 10 Arbitration

## Rule 10.1 In General

A. Any Claim by a Participant or IB against another Participant of IB (including any related counterclaims) shall be settled by arbitration in accordance with this Chapter 10.

B. Notwithstanding paragraph A, the arbitration panel, in its sole and absolute discretion, may decline to take jurisdiction of, or, having taken jurisdiction may at any time decline to proceed further with, any Claim or any other dispute, controversy or counterclaim, other than such as may be asserted under paragraph A.

C. A Claim brought pursuant to this Rule 10.1 shall be adjudicated by qualified arbitrators appointed in accordance with Rule 10.5 below.

D. Persons to a dispute resolved in accordance with this Chapter 10 shall have the right to retain and be represented by legal counsel or any other representation of its choosing, except any Director or a member of the Disciplinary Panel or person substantially related to the underlying investigations, such as material witnesses or respondents during such proceedings. Persons to a dispute resolved in accordance with this Chapter 10 shall be responsible for their own costs, expenses and attorneys' fees incurred in connection with the dispute. Notwithstanding the foregoing, the Person that prevails shall be entitled to recover from the other party all reasonable costs, expenses and attorneys' fees incurred in any arbitration arising out of or relating to this Chapter 10, and in any legal action or administrative proceeding to enforce any arbitration award or relief.

E. Any award or relief granted by the arbitrators hereunder shall be final and binding on the parties hereto and may be enforced by any court of competent jurisdiction.

F. Notwithstanding the foregoing, this Chapter 10 does not apply to disputes between Participants and/or IBs where:

1. such Persons are required by the rules of a non-Company Self-Regulatory Organization to submit to the dispute resolution procedures of that Self-Regulatory Organization; or

2. such Persons have, by valid and binding agreement, committed to arbitrate or litigate in a forum other than the Company.

G. For purposes of this Chapter 10, the term "Claim" means any dispute which arises out of any Transaction, which dispute does not require for adjudication the presence of essential witnesses or third parties over whom the Company does not have jurisdiction or who are otherwise not available. The term "Claim" does not include disputes arising from underlying commodity transactions which are not a part of, or directly connected with, any Transaction.

Rule 10.2 **Fair and Equitable Arbitration Procedures**

A. A Person desiring to initiate an arbitration as provided in Rule 10.1 shall file a notice of arbitration (a "Notice") within two years from the time the Claim arose. The Notice must set forth the name and address of the party or parties against whom the Claim is being asserted, the nature and substance of the Claim, the relief requested, and the factual and legal bases alleged to underlie such relief.

B. The Notice shall be accompanied by a non-refundable check payable to the Company in payment of the arbitration fee. The amount of the fee shall be, (i) $500 for a Claim requesting relief totaling less than $25,000 in the aggregate or, (ii) $1,000 for a Claim requesting relief totaling $25,000 or more in the aggregate.

C. Upon receipt, the Company shall promptly convene an arbitration panel in accordance with Rule 10.5. The Company shall deliver a copy of the Notice to each other party and to the arbitration panel.

D. Within 20 days following the delivery of the Notice, each respondent shall file a written response (a "Response") with the Company, with a copy to the claimant, setting forth its or his position and any counterclaims, as applicable. If the Response sets forth one or more counterclaims, the claimant shall file within 20 days a written reply to such counterclaims with the Company, with a copy to the respondent.

E. Once each party has had an opportunity to respond to the Claim and all counterclaims, the arbitration panel shall promptly schedule a hearing. Notwithstanding the foregoing, Claims requesting relief totaling less than $5,000 in the aggregate may, in the interests of efficiency and economy, be resolved without a hearing.

F. The chairman of the arbitration panel shall preside over the hearing and shall make such determinations on the relevancy and procedure as will promote a fair and expeditious adjudication.

G. The arbitration panel shall consider all relevant, probative testimony and documents submitted by the parties. The arbitration panel shall not be bound by the formal rules of evidence.

H. The final decision of the panel shall be by majority vote of the arbitrators, as applicable.

I. Within 60 days after the termination of the hearing, the arbitration panel shall render its final decision in writing and deliver a copy thereof either in person or by first-class mail to each of the parties. The arbitration panel may grant any remedy or relief which it deems just and equitable, including, without limitation, the awarding of interest and the arbitration fee.

J. The final decision of the arbitration panel shall not be subject to appeal within the Company.

K. No verbatim record shall be made of the proceedings, unless requested by a party who shall bear the cost of such record.

Rule 10.3 **Withdrawal of Arbitration Claim**

Any Notice may be withdrawn at any time before the Response is filed in accordance with this Chapter 10. If a Response has been filed, any withdrawal shall require the consent of the party against which the Claim is asserted.

Rule 10.4 **Penalties**

A. Any failure on the part of a Person to arbitrate a dispute subject to this Chapter 10, or the commencement by any such Person of a suit in any court prior to arbitrating a case that is required to be arbitrated pursuant to this Chapter 10, violates these Rules and shall subject such Person to disciplinary proceedings pursuant to Chapter 9.

B. A failure to timely satisfy an arbitration award rendered in any arbitration pursuant to this Chapter is a violation of these Rules, and may result in disciplinary action.

Rule 10.5 **Arbitration Panel**

A. On an as-needed basis, the Company shall convene an arbitration panel to adjudicate an arbitration claim under this Chapter 10. For a Claim requesting relief totaling less than $25,000 in the aggregate, the arbitration panel shall consist of one individual. For a Claim requesting relief totaling $25,000 or more in the aggregate, the arbitration panel shall consist of three individuals.

B. Members of the arbitration panel shall be individuals that do not have a direct interest (financial, personal or otherwise) in the matter.

C. Any member of the arbitration panel may disqualify himself for any reason he or she deems appropriate.

D. Each member of the arbitration panel shall conduct himself in a manner consistent with the American Bar Association/American Arbitration Association's "Code of Ethics for Arbitrators in Commercial Disputes," which the Company hereby adopts as its own code of ethics for arbitrators.

E. Each member of the arbitration panel must have no less than five years' experience in the financial services industry, and at least one arbitrator must have no less than five years' experience in the commodity futures or swap industry.

F. In the event that members of the arbitration panel do not satisfy the requirements of this Rule 10.5, then the Regulatory Oversight Committee may substitute a new member for the arbitration panel or act as the arbitration panel, to the extent that the substituted member or the Regulatory Oversight Committee, as the case may be, does not have a direct interest (financial, personal or otherwise) in the matter.

# Chapter 11 [RESERVED]

# Chapter 12 DEFAULT

## Rule 12.1 **Member Defaults**

A. If any of the following events occurs with respect to a Member (regardless of whether any such event is cured by any guarantor or other third party on behalf of such Member or otherwise), the Member shall be in "Default" (a "Defaulting Member"):

1. If such Member fails to meet any of its Obligations under its Contracts with the Company,

2. If the Member is insolvent,

3. If such Member fails to pay when due any amounts owed to the Company, or

4. If such Member fails to make any required deposit to the Guaranty Fund (defined herein) as required by these Rules.

B. Then, and in any such event, such Member shall automatically and without further action be suspended as a Member, except that such suspension may be temporarily postponed by the Chief Risk Officer if the Chief Risk Officer, in consultation with the Risk Management Committee as appropriate, determines that such suspension would not be in the best interests of the Company, in which case the Chief Risk Officer shall immediately call a special meeting of the Board as soon as practicable, at which the Board may reinstitute such suspension or take such other action as may be provided for in the Rules.

C. If the Company determines that such Member is not in compliance with the provisions of Rule 3.2B and that such noncompliance poses an unacceptable risk to the Company, then, in any such event, the Company may declare that the Member is in Default and may determine that such Member shall be suspended as a Member.

D. The Company will provide public notice of a declaration of a Member's Default on the Company's website.

## Rule 12.2 **Liquidation on Termination or Suspension of Member**

A. When a Person ceases to be a Member or is suspended as a Member, such Person shall be prohibited from establishing new positions and all open Contracts carried by the Company for such Member shall be closed out as expeditiously as practicable such that:

1. Open Contracts are transferred by the Member and accepted by one or more other Members, with the prior consent of the Company, or transferred by the Company to one or more other Members pursuant to an auction of the Contracts or other procedure instituted by the Company;

2. The Chief Risk Officer or in the absence of the Chief Risk Officer, any Director with voting authority may, in consultation with the Risk Management Committee

as appropriate, determine that, in his or her opinion, liquidation be deferred for the protection of the financial integrity of the Company; or

3. Open Contracts are liquidated in the manner set forth in Rule 12.3 to the extent that paragraphs (1) and (2) do not apply.

B. If the Company is unable for any reason to liquidate open Contracts of a Person in a prompt and orderly fashion, if the Company determines to delay such liquidation, or if the Company otherwise determines it is appropriate to not liquidate any open Contracts for the protection of the Company or its Members, the Chief Risk Officer or the Chief Risk Officer's designee may, in consultation with the Risk Management Committee as appropriate, authorize the execution from time to time for the account of the Company, solely for the purpose of reducing the risk to the Company resulting from the continued maintenance of such open Contracts, hedging transactions, including, without limitation, the purchase, grant or sale of Contracts or other agreements or instruments (and the modification or termination of such transactions, from time to time). Such officers may delegate to one or more persons the authority to determine, within such guidelines as such officers shall prescribe, the nature and timing of such hedging transactions. Any costs or expenses, including losses, sustained by the Company in connection with transactions effected for its account pursuant to this paragraph shall be charged to such Person (which amounts, if such Person is a Defaulting Member, shall constitute part of the "Defaulted Obligation" (defined herein)), and any gains, net of any costs and expenses, shall be credited to such Person.

Rule 12.3 **Details of Implementation; Method of Closing-Out**

A. While adherence to the provisions of this Chapter 12 shall be mandatory, the detailed implementation of the process of finalizing losses with respect to a Default, including the liquidation, auction or sale of positions or assets of the Defaulting Member, shall be conducted by the Company in accordance with the Rules.

B. Liquidation of open Contracts held for a Member Account (whether for an FCM Member or Self-Member) of a Defaulting Member may occur by one or more of the following methods:

1. Book entry that offsets open Contracts on the books of the Defaulting Member;

2. Liquidation on the open market; and/or

3. Private auctions amongst qualified market participants invited or required by the Company to submit confidential bids. The Company shall have discretion to select the best bid submitted for any portfolio in an auction, based on the totality of the circumstances.

C. The Company may impose Obligations on Members to participate in auctions, or to accept allocations, of the positions of a Defaulting Member, provided that:

1. The Company shall permit a Member to outsource to a qualified third party, authority to act in the Member's place in any auction or allocations, subject to appropriate safeguards imposed by the Company; and

2. The Company shall not require a Member to bid for a portion of, or accept an allocation of, the Defaulting Member's positions that is not proportional to the size of the bidding or accepting Member's positions in the same product class at the Company.

D. All information received by a Member, its affiliate or customer in connection with the Company's liquidation and default management processes shall be treated as confidential.

Rule 12.4 **Guaranty Fund**

A. The Company shall establish and maintain a Guaranty Fund. The Company shall calibrate the size of the Guaranty Fund in a manner designed to ensure that the Company can meet its financial obligations to its Members notwithstanding a Default by the Member creating the largest financial exposure for the Company in extreme but plausible market conditions.

B. As used in this Rule, the following terms have the following meanings:

***1.*** ***Base Uncovered Stress Loss Amount*** means the portion of each Member's Guaranty Fund Deposit Requirement, as defined below, that is based upon the Member's uncovered stress loss, as determined pursuant to the Company's risk policies.

***2.*** ***Base Open Interest Amount*** means the portion of each Member's Guaranty Fund Deposit Requirement, as defined below, that is based upon the Member's maximum recent open interest, as determined pursuant to the Company's risk policies.

***3.*** ***Base Volume Amount*** means the portion of each Member's Guaranty Fund Deposit Requirement, as defined below, that is based upon the volume of Margined Contracts recently cleared by the Member, as determined pursuant to the Company's risk policies.

4. ***Contract Segment*** means (i) Margined Contracts, (ii) Fully Collateralized Contracts, or (iii) any other Contract or groups of Contracts as determined by the Company.

C. Each Member clearing Margined Contracts shall deposit and maintain in the Guaranty Fund an amount calculated as follows:

1. For each Member, the amount to be deposited and maintained in the Guaranty Fund shall be the sum of the Member's Base Uncovered Stress Loss Amount, Base Open Interest Amount, and Base Volume Amount (the "Guaranty Fund Deposit Requirement"), provided that:

a. Each new Member shall be required to deposit such amount as determined by the Risk Management Committee; provided further, that in no event shall the amount of such deposit be less than $1,000,000, or such other amount as the Risk Management Committee may establish from time to time;

b. Subject to such thresholds as may be established by the Risk Management Committee from time to time, a Member whose Guaranty Fund Deposit Requirement has increased relative to its current contribution shall be required to deposit cash to remedy such deficiency.

2. Subject to Rule 2.8, the Risk Management Committee shall have the authority to cause the Guaranty Fund Obligations of all Members to be recalculated at any time, and to require Members to immediately deposit in the Guaranty Fund any amounts required to meet the recalculated Guaranty Fund Deposit Requirements.

3. The Company shall have the authority to define and redefine the Contract Segments and to apportion the Guaranty Fund Deposit Requirement of each Member to the Contract Segment in which the Member holds Contracts. The Company will determine whether a Member holds Contracts in a Contract Segment at the time the Guaranty Fund Deposit Requirement is recalculated. The Company shall provide advance notice to Members when making: (i) a material change to an existing Contract Segment, or (ii) a new Contract Segment. The Company shall not make material changes to a Contract Segment when a Member is in Default and such Default is being actively managed by the Company.

D. Deposits in the Guaranty Fund shall be made by a Member in the form of cash.

E. Guaranty Fund deposits shall be held in a bank approved for the purpose by the Company, in an account or accounts separate from all other cash and securities held by the Company. The Company shall have the sole right to withdraw cash from such account or accounts subject to the rights of any assignee, pledgee or holder of a security interest in the Guaranty Fund or any cash therein.

F. So long as any Person is a Member and thereafter for the period until the Company returns such Person's Guaranty Fund deposits as provided in Rule 3.9, its Guaranty Fund deposits may be applied by the Company:

1. against any amounts that become due from such Person to the Company for any reason (including but not limited to Initial Margin, Variation Margin, fees, Assessments, and fines) at any time it was a Member and for the period until the Company returns such Person's Guaranty Fund deposits as provided in Rule 3.9;

2. against any amounts that are charged as provided in or pursuant to Rule 12.5 against the Guaranty Fund Deposit Requirements of all Members at any time that such Person was a Member and for the period until the Company returns such Person's Guaranty Fund deposits as provided in Rule 3.9; and

3. to provide such funds, on such terms and conditions, as the Board in its discretion, acting by a vote of not less than three-fourths of all Directors eligible to vote, may deem necessary or appropriate to facilitate the transfer of FCM Customer Accounts from a FCM Member experiencing financial difficulty to another Member, if the Board shall determine by such vote that to do so is in the best interest of the Company. For example, subject to Board approval, Guaranty Fund deposits may be contributed to offset part or all of the deficits in the portfolio of FCM Customer Accounts of an FCM Member experiencing financial difficulty in order to facilitate the acceptance and transfer of such portfolio to another FCM Member.

G. The Company may at any time and from time to time assign, transfer, pledge, repledge or otherwise create a lien on or security interest in, the Guaranty Fund and/or the cash and securities held in the Guaranty Fund to secure the repayment of funds borrowed by the Company (plus interest, fees and other amounts payable in connection therewith) or pursuant to a repurchase agreement or similar transaction. Any such borrowing or repurchase agreement or similar transaction shall be on terms and conditions deemed necessary or advisable by the Company (including the collateralization thereof) in its sole discretion, and may be in amounts greater, and extend for periods of time longer, than the obligations, if any, of any Member to the Company for which such cash was pledged to or deposited with the Company. Any funds so borrowed or obtained in repurchase agreements or similar transactions shall be used and applied by the Company solely for the purposes for which cash or securities held in the Guaranty Fund are authorized to be used pursuant to the Rules, including for the purpose of addressing a temporary liquidity mismatch during the default management process; provided that the failure of the Company to use such funds in accordance with this Rule 12.4G shall not impair any of the rights or remedies of any assignee, pledgee or holder of any such lien or security interest or repurchase transaction counterparty. Cash held in the Guaranty Fund, subject to the rights and powers of the Company with respect thereto as set forth in the Rules and any agreements between any Member and the Company, and subject to the rights and powers of any Person to which the Guaranty Fund or any cash held therein shall have been assigned, transferred, pledged, repledged or otherwise subjected to a lien or security interest, shall remain the property of the respective Members depositing such cash and securities.

H. Subject to the rights of any assignee, transferee, pledgee or holder of a lien or security interest as provided in Rule 12.4G, if at any time the amount of any cash on deposit in the Guaranty Fund for any Member:

1. shall exceed the amount required to be on deposit for such Member by more than such amount as the Company may prescribe, the Company will return the excess to such Member upon its written request.

2. shall be less than the amount required to be on deposit for such Member by more than such amount as the Company may prescribe, such Member shall restore the deficiency (including, without limitation, a deficiency caused by the application of such Member's deposits in the Guaranty Fund as described in Rule 12.4F) on

demand (a "Replenishment"); provided, however, that a Member that has withdrawn as a Member shall not be required to restore a deficiency occurring after its Withdrawal Date, subject to any limitations in this Rule 12.4.

I. The Company may invest cash deposited in the Guaranty Fund in securities which are direct obligations of the United States government and may engage in repurchase transactions with any cash on deposit. Any interest, capital gain or other income earned on any such investments or repurchase transactions shall belong and be credited to the Company.

J. If the Guaranty Fund or any part thereof is lost as a result of the insolvency of any bank or other depository, embezzlement, defalcation or any reason other than use pursuant to Rule 12.5, such loss may, in the discretion of the Board, be restored by application of the following sources of funds in the order listed (each such source to be fully utilized before the next following source is applied):

1. Such portion, if any, of the surplus of the Company as the Board determines to be available for such purpose; and

2. Assessments (as defined herein) levied by the Company upon the Members, which Assessments shall be paid to the Company at such time and in such manner as the Board may specify, which shall be no later than the normal end-of-day settlement time for the Business Day on which such Assessment is levied.

K. In the event that the Guaranty Fund or any part thereof shall have been applied as described in Rule 12.4F or shall have been lost as described in Rule 12.4J, and the Company shall thereafter recover any amount so applied or lost from any Person liable therefore, the amount of such recovery (after deducting any expenses, including legal fees and expenses incurred in connection therewith) shall be credited to the Guaranty Fund deposits of each Member in that proportion which the amount required to be on deposit by such Member bears to the amount required to be on deposit by all Members as of the date upon which such application took place or such loss was incurred.

L. Any expense, including legal fees and operational expenses, incurred by the Company in connection with the deposit by a Member of assets into the Guaranty Fund, or the return thereof to such Member, may at the option of the Company be charged to such Member. To collect these fees or expenses the Company shall have the right to instruct each Settlement Bank to debit the Member Account(s) maintained by each Member, and/or any other account designated by such Member for purposes of this Rule, for any payment of these fees or expenses due to the Company.

M. Notwithstanding anything to the contrary herein (but subject to Rule 12.4J-1 above), the Company shall not be liable if the Guaranty Fund or any part thereof and/or any Margin held in a Member Account or other assets provided by or held for the account of a Member are lost or decrease in value as a result of the insolvency or failure of any bank or other depository or third party settlement system. Nothing in this paragraph will limit any liability of the Company for its own gross negligence or willful misconduct.

Rule 12.5 **Monetary Default; Priority of Payments in Default**

A. If any Member, whether an FCM Member or Self-Clearing Member, fails to deposit with, or pay to, the Company in full any Initial Margin, Variation Margin, Guaranty Fund contribution, Assessment or other sum (not including any fees, dues or fines) under or in connection with any Contract, when and as required by or pursuant to the Rules, such failure shall constitute a Default and any payment obligations or losses, whether present or future, actual or contingent, shall constitute the "Defaulted Obligation." If and at such times as the Company has in effect a procedure whereby deposits or payments of sums with or to the Company are effected by having the Company instruct Settlement Banks to transfer funds from Members' accounts with such Settlement Bank directly to the accounts of the Company, a Member shall be deemed to have failed to deposit or pay any sum when and as required if such Settlement Bank fails to wire transfer funds when and as instructed by the Company.

B. For the avoidance of doubt, and pursuant to Rule 12.8:

1. A Defaulted Obligation arising from any FCM Customer's position in any futures Contract held in a Futures Customer Account shall be satisfied by application of Margin, excess Margin, other collateral and settlement variation gains held for the respective Futures Customer in the FCM Member's Futures Customer Account in a manner consistent with section 4d(a) of the CEA and CFTC Regulation 1.20;

2. A Defaulted Obligation arising from any FCM Customer's position in any cleared swap Contract held in a Cleared Swaps Customer Account shall be satisfied by application of Margin, excess Margin, other collateral and settlement variation gains held for the respective Cleared Swaps Customer in the FCM Member's Cleared Swaps Customer Account consistent with Section 4d(f)(2) of the CEA and Part 22 of CFTC Regulations; and

3. A Defaulted Obligation arising in the defaulted Member's proprietary Account Class shall be satisfied from the Margin, excess Margin, other collateral and settlement variation gains held for the Member in its Self-Clearing Member Account.

The Company shall not use Margin amounts or other collateral in any FCM Customer Account Class of a defaulting FCM Member to satisfy a payment obligation to the Company in respect of the defaulting Member's proprietary Account Class, and shall not use Margin amounts or other collateral held in one Account Class for FCM Customers of the defaulting FCM Member to satisfy a payment obligation to the Company in respect of another Account Class for FCM Customers of the defaulting FCM Member.

Any gains or excess collateral within a segregated FCM Customer Account Class following final determination of a defaulting FCM Member's Defaulted Obligation shall remain segregated to the relevant FCM Customer Account Class, where it may be used to satisfy payment obligations arising from such Account Class, but shall not be added to the FCM Member's collateral generally.

C. In the event that at any time a Default occurs on the part of any Defaulting Member, then:

1. The following shall apply:

a. If and to the extent a Default relates to a FCM Customer Account, the Defaulted Obligation shall be reduced in the following priority order:

i. by the Margin, excess Margin, and such other assets of the FCM Customer Account; and

ii. by the Margin, any excess Margin, such other assets of the Self-Clearing Member Account of the FCM Defaulting Member, to the extent such funds have not been exhausted to fulfill the requirements of Rule 12.5C-1(b); and

iii. by the Guaranty Fund deposit of the FCM Defaulting Member.

provided that, any Defaulted Obligation resulting from any (i) Futures Customer's futures position in a Contract held in a Futures Customer Account shall be satisfied by application of the Futures Customer Collateral held for the respective Futures Customer consistent with CFTC Regulation 1.20 and (ii) Cleared Swaps Customer's cleared swap position in a Contract held in a Cleared Swaps Customer Account shall be satisfied by application of the Cleared Swaps Customer Collateral held for the respective Cleared Swaps Customer consistent with CFTC Regulations Part 22. For the avoidance of doubt, any excess funds and assets in the Self-Clearing Member Account of an FCM Defaulting Member shall be applied to cover losses with respect to an FCM Customer's Default, if the relevant FCM Customer's funds and assets are insufficient to cover the Defaulted Obligation. Notwithstanding any other provision of these Rules, neither the Cleared Swaps Customer Collateral of non-defaulting Cleared Swaps Customers nor the Futures Customer Collateral of non-defaulting Futures Customers shall be applied to cover the Defaulted Obligations of a Defaulting Member.

b. If and to the extent a Default relates to a Contract carried in a Self-Clearing Member Account, the Defaulted Obligation shall be reduced in the following priority order:

i. the Margin, excess Margin, and such other assets of the Self-Clearing Member Account; and

ii. the Guaranty Fund deposit of the Self-Clearing Member.

c. The Defaulting Member shall immediately restore any deficiencies in its Margin and Guaranty Fund deposits resulting from any such applications.

d. Margin held by the Company for the Futures Customer Accounts or Cleared Swap Customer Accounts of a FCM Defaulting Member shall not be used to cover losses in the Self-Clearing Member Account of the FCM Defaulting Member.

e. If the Defaulted Obligation is associated with a Contract Segment, the funds described in paragraphs (a)(i),(a)(ii), a(iii), b(i) and b(ii) of this Rule 12.5 associated with a Contract Segment shall first be used to reduce the Defaulted Obligation based on the Contract Segment(s) giving rise to the loss, in accordance with Company procedures.

2. If, after the application of funds in accordance with Rule 12.5C-1 the Defaulted Obligation has not been satisfied, and if the Defaulting Member fails to pay the Company the amount of the deficiency on demand, such Defaulting Member shall continue to be liable therefor, but the amount of the deficiency, until collected from the Defaulting Member, shall be met from the following sources of funds, in the following order of priority, each of which shall be fully utilized before the next following source is applied:

a. the First Tranche Company Contribution (defined herein);

b. subject to Rule 12.4G and the last paragraph of this Rule 12.5C, the Guaranty Fund; in the following priority allocated on a pro rata basis where possible:

i. That portion of the Guaranty Fund allocated to a Contract Segment with a Defaulted Obligation that has not been satisfied (but only to the extent the unsatisfied Defaulted Obligation is associated with a Contract Segment);

ii. The entirety of the Guaranty Fund not applied under Rule 12.5C-2(b)(i).

c. the Second Tranche Company Contribution (defined herein); and

d. assessments levied by the Company upon all the Members (other than the Defaulting Member) as provided in this Rule 12.5 ("Assessments," with the total amount to be assessed at any one time pursuant to this clause (d) an "Assessment Amount").

In the event that the application of funds in accordance with clauses (a) through (d) are inadequate to satisfy the Defaulted Obligation, the Defaulting Member shall continue to be liable therefor, but the amount of the deficiency, until collected from the Defaulting Member, shall be met pursuant to Rule 12.5D and 12.5E below.

For the avoidance of doubt, Company may at any time following the occurrence of a Default and in anticipation of any charge against the Guaranty Fund require Members to post Assessments, subject to the limitations set forth in these Rules in respect of such Assessments.

The "First Tranche Company Contribution" represents the obligation of the Company to provide funds, in an amount not to exceed the greater of $20 million or 10% of the total aggregate value of the Guaranty Fund, to be applied pursuant to paragraph (2)(a), and the "Second Tranche Company Contribution" (together with the First Tranche Company Contribution, the "Company Contributions") represents the obligation of the Company to provide funds, in an amount not to exceed the greater of $20 million or 10% of the total aggregate value of the Guaranty Fund, to be applied pursuant to paragraph 2(c). If the Company Contributions are so applied, the Company will have no obligation to provide additional funds to replenish such contribution or otherwise provide additional funds in respect thereof.

The amount of a Replenishment that each Member must deposit in the Guaranty Fund to satisfy its obligation, pursuant to Rule 12.4H-2, to restore the Guaranty Fund deficiency in the event of the application of some part or all of the Guaranty Fund pursuant to paragraph (b)(ii) (the total Guaranty Fund amount so applied referred to herein as the "Aggregate Guaranty Fund Deficiency") is equal to the Guaranty Fund Deposit Requirement of such Member by reference to three (3) calendar months preceding the Monetary Default.

3. The amount of any Assessment shall be computed by multiplying the Assessment Amount by a fraction, the numerator of which shall be the Member's Guaranty Fund Deposit Requirement determined by reference to the period of three (3) calendar months preceding the Monetary Default, and the denominator of which shall be the total of the Guaranty Fund Deposit Requirements for such period for all Members being assessed. The resulting product shall constitute the amount of the Assessment to be levied on such Member pursuant to this paragraph (3).

4. If the Assessment as determined pursuant to Rule 12.5C-3 would exceed the maximum set forth in Rule 12.5C-5, or if the amount assessed against any Member shall exceed the amount paid by such Member, the excess shall be assessed against the other Members (other than the Defaulting Member and any Member that shall have been assessed the maximum permitted by Rule 12.5C-5) in accordance with such Rule 12.5C-3, as if the excess were the Assessment Amount. Assessments pursuant to this paragraph 12.5C-4 shall be repeated until the entire Assessment Amount shall have been assessed, subject to the maximum limitations on Assessments set forth herein.

5. Notwithstanding anything to the contrary herein, no Member (other than a Defaulting Member) shall be liable to provide Assessments as a result of charges or applications against the Guaranty Fund in respect of a single Default of another Member in an amount exceeding 200% of its Guaranty Fund Deposit

Requirement immediately prior to the occurrence of the Default. Further, no Member, other than a Defaulting Member, shall be liable to provide Assessments as a result of charges or applications against the Guaranty Fund in respect of multiple Monetary Defaults of other Members occurring within six months of each other in an amount exceeding 550% of its Guaranty Fund Deposit Requirement before the first Monetary Default.

6. If in any case, because of the limitations contained in Rule 12.5C-5, the maximum permitted Assessments are less than the Assessment Amount, the Board shall determine what if any further action to take, provided that under no circumstances may the Board levy Assessments on any Member that would exceed such limitations.

7. A Person that withdraws as a Member shall be subject only to Assessments imposed to meet:

   (i) Defaults occurring prior to the Member's Withdrawal Date, subject to the limitations contained in Rule 12.5C-5; and

   (ii) Assessments levied under Rule 12.4J prior to the Member's Withdrawal Date.

8. All Assessments shall be due and payable within such time as the Company may prescribe, which shall be no later than the normal end of day settlement time for the Business Day on which such Assessment is levied. If any Person shall not pay any Assessment when due, such Person shall continue to be liable therefor, but the Company may assess the Members (other than such Person, the Defaulting Member and any Member that shall have been assessed the maximum amount permitted by Rule 12.5C-5) for the unpaid amount in accordance with Rule 12.5C-3 and Rule 12.5C-4, subject to the limitations set forth herein.

9. If, after making any Assessments to meet any Defaulted Obligation owing by a Defaulting Member as referred to in Rule 12.5C-2, or to meet any Assessment not paid as referred to in Rule 12.5C-8, the Company collects the amount of such Defaulted Obligation or such unpaid Assessment in whole or in part from the Person or Persons liable therefor, the Company shall refund the amount so collected (net of any expenses, including without limitation any legal fees incurred in connection therewith) pro rata to the Members that had been assessed to meet such Defaulted Obligation or nonpayment and had paid the amount so assessed.

10. For clarity, Variation Margin Gains Haircutting provided for in Rule 12.5-D and Tear-Ups provided for in Rule 12.5-E are not Assessments and are therefore not subject to the Assessment limits provided in Rule 12.5C-5, Rule 12.7, or Rule 3.9F.

11. The Company shall exercise the same degree of care in the administration, enforcement and collection of any claims against a Defaulting Member, any related guarantor, or its or their insolvency estate with respect to any Defaulted Obligation, unpaid Assessment or other deficiency of the Defaulting Member to the Company (such claims, "Defaulting Member Claims") as it exercises with respect to its own assets that are not subject to allocation pursuant to Rule 12.5C-9 above. In furtherance of the foregoing, the Company may determine, in its reasonable discretion, whether or not to commence, continue, maintain, sell, dispose of or settle or compromise any litigation, arbitration or other action with respect to any Defaulting Member Claim, without the consent of any Member or other person. The Company shall not be liable for losses arising from any error in judgment or for any action taken or omitted to be taken by it with respect to Defaulting Member Claims, except for such losses that result from the Company's gross negligence or willful misconduct. The Company may, in its discretion, assign to Members any Defaulting Member Claim, in whole or in part, and such assignment shall satisfy in full the Company's obligations under Rule 12.5C-9 and this 12.5C-11 with respect to any such claim (or portion thereof) or recoveries therefrom.

12. The Company shall prioritize the use of Assessments collected from Members participating in a Contract Segment with a Defaulted Obligation to meet the Defaulted Obligation associated with that Contract Segment.

D. If at any time following a Default of a Member, the assets available to cover the Defaulted Obligation under Rule 12.5C-2(a) through (d) are insufficient to satisfy the Defaulted Obligation and obligations of the Company to Members as a result of such Default, then the Company, in a manner that is consistent with the requirements of the CEA and the regulations adopted thereunder, conduct its next settlement cycle as described below.

1. If the Defaulted Obligation is associated with a Contract Segment, the settlement cycle described in Rule 12.5D–2 will be conducted for only the Contract Segment associated with the Defaulted Obligation, unless otherwise determined by the Chief Risk Officer.

2. The Company shall provide notice to Members, such notice to be provided on the Company's website, and conduct a settlement cycle to determine settlement prices for all Contracts and the Variation Margin for each Member and, in the case of an FCM Member, its FCM Customers, in accordance with the following:

a. The net Variation Margin the Company owes to a Member (a "Variation Margin Gain"), or the net Variation Margin the Member owes to the Company (a "Variation Margin Loss") shall be determined separately for:

(i) Self-Clearing Member Accounts ("Proprietary Variation Margin Gain" or "Proprietary Variation Margin Loss"),

(ii) each FCM Member's Futures Customer Accounts ("Futures Customer Variation Margin Gain" or "Futures Customer Variation Margin Loss"), and

(iii) the Cleared Swaps Customer Account of each Cleared Swaps Customer of a FCM Member (with respect to each customer, a "Cleared Swaps Customer Variation Margin Gain" or "Cleared Swaps Customer Variation Margin Loss").

b. The Risk Management Committee may determine a maximum amount of position liquidation expenses that may be subtracted from Members' Variation Margin Gains, based upon then existing facts and circumstances, that it deems appropriate to mitigate further disruptions to the markets.

c. The Company shall then notify each Member of the amount of its remaining Assessment and each Member shall pay to the Company all such amounts no later than the time required for the relevant settlement cycle. If a Member does not pay all such amounts to the Company, the Company shall determine such Member to be in Default.

d. If the Variation Margin Loss payments received by the Company exceed the Variation Margin Gains, the Company shall calculate reimbursements of, and distribute, the excess funds in the reverse order of their collection by the Company.

e. If the Variation Margin Gains exceed the amount of Variation Margin Loss payments received by the Company:

(i) the Company shall notify Members and provide an opportunity for Members and their FCM Customers, if applicable, to make voluntary contributions to the Company;

(ii) If the amount of Variation Margin Gains continues to exceed the amount of Variation Margin Loss payments received by the Company, after the Company adds any voluntary contributions from Rule 12.5D–2(e)(i) to the Variation Margin Loss payments, then the Company shall apply Variation Margin Gains Haircuts (as defined below) to the Proprietary Variation Margin Gains, Futures Customer Variation Margin Gains and Cleared Swaps Customer Variation Margin Gains for the current settlement cycle and each successor settlement cycle on the current Business Day and, unless a Bankruptcy Event has occurred, each of the next two Business Days, in accordance with the following:

3. Proprietary Variation Margin Gains, Futures Customer Variation Margin Gains and Cleared Swaps Customer Variation Margin Gains each shall be reduced on a pro rata basis according to the amount of such gains, to result in the aggregate

amount necessary for Variation Margin Loss payments received by the Company to equal Variation Margin Gains payments (such process, a "Variation Margin Gains Haircut").

4. Futures Customer Variation Margin Gains shall be haircut by the Company at the Member Account level of each FCM Member. Each FCM Member shall allocate the haircut of its Futures Customer Variation Margin Gains pro rata among its Futures Customers with net portfolio gains for the relevant settlement cycle;

(i) The Risk Management Committee may instruct the Company to extend or reduce the number of days during which Variation Margin Gains Haircuts are applied, provided that in no circumstance may the Company conduct settlement cycles in which Variation Margin Gains Haircuts are applied for longer than five Business Days; and

**E.** The Company may, at any time following a Default of a Member, notify Members and provide an opportunity for Members to voluntarily agree to have their Self-Clearing Member positions or, with a FCM Customer's consent, to agree to have each such FCM Customer's positions in an FCM Customer Account, extinguished by the Company.

**1.** If Self-Clearing Member or FCM Member positions in Contracts of a Defaulting Member remain open (the "Open Defaulter Positions") following the last settlement cycle conducted pursuant to Rule 12.5-D(e)(ii), the Company shall extinguish the Open Defaulter Position through a partial tear-up process ("Partial Tear-Up") or a full tear-up process ("Full Tear-Up") of Member and FCM Customer positions of non-defaulted Members and non-defaulted FCM Customers of the Defaulting Clearing Member in accordance with the following:

a. The Risk Management Committee shall determine the appropriate scope of each Partial Tear-Up or shall determine that a Full Tear-Up is appropriate. In making such determination, the Risk Management Committee shall consider then existing known facts and circumstances, the furtherance of the integrity of the Company and the stability of the financial system and the legitimate interests of Members and market participants.

b. A Partial Tear-Up may include, but need not be limited to, the following methods:

(i) Line-by-Line Tear-Up against the Open Defaulter Positions to proportionately extinguish Contracts held by non-defaulted Members and the non-defaulted FCM Customers of the Defaulted Member, if the Defaulted Member is an FCM Member, that are opposite to the Open Defaulter Positions and relative to the size of the Open Defaulter Positions; and

(ii) Tear-Up of All Positions in Contracts within a Contract Segment. Extinguish all open positions in Contracts for a product or combination of products.

c. A Full Tear-Up would involve the extinguishment of all open positions in Contracts.

d. The price for Full or Partial Tear-Up (the "Tear-Up Price") shall equal the latest Settlement Price (which could be established at either an intra-day or end of day settlement) as of the date and time of such tear-up ensuring that the position subject to tear-up does not generate any variation margin obligations.

Rule 12.6 **Limited Recourse for Guaranty Fund Products**

A. If a Default occurs, Initial Margin, Variation Margin and the priority of payments described in Rule 12.5 shall be the sole source of payments to cover the Defaulted Obligation until the Defaulted Obligation is fully and finally resolved, as applicable. In the event that Initial Margin, Variation Margin and the priority of payments described in Rule 12.5 are insufficient to cover the Defaulted Obligation, regardless of whether the Company is able to require a Member to cure a deficiency in the Guaranty Fund because of the occurrence of a Bankruptcy Event (as such term is defined in Rule 12.9A), Members and the holders of Contracts shall have no recourse to any other funds or any other entity, including without limitation the Margin or Guaranty Funds that support clearing of other products (including, without limitation, the Margin held by the Company for Fully-Collateralized Contracts), the Company, Kalshi Exchange, or any of its affiliates, other than any amounts recovered as described in Rule 12.6B.

B. Losses caused by the default of a Member are amounts due to the Company from such Member and shall remain legal obligations thereof notwithstanding the Company's recourse to the loss-mutualization provisions of these Rules, and the Company shall take commercially reasonable steps to recover (including claims submitted in an insolvency or resolution proceeding) such amounts. If any portion of these amounts is subsequently recovered by the Company, the net amount of such recovery shall be credited to non-defaulted Members (whether or not they are still Members at the time of recovery) in the following order on a pro rata basis based on (i) the amount of their (and their customers', if applicable) voluntary contributions with respect to such Default, (ii) the amount of their (and their customers', if applicable) Variation Margins Gains Haircuts with respect to such default, (iii) the amount of their Assessments utilized by the Company with respect to such default, and (iv) the amount of their Guaranty Fund contribution utilized by the Company with respect to such default, each in the order listed, and then to the Company for the amount of the Company Contribution utilized by the Company with respect to such default.

Rule 12.7 **Cooling Off Period**

A. As used in this Rule, the following terms shall have the following meanings:

1. *Cooling-Off Period* means the period commencing on the date of the Cooling-Off Period Trigger Event and terminating 30 days thereafter. A Cooling-Off Period shall be automatically extended if a subsequent Cooling-Off Period Trigger Event occurs 30 or fewer Business Days after the previous Cooling-Off Period Trigger Event, in which case the Cooling-Off Period will be extended until the date falling 30 Business Days after such subsequent Cooling-Off Period Trigger Event.

2. *Cooling-Off Period Trigger Event* means (i) any call for an Assessment to be made pursuant to Rule 12.5C-3 arising from a Default or Defaults; or (ii) the occurrence of a Sequential Guaranty Fund Depletion (as defined herein).

3. *Cooling Off Termination Period* means the period commencing on the date of each Cooling-Off Period Trigger Event and terminating 10 Business Days thereafter; provided that if one or more subsequent Cooling-Off Period Trigger Events occur during a Cooling-Off Termination Period, the Cooling-Off Termination Period will be extended until the date that is 10 Business Days after the last such event.

4. *Sequential Guaranty Fund Depletion* means, in respect of a particular Member that is not a Defaulting Member, the occurrence of circumstances in which: (i) there have been two or more Defaults relating to different Members within a period of 30 or fewer Business Days; (ii) contributions to the Guaranty Fund from non-Defaulting Members have been applied in respect of at least two such Defaults; and (iii) the total amount of Replenishments that the Member has as a result paid to the Company to replenish its contributions to the Guaranty Fund exceeds its Guaranty Fund Deposit Requirement prior to the first such Default.

B. Upon the occurrence of any Cooling-Off Period Trigger Event, the Company shall issue a notice to Members of the commencement of the Cooling-Off Period, setting out the date on which such period is scheduled to end (and the date on which the Cooling-Off Termination Period is scheduled to end).

C. From the commencement of, and solely for the duration of, the Cooling-Off Period:

1. The obligation to provide Replenishments under Rule 12.5C-2 shall continue to apply to a Member during the Cooling-Off Period, subject to Rule 12.7D-2.

2. The aggregate of all Assessments due under Rule 12.5C-3 from a Member for all Defaults occurring or declared during the Cooling-Off Period (or resulting in the Cooling-Off Period) and all Replenishments due under Rule 12.5C-2 shall not exceed 550% of the amount of the Member's Guaranty Fund Deposit Requirement immediately prior to the occurrence of the Default or Defaults as a result of which the Cooling-Off Period commenced (with any Assessments or Replenishments levied in respect of the Monetary Default or Defaults as a result of which the Cooling-Off Period commenced being counted towards such maximum amount) (the "Maximum Aggregate Cooling-Off Period Contribution"). A Member that has provided Assessments and/or Replenishments

in such maximum amount in respect of a Cooling-Off Period shall not be liable for any further Replenishments of its contributions to the Guaranty Fund or Assessments in respect of any Default or Defaults occurring or declared during such Cooling-Off Period, regardless of how many additional Defaults take place in such period.

3. For the avoidance of doubt, the per Default cap on Assessments set forth in Rule 12.5C-5 shall apply in respect of each Default occurring or declared during the Cooling-Off Period; and

4. During the Cooling-Off Period, the Company may rebalance, re-set or recalculate Guaranty Fund Deposit Requirements to the Guaranty Fund or the total required contribution amount for purposes of determining liability for Replenishments or Assessments during the Cooling-Off Period; provided that such adjustments will not affect the Maximum Aggregate Cooling-Off Period Contribution or the other limitations provided in this Rule.

Rule 12.8 **Default Management Across Account Classes**

A. Notwithstanding any other provision of these Rules, the procedures set forth in Rule 12.5 shall be conducted separately by the Company with respect to open Contracts and associated Guaranty Fund contributions for different Account Classes (Futures Customer Accounts, Cleared Swaps Customer Accounts, and Self-Clearing Member Accounts). Upon a Default of an FCM Member, the Company may, in accordance with Applicable Law, act immediately to attempt to transfer to alternate Members part or all FCM Customer positions and associated collateral with respect to any FCM Customer Account Class in which there is no Default on payment obligations or shortfall in required collateral, and in such cases the Company shall not apply segregated FCM Customer collateral to any payment obligations arising from a Default in any Self-Clearing Member Account or a different FCM Customer Account Class.

1. If a Default occurs in a Futures Account Class, the Company has the right to liquidate and apply toward the Default all open positions and Margin deposits in the Futures Customer Account of the defaulting FCM Member. Accordingly, positions and Margin deposited by FCM Customers not causing the Default are at risk if there is a Default in the Futures Account Class of their FCM Member. If the Company liquidates positions and/or collateral in the Futures Account Class, any collateral remaining after application to Defaulted Obligations in respect of such Account Class shall be reserved to the Futures Account Class in order to satisfy the claims of non-defaulting FCM Customers in accordance with Applicable Law.

2. Each FCM Member shall cause its Cleared Swaps Customers to establish arrangements to make all Margin payments to the Company through the appropriate Settlement Bank and to keep on file with the Company any direction to transfer its open positions and collateral to another Member.

3. The Company shall treat positions and collateral of the Cleared Swaps Customers of a FCM Member, which has been declared to be in Default, in accordance with Part 22 of CFTC Regulations. Immediately after the Default of a FCM Member, the Company shall cease netting Variation Margin among the Cleared Swaps Customers of the defaulting FCM Member.

4. If the Company ceases to net Variation Margin of the FCM Customers of a defaulting FCM Member, the Company will calculate the Variation Margin obligation owed to each Cleared Swaps Customer ("collects"), and also calculate the Variation Margin obligation owed to the Company by each Cleared Swaps Customer ("pays"). The Company will establish a holding account for Variation Margin collects owed to each Cleared Swaps Customer or, subject to necessary approvals, pay such Variation Margin collects directly to each Cleared Swaps Customer. The Company will collect Cleared Swaps Customer Variation Margin pays from the following sources:

   (a) Directly from the obligated Cleared Swaps Customer in accordance with the arrangements established under Rule 12.8A-2 or by attaching any excess collateral attributable to that customer;

   (b) By means of liquidating the collateral supporting the Cleared Swaps Customer's position attributed to a Cleared Swaps Customer that fails to make a required Variation Margin payment when due. The proceeds of such liquidation shall be used to meet the Cleared Swaps Customer's settlement variation pay obligation to the Company. If the collateral is liquidated, the positions supported by the collateral shall be promptly liquidated.

   Any unmet Cleared Swaps Customer obligation to the Company will be a "Defaulted Obligation," per Rule 12.5-A, and will be cured in accordance with the provisions of Rule 12.5.

5. The Company shall rely on its own books and records to identify the portfolio of rights and obligations arising from the positions of each Cleared Swaps Customer. To the extent the Company's books and records are not available or the Company determines that its books and records are not accurate, the Company shall rely on the information provided by the defaulted FCM Member to identify the portfolio of rights and obligations arising from the positions for each of its Cleared Swaps Customers.

6. Upon liquidating the defaulting FCM Member's Self-Clearing Member Account, any remaining collateral may be applied by the Company to any Defaulted Obligation remaining in the defaulting FCM Member's FCM Customer Account Classes. If the defaulting Base Clearing Member has more than one FCM Customer Account Class that has been declared to have defaulted, proceeds from the defaulting FCM Member's Self-Clearing Member Account shall be divided by the Company pro rata among such FCM Customer Account Classes, based on

their applicable Margin requirements for the clearing cycle immediately prior to the Default.

Rule 12.9 **Close Out Netting**

A. *DCO Insolvency:* If at any time the Company: (i) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding up or liquidation, and, in the case of any such proceeding or petition presented against it, such proceeding or petition results in a judgment of insolvency or bankruptcy or the entry of an Order for Relief or the making of an order for the Company's winding-up or liquidation, or (ii) approves resolutions authorizing any proceeding or petition described in clause (i) above (collectively, a "Bankruptcy Event"), all open positions in the Company shall be closed promptly in accordance with Rule 12.9-D.

B. *Default of the Company*: If at any time the Company fails to comply with an undisputed obligation to pay money or deliver property to a Member that is due and owing in connection with a transaction cleared by the Company, for a period of thirty Business Days from the date that the Company receives notice from the Member of the past due obligation (any such event or a Bankruptcy Event, a "Company Default"), all open positions of the Company shall be closed promptly in accordance with Rule 12.9-D.

C. *Wind-Up of Contracts*: If at any time the Board determines that a winding up (offset) of all outstanding positions at the Company is prudent or desirable or that the Company's clearing service should be terminated, then all open positions at the Company shall be closed promptly in accordance with Rule 12.9-D.

D. Close-Out Time.

1. In the event of the close-out of open positions pursuant to this Rule 12.9, the Company shall issue a notice (a "Termination Notice") specifying the applicable paragraph of this Rule under which close-out will occur, the Termination Time (as defined below) and such other matters as the Company determines appropriate.

2. The date and time of close out under this Rule 12.9-D (the "Termination Time") shall be as follows:

   a. in the case of close-out as a result of a Bankruptcy Event, at 5 p.m., New York time on the second Business Day following the date of the Bankruptcy Event;

   b. in the case of close-out as a result of a Company Default under Rule 12.9-B, at 5 p.m., New York time, on the fifth Business Day after the date the Company received notice of the relevant past due obligation;

c. in the case of close-out pursuant to Rule 12.9-C, the time specified in the Termination Notice, which shall be within one Business Day after issuance of such notice (and if no time is specified, 5 p.m. New York time on the Business Day following issuance of such notice).

3. Upon and with effect immediately as from the Termination Time, each open position subject to termination under this Rule 12.9 shall be automatically terminated at the Termination Price (defined below), without the need for any further step by any party to such position. All positions open immediately prior to the close-out shall be valued in accordance with the procedures of Rules 12.9-E and F.

E. At such time as a Member's positions are terminated pursuant to this Rule 12.9, the obligations of the Company to a Member in respect of all of its proprietary positions, accounts, collateral and deposits to the Guaranty Fund shall be netted, in accordance with the Bankruptcy Code, the CEA and regulations adopted thereunder in each case, against the obligations of that Member in respect of its proprietary and, if the Member is an FCM Member, FCM Customer positions, accounts, collateral and its obligations to the Company. All obligations of the Company to a FCM Member in respect of its FCM Customer positions, accounts, and collateral shall be separately netted against the positions, accounts and collateral of its FCM Customers in accordance with the requirements of the Bankruptcy Code, the CEA and regulations adopted thereunder in each case. As of the Termination Time for a Member's positions, the authority of the Company, pursuant to Rule 12.5 to make new assessments and/or require a Member to cure a deficiency in its Guaranty Fund deposit shall terminate, but without limiting the obligations of Members to make such contributions or assessments for which the obligation arose prior to the Termination Time.

F. As of the Termination, the Company shall fix a U.S. dollar amount (the "Close-Out Amount") to be paid to or received from the Company by each Member, after taking into account all applicable netting and offsetting pursuant to Rule 12.9-E. The Company shall value open positions subject to close-out at a price (the "Termination Price") that is the market price for the relevant market at the Termination Time, assuming the relevant markets were operating normally at such time. If the relevant markets were not operating normally at such moment, in the Company's reasonable judgment, the Company shall determine the Termination Price by exercising its discretion, acting in good faith and in a commercially reasonable manner, in adopting methods of valuation expected to produce reasonably accurate substitutes for the values that would have been obtained from the relevant market if it were operating normally. In determining a Close-Out Amount, the Company may consider any information that it deems relevant, including, but not limited to, any of the following: (i) prices for similar Contracts trading on other markets; (ii) quotations from leading dealers in the Contract, setting forth the price (which may be a dealing price or an indicative price) that the quoting dealer would charge or pay for a specified quantity of the Contract; (iii) relevant historical and current market data for the relevant market, provided by reputable outside sources or generated internally; and (iv) values derived from theoretical pricing models using available prices for the underlying interest or a related interest and other relevant data. If a Member owes the Close-Out Amount, it shall promptly pay that amount to the Company upon demand.

G. *Interpretations in Relation to FDICIA*. The Company intends that certain provisions of this Rule 12.9 be interpreted in relation to the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"), as amended, as follows:

1. The Company is a "clearing organization."

2. An obligation of a Member to make a payment to the Company, or of the Company to make a payment to a Member, subject to a netting agreement, is "covered clearing obligation" and a "covered contractual payment obligation."

3. An entitlement of a Member to receive payments from the Company, or of the Company to receive a payment from a Member, subject to a netting contract, is a "covered contractual payment entitlement."

4. The Company is a "member," and each Member is a "member."

5. The amount by which the covered contractual payment obligations of a member or the Company exceed the covered contractual payment entitlements of such Member or the Company after netting under a netting contract is its "net obligation."

6. The Rules of the Company, including this Rule 12.9 are a "netting contract."

# Chapter 13 MISCELLANEOUS

## Rule 13.1 Prohibited Conduct for Company Employees, Directors, and Consultants.

A. Prohibited conduct for Company employees:

1. Company employees are prohibited from trading, directly or indirectly, in any Contract cleared by the Company.

2. Company employees are prohibited from Trading, directly or indirectly, in any contract traded on any DCM or SEF or cleared by a DCO if the employee has access to material, non-public information concerning the contract.

3. Company employees are prohibited from disclosing to any other Person, any material, non-public information which such employee obtains as a result of his or her employment at the Company where such employee has or should have a reasonable expectation that the information disclosed may assist another person in trading any commodity interest. This Rule does not prohibit disclosures made in the course of an employee's duties, or disclosures made to another self-regulatory organization, linked exchange, court of competent jurisdiction or representative of any agency or department of the federal or state government acting in his or her official capacity.

4. Exceptions to trading prohibitions-

   i. Trading by related entities of the Company is allowed on any Platform if the rules of the Platform include provisions for such trading. For example, an entity that is related to the Company and a Platform is allowed to trade on the Platform if the rules of a Platform allow for trading on Platform by a related entity.

   ii. Contractors that provide services for the Company that have no connection to the Company's Clearing Services and do not have access to any material information are excepted from trading prohibitions. For example, a Person contracted with the Company to provide carpet cleaning services is excepted from the trading prohibitions of this Rule.

   iii. The Chief Compliance Officer (or, in the case of an exception for the Chief Compliance Officer, the Board) may grant exceptions to the trading prohibitions in this Rule, if the Chief Compliance Officer determines that the exemption would not be contrary to the purposes of the CEA, CFTC Regulations, the public interest, and just and equitable principles of trade.

iv. As noted in paragraph B of this Rule, under no circumstances is any Person allowed to trade on the basis of any material, non-public, information.

B. Prohibited Conduct - Employees, Directors, and Consultants

a. Company employees, Directors, and consultants are prohibited from trading for such Person's own account, or for or on behalf of any other account, in any commodity interest, on the basis of any material, non-public information obtained through special access related to the performance of such Person's official duties as an employee, Directors, committee member, or consultant of the Company.

b. Company employees, Directors, and consultants are prohibited from disclosing for any purpose inconsistent with the performance of such Person's official duties as an employee, Directors, committee member, or consultant of the Company, any material, non-public information obtained through special access related to the performance of such duties.

c. No Person shall trade for such Person's own account, or for or on behalf of any other account, in any commodity interest, on the basis of any material, non-public information that such Person knows was obtained in violation of this Rule from an employee, Directors, committee member, or consultant of the Company.

C. As used in this Rule, the following terms have the following meanings:

a. ***Commodity interest*** means any commodity futures, commodity option or swap contract traded on or subject to the rules of a DCM, SEF or linked exchange, or cleared by a DCO, or cash commodities traded on or subject to the rules of a board of trade which has been designated as a DCM.

b. ***Company Employee*** means any employee or contractor of the Company, and does not include a Person who is only a Director, a Person who is only a member of a committee, or a Person who is only a consultant.

c. ***Material information*** means information which, if such information were publicly known, would be considered important by a reasonable person in deciding whether to trade a particular commodity interest on a DCM or an SEF, or to clear a swap or futures contract through a DCO. Material information includes, but is not limited to, information relating to present or anticipated cash positions, commodity interests, trading strategies, the financial condition of members of self-regulatory organizations or members of linked exchanges or their customers, or the regulatory actions or proposed regulatory actions of a self-regulatory organization or a linked exchange.

d. ***Non-public information*** means information which has not been disseminated in a manner which makes it generally available to the trading public.

Rule 13.2 **Property Rights**

A. Each Participant and each IB, on behalf of itself and each of its Affiliates, Authorized Users and other Persons affiliated with any of the foregoing, hereby acknowledges and agrees that the Company owns and shall retain all right, title and interest in and to the Company, all components thereof, including, without limitation, all related applications, all application programming interfaces, user interface designs, software and source code and any and all intellectual property rights therein, including, without limitation, all registered or unregistered, as applicable, (i) copyrights, (ii) trademarks, (iii) service marks, (iv) trade secrets, (v) trade names, (vi) data or database rights, (vii) design rights, (viii) moral rights, (ix) inventions, whether or not capable of protection by patent or registration, (x) rights in commercial information or technical information, including know-how, research and development data and manufacturing methods, (xi) patents, and (xii) other intellectual property and ownership rights, including applications for the grant of any of the same, in or to the Company and all other related proprietary rights of the Company and/or any of its Affiliates (together, with any and all enhancements, corrections, bug fixes, updates and other modifications to any of the foregoing and any and all data or information of any kind, other than Proprietary Data and Personal Information, transmitted by means of any of the foregoing, including, without limitation, market data, the "Proprietary Information"). Each Participant and each IB, on behalf of itself and each of its Affiliates, Authorized Users and other Persons affiliated with any of the foregoing, further acknowledges and agrees that the Proprietary Information is the exclusive, valuable and confidential property of the Company. Each Participant and each IB acknowledges and agrees that it shall not, and it shall not permit its Affiliates, Authorized Users and other Persons affiliated with any of the foregoing, to reverse engineer, copy, bug fix, correct, update, transfer, reproduce, republish, broadcast, create derivative works based on or otherwise modify, in any manner, all or any part of the Company or the Proprietary Information. Each Participant and each IB further agrees to, and agrees to cause each of its Affiliates, Authorized Users and other Persons affiliated with any of the foregoing to, keep the Proprietary Information confidential and not to transfer, rent, lease, copy, loan, sell or distribute, directly or indirectly, all or any portion of the Company or any Proprietary Information.

B. Subject to the provisions of this Rule, each Participant and each IB, on behalf of itself and each of its Affiliates, Authorized Users, and other Persons affiliated with any of the foregoing, hereby acknowledges and agrees that the Company is the owner of all rights, title and interest in and to all intellectual property and other proprietary rights (including all copyright, patent, trademark or trade secret rights) in market data, and all derivative works based thereon, and further agrees not to distribute, create derivative works based on, or otherwise use or commercially exploit market data and any such derivative works, provided that Participants, Affiliates, Authorized Users, IBs and such other Persons may use market data for their own internal business purposes. Without limiting the generality of the foregoing, Participants, Affiliates, Authorized Users, IBs and other Persons affiliated with any of the foregoing may not distribute, sell or retransmit market data exchange to any third party.

C. Notwithstanding any other provision of this Rule, each Participant, IB, and Authorized User retains such rights as it may enjoy under Applicable Law with respect to market data solely in the form such market data was submitted to the Company by such Participant, IB, or Authorized User.

D. Transaction Data shall not be disclosed publicly other than on an aggregated or anonymous basis, or in a manner that does not directly or indirectly identify any market participant who has submitted such data.

E. The Company shall not condition access to the Company upon a Participant's consent for the Company to the use of Proprietary Data and Personal Information for business or marketing purposes. Proprietary Data and Personal Information may not be used by the Company for business and marketing purposes unless the market participant has clearly consented to the use of Proprietary Data and Personal Information in such manner. The Company, where necessary, for regulatory purposes, may share Proprietary Data and Personal Information with one or more DCMs, SEFs, or other similar entities, or associations such as the Intermarket Surveillance Group. Further, nothing in this Rule shall preclude the Company from disclosing Proprietary Data and Personal Information: (i) as required by Applicable Law or legal process, (ii) as the Company may deem necessary or appropriate in connection with any litigation affecting the Company, (iii) to any Company Representative authorized to receive such information within the scope of his or her duties, (iv) to a third party performing regulatory or operational services for the Company, provided that such party has executed a confidentiality and non-disclosure agreement in a form approved by the Company, (v) to a duly authorized representative of the CFTC lawfully requesting Proprietary Data and Personal Information, (vi) in a manner in which a market participant consents to such disclosure, (vii) pursuant to the terms of an information-sharing agreement, or (viii) as permitted by CFTC Regulations.

Rule 13.3 **Signatures**

Rather than rely on an original signature, the Company may elect to rely on a signature that is transmitted, recorded or stored by any electronic, optical, or similar means (including but not limited to telecopy, imaging, photocopying, electronic mail, electronic data interchange, telegram, or telex) as if it were (and the signature shall be considered and have the same effect as) a valid and binding original.

Rule 13.4 **Governing Law**

The Rules, and the rights and Obligations of the Company, Participants and IBs under the Rules, shall be governed by, and construed in accordance with, the laws of the State of New York without regard to any provisions of New York law that would apply the substantive law of a different jurisdiction. The State of New York is the "securities intermediary's jurisdiction" within the meaning of Section 8-110(e) of the UCC for all purposes of the UCC.

Rule 13.5 **Legal Proceedings**

A. Any action, suit or proceeding against the Company, its Officers, Directors, limited liability company members, employees, agents, or any member of any committee must be brought within one year from the time that a cause of action has accrued. Any such action, suit or proceeding shall be brought in the State or Federal courts located within the City of New York, New York. Each Participant, IB and Authorized User expressly consents to the jurisdiction of any such court, waives any objection to venue therein, and waives any right it may have to a trial by jury.

B. In the event that a Participant, IB or Authorized User or an Affiliate of such Person fails to prevail in a lawsuit or other legal proceeding instituted by such Participant, IB, Authorized User or such Affiliate against, (i) the Company or, (ii) any Affiliate of the Company or any of its respective officers, directors, equity holders, employees, agents, or any member of any committee, related to the business of the Company, such Participant, IB, or Authorized User shall pay to the Company all reasonable costs and expenses, including attorneys' fees, incurred by the Company in the defense of such proceeding. This Rule 13.5 shall not apply to Company disciplinary actions, appeals thereof, or an instance in which the Board has granted a waiver of the provisions hereof.

C. The Company will provide to the Commission copies of documents pertaining to Company-related pending legal proceedings as required under CFTC Regulation 1.60.

Rule 13.6 **LIMITATION OF LIABILITY; NO WARRANTIES**

A. EXCEPT AS OTHERWISE SET FORTH IN THE RULES, OR DUE TO COMPANY OBLIGATIONS ARISING FROM THE ACT OR CFTC REGULATIONS, INCLUDING, WITHOUT LIMITATION, PART 39 OF CFTC REGULATIONS, OR OTHERWISE UNDER APPLICABLE LAW, NEITHER THE COMPANY NOR ANY OF ITS COMPANY REPRESENTATIVES, AFFILIATES OR AFFILIATES' REPRESENTATIVES SHALL BE LIABLE TO ANY PERSON, OR ANY PARTNER, DIRECTOR, OFFICER, AGENT, EMPLOYEE, AUTHORIZED USER OR AUTHORIZED REPRESENTATIVE THEREOF, FOR ANY LOSS, DAMAGE, INJURY, DELAY, COST, EXPENSE, OR OTHER LIABILITY OR CLAIM, WHETHER IN CONTRACT, TORT OR RESTITUTION, OR UNDER ANY OTHER CAUSE OF ACTION, SUFFERED BY OR MADE AGAINST THEM AS A RESULT OF THEIR USE OF SOME OR ALL OF THE PLATFORM OR THE WEBSITE AND BY MAKING USE OF THE PLATFORM OR THE WEBSITE, SUCH PERSONS EXPRESSLY AGREE TO ACCEPT ALL LIABILITY ARISING FROM THEIR USE OF SAME.

B. EXCEPT AS OTHERWISE SET FORTH IN THESE RULES OR DUE TO COMPANY OBLIGATIONS ARISING FROM THE ACT OR CFTC REGULATIONS, INCLUDING, WITHOUT LIMITATION, PART 39 OF CFTC REGULATIONS, OR OTHERWISE UNDER APPLICABLE LAW, NEITHER THE COMPANY NOR ANY OF ITS COMPANY REPRESENTATIVES, AFFILIATES OR AFFILIATES' REPRESENTATIVES SHALL BE LIABLE TO ANY PERSON, OR ANY PARTNER,

DIRECTOR, OFFICER, AGENT, EMPLOYEE, AUTHORIZED USER OR AUTHORIZED REPRESENTATIVE THEREOF, FOR ANY LOSS, DAMAGE, INJURY, DELAY, COST, EXPENSE, OR OTHER LIABILITY OR CLAIM, WHETHER IN CONTRACT, TORT OR RESTITUTION, OR UNDER ANY OTHER CAUSE OF ACTION, SUFFERED BY OR MADE AGAINST THEM, ARISING FROM (A) ANY FAILURE OR NON-AVAILABILITY OF THE PLATFORM OR WEBSITE; (B) ANY ACT OR OMISSION ON THE PART OF THE COMPANY, COMPANY REPRESENTATIVES, AFFILIATES OR AFFILIATES' REPRESENTATIVES INCLUDING WITHOUT LIMITATION A DECISION OF THE COMPANY TO VOID, NULLIFY OR CANCEL ORDERS OR TRADES IN WHOLE OR IN PART; (C) ANY ERRORS OR INACCURACIES IN INFORMATION PROVIDED BY THE COMPANY, AFFILIATES, THE PLATFORM, OR THE WEBSITE; (D) UNAUTHORIZED ACCESS TO OR UNAUTHORIZED USE OF THE PLATFORM OR WEBSITE BY ANY PERSON; (E) ANY FORCE MAJEURE EVENT; OR (F) ANY LOSS TO ANY PARTICIPANT OR INTRODUCING BROKER RESULTING FROM A PARTICIPANT'S OR INTRODUCING BROKER'S OWN SECURITY OR THE INTEGRITY OF A PARTICIPANT'S OR INTRODUCING BROKER'S TECHNOLOGY OR TECHNOLOGY SYSTEMS. THIS LIMITATION OF LIABILITY WILL APPLY REGARDLESS OF WHETHER OR NOT THE COMPANY, ANY COMPANY REPRESENTATIVES, ANY COMPANY AFFILIATES OR AFFILIATES' REPRESENTATIVES (OR ANY DESIGNEE THEREOF) WAS ADVISED OF OR OTHERWISE MIGHT HAVE ANTICIPATED THE POSSIBILITY OF SUCH DAMAGES.

C. A PERSON'S USE OF THE PLATFORM OR THE WEBSITE, COMPANY PROPERTY AND ANY OTHER INFORMATION AND MATERIALS PROVIDED BY THE COMPANY IS AT THE PERSON'S OWN RISK, AND THE PLATFORM, THE WEBSITE, THE COMPANY PROPERTY AND ANY OTHER INFORMATION AND MATERIALS PROVIDED BY THE COMPANY HEREUNDER ARE PROVIDED ON AN "AS IS" AND "AS AVAILABLE" BASIS, WITHOUT WARRANTIES OR REPRESENTATIONS OF ANY KIND, EXPRESS OR IMPLIED, BY STATUTE, COMMON LAW OR OTHERWISE, INCLUDING ALL IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE AND NON-INFRINGEMENT, AND ANY WARRANTIES ARISING FROM A COURSE OF DEALING, USAGE OR TRADE PRACTICE. THE COMPANY DOES NOT GUARANTEE THAT (A) THE COMPANY PROPERTY, THE PLATFORM, OR THE WEBSITE WILL OPERATE IN AN ERROR-FREE, SECURE OR UNINTERRUPTED MANNER; (B) ANY INFORMATION OR MATERIALS PROVIDED BY THE COMPANY OR ACCESSIBLE THROUGH THE COMPANY PROPERTY, THE PLATFORM, OR THE WEBSITE WILL BE ACCURATE, COMPLETE, RELIABLE, OR TIMELY; OR (C) THE COMPANY PROPERTY OR ANY ASPECTS OF THE PLATFORM OR THE WEBSITE WILL BE FREE FROM VIRUSES OR OTHER HARMFUL COMPONENTS. THE COMPANY SHALL HAVE NO LIABILITY FOR THE CREDITWORTHINESS OF ANY PERSON OR FOR THE ACTS OR OMISSIONS OF ANY PERSON UTILIZING THE PLATFORM, THE WEBSITE, OR ANY ASPECT OF THE COMPANY, PLATFORM, OR WEBSITE. A PERSON

ACCESSING THE COMPANY IS SOLELY RESPONSIBLE FOR THE SECURITY AND INTEGRITY OF THE PERSON'S TECHNOLOGY. A PERSON'S ACCESS TO THE COMPANY MAY BE INTERNET-BASED AND THE COMPANY HAS NO CONTROL OVER THE INTERNET OR A PERSON'S CONNECTIONS THERETO. ANY PERSON ACCESSING THE COMPANY ACKNOWLEDGES THAT THE INTERNET, COMPUTER NETWORKS, AND COMMUNICATIONS LINKS AND DEVICES NECESSARY TO ENABLE A PERSON TO ACCESS AND USE THE PLATFORM AND THE WEBSITE ARE INHERENTLY INSECURE AND VULNERABLE TO ATTEMPTS AT UNAUTHORIZED ENTRY AND THAT NO FORM OF PROTECTION CAN ENSURE THAT A PARTICIPANT'S DATA, HARDWARE, OR SOFTWARE OR THE PLATFORM OR OTHER COMPANY PROPERTY WILL BE FULLY SECURE. FURTHERMORE, THE COMPANY SHALL HAVE NO OBLIGATION TO MONITOR OR VERIFY ANY INFORMATION DISPLAYED THROUGH THE PLATFORM OR THE WEBSITE.

D. A PARTICIPANT THAT HAS COLLATERAL DEPOSITED FOR ITS BENEFIT WITH THE COMPANY PURSUANT TO THESE RULES SHALL HOLD THE COMPANY HARMLESS FROM ALL LIABILITY, LOSSES AND DAMAGES WHICH MAY RESULT FROM OR ARISE WITH RESPECT TO THE CARE AND SALE OF SUCH COLLATERAL PROVIDED THAT THE COMPANY HAS ACTED REASONABLY AND IN ACCORDANCE WITH APPLICABLE LAW UNDER THE CIRCUMSTANCES. FURTHERMORE, THE COMPANY HAS NO RESPONSIBILITY FOR ANY ACT OR OMISSION OF ANY THIRD PARTY SERVICE PROVIDER THAT THE COMPANY HAS CHOSEN WITH REASONABLE CARE. THE COMPANY HAS NO RESPONSIBILITY OR LIABILITY FOR ANY LOSS OF COLLATERAL THAT RESULTS, DIRECTLY OR INDIRECTLY, FROM A BREACH TO A PARTICIPANT'S SECURITY OR ELECTRONIC SYSTEMS, INCLUDING BUT NOT LIMITED TO CYBER ATTACKS, OR FROM A PARTICIPANT'S NEGLIGENCE WITH RESPECT TO A WALLET, ADDRESS OR THE RECEIPT OF COLLATERAL UPON THE REQUEST OF A WITHDRAWAL, OR FROM A PARTICIPANT'S DEPOSIT, MISTAKE, ERROR, NEGLIGENCE, OR MISCONDUCT WITH RESPECT TO ANY COLLATERAL TRANSFERS A PARTICIPANT MAKES OR ATTEMPTS TO MAKE TO THE COMPANY.

E. NO PARTICIPANT, INTRODUCING BROKER, AUTHORIZED USER, AUTHORIZED REPRESENTATIVE OR ANY OTHER PERSON SHALL BE ENTITLED TO COMMENCE OR CARRY ON ANY PROCEEDING AGAINST THE COMPANY, ANY OF ITS COMPANY REPRESENTATIVES, AFFILIATES OR AFFILIATES' REPRESENTATIVES, IN RESPECT OF ANY ACT, OMISSION, PENALTY OR REMEDY IMPOSED PURSUANT TO THE RULES OF THE COMPANY. THIS SECTION SHALL NOT RESTRICT THE RIGHT OF SUCH PERSONS TO APPLY FOR A REVIEW OF A DIRECTION, ORDER OR DECISION OF THE COMPANY BY A COMPETENT REGULATORY AUTHORITY.

F. NOTWITHSTANDING ANYTHING TO THE CONTRARY HEREIN, IN NO EVENT SHALL THE COMPANY OR ANY OF ITS COMPANY REPRESENTATIVES,

AFFILIATES OR AFFILIATES' REPRESENTATIVES BE LIABLE FOR ANY INDIRECT, INCIDENTAL, CONSEQUENTIAL, PUNITIVE OR SPECIAL DAMAGES (WHETHER OR NOT THE COMPANY OR ANY SUCH PERSON HAD BEEN INFORMED OR NOTIFIED OR WAS AWARE OF THE POSSIBILITY OF SUCH DAMAGES).

G. ANY CLAIM FOR REDRESS OR DAMAGES HEREUNDER SHALL BE FILED IN A COURT OF COMPETENT JURISDICTION WITHIN ONE YEAR OF THE DATE ON WHICH SUCH CLAIM ALLEGEDLY AROSE. FAILURE TO INSTITUTE LITIGATION WITHIN SUCH TIME PERIOD SHALL BE DEEMED TO BE A WAIVER OF SUCH CLAIM AND THE CLAIM SHALL BE OF NO FURTHER FORCE OR EFFECT. THE ALLOCATIONS OF LIABILITY IN THIS RULE REPRESENT THE AGREED AND BARGAINED FOR UNDERSTANDING OF THE PARTIES, AND EACH PARTY ACKNOWLEDGES THAT THE OTHER PARTY'S RIGHTS AND OBLIGATIONS HEREUNDER REFLECT SUCH ALLOCATIONS. THE PARTIES AGREE THAT THEY WILL NOT ALLEGE THAT THIS REMEDY FAILS ITS ESSENTIAL PURPOSE.

H. THE LIMITATIONS ON LIABILITY IN THIS RULE SHALL NOT PROTECT ANY PARTY FOR WHICH THERE HAS BEEN A FINAL DETERMINATION (INCLUDING EXHAUSTION OF ANY APPEALS) BY A COURT OR ARBITRATOR TO HAVE ENGAGED IN WILLFUL OR WANTON MISCONDUCT OR FRAUD. ADDITIONALLY, THE FOREGOING LIMITATIONS ON LIABILITY OF THIS RULE SHALL BE SUBJECT TO THE CEA AND THE REGULATIONS PROMULGATED THEREUNDER, EACH AS IN EFFECT FROM TIME TO TIME.

Rule 13.7 **Error Trade Policy**

A. NEITHER THE COMPANY NOR ANY OF ITS REPRESENTATIVES, ITS AFFILIATES OR ITS AFFILIATES' REPRESENTATIVES SHALL BE LIABLE TO ANY PERSON, OR ANY PARTNER, DIRECTOR, OFFICER, AGENT, EMPLOYEE, AUTHORIZED USER OR AUTHORIZED REPRESENTATIVE THEREOF, FOR ANY LOSS, DAMAGE, INJURY, DELAY, COST, EXPENSE, OR OTHER LIABILITY OR CLAIM, WHETHER IN CONTRACT, TORT OR RESTITUTION, OR UNDER ANY OTHER CAUSE OF ACTION, SUFFERED BY OR MADE AGAINST THEM ARISING FROM ANY ACT OR OMISSION ON THE PART OF THE COMPANY, ITS REPRESENTATIVES, ITS AFFILIATES, ITS AFFILIATES' REPRESENTATIVES, OR ANY SEF OR DCM CLEARING THROUGH THE COMPANY RELATING TO ANY DECISION BY THE COMPANY TO, OR TO NOT, VOID, NULLIFY OR CANCEL ORDERS OR TRADES OR ADJUST THE PRICES OF ANY TRADES IN WHOLE OR IN PART. THIS LIMITATION OF LIABILITY WILL APPLY REGARDLESS OF WHETHER OR NOT THE COMPANY, ITS REPRESENTATIVES, ITS AFFILIATES OR ITS AFFILIATES' REPRESENTATIVES (OR ANY DESIGNEE THEREOF), OR ANY SEF OR DCM CLEARING THROUGH THE COMPANY WERE ADVISED OF OR OTHERWISE MIGHT HAVE ANTICIPATED THE POSSIBILITY OF SUCH DAMAGES.

Rule 13.8 **Canceling Cleared Trades**

All requests to cancel cleared trades must be directed to the relevant Member.

Rule 13.9 **Amendments to the Rules**

These Rules may be amended or repealed, or new Rules may be adopted. An amendment to a Rule, repeal of a Rule or adoption of a new Rule shall be effective on a date set forth by the Company, and set forth in a Notice and on the Website or on the Platform's website.

Rule 13.10 **Transfer of Trades**

A. The Chief Compliance Officer, or his or her designee may, upon request by the Members, approve a transfer of existing trades and collateral either on the books of the same Member, or from the books of one Member to the books of another Member if the transfer is, (i) between accounts with identical beneficial ownership or, (ii) in connection with, or as a result of, an asset purchase, corporate restructuring, consolidation or similar non-recurring transaction between two or more entities. Such a transfer must meet each of the following conditions:

1. The transfer must result in the transfer of all existing open positions and collateral in the transferor account;

2. Immediately prior to the transfer, the transferee account must not have any existing open positions or collateral; and

3. All trades involved in the transfer must remain fully collateralized upon completion of the transfer.

B. Provided that the transfer is permitted pursuant to paragraph (A) above, the transactions must be recorded and carried on the books of the receiving Member at the original trade dates with the original trade prices.

C. All transfers shall be reported to the Company in a form acceptable to the Company for the type of transactions involved. The Members involved shall maintain a full and complete record of all transactions together with all pertinent memoranda.

Rule 13.11 **Contracts Not Voidable**

A Contract will not be void or voidable due to: (1) a violation by the Company or Platform of the provisions of sections 5 or 5h of the CEA or Parts 37, 38, or 39 of CFTC Regulations; (2) any CFTC proceeding to alter or supplement a rule, term or condition under section 8a(7) of the CEA or to declare an emergency under section 8a(9) of the CEA; or (3) any other proceeding the effect of which is to: (i) alter or supplement a specific term or condition or trading rule or procedures, or (ii) require the Company or Platform to adopt a specific term or condition, trading rule or procedure, or to take or refrain from taking a specific action.