

Chapter 1 Definitions and Interpretation

1.1 Definitions

In these Rules, the following terms have the following meanings:

Adjudication Committee means the adjudication committee of the Exchange appointed in accordance with Rule 3.11.

Affiliate in relation to a person, means an undertaking in the same group as that person.

Appeal Committee means the appeal committee of the Exchange appointed in accordance with Rule 3.12.

Applicable AML Requirements means all legislation, regulations and rules applicable to a Member relating to the prevention of money laundering.

Approved Handheld means a handheld electronic pad for the recording and transmission of transaction information by Floor Members into the Exchange's systems, approved by the Board for use on the Floor from time to time.

Arbitration Panel means any person or panel empowered by an RIE, any other exchange or any other regulated or self-regulated body to arbitrate disputes involving their members or customers.

Arbitration Rules means the Rules set out in Chapter 5.

Authorised Terminal User,

- (i) in connection with access to the Electronic Trading Platform via the trading graphical user interface (**GUI** or **front end trading application**) provided by NYMEX, Inc. on behalf of the Exchange, means those employees and agents of the Electronic Member that an Electronic Member has designated to serve as terminal operators and has properly notified to the Exchange and the NCSCC in the manner provided by the Exchange; or
- (ii) in connection with access to the Electronic Trading Platform via a front end trading application that is proprietary to the Electronic Member or provided by a third party and that is certified by the NYMEX, Inc. on behalf of the Exchange, means those individuals or entities (including, without limitation, the Electronic Member's Customers, employees, agents and independent contractors) that the Electronic Member has authorised to access the Electronic Trading Platform via a Certified Application and has properly notified to the Exchange and the NCSCC in the manner provided by the Exchange.

Board means the board of directors of NYMEX Europe.

Business Conduct Committee means the committee of that name established by the Board.

Business Day means a day on which banks are open for business in London.

CCO (or **Chief Compliance Officer**) means the Exchange employee appointed as chief compliance officer by the Board from time to time.

CEA means the US Commodity Exchange Act.

CEO (or **Chief Executive Officer**) means the Exchange employee or director appointed as chief executive officer by the Board from time to time.

Certified Application means any front-end trading application, provided by the Electronic Member or a third party, via which the Electronic Member and/or its Authorised Terminal Users may access the Electronic Trading Platform (and all modifications of such application), the connection of which to the Electronic Trading Platform:

- (i) has been certified by NYMEX, Inc. on behalf of the Exchange in accordance with the Exchange's current technical certification procedures, as prescribed by the Exchange, and
- (ii) meets the Exchange's credit control and audit trail requirements.

CEA means the US Commodities Exchange Act, 7 U.S.C. §1, et seq.

CFTC means the Commodity Futures Trading Commission mandated by the CEA.

Chairman means the chairman of the Board.

Clearing 21® (or C21®) means the NYMEX system used for clearing Exchange and NYMEX, Inc. trades from time to time.

Clearing House means NYMEX, Inc. in its capacity as clearing house for transactions entered into on the Exchange.

Clearing House Board means the board of directors of the Clearing House.

Clearing House Rules means the rules and bye-laws of the Clearing House in force from time to time.

Clearing Member means a clearing member of the Clearing House.

Clerk means a Non-Member who is employed by any Member as a Telephone Clerk, a Write-Up Clerk, a Runner or any other category of Clerk determined by the Board from time to time.

Close means, in relation to any delivery month for any Exchange Contract, the end of the period designated by the Board for determining its Closing Range in the RTH Trading Session.

Closing Range means in relation to any delivery month for any Exchange Contract, the price range set between the High and Low occurring during the period of an RTH Trading Session designated for such purpose by the Board and, unless otherwise notified, the Closing Range for Brent Crude Oil Futures and Options and Gasoil Futures is determined by reference to the following periods.

Nearby Delivery Months	Brent Crude Oil		Gasoil Futures
	Futures	Options	
1st	Last minute (of an RTH Trading Session)		
2nd	2nd last minute		
3rd	3rd last minute		
4th	4th last minute		
5th	5th last minute		5th last minute
6th			6th last minute
7th-10th			7th last minute

Nearby Delivery Months	Brent Crude Oil		Gasoil Futures
	Futures	Options	
11th + remaining months			8th last minute

Compliance Department has the meaning given to it in Rule 7.6.

Compliance Review Committee means the committee of that name appointed in accordance with Chapter 3.

Confidential 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 any exchange or trading facility. This includes, but is not limited to, information relating to present or anticipated cash, Futures or Option positions, trading strategies, the financial condition of members of linked or competing exchanges or their customers or the regulatory actions or proposed regulatory actions of a linked or competing exchange.

Contract Market means a board of trade designated by the CFTC as a contract market under the Commodity Exchange Act or in accordance with the provisions of Part 33 of Chapter 1 of the Code of Federal Regulations.

Contract Month in relation to any Exchange Contract means such months as determined by the Board.

Controlled Account has the meaning given to it in Rule 3.10.

Controller means, in relation to a firm or other undertaking ("A"), a person who falls within any of the following categories, namely where the person:

- (i) holds ten per cent (10%) or more of the shares in A; or
- (ii) is able to exercise significant influence over the management of A through his shareholding in A; or
- (iii) holds ten per cent (10%) or more of the shares in a Parent Undertaking (**P**) of A; or
- (iv) is able to exercise significant influence over the management of P through his shareholding in P; or
- (v) is entitled to exercise, or control the exercise of, ten per cent (10%) or more of the voting power in A; or
- (vi) is able to exercise significant influence over the management of A through his voting power in A; or
- (vii) is entitled to exercise, or control the exercise of, ten per cent (10%) or more of the voting power in P; or
- (viii) is able to exercise significant influence over the management of P through his voting power in P.

Corresponding Contract means, in relation to a Market Contract between one party as buyer and another as seller (each acting as principal), a contract in the terms of an Exchange Contract on the same terms between such persons save in respect of the price or as to any premium, where the first such party is the seller and the other is the buyer.

Current Market Price means, in relation to any delivery month and any Exchange Contract traded on the Exchange Floor, the current bid or offer price or the latest traded price (as the context may require), determined in accordance with procedures established by the Floor Committee from time to time, and **Current Bid** and **Current Offer Price** shall be construed accordingly.

CTI Code (or **Customer Type Indicator Code**) means information about a Customer which must be included on an Order Ticket and in accordance with Rule 6.11, and **CTI 1**, **CTI 2**, **CTI 3** and **CTI 4** shall be construed accordingly.

Current Spread Differential means in relation to any spread transactions in Exchange Contracts traded on the Exchange Floor, the price difference between the Exchange Contracts comprising the spread transactions currently executed on the Exchange Floor, determined in accordance with procedures established by the Floor Committee from time to time.

Current Strip Price means in relation to any Strip Transaction, the current price for such transactions determined in accordance with procedures established by the Floor Committee from time to time.

Customer means a customer of a Member or a Designated Non-Member.

Customer Account, for the purposes of Chapter 3, has the meaning given to it in Rule 3.10.

Default Committee means the committee designated by the Board as such pursuant to the Default Rules.

Defaulter means a Member or Designated Non-Member who has been declared to be a defaulter pursuant to the Default Rules.

Default Rules means the Rules set out in Chapter 8.

Default Settlement Amount has the meaning given to it in Rule 8.8.

De Minimis Position, for the purposes of Chapter 3, has the meaning given to it in Rule 3.10.

Deputy Chairman means the deputy chairman of the Board.

Designated Non-Member means a person (other than a Member) designated under the Default Rules or by the Board as such for the purposes of section 155(2) of the Companies Act 1989 in respect of any contracts specified in such designation.

Disciplinary Committee means any person or committee that is authorised by an RIE, any other exchange or any other regulated or self-regulated body to issue disciplinary charges, to conduct disciplinary proceedings, to settle disciplinary charges, to impose disciplinary sanctions or to hear appeals thereof, and in the case of the Exchange, shall include, but not be limited to, the Adjudication Committee the Business Conduct Committee, the Appeal Committee and the Floor Committee.

Discretionary Order means an order for which the Member executing it does not have specific consent, but which is governed by a prior agreement between the Member and the person giving the order.

dollar or **\$** means the lawful currency of the US for the time being, and **cent** means a denomination equal to one-tenth ($\frac{1}{10}$) of one (1) dollar.

EFP has the meaning given to it in Rule 6.23.

EFS has the meaning given to it in Rule 6.23.

Electronic Broker means a person who has been authorised by the Exchange to obtain access to the Electronic Trading Platform to trade: (i) on its own account as principal; (ii) as principal or agent for the account of any Customer; or (iii) as agent on the account of any of its Affiliates or of any other Member.

Electronic Member means an Electronic Trader or an Electronic Broker.

Electronic Trader means a person who has been authorised by the Exchange to obtain access to the Electronic Trading Platform to trade on its own account as principal or as agent on the account of any of its Affiliates or of any other Member.

Electronic Trading Platform or **Electronic Trading System** means NYMEX ACCESS®, NYMEX ClearPort® Trading or any other electronic system for the trading of the Exchange Contracts provided by the Exchange under licence from NYMEX, Inc. in place of it.

Electronic Trading Privileges means the right attaching to an individual who is or is employed by an Electronic Member to trade on the Electronic Trading Platform.

Electronic Trading Session means a Trading Session for trading by means of the Electronic Trading Platform.

End of Week Trading Session means a Trading Session on the Exchange Floor held in accordance with Rule 6.4.

Error Trade has the meaning given to it in Rule 6.19.

EOO has the meaning given to it in Rule 6.23.

Event of Default has the meaning given to it in Rule 8.6.

Exchange means, for the purposes of the Rules, the exchange operated by NYMEX Europe.

Exchange Contract means a contract admitted to trading on the Exchange.

Exchange Floor means the open outcry facility operated by the Exchange.

Failure, in relation to an Electronic Member or Authorised Terminal User, has the meaning set out in Rule 7.41.

Financial Interest, for the purposes of Chapter 3, has the meaning given to it in Rule 3.10.

Firm means a corporation, partnership, association, sole proprietorship or other legal entity, but not a natural person.

Floor Broker means a person with one or more Floor Trading Privileges to trade (i) on its own account as principal; (ii) as principal or agent on the account of any Customer; or (iii) as agent on the account of any of its Affiliates or of any other Member.

Floor Committee means the committee appointed as such by the Board from time to time, consisting of floor traders.

Floor Manager means the floor staff employed to carry out the floor management function on the Exchange from time to time.

Floor Member means a Floor Broker or a Floor Trader.

floor trader means any individual exercising Floor Trading Privileges as, or on behalf of, a Floor Member.

Floor Trader means a person with one or more Floor Trading Privileges to trade on its own account as principal or as agent on the account of its Affiliates or other Members.

Floor Trading Privileges means the right, attaching to an individual who is, or is employed by a Floor Member, to trade on the Exchange Floor.

FSA means the UK Financial Services Authority created under the FSMA.

FSMA means the UK Financial Services and Markets Act 2000 as amended or replaced from time to time.

Futures Contract means a commodity futures contract admitted to trading on the Exchange and **Future** and **Futures** shall be construed accordingly.

Futures Spread means any spread transaction involving the sale and purchase of two (2) or more Futures contracts in relation to the same underlying commodity for different delivery months, consisting of the simultaneous conclusion of one or more such contracts at a stated price differential for a single account.

General Manager means the Exchange employee appointed as general manager by the Board from time to time.

Hearing Panel means the panel appointed to hear and decide disciplinary matters by the chairman of the Adjudication Committee in accordance with paragraph (B) of Rule 3.11.

High means, in respect of any Exchange Contract, any delivery month and any Trading Session (or trading period), the highest price at which any transaction in that Exchange Contract is reported during that Trading Session (or trading period) for that delivery month.

Holdings means NYMEX Holdings, Inc.

Insolvency Event means in respect of a person, any of:

- (i) its failing to pay or being unable to pay its debts as they become due;
- (ii) its admitting that it is unable to pay its debts generally or as they become due or its becoming or being deemed to become unable to pay his debts for the purposes of section 123 of the Insolvency Act 1986 or under the laws of any other jurisdiction;
- (iii) its making a general assignment for the benefit of, entering into a reorganisation, arrangement or composition with creditors;
- (iv) any proceedings being commenced or steps being taken by or against that person seeking or proposing to adjudicate it bankrupt or insolvent, or seeking or proposition liquidation, winding-up, reorganisation, dissolution, administration, arrangement, adjustment, protection, moratorium or similar relief or composition of it or its debts or seeking the entry of an order for relief or the appointment of a receiver, receiver and manager, liquidator, provisional liquidator, administrator, custodian, trustee, examiner, conservator or other similar official of it or any substantial part of its revenues and/or assets;
- (v) any sequestration, distress, execution attachment or other process being enforced or levied against such person or against any substantial part of its assets or revenues and not being discharged within five (5) days of being so enforced or levied;
- (vi) its taking any action or step to authorise, institute or commence any of the actions referred to above, including its passing of any resolution for such person's winding-up, official management or liquidation;

- (vii) its taking any action in furtherance of or indicating its consent to, approval of or acquiescence in any of the above; or
- (viii) such person's death, adjudication of mental incapacity or dissolution or, where its existence depends on any formal registration, such registration being removed or ceasing to be in force,

in each case whether under the laws relating to bankruptcy, insolvency or reorganisation or relief of debtors of the country of incorporation or domicile of the person or under the laws of any other jurisdiction or otherwise, and includes any event which with the giving of notice or the lapse of time would be an Insolvency Event.

Intercommodity Spread means any spread transaction involving two (2) or more Futures Contracts in relation to different underlying commodities, consisting of the simultaneous conclusion of one or more such contracts at a stated price differential for a single account.

Inter-Exchange Arbitrage or **IXA Trade** has the meaning given to it set out in Rule 6.33.

IPE means the International Petroleum Exchange Limited.

Large Trader Report means the report that Clearing Members are required to submit to the Clearing House in machine readable format at 8:00 a.m. New York time every morning if they, any Omnibus Account or any Customer, holds or controls a position is equal to, or in excess of the reporting limit.

Local means a Floor Trader who is an individual or company with at least ninety per cent (90%) of the issued share capital of which is beneficially held by a single individual or entities with no share capital, and at least ninety per cent (90%) of the votes exercisable at its general meetings are exercisable by a single individual.

Low means, in respect of any Exchange Contract, any delivery month and any Trading Session, the lowest price at which any transaction in that Exchange Contract is reported during that Trading Session for that delivery month.

Major Offence means any of the offences set out in paragraph (F) of Rule 7.5.

Market Abuse Requirements means all legislation, regulations and rules applicable to a Member relating to the prevention of market abuse, including (without limitation) Part VIII of the FSMA and the FSA Code of Market Conduct.

Market Contract means a contract in the terms of an Exchange Contract entered into by a Member or Designated Non-Member which are either:

- (i) contracts made on the Exchange;
- (ii) contracts made on an exchange to whose undertaking the Exchange has succeeded whether by amalgamation, merger or otherwise;
- (iii) contracts in the making of which the Member or Designated Non-Member was subject to the Rules; and

for the avoidance of doubt:

- (a) contracts between the Clearing House and any Designated Non-Member or other Clearing Member are not Market Contracts; and
- (b) where any Market Contract is entered into for a number of lots, it shall be regarded as a series of separate Market Contracts each in respect of one lot.

Market-If-Touched Order means an order expressed to be a market-if-touched order or an MIT order by the person giving it, and **MIT** shall be construed accordingly.

Market Order means an order expressed to be a market order or an at market order by the person giving it.

Matching System means programs and database in the Electronic Trading Platform that accept, match and report execution of orders in the Electronic Trading System.

Member means a Floor Member, a Non-Floor Member or an Electronic Member.

Member Firm means any Firm who is a Member.

Membership means current membership of the Exchange.

Membership Department means the membership department of the Exchange from time to time.

Minor Offence means any of the offences set out in paragraph (G) of Rule 7.5.

Named Party in Interest, for the purposes of Chapter 3, has the meaning given it in Rule 3.10.

NEON means the system of that name approved by the Board for use by Floor Members in receiving and recording Client orders.

Net Capital means in relation to an undertaking assets less liabilities calculated in accordance with accounting principles, concepts, bases and policies generally adopted and accepted in the jurisdiction of its organisation.

NFA means the US National Futures Association.

Non-Floor Member means a person who is not a Floor Member and who does not have any Floor Trading Privileges but has the right to trade with or through a Floor Member.

Notice of Intention to Deliver in relation to an Exchange Contract, means a notice of intention to deliver in the form prescribed by these Rules for that Exchange Contract to be given by a short Clearing Member to the Clearing House.

Notice of Intention to Accept in relation to an Exchange Contract, means a notice of intention to accept in the form prescribed by these Rules for that Exchange Contract to be given by a long Clearing Member to the Clearing House.

NCSCC means the NYMEX, Inc. Customer Services Call Center which supports the Electronic Trading Platform.

NYMEX ClearPort® Trading or **NYMEX ClearPort® Clearing** means, respectively, the electronic trading and clearing systems of NYMEX, Inc. of those names.

NYMEX Europe means NYMEX Europe Limited.

NYMEX, Inc. means The New York Mercantile Exchange, Inc.

NYMEX, Inc. Rules means Rules issued by NYMEX, Inc. in force from time to time.

Omnibus Account means an account in the name of a Member with a Clearing Member in which that Member carries Customer accounts.

Open means in relation to any delivery month for any Exchange Contract, the period of trading in respect of it at or around the commencement of a RTH Trading Session (used to determine the High and Low for the purposes the Opening Range) designated by the Floor Committee.

Opening Range means in relation to any delivery month for any Exchange Contract, the price range set between the High and Low occurring during the Open for that delivery month and Exchange Contract.

Options Contract means a commodity options contract admitted to trading on the Exchange and **Option** and **Options** shall be construed accordingly.

Options-Futures Spread means any spread transaction (within the combinations herein defined) involving at least one (1) Futures contract and at least one (1) Options contract on the same underlying Futures contract, consisting of the simultaneous conclusion of one (1) or more such contracts at a stated price differential for a single account. The combinations are:

- (i) long calls (puts) and short (long) futures in a generally accepted spread ratio;
- (ii) short calls (puts) and long (short) futures in a generally accepted spread ratio; and
- (iii) long (short) puts, short (long) calls, and long (short) futures as a conversion (or reverse conversion).

Options Settlement Premium means, in relation to any Options contract and any delivery month, the Options Settlement Premium determined by the Settlement Price Committee in accordance with Rule.

Options Spread means any spread transaction involving two (2) or more Options contracts, consisting of the simultaneous conclusion of one (1) or more such contracts at a stated price differential for a single account.

Order Ticket means (i) in respect of telephone orders, the ticket completed by a Floor Broker's clerk containing the details specified in Rule; and (ii) in respect of electronically transmitted orders, the ticket automatically printed by NEON.

OTC means over-the-counter.

Outsourcing Agreement means the agreement between NYMEX, Inc. and NYMEX Europe for the outsourcing of NYMEX, Europe's Market Surveillance function.

Out-Trade has the meaning given to it in Rule 6.19.

Oversight Panel means any panel established by a RIE or self-regulatory organisation to review, recommend or establish policies or procedures with respect to the self-regulatory organisation's surveillance, compliance, rule, enforcement or disciplinary responsibilities. The term Oversight Panel shall include, but not be limited to, the Compliance Review Committee.

Parent Undertaking means a parent undertaking within the meaning of section 258 of the Companies Act 1985.

Password means any password assigned to an Electronic Member by the NCSCC.

person includes individuals, associations, partnerships, corporations and trusts.

Pit Card means that part of the Trading Card which is labelled pit card.

Pit Chairman means a member of the Floor Committee appointed by the chairman of the Floor Committee to act as such in relation to trading in an Exchange Contract in the relevant pit.

Pit Supervisor means, in relation to any Exchange Contract, the floor staff employed to supervise trading and price reporting in the pit in which that Exchange Contract is traded on the Exchange Floor.

Post-Close Trading Session means a Trading Session on the Exchange Floor following an RTH Trading Session held in accordance with Rule 6.3.

pounds sterling or **£** means the lawful currency of the United Kingdom for the time being.

President means the president of the Clearing House from time to time.

Price Fluctuation Limits means the price fluctuation limits specified in Chapters 9 and 10 in relation to each Exchange Contract.

price range has the meaning given to it in paragraph (C)(4) of Rule 6.7.

PRS (or Price Reporting System) means the price reporting system used by the Exchange from time to time for the dissemination of price data in respect of Exchange Contracts.

Primary Clearing Member (or PCM) has the meaning given to it under the Clearing House Rules.

Proceeds of Crime Act means the UK Proceeds of Crime Act 2002.

Product Advisory Committee means a product advisory committees of the Exchange appointed in accordance with Rule 3.16.

RAO means the Financial Services and Markets Act (Regulated Activities) Order 2001 as amended and supplemented from time to time.

RCH (or Recognised Clearing House) means a recognised clearing house within the meaning of Section 285 of the FSMA.

Recognition Requirements means the FSA's Sourcebook: Recognised Investment Exchanges and Recognised Clearing Houses (**REC**); and the Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges and Clearing Houses) Regulations 2001.

Relevant Office-Holder has the meaning given to it in section 189 of the Companies Act 1989.

RIE (or Recognised Investment Exchange) means a recognised investment exchange within the meaning of section 285 of the FSMA.

RTH (or Regular Trading Hours) means the regular trading hours in respect of any Exchange Contract specified by the Board from time to time pursuant to Rule 6.2.

RTH Trading Session means a Trading Session on the Exchange Floor during Regular Trading Hours.

Rules means the rules issued by the Exchange in force from time to time.

Runner means a Non-Member who is employed by a Floor Broker, and whose duties include (but are not limited to) delivering and retrieving Customer order tickets and Customer order information to Floor Brokers.

SA means the US Securities Act 1933.

SEC means the Securities and Exchange Commission established under the SA.

Settlement Premium in relation to any Option, the settlement premium determined in accordance with Rule 6.27.

Settlement Price means, in relation to any Future and delivery month, the settlement price determined in relation to it in accordance with Rules 6.25 and 6.26 and, in respect of the last Trading Day, for such contract in accordance with the relevant contract specification in Chapter 10 of these Rules.

Settlement Price Committee means the committee established in accordance with Rule 6.25.

Specified Time Order means an order expressed to be a specified time order or a fill-or-kill order by the person giving it, or an order expressed to be executable only on or during the Open or on the Close or during the Closing Range.

Spread or **Spread Transaction** means an Intercommodity Spread, a Futures Spread, an Options Spread or an Options-Futures Spread.

Stop Limit Order means an order expressed to be a stop limit order by the person giving it.

Stop Order means an order expressed to be a stop order by the person giving it.

Storage Library System means the system from Digital Equipment Corporation which is used for managing tapes.

Strip Transaction means a transaction, comprising the simultaneous sale or purchase of an equal number of Futures in the same commodity in each of two (2) or more consecutive delivery months for a single account, traded at a single price.

Subsidiary means a subsidiary undertaking within the meaning of section 258 of the Companies Act 1985.

Telephone Clerk means a Non-Member who is employed by a Floor Broker, and whose duties include (but are not limited to) telephone communications with Non-Members from the Exchange Floor.

Time and Price Discretion Order means an order expressed to be a time and price discretion order by the person giving it.

TMS means the trade management system used from time to time in connection with reporting of transactions on the Exchange Floor.

Total Risk Value means in relation to an account in the record name of an Electronic Member carried by a Clearing Member, means the total amount of risk exposure that the Clearing Member is willing to accept for a particular account.

Trading Badge means the badge provided to each floor trader.

Trading Card means a sequentially numbered, pre-printed card that is part of an integrated pad consisting of trading cards and pit cards issued by the Exchange and on which traders must promptly record all executed transactions. Information recorded on the trading card is concurrently recorded on the uppermost pit card.

Trading Day means any day on which the Exchange is open for trading.

Trading Privileges means Floor Trading Privileges and Electronic Trading Privileges.

Trading Session means any trading session in respect of any Exchange Contract as specified in Rule 6.1.

UK means the United Kingdom of Great Britain and Northern Ireland.

unsettled Market Contract means a Market Contract the rights and obligations of the parties under which have not been fully discharged whether by performance or otherwise.

US means the United States of America.

User ID in relation to an Electronic Member who is an individual or Authorised Terminal Users means the user identification issued to the relevant Electronic Member or Authorised Terminal User by the NCSCC.

Write-Up Clerk means a Non-Member who is employed by one (1) or more Floor Members, and whose duties consist of clerical functions on the Exchange Floor (such as checking an employer's trading records against transfer forms).

WTI means West Texas Intermediate Crude Oil.

1.2 Interpretation

In these Rules, unless otherwise specified:

- (i) references to any other document shall be construed as references to that other document, as amended, varied, supplemented or replaced from time to time;
- (ii) **law** includes any legislation, any common or customary law, constitution, decree, judgment, order, ordinance, treaty or other legislative measure in any jurisdiction and any present or future directive, request, requirement, guidance or guideline (in each case, whether or not having the force of law but, if not having the force of law, compliance with which is in accordance with the general practice of persons to whom the directive, request, requirement, guidance or guideline is addressed);
- (iii) references to legislation include any statute, by-law, regulation, rule, subordinate or delegated legislation or order; and reference to any legislation is to such legislation as amended, modified or consolidated from time to time at the date of this Agreement and to any legislation replacing it or made under it and in force at the date of this Agreement save insofar as any such amendment, modification, consolidation or replacement made after the date of this Agreement would impose any increased or new liability on any party or otherwise adversely affect the rights of any party;
- (iv) reference to any English concept, term, action, remedy, method of judicial proceeding, legal document, legal status, court or official shall, in respect of any jurisdiction other than England and Wales, be deemed to refer to that which most nearly approximates in that jurisdiction; and
- (v) all references to the time are, unless otherwise stated, references to the time in London, England.

Chapter 2 Membership Rules

Table of Contents

Chapter 2 Membership Rules	1
2.1 Membership	1
2.2 Floor Trading Privileges and Authorised Terminal Users	2
2.3 Application process	3
2.4 Membership requirements	3
2.5 Additional requirements for Floor Traders	4
2.6 Additional requirements for Floor Brokers	5
2.7 Additional requirements for Electronic Traders	5
2.8 Additional requirements for Electronic Brokers	6
2.9 Qualification by Clearing Member	6
2.10 Duties of Guaranteed Members	8
2.11 Processing of applications	8
2.12 Procedures for determining fitness of applicants for Membership and/or Trading Privileges	9
2.13 Denial of Membership or Trading Privileges	9
2.14 Cancellation of Membership and/or Trading Privileges by a Member	10
2.15 Termination of Membership and/or Trading Privileges	10
2.16 Reinstatement of Membership status or Trading Privileges	11
2.17 Transfer of Membership status and Floor Trading Privileges	11
2.18 Compliance with FSA rules	11
2.19 Responsibility of Members for actions of employees	11
2.20 Fees	11
2.21 Notices required of Members	11
2.22 Lawsuits brought against the Exchange	12
2.23 Disputes between Members	14
2.24 Clerk registration	14
2.25 Spirit of the Rules	14
2.26 Change in ownership of a Member	15
2.27 Confidentiality	15
2.28 The Exchange's relations with other regulators and authorities	15

2.1 Membership

(A) Any individual, body corporate, partnership or unincorporated association may apply for Membership of the Exchange. Applicants must satisfy the criteria set out in this Chapter 2. Each Member will have one seat.

(B) Applicants may apply for one of the following categories of Membership:

- (1) Floor Trader;
- (2) Floor Broker;
- (3) Local; and
- (4) Non-Floor Member,

each having the rights and privileges set out in this Chapter 2.

(C) Applicants may also apply for one of the following categories of Membership:

- (1) Electronic Trader; and
- (2) Electronic Broker,

each having the rights and privileges set out in this Chapter 2 and in Chapter 9. Floor Members and Non-Floor Members may also apply for Electronic Membership.

- (D) Every person admitted to Membership and every individual exercising Trading Privileges shall be bound by these Rules.
- (E) Floor Traders are Floor Members with one or more Floor Trading Privileges to trade on their own account as principal, and to trade, subject to all applicable laws and regulations, as agent on the account of any of their Affiliates and of any other Member. Floor Traders may not trade as agent or principal for or with Customers.
- (F) Locals are Floor Traders who are individuals or companies of which at least ninety per cent (90%) of the issued share capital is beneficially held by a single individual or entities with no share capital and at least ninety per cent (90%) of the votes exercisable at its general meetings are exercisable by a single individual.
- (G) Floor Brokers are Floor Members with one or more Floor Trading Privileges to trade on own their account as principal, and to trade, subject to all applicable laws and regulations, as principal or agent on the account of any Customer, and to trade as agent on the account of other Affiliates and other Members.
- (H) Non-Floor Members are persons who are not Floor Members and who do not have Floor Trading Privileges but have the right to trade with or through a Floor Member, subject to all applicable laws and regulations, on their own account or for Customers.
- (I) Floor Members may take Customer or Affiliate orders for execution on the Exchange Floor through a Telephone Clerk. Only Telephone Clerks will be allowed to solicit Customer business, accept Customer orders or engage in discussion about market conditions. Floor Members in addition must employ (as employee or agent) Write-Up Clerks and Runners to perform clerical functions on the Exchange Floor (such as checking trading records against TMS information) and to transmit orders to floor traders respectively.
- (J) Electronic Traders are Electronic Members who have been authorised by the Exchange to obtain access to the Electronic Trading Platform to trade on their own account as principal and to trade, subject to all applicable laws and regulations, as agent on the account of any of their Affiliates or any other Member.
- (K) Electronic Brokers are Electronic Members who have been authorised by the Exchange to obtain access to the Electronic Trading Platform to trade on their own account as principal, and to trade, subject to all applicable laws and regulations, as principal or agent on the account of any Customer, and to trade as agent on the account of other Affiliates and other Members.

2.2 Floor Trading Privileges and Authorised Terminal Users

- (A) Each Floor Member must have at least one (1) Floor Trading Privilege. An applicant may apply for as many Floor Trading Privileges as it needs to conduct its business in an orderly fashion, by submitting the names of the individuals who will be exercising that Floor Trading Privilege on its behalf with the application. The individuals proposed must be suitable, competent and hold appropriate qualifications to exercise the privileges. The Floor Member must submit with an application evidence of the individual's suitability, competence and qualifications. Each individual exercising Floor Trading Privileges must complete such training course as the Board may from time to time prescribe.
- (B) The Board has absolute discretion to allocate Floor Trading Privileges as it sees fit and may impose limits on the number of Floor Trading Privileges that each Floor Member can hold based on physical or other constraints. Floor Trading Privileges are renewable at the end of each calendar month. The Board has absolute discretion not to renew a Floor Trading Privilege on any grounds, including, without limitation:
 - (1) failure to exercise the Floor Trading Privilege;
 - (2) failure to satisfy the Exchange's fitness and propriety requirements; and

- (3) floor constraints.
- (C) Each Electronic Member must have at least one (1) Electronic Trading Privilege. An applicant may apply for as many Electronic Trading Privileges as it needs to conduct its business in an orderly fashion, by submitting the names of the individuals who will be exercising that Electronic Trading Privilege on its behalf with the application.
- (D) The Board has absolute discretion to allocate Electronic Trading Privileges as it sees fit and may impose limits on the number of Electronic Trading Privileges that each Electronic Member can hold based on Electronic Trading System constraints.

2.3 Application process

- (A) An applicant for Membership and/or Trading Privileges must submit to the Board an application in the form prescribed by the Board, together with such other documents and information as the Board shall deem necessary or appropriate or shall require.
- (B) An applicant must satisfy the application criteria for the type of application being made set out in this Chapter 2.
- (C) No applicant for Membership will be accepted by the Board until the Board has verified the applicant's identity to its satisfaction for the purposes of any Applicable AML Requirements.
- (D) Each application for Membership and for Trading Privileges shall be accompanied by a payment of a non-refundable application fee in such amount as may be fixed from time to time by the Board.
- (E) Applications that are deemed by the Board to be incomplete shall be kept on file for four (4) months. Thereafter, the application shall be deemed to have been withdrawn and the applicant must submit a new application before any consideration by the Board.

2.4 Membership requirements

An applicant for Membership must:

- (1) if a sole trader, be the greater of eighteen (18) years old or the minimum age of majority required to be responsible for his/her contracts in each jurisdiction in which the applicant conducts business and consent to the designation of the General Manager as his agent for service of process concerning and limited to his Exchange-related activities and business;
- (2) be resident or established and carrying on its business in the UK or in another jurisdiction acceptable to the Board;
- (3) have, in the opinion of the Board, good character, commercial standing and business experience;
- (4) if not a sole trader, provide such evidence as is required as to its legal status and organisation and as to its ability to become a Member without breaching applicable laws, regulations and rules, including the following:
 - (a) an opinion of counsel to the applicant or other evidence, in either case acceptable to the Exchange, that the applicant is:
 - (i) duly and validly organised and existing under the laws of the jurisdiction in which it was organised;
 - (ii) qualified to transact business under the laws of the jurisdiction in which it has its principal place of business; and

- (iii) qualified to transact business in the UK or that such qualification is unnecessary;
- (b) a copy of a resolution, duly certified by the secretary or other authorised officer or partner of the applicant, designating an agent for service of process (which may be the General Manager of the Exchange) concerning and limited to the Exchange-related activities and business of the applicant and/or employees of the applicant;
- (c) a copy of a resolution, duly certified by the secretary or other authorised officer or partner of the applicant, or by the governing body of the applicant, authorising the application for Membership and/or Trading Privileges and the execution of the documents referred to above; and
- (d) with respect to partnerships, a statement describing the business in which it is engaged and a certified copy of its current partnership agreement. The applicant shall also file certified copies of any and all documents filed with the appropriate UK authorities, if required, authorising the partnership to conduct business in the UK. All amendments to the partnership agreement shall be filed immediately with the Board;
- (5) agree (in the prescribed form) to be bound by the Rules;
- (6) designate (in the prescribed form) an officer, employee or partner as the Exchange liaison, whom the Exchange may contact in order to obtain additional information or documentation in connection with any matter whatsoever provided in these Rules; and
- (7) do or submit such other things or documents as the Board may stipulate from time to time.

2.5 Additional requirements for Floor Traders

As well as satisfying the Membership criteria set out in Rule 2.4, an applicant for Floor Trader Membership must:

- (1) be:
 - (a) authorised by the FSA with appropriate permissions to enable it to deal in investments as principal and agent;
 - (b) exempt under the FSMA to enable it to carry on activities on the Exchange without becoming FSA authorised; or
 - (c) able to benefit from any of the appropriate exclusions from the authorisation requirement under the RAO to enable it to carry on its activities on the Exchange without requiring FSA authorisation,
 and must provide evidence to the Exchange of its regulatory status;
- (2) be appropriately licensed or authorised to enable it to lawfully carry on its activities in any relevant jurisdictions outside the UK and must provide evidence to the Exchange of its regulatory status in such jurisdictions;
- (3) be guaranteed to trade on the Exchange Floor by a Clearing Member to act as its PCM, under the Clearing House Rules, in respect of trading on the Exchange;
- (4) provide evidence of its experience and competence, including that of its employees and agents, as applicable, to exercise Floor Trading Privileges; and

- (5) provide satisfactory evidence to enable NYMEX Europe to comply with its obligations under the Applicable AML Requirements.

2.6 Additional requirements for Floor Brokers

(A) As well as satisfying the Membership criteria set out in Rule 2.4, an applicant for Floor Broker Membership of the Exchange must satisfy the following additional criteria:

- (1) be:
 - (a) authorised by the FSA with appropriate permission to enable it to deal in investments as principal and able to hold client money or appropriate permission to enable it to deal in investments as agent;
 - (b) exempt under the FSMA to enable it to carry on activities on the Exchange without becoming FSA authorised; or
 - (c) able to benefit from any of the appropriate exclusions from the authorisation requirement under the RAO to enable it to carry on its activities on the Exchange without requiring FSA authorisation,and must provide evidence to the Exchange of its regulatory status;
- (2) be appropriately licensed or authorised to enable it to lawfully carry on its activities in any relevant jurisdictions outside the UK and must provide evidence to the Exchange of its regulatory status in such jurisdictions;
- (3) be guaranteed to trade on the Exchange Floor by a Clearing Member to act as its PCM, under the Clearing House Rules, in respect of trading on the Exchange or be a Clearing Member;
- (4) comply with all applicable FSA or other regulatory capital requirements and have net capital of not less than one million dollars (\$1,000,000) or its equivalent in any other currency;
- (5) provide evidence of its experience and competence, including that of its employees and agents, as applicable, to exercise Floor Trading Privileges; and
- (6) provide satisfactory evidence to enable NYMEX Europe to comply with its obligations under the Applicable AML Requirements.

(B) For the purposes of the one million dollar (\$1,000,000) capital requirement in paragraph (A)(4) of this Rule 2.6, the Exchange may, in its absolute discretion, take into account up to seventy-five per cent (75%) of the fair value of any exchange seat or shares in any exchange.

2.7 Additional requirements for Electronic Traders

As well as satisfying the Membership criteria set out in Rule 2.4, an applicant for Electronic Trader Membership must:

- (1) be:
 - (a) authorised by the FSA with appropriate permissions to enable it to deal in investments as principal and agent;
 - (b) exempt under the FSMA to enable it to carry on activities on the Exchange without becoming FSA authorised; or
 - (c) able to benefit from any of the appropriate exclusions from the authorisation requirement under the RAO to enable it to carry on its activities on the

Exchange without requiring FSA authorisation; and must provide evidence to the Exchange of its regulatory status;

- (2) be appropriately licensed or authorised to enable it to lawfully carry on its activities in any relevant jurisdictions outside the UK and must provide evidence to the Exchange of its regulatory status in such jurisdictions;
- (3) be guaranteed to trade on the Electronic Trading Platform by a Clearing Member to act as its PCM, under the Clearing House Rules, in respect of trading on the Exchange or be a Clearing Member;
- (4) provide evidence of its experience and competence; and
- (5) provide satisfactory evidence to enable NYMEX Europe to comply with its obligations under the Applicable AML Requirements.

2.8 Additional requirements for Electronic Brokers

As well as satisfying the Membership criteria set out in Rule 2.4, an applicant for Electronic Broker Membership of the Exchange must satisfy the following additional criteria:

- (1) be:
 - (a) authorised by the FSA with appropriate permission to enable it to deal in investments as principal and able to hold client money or appropriate permission to enable it to deal in investments as agent;
 - (b) exempt under the FSMA to enable it to carry on activities on the Exchange without becoming FSA authorised; or
 - (c) able to benefit from any of the appropriate exclusions from the authorisation requirement under the RAO to enable it to carry on its activities on the Exchange without requiring FSA authorisation,

and must provide evidence to the Exchange of its regulatory status;

- (2) be appropriately licensed or authorised to enable it to lawfully carry on its activities in any relevant jurisdictions outside the UK and must provide evidence to the Exchange of its regulatory status in such jurisdictions;
- (3) be guaranteed to trade on the Electronic Trading Platform by a Clearing Member to act as its PCM, under the Clearing House Rules, in respect of trading on the Exchange or be a Clearing Member;
- (4) comply with all applicable FSA or other regulatory capital requirements;
- (5) provide evidence of its experience and competence; and
- (6) provide satisfactory evidence to enable NYMEX Europe to comply with its obligations under the Applicable AML Requirements.

2.9 Qualification by Clearing Member

- (A) Each Floor Member must be guaranteed to trade on the Exchange Floor by a Primary Clearing Member (**PCM**) or be a Clearing Member.
- (B) Each Electronic Member must be guaranteed to use the Electronic Trading Platform by a PCM or be a Clearing Member. No Floor Member that is guaranteed by a PCM for trades executed during an RTH Trading Session may be guaranteed by a different PCM for trades executed during an Electronic Trading Session.

- (C) To guarantee a Member, the PCM must execute such guarantees and other documents as required by the Exchange and the Clearing House.
- (D) No Member may be guaranteed by two (2) PCMs at the same time.
- (E) All PCM guarantees shall be approved by the Clearing House Board.
- (F) For each qualification in excess of twenty-four (24) Members, a Clearing Member shall be required to maintain working capital of fifty thousand Dollars (\$50,000) in excess of that otherwise required by the Clearing House Rules.
- (G) In order to guarantee a Floor Member, the PCM shall:
 - (1) agree to accept and clear all trades executed by the guaranteed Floor Member which are not otherwise accepted for clearance;
 - (2) agree to accept financial responsibility for the trades held in an account in the record name and for the benefit of the guaranteed Floor Member which have been accepted for clearance by another Clearing Member authorised by the PCM to clear trades for the Floor Member, provided that the other Clearing Member has notified the PCM and the Clearing House compliance department of any deficit in the guaranteed Floor Member's account by 12:00 p.m. New York time on the next Trading Day after the deficit arose;
 - (3) agree to accept financial responsibility for all trades determined through the Exchange adjudication or arbitration process to have been executed by the guaranteed Floor Member, whether for his own account or for the accounts of others;
 - (4) file such guarantees and other documents as the Exchange and the Clearing House shall require in connection with the PCM's guarantee of a Floor Member with the Clearing House Board; and
 - (5) comply with the financial requirements for guarantors as set forth in the Clearing House Rules.
- (H) In order to guarantee an Electronic Member, the PCM shall:
 - (1) subject to Paragraph (F) of this Rule 2.9, agree to accept and clear all trades executed as a result of orders entered by Authorised Terminal Users through use of the Passwords issued to that Electronic Member and all trades executed as a result of any order entered by an Authorised Terminal User that do not clear, provided however that such PCM shall not be required to accept any trade that is submitted to it for clearance after the close of that Business Day's session of Regular Trading Hours;
 - (2) agree to accept financial responsibility for all trades determined through the Exchange adjudication or arbitration process to have been executed as a result of orders entered through use of the Passwords issued to that Electronic Member;
 - (3) file such guarantees and other documents as the Exchange and the Clearing House shall require in connection with the PCM's guarantee of an Electronic Member and shall file the said documents with the Clearing House Board; and
 - (4) comply with the financial requirements for guarantors as set forth in the Clearing House Rules.
- (I) Clearing Members who carry accounts traded on the Electronic Trading Platform and that are not the relevant Electronic Member's PCM (a **Non-PCM Clearing Member**) must accept and clear any trade or trade reallocation for such account that does not exceed the Total Risk Value set by the Non-PCM Clearing Member that is applicable to the entry of orders and to trade reallocations for such account.

(J) The guarantee shall be in writing and shall be filed by the PCM with the Clearing House for approval and may be withdrawn by means of a written notice of revocation filed with the Clearing House membership department. Such revocation shall be effective upon the occurrence of all of the following:

- (1) receipt by the Clearing House membership department of such written revocation;
- (2) notice by the Clearing Member to the Member of such revocation;
- (3) announcement of such revocation on the Exchange Floor;
- (4) posting of such revocation by the Board; and
- (5) removal of the Member's trading symbol from Clearing 21®.

(K) Upon receipt by the Clearing House membership department of such written revocation, the guarantee of the Member shall terminate.

2.10 Duties of Guaranteed Members

(A) Each Floor Member guaranteed by a PCM (a **Guaranteed Member**) shall file with such PCM a copy of any financial statement or document filed with any other exchange.

(B) Each Guaranteed Member shall notify, in writing, such PCM of each commodity account of such Member including every Omnibus Account.

(C) Unless otherwise requested, the Guaranteed Member shall cause to be delivered to its PCM all statements and confirmations with respect to each commodity account in which such Member has a direct or indirect interest or over which such Member exercises direct or indirect control.

(D) No Guaranteed Member shall open a commodity account without the prior written consent of such Member's PCM.

(E) Each Guaranteed Floor Member shall at all times maintain twenty-five thousand Dollars (\$25,000) equity value in a trading account with its PCM.

2.11 Processing of applications

(A) The Board will have absolute discretion whether or not to accept Membership and Trading Privilege applications.

(B) The Board may delegate all or any powers and obligations referred to in this Chapter 2 to a committee of the Board, which shall be comprised of at least two (2) Non-Member directors, of whom at least one will be the Chairman, Vice Chairman or CEO.

(C) The Exchange will give all Members notice of the name of each applicant for Membership or Trading Privileges at least ten (10) days before the Board meeting in which the application will be considered.

(D) Each Member has the affirmative obligation to keep informed of all applications for Membership and Trading Privileges and to provide the Board with any adverse first-hand knowledge or information relating to an applicant's character and to an applicant's financial or business history. Any Member who wilfully fails to provide the Board with such information shall have committed a Major Offence.

(E) An applicant who has been rejected by the Board may not be reconsidered for Membership or for Trading Privileges by the Board for one (1) year after the date of rejection by the Board.

2.12 Procedures for determining fitness of applicants for Membership and/or Trading Privileges

- (A) The Board shall refer each application for Membership and/or Trading Privileges for an independent investigation to determine any past or pending criminal actions, disciplinary proceedings or investigations.
- (B) The references listed on the application may be contacted independently by the Board for a confidential evaluation of the applicant.
- (C) The applicant's financial statement will be subject to verification by an independent inquiry of all banks scheduled as holding the applicant's assets and each applicant shall provide copies of appropriate supporting documentation on request.
- (D) The Board shall review carefully each application for Membership and for Trading Privileges and may direct the applicant to supplement any information provided and may arrange for such information to be investigated, if deemed necessary.
- (E) Each applicant for Membership and/or for Trading Privileges may be required to appear before the Board. An applicant's failure to appear upon the request of the Board shall constitute a withdrawal of the application.

2.13 Denial of Membership or Trading Privileges

- (A) The Board may deny Membership and/or Trading Privileges if:
 - (1) the applicant does not meet any one or more of the criteria for Membership or the additional criteria for Trading Privileges, or does not follow the procedures for applications for Membership and Trading Privileges, set forth in these Rules;
 - (2) the applicant or its Affiliate has been denied authorisation, registration or permissions or its authorisation, registration or permissions have been revoked or are currently suspended by the FSA, the CFTC or the SEC;
 - (3) the applicant or its Affiliate is temporarily or permanently prevented, by any order, judgment or decree of any court of competent jurisdiction, or of the FSA, the CFTC, or the SEC, or of any other securities authority, regulator or agency, from engaging or continuing in any conduct or practice involving the purchase or sale of any commodity, security option or similar instrument;
 - (4) the applicant is subject to any outstanding order issued by any relevant regulatory authority denying such person trading privileges on any exchange or suspending or expelling such person from trading privileges on any exchange;
 - (5) the applicant or its Affiliate has been found to have breached wilfully any provision of the FSMA, the Proceeds of Crime Act, the Applicable AML Requirements, the CEA, the SA, the Securities Exchange Act of 1934, the Investment Company Act of 1940 or the Investment Advisors Act of 1940 (as such Acts may have been, or may be, amended from time to time) or any rule, regulation or order promulgated under such Acts and any other applicable laws, regulations or rules;
 - (6) the applicant or its Affiliate has ever been convicted of any crime;
 - (7) the applicant or its Affiliate is or has ever been suspended or expelled from any commodity or securities exchange, related clearing organisation, registered futures association, the National Association of Securities Dealers, Inc. or other self-regulatory organisation or other business or professional association for breaching any rule of such organisation;
 - (8) the applicant is subject to any substantial unsatisfied liens or judgments;

- (9) the applicant has been insolvent, unable to pay debts as they matured, made an assignment for the benefit of creditors or was involved in any liquidation, reorganisation or bankruptcy proceeding as a debtor, whether voluntary or involuntary, within the seven (7) years preceding the date of the application;
- (10) the applicant has made any materially false statement or failed to state a material fact in or in connection with any application filed with the Exchange;
- (11) the applicant fails to meet such other qualifications as the Board may from time to time determine are in the best interests of the Exchange;
- (12) the applicant fails to disclose any other information that would adversely affect the application for Membership and/or Trading Privileges; or
- (13) there is any other circumstance which in the opinion of the Board would compromise the applicant's ability to fulfil a Member's obligations to the Exchange and to Clearing Members,

by notifying the applicant of the refusal in writing with the reason(s).

- (B) An applicant whose application for Membership has been rejected may appeal the decision to the Appeal Committee within ten (10) Business Days of the Board's decision being served on it by filing with the Membership Department a notice of appeal specifying the grounds for the appeal.

2.14 Cancellation of Membership and/or Trading Privileges by a Member

A person's Membership status and Trading Privileges may be cancelled by the relevant Member provided that:

- (1) a written notice of the intention to cancel Membership status and/or Trading Privileges, including the identity of all relevant employees, is given to the Board;
- (2) the Board has given all existing Members at least ten (10) days' notice of the withdrawal of the person's Membership status and/ or Trading Privileges; and
- (3) no existing Member has filed a claim against the withdrawing Member.

2.15 Termination of Membership and/or Trading Privileges

- (A) A person's Membership status and/or relevant Trading Privileges may be suspended or terminated automatically on the occurrence of any of the following events:

- (1) if a Member with Floor Trading Privileges ceases to have at least one (1) employee actively trading on the Exchange Floor;
- (2) if a Member's only employee shall be suspended or expelled for any reason, and such suspension or expulsion shall apply to the Member itself;
- (3) if a Member's PCM terminates its guarantee;
- (4) if a Member fails to satisfy any of the financial requirements imposed on it under these Rules;
- (5) if an individual Member or individual exercising Trading Privileges dies, but subject to the proviso that its personal representatives may operate its account for six (6) months following his death to achieve an orderly closing out of all open positions to crystallise a profit or loss; or
- (6) for any other reason specified in these Rules.

- (B) A person's Membership status and/or Trading Privileges may be suspended or terminated by the action of the Board in accordance with these Rules.
- (C) When Floor Trading Privileges have been terminated or suspended for any reason, the Floor Member whose floor traders were subject to such termination of privileges, upon notification of termination or suspension, shall forthwith surrender all of its Trading Badges to the Board.

2.16 Reinstatement of Membership status or Trading Privileges

A Member whose Membership status and/or Trading Privileges have been terminated for any reason may apply to the Board for reinstatement of such status or privileges. The Board may reinstate such status and/or privileges upon such terms and conditions as it, in its sole discretion, may impose.

2.17 Transfer of Membership status and Floor Trading Privileges

- (A) Membership status is not transferable. Floor Members are not able to sell or lease their seats or Floor Trading Privileges to anyone else.
- (B) A Floor Member is able to re-assign internally its Floor Trading Privileges by changing the individual(s) who exercise that Floor Member's Floor Trading Privileges. A Floor Member who wishes to re-assign internally its Floor Trading Privileges must provide the Board with satisfactory evidence of the appropriate qualifications, competence and suitability of each and any individual it proposes will exercise its Floor Trading Privileges. Internal re-assignment of Floor Trading Privileges may be carried out only with the Board's prior written approval.
- (C) A Floor Member must notify the Board in writing if an individual's entitlement to exercise that Floor Member's Floor Trading Privileges will expire. The date of expiry of the individual's right to exercise the Member's Floor Trading Privileges will expire on the date specified in the notice received by the Board.
- (D) The Board may delegate any of its powers under this Rule to the Membership Department.

2.18 Compliance with FSA rules

Members who are authorised by the FSA and individuals who are approved by the FSA must comply at all times with all applicable FSA rules in their conduct on the Exchange.

2.19 Responsibility of Members for actions of employees

- (A) A Member shall be responsible for, and subject to disciplinary action as a result of, the acts and omissions of, and any breaches of these Rules by, its employees and other representatives.
- (B) A Member Firm is responsible for, and subject to disciplinary action as a result of, the acts and omissions of, and any breaches of these Rules by, its partners, directors, or officers.

2.20 Fees

Members shall pay such fees as required by the Board from time to time.

2.21 Notices required of Members

- (A) Each Member shall notify the Exchange in writing immediately upon the occurrence of any of the following events:
 - (1) any material adverse change in financial condition;
 - (2) any refusal of admission to; any withdrawal of any application for membership in; any suspension, expulsion, bar, fine, censure, denial of membership, registration or license

or permission imposed by; any withdrawal of any application for registration with; or any cease and desist order, temporary or permanent injunction, denial of trading privileges or any other sanction or discipline through an adverse determination, voluntary settlement or otherwise, imposed by any commodity or securities exchange, related clearing organisation, the FSA or any other regulator, or any self-regulatory organisation or other business or professional association;

- (3) any refusal of admission to; any withdrawal of any application for membership in; any suspension, expulsion, bar, fine, censure, denial of membership, registration or license or permission imposed by; any withdrawal of any application for registration with; or any cease and desist order, temporary or permanent injunction, denial of trading privileges or any other sanction or discipline through an adverse determination, voluntary settlement or otherwise, imposed by:
 - (a) the FSA, the SEC, the CFTC or the securities commission or equivalent authority of any state, territory or foreign country;
 - (b) any federal court, state court, or regulatory agency not mentioned above or quasi-governmental body;
 - (4) any conviction, finding of guilt, confession of guilt or plea of guilt to a felony or misdemeanour charging misrepresentation, fraud, deceit, theft, embezzlement, gambling, conversion, abuse of a fiduciary relationship or other such act;
 - (5) the commencement, by the issuance of a formal order of investigation (or its equivalent), or by the issuance or service of a written complaint (or its equivalent), of any judicial, administrative or self-regulatory proceeding, as the case may be, against such member by the FSA, the CFTC, the SEC, the securities commission or equivalent authority of any state, territory, or foreign country, or any commodity or securities exchange or related clearing organisation, or any registered futures or securities association, or any self-regulatory organisation or other business or professional association; and
 - (6) any change in a Member's liaison.
- (B) Each Member shall give written notice to the Exchange of all changes in partners, whether general or limited, or in officers or directors.
- (C) Each Member Firm shall give prior notice in writing to the Board of any proposed merger, acquisition, consolidation or sale of the Member Firm, whether into or by the Member Firm or otherwise. Such prior notice shall be supplemented by such documents or information as requested by the Board.

2.22 Lawsuits brought against the Exchange

- (A) For the purposes of this Rule 2.22:
- (1) Claimant means any individual or legal entity that is presently, or was formerly, subject to the jurisdiction of the Exchange, or its parent companies, subsidiaries (direct and indirect) or Affiliates; and
 - (2) Exchange includes the Exchange and its respective parents, subsidiaries (direct and indirect) or any of its respective Affiliates, Members, successors, assigns, directors, governors, officers, committee members, employees, consultants or agents.
- (B) The Claimant acknowledges that floor trading at the Exchange is accomplished by open outcry in a trading "ring" or "pit" and that the Exchange Floor is an environment of close physical proximity to others that may result in substantial physical contact with others. The Claimant further acknowledges that such conditions on the Exchange Floor may be exacerbated by volatility in trading or contract expiration. The Claimant assumes all risk of loss, damage or

injury, personal or otherwise, caused by reason of conditions on the Exchange Floor and hereby waives (to the extent permissible under law) any claim based upon such conditions.

- (C) Except to the extent such loss, expense, damages or claims are attributable to the wilful misconduct, gross negligence, bad faith, fraud or criminal acts of the Exchange, and except as otherwise expressly provided in these Rules, the Exchange shall not have liability to any Claimant for any loss, expense, damages (including direct, indirect, consequential and punitive damages) or claims resulting from or relating to:
- (1) any personal injury or medical condition (and death resulting therefrom) that arise out of:
 - (a) the use or employment of the facilities or services at the Exchange, regardless of whether such services or facilities are provided by the Exchange or a third party;
 - (b) any interruption in or failure or unavailability of any such facilities, services, regardless of whether such services or facilities are provided by the Exchange or a third party; or
 - (c) any action or failure to act by the Exchange;
 - (2) any error, omission or delay in calculating or disseminating any current, closing or settlement prices, values, transactions in, quotations for or other information about Futures Contracts and Options Contracts traded on the Exchange;
 - (3) the use of data transmitted or disseminated by or on behalf of the Exchange or any reporting authority designated by the Exchange, including but not limited to reports of transactions in, quotations for or other information about futures contracts and option contracts or reports of index values or related data; and, in connection with the use of such data, the Exchange makes no express or implied warranties as to such data, including but not limited to:
 - (a) the result to be obtained; or
 - (b) the suitability or fitness for a particular purpose or use; and
 - (4) any suspension, inaccuracy, interruption or termination or any other cause relating to the furnishing, performance, operation, maintenance, use of or inability to use any or all of the Exchange systems or services and facilities used to support these systems, regardless of whether such services or facilities are provided by the Exchange or a third party. In addition, the Exchange shall have no liability for errors or inaccuracies in information provided by Exchange systems or for losses or other injury or damages resulting from unauthorised access or any other misuse of any Exchange systems by any person.

The foregoing limitation of liability and disclaimers shall be in addition to any other limitation of liability provision contained in these Rules, and, to the extent that they are inconsistent, the provisions of this Rule shall prevail.

The limitation of liability set forth in these Rules shall not apply to or affect the rights or remedies of either any Claimant or the Exchange with respect to breaches of the applicable laws and regulations.

- (D) Any Claimant that institutes a lawsuit or other similar proceeding against the Exchange in any court of law or otherwise and fails to prevail in such lawsuit or proceeding shall pay to the Exchange any and all reasonable expenses and disbursements of the Exchange, including reasonable legal fees incurred by the Exchange in the defence of such lawsuit or proceeding in addition to any statutory costs incurred by the Exchange.

- (E) The Claimant consents and submits to the non-exclusive jurisdiction of the courts of England and Wales. The Claimant waives personal service and consents to service of process by registered or certified mail to the agent for process it notified to the Exchange, or consented to, in accordance with Rule 2.4. Nothing in these Rules shall affect the right of the Exchange to serve legal process in any other manner permitted by law or affect the right of the Exchange to bring any action or proceeding against Claimant or Claimant's property in a court of any other jurisdiction.
- (F) This Rule 2.22 shall be construed and enforced in accordance with the laws of England and Wales without regard to conflict of any other laws. Each provision of this Rule 2.22 shall be viewed as legally separate and distinct from the other provisions contained herein and if any provision of this Rule 2.22 is held invalid, that provision shall not effect the legality and enforceability of any other provision.

2.23 Disputes between Members

Any Member involved in a transaction or business relationship on the Exchange about which a dispute arises that is not resolved shall act in the most expeditious manner practicable to mitigate or limit any damage to any party to such transaction or relationship. There shall be a rebuttable presumption that such acts of mitigation shall not be admissible with respect to liability for the transaction or relationship giving rise to the dispute.

2.24 Clerk registration

- (A) Each Floor Member shall register at least one (1) Write-Up Clerk, and each Floor Broker shall in addition register at least one (1) Telephone Clerk and one (1) Runner with the Membership Department on a form provided by the Exchange, which must be executed by the Member or Broker and the Clerk, prior to the Clerk being granted access to the Exchange Floor.
- (B) Any changes in the information contained in the application shall be reported by the Member or Broker to the Membership Department within five (5) Business Days of such change.
- (C) Floor Members may not register or employ as a Clerk another Floor Member whose rights and privileges of Membership are suspended or any individual who has been expelled from membership of any exchange or otherwise suspended or prohibited from carrying on activities on any exchange trading floor.
- (D) All Telephone Clerks must be approved by the FSA as a C21 or C26, as appropriate.
- (E) Every Clerk shall be bound by these Rules.
- (F) Upon notice from the Board, a Clerk must take either an examination or successfully complete a Clerk Training Course, including an examination (**Course**) to be administered by the Exchange. The Board may, at its sole discretion, waive the requirement for a Clerk to successfully complete the Course.

2.25 Spirit of the Rules

- (A) These Rules shall at all times be observed, interpreted and given effect in such a way as to ensure, at all times, the promotion and maintenance of:
 - (1) recognition of the Exchange as an RIE under the FSMA and the good reputation of the Exchange (and its Members);
 - (2) an orderly market with high standards of integrity and fair dealing;
 - (3) compliance by FSA authorised Members with the FSA Principles for Business; and
 - (4) the organisation and control of internal affairs in a responsible manner, adequacy of internal record-keeping, and adequate arrangements to ensure that staff and directors

of Members are fit and proper, adequately trained and properly supervised and that each Member has adequate procedures for ensuring compliance with these Rules.

2.26 Change in ownership of a Member

- (A) A Member which is a body corporate shall notify the Exchange in writing of the name of any person for the time being holding or having a beneficial interest in ten per cent (10%) or more of any class of the equity share capital of the Member or any Controller of the Member, and of any change in such a holding or interest, within seven (7) days of the holding or interest, or change therein, coming to the Member's notice.
- (B) In the case of a Member which is a partnership or unincorporated association, the Member shall notify the Exchange in writing of the name of any person who becomes or ceases to become a partner of that partnership or member of that unincorporated association (as the case may be) and in either case holding or having an interest:
- (1) conferring any right to share in 10% or more of the profits, or liability to contribute to 10% or more of the losses of the partnership or unincorporated association, or
 - (2) giving rise to an obligation to contribute to 10% or more of the debts or expenses of the partnership or unincorporated association in the event of a winding up
- within seven (7) days of that the interest or change therein coming to the Member's notice.
- (C) Upon receipt by the Exchange of a notice from a Member under this Rule 2.27, the Board may review the suitability of the Member for Membership or for Trading Privileges. The Board may require the Member to furnish such additional information as required at the Board's absolute discretion. If, on completion of the review, the Board is not satisfied that the Member continues to satisfy the criteria for Membership or for Trading Privileges, the Board shall consider whether to terminate the rights of the Member in accordance with these Rules.

2.27 Confidentiality

The Exchange shall keep confidential all information received and obtained under the Rules, subject to such disclosure as is required to ensure compliance with all applicable laws, regulations and rules and, in particular, to ensure the maintenance of its status as an RIE under the FSMA.

2.28 The Exchange's relations with other regulators and authorities

In order to ensure the continuation of the Exchange's recognition as an investment exchange under the FSMA, it may co-operate and share information with other RIEs, RCHs and other exchanges, the FSA and other relevant authorities and regulatory bodies and may also make whatever arrangements are deemed appropriate to monitor compliance with the Rules and carry out or arrange for the carrying out of whatever investigations are deemed necessary.

Chapter 3 Committee Rules

Table of Contents

3.1	Committee Designation	1
3.2	Powers of Committees	1
3.3	Term of Committees	2
3.4	Removal, Resignation & Vacancies	2
3.5	Meetings	2
3.6	Quorum and Vote	2
3.7	No liability	2
3.8	Confidential Information	3
3.9	Disqualification	3
3.10	Conflicts of Interest	4
3.11	Adjudication Committee	9
3.12	Appeal Committee	9
3.13	Business Conduct Committee	9
3.14	Floor Committee	10
3.15	Compliance Review Committee	10
3.16	Advisory Committees.	11

3.1 Committee Designation

- (A) The Exchange shall have committees including (but not limited to) the following:
 - (1) Adjudication Committee;
 - (2) Appeal Committee;
 - (3) Business Conduct Committee;
 - (4) Compliance Review Committee;
 - (5) Floor Committee; and
 - (6) Product Advisory Committees (including a Brent Product Advisory Committee and a Gasoil Product Advisory Committee) (each as defined in Rule 3.16).
- (B) Additional committees of the Exchange may be established for such purposes as the Board may from time to time determine.
- (C) Unless specifically provided otherwise, committees shall be composed of:
 - (1) a chairman, who shall be appointed by the Chairman (with the consent of the Board);
 - (2) any number of members and alternates as may be specified in these Rules, who shall be appointed by the chairman of the relevant committee (subject to ratification by the Board).

3.2 Powers of Committees

- (A) Each committee shall have such powers as may be delegated to it in the Rules or by the Board, provided however that such powers shall in no case exceed the powers that the Board might delegate lawfully to an officer of the Exchange.
- (B) Each committee shall have the authority to make rules governing its own conduct and its proceedings unless otherwise provided in the Rules.

3.3 Term of Committees

Unless otherwise provided in the Rules, members of any committee shall hold office until the first meeting of the Board following the annual meeting of Members and until their successors are appointed.

3.4 Removal, Resignation & Vacancies

- (A) Members of committees shall hold office subject to the pleasure of the Board. A member of a committee whose appointment has been approved by the Board may be removed with or without cause.
- (B) A member of a committee may resign at any time by tendering written notice of his resignation to the chairman of the relevant committee or the Board. Unless contingent upon acceptance, such resignation shall be effective on the date specified, or if no date is specified, on the date tendered.
- (C) The Chairman may remove with the consent of the Board, with or without cause, any chairman, vice-chairman or any member of a committee whom he has appointed.
- (D) The Chairman, with the consent of the Board, may designate one or more alternate members of any committee.

3.5 Meetings

- (A) Unless otherwise provided in the Rules, regular meetings of committees shall be held on such date and at such time as the committee shall determine.
- (B) The chairman of any committee shall have the authority to call a special meeting of such committee to be held on such date and at such time as the chairman shall determine.
- (C) Notice of all meetings may be in writing, by telephone or by any other means of communication. Such notice shall be made not less than one (1) hour before any meeting.
- (D) Any action required or permitted to be taken by a committee may be taken without a meeting if all the members of the committee consent in writing to the adoption of a resolution authorising such action.
- (E) Any one or more members of a committee may participate in a meeting by means of a conference telephone or similar communications device allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at a meeting.

3.6 Quorum and Vote

- (A) Unless otherwise specifically provided in the Rules, one third of the members of a committee shall constitute a quorum for the transaction of business.
- (B) Unless otherwise specifically provided in the Rules, any action taken by a majority of members of a committee present at a meeting at which a quorum is present shall be a valid action of the committee.

3.7 No liability

No person serving on any committee shall, in the absence of bad faith or wilful default, incur any liability whatsoever to any Member or Members for any decision taken or any act or omission of that committee, whether in contract, in tort or otherwise.

3.8 Confidential Information

- (A) No member of any committee shall use or disclose, for any purpose other than the performance of such person's official duties relating to the committee, Confidential Information obtained as a result of such person's participation on the committee.
- (B) No person may trade for his own account, or for or on behalf of the account of any other person, in any Exchange Contract on the basis of any Confidential Information that such person knows was obtained in breach of paragraph (A) of this Rule 3.8.

3.9 Disqualification

- (A) For the purposes of this Rule 3.9, the following terms shall have the following meanings:
 - (1) **Disciplinary Offence** means an offence arising out of a proceeding or action brought by the FSA or any other regulator, any RIE or RCH, any other exchange or any other regulated or self-regulated body, or any governmental or other public body, and which relates to any of the following:
 - (a) a breach of the FSMA, the Commodity Exchange Act or any regulation made under them;
 - (b) a breach of any rules or any guidance published by the FSA or any other regulator;
 - (c) a breach of the rules of any RIE, any other exchange or any other regulated or self-regulated body, except those rules relating to:
 - (i) decorum or attire;
 - (ii) financial requirements; or
 - (iii) reporting or recordkeeping,
 - (d) a breach described in paragraphs (A)(1)(c)(i) to (iii) of this Rule 3.9 which involves fraud, deceit or conversion or results in a suspension or expulsion; and
 - (e) a failure to exercise supervisory responsibility with respect to acts described in paragraphs (A)(1)(c)(i) to (iii) of this Rule 3.9 when such failure is itself a breach of the FSMA or the Commodity Exchange Act, or any rule, any guidance or any regulation referred to in paragraphs (A)(1)(a) to (d) of this Rule 3.9.
 - (2) **Final Decision** means:
 - (a) a decision of an arbitration panel, a disciplinary committee, any RIE or RCH, any other exchange or any other regulated or self-regulated body, which:
 - (i) cannot be further appealed within the RIE or RCH or relevant exchange, regulated or self-regulated body; and
 - (ii) is not subject to the jurisdiction of the FSA, any other regulator or any court or tribunal; or
 - (iii) if it is subject to the jurisdiction of any of the bodies referred to in paragraph (A)(2)(a)(ii) of this Rule 3.9, has not been reversed, pursued or challenged by any of those bodies or by any other person or body entitled so to reverse, pursue or challenge it, within the time limits prescribed by any applicable laws, rules or regulations for such action to be taken;

- (b) any decision by any of the bodies referred to in paragraph (A)(2)(a)(ii) of this Rule 3.9 which has not been reversed and cannot be further challenged or appealed.
- (3) **Settlement Agreement** means any agreement consenting to the imposition of sanctions by the FSA or any other regulator, any RIE or RCH, any other exchange or any other regulated or self-regulated body, any governmental or other public body or any court or tribunal of competent jurisdiction.
- (B) A person who:
- (1) within the period of three years preceding the date of his appointment:
 - (a) has been found by a Final Decision to have committed a Disciplinary Offence;
 - (b) 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 Offence;
 - (c) has been suspended from trading on any RIE or any other exchange, or has been suspended or expelled from membership of any RIE, any other exchange or any other regulated or self-regulated body, or is serving any sentence of probation, or owes any portion of a fine imposed pursuant to either:
 - (i) a finding by a Final Decision that such person committed a Disciplinary Offence; or
 - (ii) a Settlement Agreement in which any of the findings or, in the absence of such findings, any of the acts charged included a Disciplinary Offence;
 - (d) has been refused authorisation or approval by the FSA or any other regulator, or has not been accepted for registration with or membership of any RIE, any other exchange or any other regulated or self-regulated body;
 - (e) has been subject to an agreement with the FSA or any other regulator, any RIE, any other exchange, or any other regulated or self-regulated body, under which that person is not to apply for authorisation by, registration with or membership of any of those bodies; or
 - (f) has had a variation, cancellation or revocation imposed on him for any reason, either by the FSA or by any other regulator, in relation to his permission to carry on any regulated activity in the UK or any other equivalent activity requiring a permission or licence by any other regulator, or has been convicted of any crime arising out of the conduct of any regulated activity in the UK or any other equivalent activity regulated by any other regulator, or any breach of any laws, rules or regulations applicable to his trading activities or any other activities which he carries on by way of business; or
 - (2) currently is subject to a denial, suspension or disqualification from serving on any Disciplinary Committee, Oversight Panel, Arbitration Panel or governing body of any RIE, any other exchange or any other regulated or self-regulated body; or
 - (3) has committed any criminal offence other than a minor motoring offence,
- may not serve on the Business Conduct Committee, the Adjudication Committee, the Compliance Review Committee, the Floor Committee, the Appeal Committee.

3.10 Conflicts of Interest

- (A) For the purposes of this Rule 3.10, the following terms shall have the following meanings:

Controlled Account means an account controlled by a person by virtue of a power of attorney or who in practice otherwise directs trading for such account;

Customer Account in relation to a member of a Disciplinary Committee or Oversight Panel means the account of a Customer or an option customer, including a foreign futures or foreign options Customer, held at that member (if he is a Member), any Member Firm of which he is a director, officer or employee and any Affiliate of such Member Firm;

De Minimis Position means the number of positions determined, on a case-by-case basis, by the Disciplinary Committee or Oversight Panel in accordance with paragraph (D)(1)(a) of this Rule 3.10 and which shall not count for the purposes of calculating a member's Financial Interest in the proposed Significant Action;

Financial Interest means a direct and substantial financial gain or loss which a member is knowingly likely to make or suffer as a result of the proposed Significant Action, based upon either Exchange or non-Exchange futures or options positions (other than a *De Minimis* Position), which could reasonably be expected to be affected by the proposed Significant Action;

Named Party in Interest means a person or entity who is identified by name as a subject of any matter being considered by a Disciplinary Committee or Oversight Panel;

Principal means:

- (1) a sole trader or proprietor;
- (2) if the entity is organised as a partnership, any general partner;
- (3) if the entity is organised as a limited company, a corporation or a limited liability partnership, any director, the president, chief executive officer, chief operating officer, chief financial officer, the manager, managing member or those members vested with the management authority for the entity, as well as any person in charge of a principal business unit, division or function subject to regulation by the FSA or any other regulator; and any person occupying a similar status or performing similar functions, or who has the power, directly or indirectly, through agreement or otherwise, to exercise a controlling influence over the entity's regulated activities, whether regulated by the FSA or any other regulator;
- (4) any individual who directly or indirectly, through agreement, holding company, nominee, trust or otherwise, is the owner of ten per cent (10%) or more of the issued share capital, being comprised of any class of shares;
- (5) any individual who is entitled to exercise, or control the exercise of, ten per cent (10%) or more of the voting power, or who has the power to sell or direct the sale of ten per cent (10%) or more of any class of voting securities;
- (6) any individual who is entitled to receive ten per cent (10%) or more of the profits; or
- (7) any person other than an individual who is the direct owner of ten per cent (10%) or more of the issued share capital, being comprised of any class of shares;

Proprietary Account means a commodity, Futures or Option account carried on the books of that member (if he is a Member), any Member Firm of which he is a director, officer or employee and any Affiliate of such Member Firm;

Relative means a person's spouse, former spouse, parent, stepparent, child, stepchild, sibling, stepbrother, stepsister, grandparent, grandchild, uncle, aunt, nephew, niece, cousin or in-law;

Significant Action means any of the following types of actions or Rule changes, which can be implemented by the Exchange without the approval of the FSA or any other regulator:

- (1) any actions or rule changes which address an Emergency (as defined in Rules 4.19 and 4.20); or
 - (2) any changes in margin levels that are designed to respond to extraordinary market conditions such as an actual or attempted corner, squeeze, congestion or undue concentration of positions, or that otherwise are likely to have a substantial effect on prices in any contract traded on the Exchange.
- (B) This Rule 3.10 shall apply to each Disciplinary Committee or Oversight Panel when any such Disciplinary Committee or Oversight Panel:
- (1) proposes to take any Significant Action in respect of which a member of that Disciplinary Committee or Oversight Panel (as the case may be) has a Financial Interest; or
 - (2) has under consideration a matter in respect of which a member of that Disciplinary Committee or Oversight Panel (as the case may be):
 - (a) is a Named Party in Interest;
 - (b) is a Relative of a Named Party in Interest;
 - (c) is an employer, employee or fellow employee of a Named Party in Interest; or
 - (d) has any other significant, ongoing business relationship with a Named Party in Interest, not including relationships limited to executing Futures or Option transactions opposite each other or to clearing futures or option transactions through the same Clearing Member.
- (C) The decision that any member of a Disciplinary Committee or Oversight Panel is subject to this Rule 3.10 may be made by the chairman of the affected Disciplinary Committee or Oversight Panel, or by one-third ($\frac{1}{3}$) of the members present at the time.
- (D) Financial Interest in a Significant Action
- (1) Prior to the consideration of any Significant Action:
 - (a) the Disciplinary Committee or Oversight Panel (as the case may be) shall determine the number of positions that may be held in any Contract Month or Months that may be affected by the Significant Action, but which shall be considered a *De Minimis* Position for the purposes of that action; and
 - (b) each member of the Disciplinary Committee or Oversight Panel shall disclose to an Exchange employee designated by the chairman for these purposes the following information relating to Futures and Options positions with respect to any Contract Month or Months of which he is aware and which may be affected by the proposed Significant Action:
 - (i) all gross positions held at the Exchange in the member's personal accounts or Controlled Accounts;
 - (ii) all gross positions held at the Exchange in his Proprietary Accounts;
 - (iii) all net positions held at the Exchange in his Customer Accounts; and

- (iv) any other types of positions, whether maintained at the Exchange or elsewhere, which the Disciplinary Committee or Oversight Panel might reasonably expect to be affected by the proposed Significant Action.
- (2) In addition, taking into consideration the exigency of the Significant Action, the Exchange employee shall review, with respect to any member of the Disciplinary Committee or Oversight Panel who makes a disclosure pursuant to paragraph (D)(1)(b) of this Rule 3.10, the following information, to the extent that it is reasonably available to the Exchange:
 - (a) the most recent Large Trader Reports;
 - (b) clearing records from the Clearing House; and
 - (c) any other information held by the Exchange and which the designated Exchange employee considers relevant for the purposes of this paragraph (D) of this Rule 3.10.
 - (3) Upon completion of the disclosure required by paragraph (D)(1)(b) of this Rule 3.10 and any review of Exchange and Clearing House records, the Exchange employee shall report such position information to the chairman of the Disciplinary Committee or Oversight Panel. The chairman shall then decide, in accordance with paragraph (C) of this Rule 3.10, whether or not this paragraph (D) of this Rule 3.10 applies to that member in relation to the proposed Significant Action.
 - (4) Where this paragraph (D) of this Rule 3.10 applies by virtue of a decision made in accordance with paragraph (C) of this Rule 3.10, or where a member of the Disciplinary Committee or Oversight Panel refuses to make the disclosure required by paragraph (D)(1)(b) of this Rule 3.10, the member must withdraw from the meeting until such time as a decision has been made in relation to the proposed Significant Action and abstain from any deliberation regarding or voting on the Significant Action.
 - (5) In any case where an issue arises as to whether this paragraph (D) of this Rule 3.10 should apply to a particular member in relation to a proposed Significant Action, the Disciplinary Committee or Oversight Panel shall appoint an *ad hoc* committee composed of at least three (3) members who have no positions (other than a *De Minimis* Position) in any Contract Month or Months which may be affected by the proposed Significant Action. That *ad hoc* committee shall then determine, based on the information obtained pursuant to paragraphs (D)(1) and (D)(2) of this Rule 3.10, whether such member has a Financial Interest in the proposed Significant Action and is therefore subject to the restrictions set out in paragraph (D)(4) of this Rule 3.10.
- (E) Relationship with a Named Party in Interest
- (1) Prior to the consideration of any matter, each member of the Disciplinary Committee or Oversight Panel (as the case may be) must disclose to an Exchange employee designated by the chairman for these purposes whether or not he has one of the relationships listed in paragraphs (B)(2)(a) to (d) of this Rule 3.10 with a Named Party in Interest.
 - (2) In addition, taking into consideration the exigency of the Disciplinary Committee's or Oversight Panel's action with regard to a Named Party in Interest, the Exchange employee shall review any records which are held by and reasonably available to the Exchange to ascertain whether any member of the Disciplinary Committee or Oversight Panel has a relationship of the type set forth in paragraphs (B)(2)(a) to (d) of this Rule 3.10 with a Named Party in Interest.
 - (3) Upon completion of the disclosure required by paragraph (E)(1) of this Rule 3.10 and any review of Exchange records, the Exchange employee shall report to the chairman of the Disciplinary Committee or Oversight Panel any member's relationship with a

Named Party in Interest. The chairman shall then decide, in accordance with paragraph (C) of this Rule 3.10, whether or not this paragraph (E) of this Rule 3.10 applies to that member in relation to the matter under consideration.

- (4) Where this paragraph (E) of this Rule 3.10 applies by virtue of a decision made in accordance with paragraph (C) of this Rule 3.10, or where a member of the Disciplinary Committee or Oversight Panel refuses to make the disclosure required by this paragraph (E) of this Rule 3.10, the member must withdraw from the meeting until such time as the matter has been disposed of and abstain from any deliberation regarding or voting on the matter.
- (5) In any case where an issue arises as to whether this paragraph (E) of this Rule 3.10 should apply to a particular member in relation to a Named Party in Interest, the Disciplinary Committee or Oversight Panel shall appoint an *ad hoc* committee composed of at least three (3) members who have no relationship with either the member concerned or the Named Party in Interest. That *ad hoc* committee shall then determine, based on the information obtained pursuant to paragraphs (E)(1) and (E)(2) of this Rule 3.10, whether such member has a relationship with the Named Party in Interest and is therefore subject to the restrictions set out in paragraph (E)(4) of this Rule 3.10.

(F) Participation in Deliberations

- (1) Notwithstanding any other provision of this Rule 3.10, the Disciplinary Committee or Oversight Panel may permit a member to participate in deliberations relating to a Significant Action if:
 - (a) this is consistent with the public interest; and
 - (b) the member does not vote on such action.
- (2) In order to decide whether paragraph (F)(1) of this Rule 3.10 applies to a particular member, the Disciplinary Committee or Oversight Panel (as the case may be) shall appoint an *ad hoc* committee of at least three (3) members who shall consider the following factors:
 - (a) whether the member's participation in deliberations is necessary for the Disciplinary Committee or Oversight Panel to achieve a quorum at the meeting; and
 - (b) whether the member has unique or special expertise, knowledge or experience in the proposed Significant Action or in the matter in respect of which that action has been proposed.
- (3) Prior to any decision made under paragraph (F)(2) of this Rule 3.10, the *ad hoc* committee appointed by the Disciplinary Committee or Oversight Panel must fully consider the position information obtained pursuant to paragraphs (D)(1) and (D)(2) of this Rule 3.10.

(G) Record Keeping

- (1) Each Disciplinary Committee or Oversight Panel shall keep a record of any decisions made by it, or any *ad hoc* committee appointed by it pursuant to paragraph (D)(5), (E)(5) or (F)(2) of this Rule 3.10, as to any member's ability to:
 - (a) participate or abstain from participating in any deliberations regarding:
 - (i) any Significant Action in which the member has a Financial Interest; and

- (i) any matter concerning a Named Party in Interest to which the member is related by virtue of one of the relationships described in paragraphs (B)(2)(a) to (d) of this Rule 3.10; and
 - (b) vote at any meeting at which any such action or matter has been considered.
- (2) The records required to be kept under this paragraph (G) of this Rule 3.10 may be reflected in the minutes of the meeting in question or contained in any other written document as the Disciplinary Committee or Oversight Panel may think fit.

3.11 Adjudication Committee

- (A) The Adjudication Committee shall consist of four (4) committee members (including one (1) non-Member), a chairman and a non-Member alternate.
- (B) The Hearing Panel shall be appointed by the chairman of the Adjudication Committee and shall consist of no fewer than two (2) Adjudication Committee members and a chairman (who may, but does not have to, be a member of the Adjudication Committee). The chairman must be a non-Member who has been a lawyer by profession for at least ten (10) years and who has relevant experience. No one with any interest in any matter to be considered by the Hearing Panel, or who has had any involvement in any of those matters in a disciplinary capacity, may serve on the Hearing Panel.
- (C) The Adjudication Committee shall hold such meetings as, in the discretion of the chairman, are necessary to review matters pertaining to any disciplinary action taken or proposed to be taken by the Exchange (including, but not limited to, Board policy and disciplinary precedents).
- (D) The Adjudication Committee shall report to the Board at least twice a year. The report shall detail the activities of the Committee for the period covered by the report and shall describe all disciplinary actions taken by the Committee during that period.

3.12 Appeal Committee

- (A) The Appeal Committee shall consist of two (2) committee members, a chairman and a non-Member alternate. The chairman must be a non-Member who has been a lawyer by profession for at least ten (10) years and who has relevant experience. The non-Member alternate must have similar qualifications to the chairman.
- (B) No person who has participated at an earlier stage in the disciplinary process, nor any person who has any financial, personal or other interest in the matter to be considered by the Appeal Committee, may serve on the Committee. Any member so interested must notify the chairman promptly.
- (C) The Appeal Committee shall report to the Board at least twice a year. The report shall detail the activities of the Committee for the period covered by such report and shall describe all disciplinary actions taken by the Committee during such period.

3.13 Business Conduct Committee

- (A) The Business Conduct Committee shall consist of four (4) committee members (including one (1) non-Member), a chairman and a non-Member alternate.
- (B) The Business Conduct Committee will meet monthly (or as necessary) to review any investigative report. The Committee shall be quorate if at least three (3) members are present, including a non-Member. A member of the Committee will excuse himself from any such review where he or any Affiliate of his has any interest in the matter.
- (C) The Business Conduct Committee shall make a report to the Board at least twice a year. The report shall detail the activities of the Committee for the period covered by such report and shall describe all disciplinary actions taken by the Committee during such period.

3.14 Floor Committee

- (A) The Floor Committee shall consist of such number of members as the chairman may appoint in accordance with paragraph (C)(2) of Rule 3.1.
- (B) The Floor Committee shall:
 - (1) resolve any disputes arising out of bids or offers by action of any member of the Committee without notice to other members of the Committee;
 - (2) supervise practices relating to bids or offers and take steps to avoid disruptive practices or practices inconsistent with orderly trading procedures;
 - (3) supervise the conduct of Members and others on the Exchange Floor and maintain good order and decorum; and
 - (4) have such other powers as may be set forth in the Rules and such other functions as may be delegated to it by the Board.
- (C) The chairman of the Floor Committee shall designate a Pit Chairman for each trading pit on the Exchange.
- (D) The Floor Committee shall consider requests from Members and users of the Exchange for amendments, deletions or additions to the Rules.
- (E) The Floor Committee shall review any such requests and may make recommendations to the Board regarding necessary or appropriate amendments, deletions or additions to the Rules.

3.15 Compliance Review Committee

- (A) The Compliance Review Committee shall consist of an independent non-executive director (who shall act as chairman), the chairmen of the Adjudication Committee, the Appeal Committee, the Business Conduct Committee and the Floor Committee, and such number of other persons as the chairman may appoint in accordance with paragraph (C)(2) of Rule 3.1.
- (B) The Committee may:
 - (1) consider requests from Members and users of the Exchange for amendments, deletions or additions to the Rules;
 - (2) review such requests and make recommendations to the Board regarding necessary or appropriate amendments, deletions or additions to the Rules;
 - (3) review and recommend to the Board matters concerning the compliance activities (including compliance with the Recognition Requirements) and disciplinary policies of the Exchange;
 - (4) recommend to the relevant chairmen persons who, in the opinion of the Committee, have the ability, maturity, judgment and other qualities to serve as a member of the Adjudication Committee, the Appeal Committee, the Business Conduct Committee and the Floor Committee;
 - (5) direct when and how the policies and procedures of the Adjudication Committee, the Appeal Committee, the Business Conduct Committee and the Floor Committee should be changed; and
 - (6) direct the Business Conduct Committee, the Floor Committee or the Compliance Department to investigate a particular matter or matters or a particular person or persons when, in the opinion of the Committee, such investigation is necessary or proper to comply with the Recognition Requirements.

- (C) The Committee shall have such other powers as are necessary and proper to its office. The list of powers of the Compliance Review Committee is not intended to limit the Committee's authority to be exclusive.

3.16 Advisory Committees.

- (A) There shall be two **Product Advisory Committees**:
 - (1) a Brent Product Advisory Committee; and
 - (2) a Gasoil Product Advisory Committee,(each a **Product Advisory Committee** and together the **Advisory Committees**).
- (B) The Board may create additional Product Advisory Committees as it deems necessary from time-to-time.
- (C) The Product Advisory Committees shall consist of such persons as the chairman may appoint in accordance with paragraph (C)(2) of Rule 3.1.
- (D) The Product Advisory Committees shall consider requests from Members and users of the Exchange for amendments, deletions or additions to the Rules relevant to the subject matter of the Committee.
- (E) The Product Advisory Committees shall review any such requests and may make recommendations to the Board regarding necessary or appropriate amendments, deletions or additions to the Rules.

Chapter 4 Compliance and General Rules

Table of Contents

4.1	Authorisation by the FSA	1
4.2	Compliance with related requirements	1
4.3	Reporting obligations: general	2
4.4	Reporting obligations: FSA authorisation information	2
4.5	Accuracy of information	3
4.6	Reports and records	3
4.7	Information gathering and inspections by the Exchange	4
4.8	Other obligations of Members	4
4.9	Conduct and Trading Standards for Members	5
4.10	Pre-arranged Trades	6
4.11	Trading Prohibition of Certain Persons	6
4.12	Complaints against the Exchange regarding the performance of regulatory functions	7
4.13	Advertisements etc.	7
4.14	Customer agreements	7
4.15	Trade confirmations	7
4.16	Customer orders	8
4.17	Member Obligations: dealing with complaints	8
4.18	Rule Changes	8
4.19	Physical emergencies	9
4.20	Emergencies: powers of the Board, the CEO and the CCO	9
4.21	Position Limits, Position Accountability and Position Reporting	10
4.22	Transfer of positions from NYMEX, Inc.'s Dublin operation	11

4.1 Authorisation by the FSA

(A) Each Member shall:

- (1) obtain and maintain the appropriate FSA permissions within the meaning of Part IV of the FSMA for the purposes of the activities which it conducts or intends to conduct while trading on the Exchange; or
- (2) present to the Exchange any evidence as the Exchange may from time to time reasonably request to show that it does not require any such permissions by virtue of an exemption or exclusion from the authorisation requirement within the meaning of Part IV of the FSMA and any applicable regulations made under it.

(B) Where a Member relies on an exemption or exclusion from the authorisation requirement as set out in paragraph (2) of this Rule 4.1, the Member is solely responsible for ensuring that the relevant exemption or exclusion is at all times available and sufficient for the purposes of any and all of that Member's activities conducted on the Exchange.

4.2 Compliance with related requirements

(A) Each Member shall at all times have in place systems, controls and procedures designed to ensure compliance with:

- (1) these Rules; and
- (2) all applicable laws and regulations, including all applicable rules and guidance published by the FSA and any other regulator who is responsible for regulation of any of the Member's activities conducted on the Exchange or otherwise made subject to these Rules, and all Applicable AML and Market Abuse Requirements.

(B) Each Member shall be able to evidence the existence of the systems, controls and procedures required by paragraph (A) of this Rule 4.2 at the request of the Exchange.

- (C) No Member shall carry any account for any other person until it has verified the identity of that person for the purposes of Applicable AML Requirements.

4.3 Reporting obligations: general

Each Member shall provide the following information to the Exchange:

- (1) in the case of Members other than individuals, annual audited accounts (including balance sheet, profit and loss account and cash flow statement) within four (4) months of the end of its financial year and those of its ultimate Parent Undertaking (if any) as soon as they are sent to any person entitled to receive them;
- (2) details of any disciplinary action that it has taken or intends to take against one (1) or more of its employees or representatives employed or otherwise engaged in relation to any of its activities conducted on the Exchange;
- (3) details of any enforcement action taken against it, whether taken by the FSA, any other exchange or any other regulator;
- (4) details of any enforcement action taken against one (1) or more of its employees or representatives employed or otherwise engaged in respect of any of its activities conducted on the Exchange, whether taken by the FSA, any other exchange or any other regulator;
- (5) any further information in relation to commercial matters as may be required by the CEO or any person empowered by him generally or in any specific case; and
- (6) any further information in relation to regulatory and compliance matters as may be required by the CCO or his designee.

4.4 Reporting obligations: FSA authorisation information

(A) Each Member shall notify the CCO annually in writing as to:

- (1) whether the Member requires FSA authorisation for the purposes of any activities which it conducts or intends to conduct while trading on the Exchange;
- (2) the nature of these activities;
- (3) whether the Member is authorised, exempt or excluded from the authorisation requirement for the purposes of such activities; and
- (4) whether the Member is subject to regulation by any other regulating organisations, either in the UK or elsewhere, and if so which organisation is his main regulator for the purposes of these activities or any other activities made subject to these Rules.

(B) Each Member shall notify the Exchange immediately upon:

- (1) any variation or cancellation of its permission to carry on any activity which it conducts on the Exchange, including the revocation of its status as an authorised or exempt person; and
- (2) any changes to any exclusions from the authorisation requirement on which it had previously relied, but on which it will no longer be able to rely for the purposes of one (1) or more of its activities conducted on the Exchange.

(C) Each Member shall notify the Exchange immediately upon initiating any new activity which may affect its status as an authorised or exempt person, or which may affect the availability of any exclusions from the authorisation requirement on which it had previously relied.

- (D) Any notice required to be given under paragraph (B)(2) or (C) of this Rule 4.4 shall include details of the steps which the Member has taken to ensure that it will continue to comply with the requirements of Rules 4.1 and 4.2 in respect of any of its activities conducted on the Exchange.
- (E) Any notice required to be given under this Rule 4.4:
 - (1) shall be given on or around a date agreed in advance with the CCO and promptly upon any change in the particulars last notified;
 - (2) shall be in such form as the Exchange may from time to time prescribe; and
 - (3) where required, shall be certified by a firm of auditors, solicitors or some other person acceptable to the Exchange.

4.5 Accuracy of information

All Members shall ensure to the best of their ability that all information and documents provided to the Exchange pursuant to Rules 4.2, 4.3, and 4.4 or any other Rule, and any information or documents provided to the Clearing House from time to time under any Clearing House Rule, or any information or documents provided pursuant to a request or direction made by the Exchange, the Clearing House, the CCO or any committee of the Exchange, are complete, fair and accurate.

4.6 Reports and records

- (A) Members must make and file reports and keep and maintain records in respect of such documents, in such form and for such period as may be required under the rules and regulations of any regulatory body to whose rules and regulations they are subject (including the FSA or the CFTC) or as may be prescribed by the Board, and in any event all Members shall maintain:
 - (1) the originals of all Order Tickets and Trading Cards; and
 - (2) other records relating to all Market Contracts to which the Member is a party or which the Member has executed, forwarded for execution, transferred or assigned, including details of the persons for whom the trade was made, the parties to it, the manner in which it was fulfilled, discharged or terminated.
- (B) Members shall maintain all other records in permanent hard copy or permanent and readily-retrievable electronic form, unless they are required to keep them in another form by the rules and regulations of any regulatory body.
- (C) All records required to be kept under this Rule 4.6 shall be kept for at least five (5) years, unless:
 - (1) they are required to be kept for a longer period by the rules and regulations of any regulatory body; or
 - (2) the contract to which the records refer has not been settled within five (5) years from the trade date, in which case the relevant records shall be kept until the contract has been settled.
- (D) All records required to be kept under this Rule 4.6 shall be open to inspection by the Exchange, the Clearing House, the FSA, the CFTC and any other regulator.

4.7 Information gathering and inspections by the Exchange

- (A) The CCO or his designee may request trading or other information regarding any Clearing Member from the Clearing House and the Clearing House shall provide any such information promptly upon request.
- (B) The CCO or his designee shall be entitled at any time to inspect and take copies of the records, trading information, books of account and other documentation, howsoever made and retained, of Members (including any documentation howsoever made and retained by or in the possession of the Member for any other person) for the purposes of ensuring compliance with these Rules, and in particular with paragraph (A)(2) of Rule 4.2.
- (C) The CCO or his designee shall be entitled at any time to inspect and take copies of:
 - (1) a Member's anti-money laundering procedures and any records relating to its compliance with Applicable AML Requirements howsoever made and retained; and
 - (2) documents and any records relating to a Member's compliance with Market Abuse Requirements howsoever made and retained.
- (D) Where the documentation referred to in paragraphs (B) or (C) of this Rule 4.7 is in the possession of a third party, the Member shall procure that the Exchange is given access to such documentation as if it were in the Member's possession.
- (E) The CCO or his designee shall be entitled at any time to attend at the premises of any Member for the purpose of inspecting any of the matters referred to in Rules 4.2, 4.3, 4.4 and paragraphs (B) and (C) of Rule 4.8, and the Member shall ensure that all cooperation is afforded to him.
- (F) The CCO or his designee may cooperate with any governmental or international agency, any other exchange, any clearing house and any self-regulatory or other regulatory or enforcement organisation in such manner as he thinks fit and shall, in particular, be permitted to disclose to any of these persons or bodies any information for the time being in the possession of the Exchange regarding any Member's financial condition or trading activities, including any information obtained pursuant to Rules 4.2, 4.3, 4.4 and 4.8.

4.8 Other obligations of Members

- (A) Each Member shall observe high standards of integrity, fair dealing and market conduct as reflected in the FSA's Principles and rules and any guidance published by it from time to time.
- (B) Each Member shall deal with the Exchange in an open and cooperative manner and keep the Exchange promptly informed of anything concerning the Member which might reasonably be expected to be disclosed to the Exchange.
- (C) Each Member shall cooperate fully and openly with any other agency or enforcement body having responsibility for the detection and prevention of financial crime or market abuse, to the extent that that person requires information relating to the Member's Membership of, or trades carried out on, the Exchange.
- (D) Each Member shall organise and control its internal affairs in a responsible manner, keep proper records and have adequate arrangements to ensure that its staff and directors are suitable, adequately trained and properly supervised.
- (E) Each Member Firm shall have appropriate measures to manage conflicts of interest arising in the course of its trading on the Exchange.

4.9 Conduct and Trading Standards for Members

- (A) **General Rule.** No Member may engage in any practice which might reasonably be expected to have an adverse impact on the operations of the market or which is unfair to its Customers or other market participants or which amounts to market abuse under section 118 of the FSMA.
- (B) **Front Running.** No Member may purchase or sell any Future or Option for its own account (or for any account in which it has an interest) or place an order to do so while holding an order from a Customer in the same direction for any such transaction either:
- (1) where the Customer's order is executable at the market price or at the price at which such transaction can be made for such account; or
 - (2) intending to make or realise a profit from any price movement resulting from the execution of the Customer's order (whether alone or in combination with others).
- (C) **Wash Trades.** No Member shall make any order or execute any trade in an Exchange Contract which creates a misleading impression of activity in the market or causes the Exchange or any person to report misleading information as to the price or depth of the market in that Exchange Contract.
- (D) **Accommodation Trades.** No Member shall make any order or execute any trade in an Exchange Contract with a view to concealing any abusive trade or misconduct (past or future) by that Member or any other person.
- (E) **Compensation Trades.** No Member shall make any order or execute any trade or combination of trades in an Exchange Contract the primary purpose of which is to transfer money between accounts without creating (or reducing) any open interest, or for no legitimate purpose.
- (F) **Trading with Intent to Default.** No Member shall make any order or execute any trade in an Exchange Contract where that Member either:
- (1) intends to default in the performance of any contract resulting from such order or from the execution of such trade; or
 - (2) has no reasonable grounds for believing that it would be able to avoid any such default.
- (G) **Cross Trades.** Except as expressly permitted under these Rules, no Member may enter into any form of cross trade.
- (H) **False Trades.** No Member shall purport to make or report any fictitious trade.
- (I) **Transactions with Customers.** Except where expressly permitted under these Rules, no Member shall enter into any contract in the terms of an Exchange Contract with or for a Customer (a **Customer Contract**) and represent to that Customer that such contract is made on the Exchange by means of the Exchange's facilities or otherwise subject to these Rules, unless such Member first executes on the Exchange's market (or has procured such execution by another Member of) a trade (a **Matching Trade**) in respect of and in the terms of such Customer Contract.
- (J) A Member executing a Matching Trade shall be the buyer (or seller) on the Matching Trade if its Customer is the buyer (or seller) on the Customer Contract, and the Matching Trade shall be at the same price as the Customer Contract.
- (K) **Confidentiality of Customer Orders.** No Member shall disclose at any time that he is holding an order of another person or divulge any order revealed to him by reason of his

relationship to such other person, except to execute an order or at the request of an authorised representative of the FSA, CFTC or the Exchange.

- (L) **No Unfair Advantage.** No Member holding a Customer order given to him by another Member, or having had actual disclosure of a Customer order from another Member, may use the details of the Customer order at any time to take unfair advantage in a transaction for itself, directly or indirectly, or for its account or any account in which such Member has an interest.
- (M) No Member may take unfair advantage of a Customer order for the benefit of its own account or any account in which it has an interest or for any other person.
- (N) **Misallocation.** No Member shall allocate trades executed (or which were required to be executed) for the account of a Customer to the account of any other Customer or any other person (and where a Member unintentionally or accidentally misallocates a Customer trade, it shall be in breach of this Rule 4.9 if it fails promptly to remedy the misallocation).
- (O) **Withholding or Withdrawal of Orders.** No Member shall withhold or withdraw from the market any (or part of any) order for the convenience of another Member.
- (P) No Member shall attempt to commit, or participate in the commission by another person (whether or not a Member) of, any of the actions prohibited by this Rule 4.9.
- (Q) **Compliance with Financial and Position Limits.** No Member may make an order or execute any trade (other than to liquidate open positions) which would have the effect at the time of execution of any such trade of putting such Member in breach of any financial or position limit imposed on it by the Exchange or the Clearing House.

4.10 Pre-arranged Trades

- (A) Except where otherwise provided in these Rules, Members shall not pre-negotiate or pre-arrange trades in Exchange Contracts or attempt to do so.
- (B) Any transaction in an Exchange Contract which was the subject of prior negotiation or arrangements made between Members may, except where expressly permitted under these Rules, be disallowed and declared invalid by the CCO or his designee.

4.11 Trading Prohibition of Certain Persons

- (A) Members are prohibited from accepting or executing directly or indirectly any order for, or maintaining positions in, any Exchange Contract if such Member knows or, with the exercise of reasonable care, should know that the order or position is for or on behalf of:
 - (1) an employee or director of the Exchange;
 - (2) an employee, director or partner of a Member without the prior written consent of such employer and the CCO or his designee;
 - (3) a Clerk or an Authorised Terminal User who is not a Member;
 - (4) an employee or director of Task Management, Inc.
- (B) A Member may execute orders for the account of a director, employee or partner of a Floor Member (or for an account in which such person holds an interest) provided that the Floor Member records and identifies such transactions separately in its trading records and otherwise deals with such orders and margins resulting positions in the same manner as it deals with or manages other Customer orders or positions. Members shall ensure that their senior managers (other than those interested in any such orders or trades) shall monitor such orders and any resulting transactions and shall maintain adequate systems to protect

Customers from conflicts of interest arising and to prevent or prohibit breach of any rule or law against market abuse by any such employee, director, partner or Member.

4.12 Complaints against the Exchange regarding the performance of regulatory functions

- (A) The Exchange will investigate and resolve complaints against it in accordance with paragraph 9 of the Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges and Clearing Houses) Regulations 2001 and the Exchange's own procedures.
- (B) A complaint against the Exchange may only be made in connection with the performance of, or failure to perform, any of its regulatory functions. Any such complaint must be made formally and in writing, addressed to the CCO. If it is made by a Member, it must be signed by a director or equivalent officer.
- (C) The complainant must set out clearly the nature of the complaint and the full facts of the matter (as far as they are known).

4.13 Advertisements etc.

- (A) Each Member shall ensure that all stationery, brochures and advertising or other promotional material issued by it or on its behalf concerning Membership, any Exchange Contract or any other contract available for trading on the terms of these Rules or otherwise using the Exchange's name or in relation to any matter of interest or concern to the Exchange shall:
 - (1) be clear, fair and not misleading;
 - (2) comply with all applicable laws and regulations; and
 - (3) conform to any guidelines as may from time to time be published by the Exchange.
- (B) Each Member shall ensure that all brochures, advertising or other promotional material issued by it or on its behalf which constitutes a financial promotion within the meaning of section 21 of the FSMA shall, in addition to the requirements of paragraph (A) of this Rule 4.12, comply with the provisions of that Act and any applicable regulations made under it.

4.14 Customer agreements

- (A) A Member shall not open an account for a Customer, or enter into a contract with or accept an order to enter into a contract for a Customer, unless the Member has (subject to such exceptions as may be prescribed) entered into a written agreement with the Customer containing such terms as may from time to time be prescribed in these Rules or in directions of the Board.
- (B) Without prejudice to any terms which may from time to time be prescribed pursuant to paragraph (A) of this Rule 4.14, a Member shall ensure that his written agreement with each Customer:
 - (1) imports into every contract made with the Customer all the terms of these Rules insofar as they are applicable to that contract; and
 - (2) in relation to any business done with the Customer, enables the Member to perform all contracts from time to time registered in the Member's name with the Clearing House and comply with all requirements of these Rules and any other arrangements, provisions and directions given by the Exchange.

4.15 Trade confirmations

Each Member shall give a written confirmation to its Customers recording the terms of any contract made with each of them.

4.16 Customer orders

- (A) Each Member shall be responsible for exercising due diligence in the execution of all executable Customer orders as of the time the order was time stamped on the Exchange Floor.
- (B) All Floor Brokers, in the execution of Customer orders on the Exchange floor, must exercise reasonable care and skill given current market conditions, market values and the nature of the order.

4.17 Member Obligations: dealing with complaints

- (A) Each Member shall ensure that all complaints in relation to business concerning futures, options or contracts for differences, whether or not subject to the Exchange's terms, are promptly, thoroughly and fairly investigated, and that in the most serious cases such investigations will be conducted by one of its senior officers or employees who has no personal interest in the subject matter of the complaint.
- (B) Each Member shall ensure that, following an investigation conducted pursuant to paragraph (A) of this Rule 4.17, the complainant is informed in writing of the outcome of the investigation.
- (C) Each Member shall retain for at least three (3) years all such complaints which were made in writing.
- (D) Each Member shall create and maintain a register of complaints, showing the following details:
 - (1) the date of receipt of each complaint;
 - (2) the Customer who made the complaint;
 - (3) the relevant employees or representatives of the Member who are the subject of the complaint or whose conduct appears relevant to it;
 - (4) the subject matter of the complaint; and
 - (5) any action taken by the Member.
- (E) The register referred to in paragraph (D) of this Rule 4.17 shall be open to inspection by the Exchange upon the Exchange's demand.

4.18 Rule Changes

- (A) The Board may at any time adopt, amend or delete any Rule by a majority vote.
- (B) Any Rule adopted, amended or deleted pursuant to paragraph (A) of this Rule 4.18 shall be notified to Members, and shall take effect at such time and in such manner as the Board may direct.
- (C) The Board will consult with Members on adopting, amending or deleting a Rule where the Board considers this appropriate, except the Board shall not be obliged to consult where it exercises its powers pursuant to Rule 4.20. When deciding if consultation on a Rule change is appropriate, the Board will take into account whether a proposed Rule change satisfies one (1) of more of the following factors, the presence of which may indicate that consultation is necessary. The factors are that:
 - (1) the Rule change is perceived by the Board as likely to have a significant impact on trading on the Exchange;
 - (2) the Rule change is perceived by the Board as likely to have a significant impact on Members' legal and regulatory obligations under the FSMA;

- (3) the Rule change relates to a regulatory function of the Exchange, and is perceived by the Board as likely to have a significant effect on the relevant regulatory function of the Exchange;
 - (4) the Board considers that there are other factors which in its opinion make consultation with Members on a Rule change necessary.
- (D) If the Board decides that consultation is necessary, it may carry out consultation on the adoption, amendment or deletion of any Rule in such forum as it considers appropriate to the Rule change including consulting with:
- (1) relevant committees;
 - (2) Members, industry groups, users of its facilities, appropriate representative bodies (or any of these groups of persons, as the Board considers appropriate); and
 - (3) such other groups of persons as the Board considers appropriate in the circumstances.

4.19 Physical emergencies

- (A) For the purposes of this Rule 4.19 and Rule 4.20, **Physical Emergency** means:
- (1) fires or other casualties, bomb threats, substantial inclement weather, power failures, communication or transportation breakdowns, computer system breakdowns, screen-based trading system breakdowns and malfunctions of plumbing, heating, ventilation and air conditioning systems; or
 - (2) any other event which, in the reasonable opinion of an Exchange official designated for the purposes of paragraph (B) of this Rule 4.19, justifies an action taken under that paragraph as being in the interests of the Exchange or its Members, or the preservation of a fair and orderly market.
- (B) Without prejudice to Rule 4.20 (and subject to any order to the contrary by the Board or any persons authorised under that Rule), a designated Exchange official, the CEO or CCO may temporarily suspend trading on the Exchange in the event of a Physical Emergency.
- (C) Trading will be resumed as soon as reasonably practicable following a suspension in accordance with paragraph (B) of this Rule 4.19.

4.20 Emergencies: powers of the Board, the CEO and the CCO

- (A) The Board may at any time:
- (1) amend, delete or add to the Rules or procedures of the Exchange where, in either case, it considers that the circumstances constitute an Emergency and the Rule change is necessary or desirable for the performance of the Exchange's regulatory functions or its orderly operations as a market (including to maintain its status as an RIE under the FSMA);
 - (2) in the event of an Emergency, order suspension of trading for such period as in its judgment is necessary.
- (B) For the purposes of this Rule 4.20, an **Emergency** includes, but is not limited to, the following circumstances:
- (1) where any manipulative activity or attempted manipulative activity is suspected;
 - (2) any actual, attempted or threatened corner, squeeze, congestion or undue concentration of positions;

- (3) any circumstance or circumstances that may materially affect the performance of futures or options contracts traded on the Exchange;
 - (4) any action taken by or against the UK government, any foreign government, any local government, authority or agency, or by any other exchange, any trade association, whether foreign or domestic, which action may have a direct impact on trading on the Exchange;
 - (5) any circumstances that may have a severe, adverse effect on the physical functions of the Exchange, including a Physical Emergency;
 - (6) any other unusual, unforeseeable and adverse circumstance.
- (C) Any such Rule change will take effect as the Board may direct, and will be notified to Members and such other users and interested parties who may request notification.
 - (D) The Board will endeavour to give Members prior notice of such Rule changes, but where this is not possible Members will be informed by email as soon as possible following such Rule change.
 - (E) In an Emergency, or to determine whether an Emergency exists, a meeting of the Board may be convened on immediate notice.
 - (F) In the event of an Emergency where a quorum of the Board is unavailable, all trading on the Exchange may be suspended by an affirmative vote of two-thirds of the members of the Board present.
 - (G) In the event of an Emergency in which no other member of the Board is present, the Chairman or, in his absence, the Deputy Chairman or, in their absences, any one (1) director (or alternate) present or, in their absences, the CEO or the CCO or, in both their absences, the General Manager, may order suspension of trading for such period as in their or his judgment is necessary.
 - (H) Any action taken pursuant to this Rule 4.20 will be subject to review and modification by the Board.

4.21 Position Limits, Position Accountability and Position Reporting

- (A) The NYMEX, Inc. rules set forth below shall be binding on all Members, and each Member shall procure that its Customers comply with these rules:
 - (1) NYMEX, Inc. Rule 9.26 – All Month/Any One Month Position Accountability;
 - (2) NYMEX, Inc. Rule 9.27 – Expiration and Current Delivery Month Position Limits or Position Accountability;
 - (3) NYMEX, Inc. Rule 9.28 – Exemptions from Position Limits for Bona Fide Hedging Transactions;
 - (4) NYMEX, Inc. 9.29 – Exemptions from Position Limits for Exposure from Commodity Swap Transactions;
 - (5) NYMEX, Inc. Rule 9.30 – Hedge Notice;
 - (6) NYMEX, Inc. Rule 9.31 – Revised Hedge Notice;
 - (7) NYMEX, Inc. Rule 9.32 – Action by the Exchange;
 - (8) NYMEX, Inc. Rule 9.33 – Position Reporting;

- (9) NYMEX, Inc. Rule 9.34 – Reporting Levels; and
- (10) NYMEX, Inc. Rule 9.35 – Aggregation.

References to “the Exchange” in these NYMEX, Inc. Rules will be references to the Clearing House.

- (B) NYMEX, Inc. Rule 9.36 shall be binding on all Members, but references in that rule to the Compliance Staff shall for these purposes be read as references to the CCO, references to the President as references to the CEO and references to the Business Conduct Committee to the Compliance Review Committee.
- (C) Any fines imposed pursuant to paragraph (B) of this Rule 4.21 on a Member shall be subject to an appeal to the Appeal Committee and the procedures set out in Chapter 7 of these Rules.

4.22 Transfer of positions from NYMEX, Inc.'s Dublin operation

NYMEX Europe will succeed to the undertaking of NYMEX, Inc.'s Dublin branch on and with effect from [the time when dealing may first commence on the Exchange]. Accordingly, any open positions (including positions with the Clearing House, with Clearing Members and with NYMEX, Inc. members carrying Omnibus Accounts) that are not closed out prior to the transfer of the undertaking to NYMEX Europe will on and with effect from such time give rise to equivalent contracts in the terms of Exchange Contracts in exactly the same size and Contract Month, and between the same parties as the relevant open position.

Chapter 5 Arbitration Rules

Table of Contents

5.1	Definitions and scope of these Arbitration Rules	1
5.2	Non-waiver of Exchange objects and purposes	1
5.3	Mandatory submission to arbitration	2
5.4	Non-mandatory submission to arbitration	2
5.5	Seat and language of the arbitration	2
5.6	Start of arbitration proceedings	2
5.7	Appointment of arbitrators	4
5.8	Arbitrator disclosure and requests for disqualification of arbitrators	5
5.9	Disqualification or other disability of arbitrators	5
5.10	Hearing Requirement: waiver of hearing	5
5.11	Designation of time and place of hearings	5
5.12	Procedure for claims less than £2,000	5
5.13	Time limitation	6
5.14	Interruption of time limitation	6
5.15	Withdrawal of proceedings	6
5.16	Settlement	6
5.17	Legal representation	6
5.18	Failure to appear or to progress the arbitration	6
5.19	Adjournments	7
5.20	Disclosure of documents	7
5.21	Pre-hearing conference and procedural timetable	8
5.22	Pre-hearing evidence submission	8
5.23	Power to order Member appearances	8
5.24	Evidence	9
5.25	Conduct of hearings	9
5.26	Interpretation of these Arbitration Rules	9
5.27	Determination of arbitrators	9
5.28	Record of proceedings	9
5.29	Oaths of witnesses	10
5.30	Amendments	10
5.31	Closing of hearings	10
5.32	Reopening of hearings	10
5.33	Awards	10
5.34	Schedule of fees	11
5.35	Privacy and confidentiality of the proceedings	12

5.1 Definitions and scope of these Arbitration Rules

(A) These Arbitration Rules govern the resolution of all disputes, claims, grievances and controversies:

- (1) between Members;
- (2) between Members and employees of Members; and
- (3) between Customers and Members or Employees of Members, other than those that are subject to Chapter 7 (Disciplinary Rules).

5.2 Non-waiver of Exchange objects and purposes

The submission of any matter to arbitration under these Arbitration Rules shall in no way limit or preclude any right, action or determination by the Exchange which it would otherwise be authorised to adopt, administer or enforce.

5.3 Mandatory submission to arbitration

(A) Disputes between Members

Any dispute, claim, grievance or controversy between or among Members (including Members who were Members at the time such dispute, claim, grievance or controversy arose) wholly or partially arising, directly or indirectly, out of, in connection with or as a result of:

- (1) any transaction executed on the Exchange (including EFPs, EFSs, EOOs, IXA Trades and deliveries against Exchange Contracts); or
- (2) the business of such Member on the Exchange;

shall be finally settled by arbitration under these Arbitration Rules.

(B) Disputes between Members and Customers

Any dispute, claim, grievance or controversy between a Customer and a Member or between a Customer and an Employee of a Member that arises wholly or partially, directly or indirectly, out of, in connection with or as a result of any transaction on or subject to the Rules shall be finally settled by arbitration under these Arbitration Rules, as provided by an enforceable written agreement, or upon the written demand of the Customer.

5.4 Non-mandatory submission to arbitration

Any dispute, claim, grievance, or controversy other than as defined in paragraphs (A) and (B) of Rule 5.3 between a Member, Employee of a Member or Customer of a Member and a Member may be settled finally by arbitration under these Arbitration Rules as provided by an enforceable agreement to arbitrate or a submission agreement, provided that the arbitrators shall have the right to decline to use these Arbitration Rules where, having due regard for the purposes of the Exchange, they are of the view that such dispute, claim, grievance or controversy is not a proper subject matter for arbitration under these Arbitration Rules.

5.5 Seat and language of the arbitration

The seat of any arbitration proceedings under these Arbitration Rules shall be London, England and the language of the proceedings shall be English.

5.6 Start of arbitration proceedings

(A) Arbitration proceedings under these Arbitration Rules shall be started as follows:

- (1) Statement of Claim
 - (a) The party desiring to submit a matter to arbitration (the **Claimant**) shall file with the Compliance Department three (3) copies of a statement of claim (**Statement of Claim**) setting out a concise description of the claim, dispute, grievance or controversy and the name and address of the persons from whom relief is sought (the **Respondent**), together with any documents and names of witnesses. The Statement of Claim shall also identify the arbitrator whom the Claimant wishes to nominate, specify the relevant facts, the remedies sought (including the method of the party's damage computation) and the basis upon which relief is sought.
 - (b) The Compliance Department shall promptly send the Statement of Claim to the Respondent(s).

(2) Answer and Counterclaims

- (a) The Respondent, within twenty (20) days from receipt of the Statement of Claim, shall file an answer (**Answer**) and any counterclaim (**Counterclaim**) with the Compliance Department.
- (b) The Answer shall respond to each of the allegations in, and set out all available defences to, the Statement of Claim and may set out any related Counterclaim the Respondent may have against the Claimant. The Respondent shall also attach to the Answer any relevant documents and include the names of any witnesses.
- (c) The Compliance Department shall promptly send a copy of the Answer and any Counterclaim to the Claimant.
- (d) Any Counterclaim of a Member Respondent against a Customer Claimant may be brought only if the Counterclaim arises out of the transaction or occurrence which is the subject of the Customer's dispute, claim, grievance or controversy and does not require for adjudication the presence of essential witnesses or third persons whose presence at the arbitration hearing cannot be compelled by the arbitral tribunal (the **Tribunal**) or the Exchange.
- (e) Other Counterclaims are permissible where the Customer agrees to the submission to arbitration after the Counterclaim has arisen and if the aggregate monetary value of the claim is capable of calculation.

(3) Reply

- (a) Within ten (10) days of an Answer asserting a Counterclaim, a Claimant shall file a reply to any counterclaim (**Reply**) with the Compliance Department.
 - (b) The Compliance Department shall promptly send a copy of the Reply to the Respondent(s).
- (4) The Compliance Department shall provide the arbitrators with a full set of the pleadings as soon as the Tribunal has been constituted.
- (5) The time period to file any document may be extended for such further period as may be granted by the CCO and, once the Tribunal has been constituted, by the arbitrators upon the written request of the party seeking the extension.

(B) Attendance at hearings

The attendance or presence of all persons at hearings including witnesses shall be determined by the arbitrators. However, all parties to the arbitration and their counsel shall be entitled to attend all hearings.

(C) Joinder and consolidation of disputes between Members

- (1) In disputes between Members, any party shall have the right to proceed in the same arbitration against any other party upon any claim directly related to such dispute.
- (2) By virtue of these Arbitration Rules, Members are deemed to agree that:
 - (a) they will be joined as parties in existing arbitration proceedings; and
 - (b) any separate claims concerning directly related issues will be consolidated into one (1) set of arbitration proceedings.

(D) Service of papers

- (1) Service of all papers by either the parties or the Compliance Department, including the initial pleadings, disclosure requests and responses and any other materials relating to a claim, may be effected by fax or by use of a generally recognised overnight delivery service.
- (2) In the case of service on a party, this will be to the party's last known address on record with the Exchange and his agent for service of process.
- (3) All time periods set out in these Arbitration Rules within which a party must respond shall commence:
 - (a) for service by fax, on the date on which the fax is sent; or
 - (b) for service by overnight delivery service, two (2) days after the papers have been given to the overnight delivery service.

5.7 Appointment of arbitrators

(A) Disputes between Members

- (1) In all arbitration proceedings between or among Members or Employees of Members, the Tribunal shall consist of two (2) party-appointed arbitrators and a chairman. The party-appointed arbitrators shall be Members or Employees of Members. The chairman shall be a lawyer of at least ten (10) years' standing and shall be nominated jointly by the two party-appointed arbitrators.
- (2) The Claimant shall identify his party-appointed arbitrator in the Statement of Claim.
- (3) The Respondent shall notify the Claimant and the Compliance Department of the identity of his party-appointed arbitrator in writing within ten (10) days of receipt of the Statement of Claim.
- (4) The two party-appointed arbitrators shall nominate the chairman within ten (10) days thereafter.
- (5) The chairman of the Bar Council is designated as appointing authority and shall appoint arbitrators to the Tribunal in the event of:
 - (a) failure by a party to appoint an arbitrator, in which case the chairman of the Bar Council shall, in consultation with the CCO, appoint a Member, or an Employee of a Member, as an arbitrator; and/or
 - (b) failure by the two party-appointed arbitrators to nominate a chairman, in which case the chairman of the Bar Council shall appoint a lawyer of at least 10 (ten) years' standing.
- (6) Where there are more than two (2) parties to the arbitration proceedings, the chairman of the Bar Council shall appoint all three (3) arbitrators within fifteen (15) days of the written request of any party.

(B) Disputes between Members and Customers

Except where the sum claimed is less than two thousand pounds sterling (£2,000), which will be subject to Rule 5.12, the procedure at paragraph (A) of this Rule 5.7 applies, except that the party-appointed arbitrators need not be members of, or associated with a member of, any commodities exchange.

5.8 Arbitrator disclosure and requests for disqualification of arbitrators

- (A) Upon his nomination, each arbitrator shall disclose to the CCO any direct or indirect financial or personal interest in the outcome of the arbitration and any existing or past professional, family or social relationships or associations with any party, counsel, expert or any potential witness, which are likely to affect such arbitrator's impartiality or might reasonably create an appearance of partiality or bias.
- (B) The CCO shall immediately inform all parties of any such disclosures and may, at the request of a party and for good cause shown, disqualify an arbitrator. In making such a determination the CCO shall refer to and be guided by the International Bar Association's Guidelines on Conflicts of Interest in International Arbitration (the **IBA Guidelines**), as well as the Exchange's own Ethics Guidelines.
- (C) Any party may submit to the CCO, with a notice and copy to the opposing party, a request to disqualify an arbitrator. The request shall specify the facts and circumstances that the party believes are likely to affect the arbitrator's impartiality, and will be resolved as follows:
 - (1) Within five (5) days of receiving notice of the request, the non-requesting party shall respond to the request to disqualify by informing the CCO and the requesting party of its consent or opposition to the request.
 - (2) Where the non-requesting party consents to the request, the arbitrator shall be removed from the Tribunal and a substitute appointment, if any, shall be made in accordance with Rule 5.9.
 - (3) If the non-requesting party opposes the removal of the arbitrator or fails to respond, the CCO shall rule on the request in accordance with the IBA Guidelines and the Exchange's Ethics Guidelines.

5.9 Disqualification or other disability of arbitrators

- (A) If any arbitrator, after the start of the arbitration but before an award is made, becomes disqualified, resigns, dies, refuses or is unable to perform or discharge his duties, the CCO, upon such proof as he deems satisfactory, shall make a ruling setting the grounds for the replacement of the arbitrator, which shall be promptly notified to the parties.
- (B) Thereafter the chairman of the Bar Council shall, in consultation with the CCO, appoint a new arbitrator within ten (10) days of the written request of any party.

5.10 Hearing Requirement: waiver of hearing

- (A) A hearing shall take place in every arbitration proceedings under these Arbitration Rules, unless all parties waive such hearing in writing and request that the matter be resolved solely upon the pleadings and documentary evidence.
- (B) Notwithstanding a written waiver of a hearing by the parties, a majority of the arbitrators may decide to call for and conduct a hearing.

5.11 Designation of time and place of hearings

The time and place of all hearings shall be determined by the Tribunal, taking into account the views of the parties.

5.12 Procedure for claims less than two thousand pounds sterling (£2,000)

- (A) Any dispute, claim, grievance or controversy involving an amount not exceeding two thousand pounds sterling (£2,000) in the aggregate, exclusive of costs and interest, shall be decided by a single arbitrator on documents only, unless the arbitrator deems it necessary that a hearing should take place.

- (B) The single arbitrator shall be appointed by the chairman of the Bar Council within ten (10) days of receipt of a written request by any party.
- (C) The arbitrator shall not be a member of, or associated with a member of, any commodities exchange.

5.13 Time limitation

No dispute, claim, grievance or controversy shall be eligible for submission to arbitration under these Arbitration Rules in any instance where two (2) years have elapsed from the occurrence or event giving rise to the act or the dispute, claim, grievance or controversy.

5.14 Interruption of time limitation

Any limitation which would otherwise run or accrue for the institution of legal proceedings shall be interrupted upon the filing of the Statement of Claim concerning the dispute, claim, grievance or controversy submitted to arbitration.

5.15 Withdrawal of proceedings

- (A) A Statement of Claim may be withdrawn at any time prior to the filing of the Answer. Thereafter the Statement of Claim may only be withdrawn with the consent and mutual agreement of all parties submitted in writing to the Tribunal.
- (B) The Tribunal has discretion to award costs as a result of the withdrawal of the Statement of Claim.

5.16 Settlement

- (A) The arbitrators, at the request of the parties, may set out the terms of any mutually agreed settlement in an award.
- (B) This award shall have the same status and effect as any other award on the merits of the case.
- (C) The award shall also have the effect of terminating the proceedings.

5.17 Legal representation

- (A) A party is not required to have legal representation in any arbitration proceeding. However, any party has the right to full legal representation and may avail themselves of this right at any stage of the arbitration.
- (B) Any party who wishes to be legally represented shall so notify and provide the Compliance Department with such legal representative's name and address by written notice to the Compliance Department and other party or parties.
- (C) Upon receipt of notification that a party is to be legally represented, the Compliance Department and other parties shall serve papers in the proceeding upon such party's legal representative.

5.18 Failure to appear or to progress the arbitration

- (A) If the Claimant, after due notice, fails to appear at a hearing or otherwise to progress the arbitration in an expeditious manner, the arbitrators may dismiss the claim and make a ruling on costs.
- (B) If the Respondent, after due notice, fails to appear at a hearing or otherwise to progress the arbitration in an expeditious manner, the arbitrators may, in their discretion, proceed with the arbitration proceedings.

- (C) In a case to which paragraphs (A) or (B) of this Rule 5.18 apply, all decisions shall be rendered as if each party had entered an appearance at the hearing.
- (D) In a case to which paragraph (B) of this Rule 5.18 applies, an award shall not be made in the Claimant's favour solely because of the Respondent's default, unless the Claimant has submitted such evidence and presented such arguments in support of the Statement of Claim as the arbitrators deem necessary to issue a decision.
- (E) An award rendered against the Respondent shall not become effective, and the compliance provision contained in paragraph (J) of Rule 5.33 shall not operate, until thirty (30) days from the date the award is delivered to the Respondent.
- (F) During the thirty (30)-day period following the issue of an award, the Respondent may submit to the arbitrators a written request to present evidence and arguments in opposition to the Statement of Claim. The Respondent must demonstrate good cause for post-hearing submissions by clear and convincing evidence that gross injustice and extreme hardship would result from denial of the request.
- (G) The receipt of the Respondent's evidence and arguments, if permitted, shall be upon such terms and conditions as the arbitrators may direct.

5.19 Adjournments

- (A) The arbitrators may, in their discretion, adjourn any hearing either upon their own initiative or upon the request of any party to the arbitration.
- (B) The chairman of the Tribunal is authorised to act on the Tribunal's behalf in responding to requests for an adjournment.
- (C) When a party requests and is granted an adjournment, the chairman may assess such fees as may be reasonable after giving due consideration to the reason for the adjournment and the number of prior adjournments, if any, which have been granted to the requesting party. In no event shall the fees exceed two hundred pounds sterling (£200) for each adjournment.

5.20 Disclosure of documents

(A) Informal Document and Information Requests

- (1) The parties shall cooperate at all times in the voluntary exchange of documents and information concerning the issues raised in the arbitration proceedings.
- (2) Additionally, a party may request from the Compliance Department copies of non-confidential documents that are relevant to the proceeding. Such requests shall be submitted to the Compliance Department, which shall provide copies of the request, and any documents produced, to the other party.

(B) Formal Document and Information Requests

- (1) A party may serve upon any other party a written request for relevant documents and information twenty (20) days following service of the Statement of Claim, or at the time of service of the Answer, whichever occurs earlier.
- (2) The party upon whom the request is served shall have twenty (20) days following service to respond.
- (3) Any objections to the request must be served within ten (10) days following receipt of the request.
- (4) The requesting party may respond to any such objections within ten (10) days following service.

- (5) The parties shall provide the arbitrators with copies of all disclosure requests, objections and responses.
 - (6) The Tribunal shall rule on all objections to, and resolve all disputes arising out of, requests for disclosure. The chairman may grant such extensions of time to respond to disclosure requests as do not interfere with the scheduling of a hearing date.
 - (7) At his election, the chairman may resolve disputes concerning disclosure on the written submissions of the parties, or at a pre-hearing conference.
- (C) Failure to Produce

A party who unreasonably and unjustifiably withholds documents or information may be precluded from introducing or relying upon such documents and information at the hearing and the Tribunal shall be free to draw any adverse inferences which it considers appropriate.

5.21 Pre-hearing conference and procedural timetable

- (A) In appropriate cases, the chairman of the Tribunal may call a pre-hearing conference to resolve objections to jurisdiction or disclosure of documents, resolve scheduling matters, facilitate the preparation of a procedural timetable and address any other matter for the purpose of expediting the hearing.
- (B) The procedural timetable shall include such matters as the tribunal and the parties require, including, where appropriate, a summary of the issues in dispute, a listing of facts and documents on which the parties agree, and a list of the witnesses and documents on which the parties intend to rely at the hearing.
- (C) If necessary, the parties shall make written submissions to the arbitrators addressing legal and factual questions relating to the dispute.
- (D) The Tribunal may, in its discretion, permit the pre-hearing conference to be conducted by telephone or by video link.

5.22 Pre-hearing evidence submission

- (A) At least five (5) days prior to the hearing date, all parties shall provide the Compliance Department, the Tribunal and all other parties with copies of the documents they intend to use at the hearing and the names of all witnesses who may testify on their behalf at the hearing.
- (B) Where the arbitrators have directed that the parties prepare a procedural timetable, the parties shall provide the Compliance Department with a copy of such timetable, at least five (5) days prior to the hearing date.
- (C) The arbitrators may preclude a party from using documents or presenting witnesses if not provided and identified in accordance with paragraph (A) of this Rule 5.22.

5.23 Power to order Member appearances

- (A) The arbitrators, at the request of any party, shall be empowered to order the appearance of any Member or any person employed by or associated with any Member who is not a party to the arbitration or to order the production of any records in the possession or control of such persons.
- (B) Unless the arbitrators order otherwise, the party requesting the appearance of a person or the production of documents under paragraph (A) of this Rule 5.23 shall bear all reasonable costs of such appearance or production.

- (C) The arbitrators are also empowered to order the appearance of any Member or any person employed by or associated with any Member or the production of any records in the possession or control of such persons or Members.
- (D) By virtue of these Arbitration Rules, Members agree fully to comply with the Tribunal's orders concerning appearances and production of documents.

5.24 Evidence

- (A) The arbitrators shall in their discretion determine the materiality, weight and relevance of any evidence and shall not be bound by formal rules governing the admissibility of evidence.
- (B) The arbitrators may, for good cause shown by the requesting party, and subject to objections by any opposing party, review and consider evidence of witnesses by sworn statement. Such sworn statements shall receive only such weight as the arbitrators deem them entitled.
- (C) In their discretion, and subject to whatever conditions may be necessary and appropriate, the arbitrators may permit parties and witnesses to participate in an oral hearing by telephone or video link.

5.25 Conduct of hearings

- (A) The hearing shall formally begin by the arbitrators recording the place, time and date of the hearing, the presence of the arbitrators and parties and their legal representatives, if any, and by the introduction of the Statement of Claim and other pleadings, if any.
- (B) Subject to the parties' agreement as set out in the procedural timetable, the Claimant shall then present its claim and evidence and its witnesses, who shall submit to questions or other examination, including cross-examination by any legal representatives, the Tribunal and other parties.
- (C) The Respondent shall then present its defence and counterclaim (if any) and evidence and its witnesses, who shall also submit to questions or other examination, including cross-examination by any legal representatives, the Tribunal and other parties.
- (D) The arbitrators shall give the parties equal opportunity to present their case.
- (E) Exhibits, when offered by either party, may be received in evidence by the arbitrators.
- (F) The names and addresses of all witnesses and exhibits in order received shall be made a part of the record.
- (G) *Ex parte* contacts regarding the arbitration proceeding by the parties or the parties' representatives with the arbitrators are prohibited.

5.26 Interpretation of these Arbitration Rules

The arbitrators shall be empowered to interpret and determine the applicability of all provisions of these Arbitration Rules and their interpretation shall be final and binding upon the parties.

5.27 Determination of arbitrators

Except where the chairman or one (1) arbitrator is authorised to make a ruling or determination on behalf of the Tribunal, all orders, awards, partial or interim awards, rulings and determinations of the Tribunal shall be made by a majority of the arbitrators.

5.28 Record of proceedings

- (A) Unless requested in writing ten (10) days prior to the first hearing date by the arbitrators or a party or parties to a dispute, no record of an arbitration proceeding is required to be kept.

- (B) If a record is kept, it shall be a verbatim record.
- (C) If a party or parties to a dispute elect to have the record transcribed, the cost of such transcription shall be borne by the party or parties making the request, who shall also bear the cost of a transcription of the record for the arbitrators.

5.29 Oaths of witnesses

- (A) Prior to the commencement of the first session, an oath or affirmation shall be administered to the witnesses.
- (B) All testimony shall be under oath or affirmation.

5.30 Amendments

A party wishing to amend a pleading may only do so with the consent of the arbitrators and upon such terms and conditions as they may direct.

5.31 Closing of hearings

- (A) The arbitrators shall inquire specifically of all parties whether they have any further evidence to offer or witnesses to present. Upon receiving negative replies, the arbitrators shall declare the hearings to be closed.
- (B) If post-hearing briefs or other memoranda are to be filed, the hearings are to be declared closed as of the final date set by the arbitrators for receipt of such briefs or memoranda.
- (C) The time limit within which the arbitrators are required to make an award shall begin to run, unless otherwise agreed by the parties, upon the closing of the hearings.
- (D) The conclusion of hearings, and the closing of the record, shall be subject to the provisions relating to the failure of a party to appear at a hearing contained in Rule 5.18.

5.32 Reopening of hearings

- (A) Where permitted by applicable law, the hearings may be reopened by the arbitrators of their own motion or at their discretion upon application of a party at any time before the award is issued by the arbitrators.
- (B) A party wishing to reopen a hearing shall provide the Compliance Department and the arbitrators with a written basis for such request and shall notify the Compliance Department that such party will appear at any subsequent hearing.

5.33 Awards

- (A) All awards shall:
 - (1) be in writing;
 - (2) state the seat and the date of the award;
 - (3) be signed by at least a majority of the arbitrators or in such manner as is required by law; and
 - (4) contain reasons, unless they are consent awards.
- (B) Awards may be entered as a judgment in any court of competent jurisdiction.
- (C) In addition to damages and other relief, the Tribunal may:

- (1) assess the arbitration fees, expenses and costs associated with the hearing against the losing party; and
 - (2) assess against a party all or any portion of the reasonable legal fees incurred by any other party, provided that it may do so only upon a finding that it put forward a frivolous claim or defence, or engaged in wilful acts of bad faith during the course of the arbitration.
- (D) All awards made pursuant to these Arbitration Rules shall be final and not subject to review or appeal, except as provided by applicable law.
- (E) Within ten (10) days of service of the award, a party may make a written request to the arbitrators to modify or correct an award if:
- (1) there was a miscalculation of figures or mistake in the description of any person, thing or property referred to in the award;
 - (2) the arbitrators have awarded upon a matter not submitted to them and the merits of the decision upon the issues properly before the Tribunal will not be affected by correcting the award; or
 - (3) the award fails to satisfy the form requirements of paragraph (A) of this Rule 5.33.
- (F) The Compliance Department shall promptly furnish to all parties a copy of the request for modification. Any objection to a request for modification of an award must be submitted in writing to the arbitrators within five (5) days of receipt of such request.
- (G) The Compliance Department shall deliver a copy of the award by registered or certified mail or by overnight courier upon all parties and their legal representatives at the address of record.
- (H) In the event that an award against a Member is issued in the amount of three thousand pounds sterling (£3,000) or more, the CCO will review the award if, in his discretion, investigative review is warranted.
- (I) The award shall be issued within thirty (30) days from the date the record is closed.
- (J) The failure of a Member or Employee of a Member to comply with an award or to pay the full amount of the award to the Exchange as escrow agent pending a good faith consideration of appeal rights within ten (10) days of such Member's receipt of the award shall be a violation of the Rules and shall be grounds for automatic suspension from all rights and privileges of Membership until the arbitration award is paid in full or is otherwise satisfied.
- (K) Any award amount held in escrow with the Exchange, plus accrued interest, shall be released to the prevailing party as soon as practicable and no later than ninety (90) days after notice of the award is issued.
- (L) Provided that if a timely application to vacate, modify or correct the award has been filed with a court of competent jurisdiction, the Exchange shall hold the amount in escrow and disburse such amount, together with accrued interest, upon the entry of, and in accordance with, a final order disposing of the application. Any party that has paid an award amount in escrow who thereafter decides not to file an appeal shall immediately notify the Exchange, which shall then release the amount in escrow, with accrued interest.
- (M) A party to an arbitration shall notify the Compliance Department forthwith if that party learns that judicial review of the proceeding is being sought by any party.

5.34 Schedule of fees

- (A) At the time of filing a Statement of Claim, a Claimant shall pay to the Compliance Department a fee in the amount indicated below:

Amount in Dispute (exclusive of interest and expenses)	Deposit
£3,000 or less	3% (£50 minimum)
Above £3,000 but less than £5,000	£100 plus 2% of excess over £3,000
£10,000 or more but less than £50,000	£200 plus 1% of excess over £5,000
£50,000 and over	£600 plus 0.5% of excess over £50,000

- (B) If the dispute, claim, grievance or controversy does not involve a money claim or involves a claim for money but such claim is not capable of exact determination, the amount to be paid by the Claimant shall be fifty pounds sterling (£50) or such amount as the Exchange may require, but shall not exceed three hundred pounds sterling (£300).
- (C) At the time any claim for money is determined, the Claimant shall pay the fee provided in paragraph (A) of this Rule 5.34 less the amount already deposited.
- (D) Any matter submitted and thereafter settled or withdrawn may be subject to a refund of all but twenty-five pounds sterling (£25) of fees deposited with the Tribunal. Where no Tribunal has been appointed the Compliance Department shall make the determination.

5.35 Privacy and confidentiality of the proceedings

- (A) Any arbitration proceedings to which these Arbitration Rules apply, including the pleadings, documents, hearings and any correspondence or communications associated therewith, shall be treated by the parties, the arbitrators and the Exchange as private and confidential unless they are required by law to divulge information.
- (B) At no time while serving on a Tribunal, or following the closing of the proceedings, shall an arbitrator publicly discuss or reveal or engage in any conversation that he knows or reasonably should know will lead to the public disclosure of any information regarding the conduct of the arbitration, the evidence and testimony submitted during the hearing or the Tribunal's deliberation, unless required to do so by law.

Chapter 6 Floor Rules

Table of Contents

6.1	Exchange Trading Day	1
6.2	Hours for trading	2
6.3	Post-Close Trading Session	2
6.4	End of Week Trading Session	2
6.5	Transactions, bids and Offers on the Exchange Floor	3
6.6	Transactions made at other than Current Market Price	3
6.7	Spreads	3
6.8	Strip Transactions	4
6.9	Trade formation	5
6.10	Receipt of orders	6
6.11	Customer Type (CTI) Codes and Indicator Codes	7
6.12	Reporting of trades executed on the Exchange Floor (One Minute Rule)	7
6.13	Confirmation of trades executed on the Exchange Floor	9
6.14	Disputed trades	10
6.15	The TMS, validation and allocation (One Hour Rule)	10
6.16	Trading Card procedures	11
6.17	Surrender of trading records for examination	12
6.18	Standard forms of orders	12
6.19	Errors and omissions in handling orders	13
6.20	Spread transaction to rectify an error	15
6.21	Transfer trades and office trades	15
6.22	Cross trades	16
6.23	EFPs, EFSs and EOOs	17
6.24	Trading at settlement	18
6.25	Daily Settlement Prices	19
6.26	Daily Settlement Prices for Brent Crude Oil and Gasoil Futures	19
6.27	Daily Options Settlement Premiums	21
6.28	Floor Offences	21
6.29	Access to the Exchange Floor	22
6.30	Representatives of the press	22
6.31	Attendance by representatives of Members under extraordinary circumstances	23
6.32	Communications between Members	23
6.33	Inter-Exchange Arbitrage Transactions	23

6.1 Exchange Trading Day

- (A) The Trading Day on the Exchange shall include up to three Trading Sessions:
- (1) an Electronic Trading Session;
 - (2) a RTH Trading Session; and
 - (3) a Post-Close Trading Session or an End of Week Trading Session.
- (B) The Trading Day shall commence with the opening of the Electronic Trading Session, which may for certain products extend into RTH. The Trading Day will end at the close of the RTH Trading Session or at the end of the Electronic Trading Session, whichever is later. No business will be conducted on Saturdays or Sundays with the exception of an Electronic Trading Session on Sunday evening for the purpose of commencing Monday's Trading Day.
- (C) The Exchange may be closed for one (1) or more days or Trading Sessions at any time by a vote of the Board.

6.2 Hours for trading

The Board shall establish the hours for trading for each Trading Session in each Exchange Contract on the Exchange and all such trading shall take place within those prescribed hours.

6.3 Post-Close Trading Session

- (A) Subject to Rule 6.4, fifteen (15) minutes after the close of trading on the Exchange Floor in all Exchange Contracts, or five (5) minutes after the Closing Range is established for all Contract Months, whichever is later, trading shall resume for a period of two (2) minutes (the **Post-Close Trading Session**) in all Exchange Contracts, subject to the following conditions:
- (1) trading in all Futures Contract Months as well as Option Contract Months will be permitted;
 - (2) there shall be no maximum limits on the trading range in a Post-Close Trading Session and all trades occurring during such Trading Session for a particular Contract Month of a Futures Contract shall be executed openly and competitively;
 - (3) during the Post-Close Trading Session, Floor Traders, Floor Brokers and their Customers may participate in the same manner as during the RTH Trading Session, except that any order submitted during the immediately preceding RTH Trading Session, including (but not limited to) resting orders such as Stop Orders, Limit Orders and good until cancelled (**GTC**) orders, will be deemed to have expired as of the end of that RTH Trading Session for the purposes of this Trading Session;
 - (4) prices for trades executed during the Post-Close Trading Session shall be reported on public ticker services as Current Market Prices, but trades executed during such Trading Session shall not be considered in determining any Settlement Price; and
 - (5) Floor Members executing trades during this Trading Session shall (except where an Approved Handheld is used) mark a line across their Trading Cards prior to the entry of a Post-Close Trading Session trade.

6.4 End of Week Trading Session

- (A) On the last Trading Day of any calendar week and, in any week when the Exchange is closed on a Tuesday, Wednesday or Thursday, on the Trading Day preceding such Exchange holiday, there shall be no Post-Close Trading Session on the Exchange Floor, and an End of Week Trading Session shall instead be held on the Exchange Floor after the Close in accordance with this Rule 6.4.
- (B) Except as otherwise provided by the CEO or his designee, such End of Week Trading Session shall commence twenty (20) minutes after the close of trading in all Futures Contracts (unless otherwise designated by the Board) on the Exchange Floor and shall continue for a period of five (5) minutes in such Futures Contracts, subject to the following conditions:
- (1) trading in all Futures Contract Months as well as Option Contract Months will be permitted;
 - (2) there shall be no maximum limits on the trading range in an End of Week Trading Session and all trades occurring during the End of Week Trading Session for a particular Contract Month of a Futures Contract shall be executed openly and competitively;
 - (3) during the End of Week Trading Session, Floor Traders, Floor Brokers and their Customers may participate in the same manner as during the RTH Trading Session, except that any order submitted during the immediately preceding RTH Trading Session, including (but not limited to) resting orders such as Stop Orders, Limit Orders

and GTC orders, will be deemed to have expired as of the end of that RTH Trading Session for the purposes of this End of Week Trading Session;

- (4) prices for trades executed during the End of Week Trading Session shall be reported on public ticker services as Current Market Prices, but trades executed during the End of Week Trading Session shall not be considered in determining any Settlement Price; and
- (5) Floor Members executing trades during the End of Week Trading Session shall (unless an Approved Handheld is used) mark a line across their Trading Cards prior to the entry of an End of Week Trading Session trade.

6.5 Transactions, bids and Offers on the Exchange Floor

- (A) Except as otherwise specifically provided in the Rules, all purchases, sales, bids and offers for Exchange Contracts:
 - (1) shall be executed openly and competitively by open outcry in the appropriate trading pit during the prescribed hours of trading;
 - (2) shall, where no quantity is specified, be understood to be for one contract or such other standard size determined by the Floor Committee from time to time;
 - (3) shall be open to the first Floor Member immediately accepting such bid or offer;
 - (4) shall be binding upon the first Floor Member accepting such bid or offer or part of such bid or offer at the price named by the bidding or offering Floor Member in accordance with Rule 6.9; and
 - (5) shall be deemed withdrawn if not accepted immediately.
- (B) Floor Members posting a bid or offer on display with the Exchange on the Exchange Floor shall remain in the pit during the pendency of the posting or withdraw the bid or offer during their absence.
- (C) No bid or offer (for more than one (1) contract) on the Exchange Floor may be limited to the acceptance of all or none of the contracts.

6.6 Transactions made at other than Current Market Price

- (A) Except as permitted under Rule 6.7, transactions made on the Exchange Floor outside the Current Market Price (i.e. below the Current Bid and above the Current Offer Price) for any Exchange Contract shall be disallowed by:
 - (1) any Exchange Floor official designated by the CEO or his designee; or
 - (2) any member of the Floor Committee,whose determination shall be final.

- (B) Such disallowed transactions shall not be reported or recorded by the Exchange.

6.7 Spreads

- (A) All Spread trading on the Floor shall be by open outcry of the differential in the relevant trading pit.
- (B) All Spread differentials bid and offered must be within applicable Current Spread Differentials, and Spread transactions made on the Exchange Floor outside applicable Current Spread Differentials shall be disallowed by:

- (1) any Exchange Floor official designated by the CEO or his designee; or
- (2) any member of the Floor Committee,

whose determination shall be final.

(C) The prices for the respective Futures or Options Contracts underlying any Spread transaction (the **Underlying Contracts**) shall be fixed by the Floor Members executing the transaction in accordance with the following parameters.

(1) If, in respect of any Spread transaction:

- (a) the Underlying Contracts have traded in a price range during the Trading Day; and
- (b) the differential on the Spread is such that the prices for those Underlying Contracts could be within those price ranges,

then the price for each Underlying Contract must be within the current price ranges for it at the time the Spread transaction is concluded;

(2) If:

- (a) any of the Underlying Contracts have traded in a price range during the Trading Day; and
- (b) the differential on the Spread is such that the prices for those Underlying Contracts would be outside such price range or ranges,

then the price for the Underlying Contract which traded in a price range must be within the current price range for that contract at the time the Spread transaction is concluded, and the prices for any other Underlying Contracts must be within applicable permissible daily price limits for such Underlying Contracts and, in the case of an Underlying Option Contract, consistent with the nearest active Option;

(3) If no Underlying Contract has traded in a price range during the Trading Day, then the price for each Underlying Contract must be within the permissible daily price limits for such Underlying Contract, consistent with the differential on the Spread and with prices in the nearest active months (for Futures) or nearest active Options (for Options).

(4) For the purposes of this paragraph (C) of this Rule 6.7, **price range** means all prices in between and including the High and Low during the course of the RTH Trading Session and, if an Underlying Contract traded only at one price during the Trading Day, then that price shall constitute the price range.

(D) No Spread transaction on the Exchange Floor shall set off a Stop Order in any Underlying Futures or Options Contracts, but a Spread transaction of any kind may set off Stop Orders expressed to relate to that kind of Spread transaction.

(E) Floor Members executing Spreads shall properly record them in writing so as to permit the identification of the Spread transaction as such and the parties thereto. The seller in each Spread transaction must report on a Pit Card or an Approved Handheld the contract price of at least one of the Underlying Contracts and the differential to the Exchange.

6.8 Strip Transactions

(A) All trading in Strip Transactions shall be by open outcry on the Exchange Floor in the relevant pits.

- (B) Floor Members executing Strip Transactions shall properly record them in writing so as to permit the identification of the Strip Transactions as such and the parties thereto.
- (C) All Strip Transactions must be in line with applicable Current Strip Prices and the prices of the relevant Futures comprising them shall be within the permissible daily price limits for the Contract Months traded.
- (D) The seller in each Strip Transaction must report on the hard copy ply of his or her Trading Card (or on an Approved Handheld) the price of the Strip Transaction to the Exchange. The Exchange shall then assign the prices for each Contract Month comprising the Strip Transaction pursuant to a methodology established by the Exchange.

6.9 Trade formation

- (A) Every Floor Member must obtain the agreement of a Clearing Member to act as its Primary Clearing Member and maintain that agreement at all times. No Floor Member may execute any trade in an Exchange Contract unless at the time of that trade, a Clearing Member acts as the Primary Clearing Member for such Floor Member.
- (B) Floor Members may execute trades in Exchange Contracts on the Exchange Floor only in accordance with this Rule 6.9.
- (C) Floor Traders may enter into such trades on the Exchange Floor only for their own account, for the account of Affiliates and, subject to all applicable laws and regulations, for the account of other Members.
- (D) Floor Brokers may enter into such trades on the Exchange Floor for their own account, for the account of Affiliates and, subject to all applicable laws and regulations, for the account of other Members or for the account of a Customer (or for the account of its Customer's Clearing Member).
- (E) The following contracts in the terms of an Exchange Contract shall arise when two (2) Floor Members execute a trade in respect of that Exchange Contract on the Floor, and each such contract shall be in the terms of the bid and offer matched when the trade is so executed:
 - (1) a contract between each Floor Member and its PCM (in respect of which the Floor Member shall be the buyer or seller if it executes the trade on the Exchange Floor as buyer or seller respectively);
 - (2) where each Floor Member has a different PCM, a contract between each such PCM (in respect of which the PCM shall be the buyer or seller if it is the seller or buyer respectively on the contract between it and the relevant Floor Member); and
 - (3) where any Floor Broker executes a trade as principal for its Customer account, a contract between it and the Customer for whose order the Floor Broker executed the trade, and

no contract shall arise between the executing Floor Members or between the Floor Broker's PCM and Customer, whether the Floor Broker executes the trade as principal for its Customer account or as agent for allocation to the Customer's account with a Clearing Member.
- (F) Where a Floor Broker enters and validates information in accordance with Rule 6.15 allocating a trade to a Customer's Clearing Member and such Clearing Member does not reject that allocation, if the Floor Broker executed the trade:
 - (1) as principal and the trade is allocated to the Floor Broker's Customer Omnibus Account, such Clearing Member shall be substituted as a party in place of the Floor Broker's PCM on the contracts arising pursuant to paragraphs (E)(1) and (2) of this Rule 6.9 in respect of such trade;

- (2) as principal and the trade is allocated to the Customer's account at a Clearing Member, and the Floor Broker, the Customer and the Clearing Member have executed a give-up agreement in a form acceptable in the futures industry, such Clearing Member shall be substituted as a party in place of the Floor Broker and in place of the Floor Broker's PCM on the contracts arising pursuant to paragraph (E) of this Rule 6.9; and
 - (3) as agent and the trade is allocated to the Customer's account at a Clearing Member, such Clearing Member shall be substituted as a party in place of the Floor Broker's PCM and the Customer in place of the Floor Broker on the contracts arising pursuant to paragraph (E) of this Rule 6.9.
- (G) Where the Exchange has received the information required to be reported under Rule 6.12 in respect of a trade executed on the Exchange Floor, it shall at or shortly after the end of the day on which the Trading Day closes (or at such other time as may be specified on such day by the CEO or his designee) submit data in respect of such trade to the Clearing House for clearing in accordance with the Clearing House Rules, as follows:
- (1) (subject to sub-paragraph (G)(3) of this Rule 6.9), where a Floor Member has entered into the TMS and duly validated the information required under Rule 6.15 in respect of that trade, the Exchange shall submit that validated data;
 - (2) (subject to sub-paragraph (G)(3) of this Rule 6.9), where a Floor Member has not entered or duly validated such required information, the Exchange shall submit the information submitted to it in respect of that trade by the selling Floor Member pursuant to Rule 6.12;
 - (3) where a Floor Broker attempts to allocate such trade to a Clearing Member in accordance with Rule 6.15 and the Clearing Member rejects that allocation before the end of the day on which the Trading Day closes (or at such other time as may be specified on such day by the CEO or his designee), the Exchange shall submit such contract data as it holds at the time on the TMS in respect of that trade, but without substituting the Clearing Member for the Floor Broker's PCM.

6.10 Receipt of orders

- (A) When a Member receives an order upstairs (other than by means of NEON or any other electronic order routing system approved by the Board) for an Exchange Contract from a Customer (i.e. other than on the Exchange Floor), that Floor Broker shall make a memorandum of the order in non-erasable ink which shall:
- (1) identify the Customer by symbol or account number, and
 - (2) be time stamped when received and time stamped when a report of the execution is made, and, in the case of an order for an Option Contract, the memorandum shall be time stamped to the nearest minute the order is transmitted for execution on the Exchange Floor.
- (B) When a Floor Broker receives an order (other than by means of NEON or any other electronic order routing system approved by the Board) on the Exchange Floor from a Customer, that Floor Broker shall make a memorandum of the order in non-erasable ink which shall:
- (1) identify the Customer by symbol or number, and
 - (2) be time stamped when received and time stamped when a report of the execution is first made.
- (C) Where a Floor Broker receives a CTI Type 3 Order, that Floor Broker shall make a memorandum of the order in non-erasable ink, identifying the Member initiating the order by

symbol or account number, and shall ensure that it is time stamped when received and time stamped when the report of execution is made.

- (D) The requirements of paragraph (C) of this Rule 6.10 shall not apply to transactions that are executable as part of intermarket Spread transactions or Options offset transactions, provided that the Member initiating the order personally executes one (1) or more legs of the transaction and the transaction is duly recorded in accordance with the requirements of Rule 6.12.
- (E) Floor Brokers who execute a Customer order or CTI Type 3 Order on the Floor must retain one copy or copy of the memorandum in relation to that order in accordance with the requirements of Rule 4.6. Floor Brokers may be exempt from this requirement if another Member gives written notice to the Compliance Department that it acts as the custodian of the Floor Broker's daily trading records.

6.11 Customer Type (CTI) Codes and Indicator Codes

- (A) Floor Members shall report to the Exchange on the TMS an appropriate CTI Code and an appropriate indicator code (indicating to which account of the relevant Clearing Member the transaction should be allocated) for each transaction executed on the Exchange Floor, in accordance with the provisions set out below.

(B) CTI Codes

- (1) When a Floor Member executes trades for its personal account, for an account it controls, or for an account in which it has an ownership or financial interest, it shall designate the trades as "CTI 1".
- (2) When a Floor Member executes trades for the trading account of a Member or Clearing Member, it shall designate the trades (and any relevant orders) as "CTI 2" (unless the executing Floor Member has an interest in or discretionary control over such Member or Clearing Member's trading account, in which case it shall designate the trade as "CTI 1").
- (3) When a Floor Member executes trades for the personal account of (or for an account which it knows is controlled by) another Floor Member, it shall designate the trades (and relevant orders) as "CTI 3".
- (4) When a Floor Member executes trades for any account other than those listed above, it shall designate the trades (and relevant orders) as "CTI 4".

- (C) **Indicator Codes.** Indicator codes (indicating to which account of the relevant Clearing Member the transaction is to be allocated) shall be applied as follows.

- (1) **"C" or "Customer"** – if the person for whose benefit the Floor Member executed the transaction is not affiliated with or an employee of the Clearing Member with whom the account is held.
- (2) **"H" or "House"** – if the person for whose benefit the Floor Member executed the transaction is affiliated with or an employee of the Clearing Member with whom the account is held.

- (D) It shall be a Major Offence for Floor Members knowingly to assign false indicator codes to trades executed on the Exchange Floor.

6.12 Reporting of trades executed on the Exchange Floor (One Minute Rule)

- (A) A Floor Member who sells a contract on the Exchange Floor shall report to a designated Exchange employee execution of such transaction within one (1) minute of completion.
- (B) Such reports for Futures Contracts shall indicate:

- (1) the price (or, in the case of Spreads, the differential) at which the transaction was executed;
 - (2) the seller's name;
 - (3) the quantity;
 - (4) the commodity;
 - (5) the Contract Month;
 - (6) the name of the buyer against whom the transaction was executed or registered; and
 - (7) whether the transaction was executed as a cross trade.
- (C) In the case of a transaction in an Option Contract, the selling Floor Member shall indicate:
- (1) the premium (or, in the case of Spreads, the differential) at which the transaction was executed;
 - (2) the seller's name;
 - (3) the quantity;
 - (4) the commodity;
 - (5) the strike price;
 - (6) the expiration month;
 - (7) whether the Option sold is a put or call;
 - (8) the name of the buyer against whom the transaction was executed or registered; and
 - (9) whether the transaction was executed as a cross trade.
- (D) Floor Members shall be responsible for ensuring that the price of each transaction they report is disseminated by the Exchange on the PRS.
- (E) If any Floor Member discovers that a properly executed transaction in which he has participated on the Exchange Floor has not been reported by the Exchange on the PRS, or has been reported incorrectly, he shall immediately notify any member of the Floor Committee, the relevant Pit Supervisor or the Floor Manager of such fact and request that the transaction be included in the PRS as an insert or correction, as the case may be.
- (F) Any member of the Floor Committee, the Pit Supervisor or the Floor Manager shall have the authority to approve an insert or a correction on the PRS on the Trading Day the transaction was executed, provided however that:
- (1) no Floor Member may participate in any deliberation or decision involving an insert or correction if that Floor Member has a personal or financial interest in the requested change; and
 - (2) any request for an insert or correction which is made later than fifteen (15) minutes after the subject transaction or which would affect the Opening Range, Closing Range, High or Low for any Trading Day must be approved by the Pit Chairman, chairman of the Floor Committee, the CCO or by two members of the Floor Committee.
- (G) In making a determination whether to approve an insert or correction on the PRS, the person or persons doing so shall consider:

- (1) bids, offers and prices prevailing both at the time the trade was allegedly executed and at the time the insert or correction was requested;
 - (2) activity in the pit at the time the trade was allegedly executed;
 - (3) whether the insert or correction would establish a new High or Low for the relevant Contract Month for the Trading Day in question; and
 - (4) such market and other considerations as may be appropriate.
- (H) Subject to paragraph (J) of this Rule 6.12, no insert or correction may be made unless a request to approve it is made within the time limits prescribed in this Rule 6.12. If on the PRS the request relates to a properly executed transaction not reported by the Exchange, such request must be made within one hour of the close of the RTH Trading Session on the relevant Trading Day or after the TMS displays the executed transaction, whichever is later. If the request relates to a correction of a properly executed transaction erroneously reported to or by the Exchange, such request must be made prior to the close of trading on the Trading Day following the Trading Day on which the transaction was executed.
- (I) The relevant Pit Chairman, chairman of the Floor Committee, the CCO or two (2) members of the Floor Committee shall have the authority to approve a correction on the PRS on the Trading Day following the Trading Day on which a transaction was executed when the Floor Member presents documents that indicate, in the opinion of the person approving the correction, that such correction is warranted. Such documents may include, but are not limited to, time stamped Order Tickets, Pit Cards, trading cards, written reports of execution and other similar documents.
- (J) Where a properly executed transaction has been incorrectly reported on the PRS and such transaction has not been corrected within the time limits prescribed by the other provisions of this Rule 6.12, a Floor Member who was a party to such transaction may request the CCO or his designee to approve a correction of such transaction. The CCO or his designee shall, following consultation with the relevant Pit Chairman, the chairman of the Floor Committee and two (2) members of the Floor Committee, approve a correction of such transaction if:
- (1) it appears that permitting the incorrect report to stand would in his opinion result in a manifestly gross distortion of price reporting or a manifestly gross inequity to one party;
 - (2) each Floor Member executing the transaction and each Clearing Member clearing or clearing a portion of the transaction has indicated its approval of the correction;
 - (3) the Floor Member making the request has made the request within a reasonable time under all the circumstances present;
 - (4) the Floor Member making the request presents documents that, in the opinion of the CCO or his designee, support the correction;
 - (5) to do so would in his view be correct taking into account into all of the factors in paragraph (G) of this Rule 6.12, and

he shall prepare a written record setting out the reasons for making the correction and attaching a copy of all documents submitted in support of the request and the original approvals required under this paragraph (J) of this Rule 6.12.

6.13 Confirmation of trades executed on the Exchange Floor

- (A) Each Floor Member promptly shall confirm each execution of a transaction on the Exchange Floor with the opposite Floor Member; such confirmation shall identify the price (or, if a Spread, the differential), the month, the quantity, and the commodity, and, for any Option, the strike price and whether a put or a call has been traded.

- (B) Each Floor Member executing a purchase or sale on the Exchange Floor shall be responsible for ensuring that such Floor Member's transactions are properly allocated to the appropriate Clearing Member before he leaves the premises of the Exchange after any Trading Session.
- (C) Each Floor Member shall personally be present or shall have a designated authorised representative available on the premises of the Exchange no later than thirty (30) minutes prior to the opening of the first contract traded on the Exchange Floor in any RTH Trading Session.

6.14 Disputed trades

- (A) Each Floor Member shall designate an authorised representative upon whom notice can be served in the event of a claim resulting from a trade executed or allegedly executed on the Exchange Floor and provide a list of all such representatives to the CEO or his designee.
- (B) In the event that a dispute arises between Floor Members in relation to a trade or alleged trade in a Future or Option on the Exchange Floor and such dispute is not resolved by them, the party making the claim shall:
 - (1) file a written notice with the CEO or his designee of the nature and particulars of the claim (indicating the opposite Floor Member involved, the time such disputed transaction occurred, providing relevant transaction data, and the time and price at which any covering transaction was made in accordance with this Rule 6.14), and
 - (2) as soon as possible, but no later than during the Open on the Exchange Floor on the next Trading Day (or in the case of a dispute involving Options, within the first five (5) minutes after the opening of trading in those Options), execute a trade on the Exchange Floor to cover the claim, and

any gain or loss resulting from such covering transaction shall be the subject of arbitration under the Arbitration Rules.

- (C) If the covering transaction occurs during an RTH Trading Session it shall be designated as a covering transaction on the executing Member's Trading Card or on an Approved Handheld.

6.15 The TMS, validation and allocation (One Hour Rule)

- (A) When a Floor Member has executed a transaction in an Exchange Contract on the Exchange Floor, the Exchange will input into the TMS the information on the selling Floor Member's Pit Card as submitted by that Floor Member in accordance with Rule 6.12.
- (B) Within one (1) hour of such information having been input into the TMS, each Floor Member must review and validate the information, and where the Floor Member is a Floor Broker who executed a Customer order, supply such additional allocation information as may be prescribed by the Board, including:
 - (1) Customer account number;
 - (2) Customer Clearing Member number (if the trade is to be allocated or given up to the Customer's Clearing Member); and
 - (3) CTI Code.
- (C) Breach of any provision of this Rule 6.15 shall constitute grounds for a fine to be issued by the CEO or his designee or, where determined as appropriate by the Business Conduct Committee, as grounds for formal disciplinary action under Chapter 7 of these Rules.
- (D) Fines for the failure to validate trade data or submit allocation information in accordance with this Rule 6.15 shall be levied by the CEO or his designee in amounts as the Board, by resolution, may prescribe from time to time.

- (E) Penalties imposed under this Rule 6.15 shall not be subject to the provisions respecting procedures for disciplinary proceedings.
- (F) Floor Members must review trade data and allocation information as recorded on the TMS at regular intervals during each Trading Day and, if a Floor Member traded in an Exchange Contract on a Trading Day, before the opening of trading in that Exchange Contract on the next Trading Day.
- (G) The CEO may in his discretion on reasonable notice announce times other than those set out in this Rule 6.15 by which information must be reviewed and validated or additional information supplied or disposition sheets filed.

6.16 Trading Card procedures

- (A) A Floor Member shall regularly and promptly record all transactions that he executes on a sequentially numbered Trading Card pre-printed and issued by the Exchange. The Exchange shall maintain a record of all Trading Cards issued to such Floor Member. Each Floor Member shall be accountable for maintaining the original soft ply of all Trading Cards issued to it in exact numerical sequence, including soft plies which are not used by the Floor Member or collected by the Exchange.
- (B) All Trading Cards shall show the Floor Member's symbol, the date, price differential or premium, quantity, commodity, Contract Month or expiration date, the opposite Floor Member, and, for Options, the strike price, and whether the transaction involved a put or a call. With the exception of trades executed during the Open or Closing Ranges, Floor Members shall record the exact time of execution to the minute of the first trade made on each Trading Card.
- (C) Members shall identify on their Trading Cards all trades executed during the Open and Closing Ranges by marking a line across the card below all transactions executed during the Open and above all transactions executed during the Closing Range.
- (D) All transactions must be recorded in exact chronological order of execution on sequential lines of the trading card without skipping lines between trades. If any lines remain after the final transaction has been recorded on a trading card, they shall be marked through by the Floor Member.
- (E) Trading cards may be collected by the Exchange, at such times and pursuant to such procedures as may be adopted by the Board.
- (F) The hard ply of a Trading Card shall be used to report the sale of Futures and Options Contracts within one (1) minute of execution in accordance with Rule 6.12 and, if any hard ply contains only purchases of Futures or Options Contracts, the Floor Member must submit the hard copy ply of the trading card to the Exchange prior to using the next sequentially numbered trading card.
- (G) Floor Members shall use non-erasable ink when recording transactions on Trading Cards. Errors on Trading Cards may be corrected by placing a single line through the erroneous information such that the erroneous information remains plainly readable, or by rewriting the Trading Card; provided, however, that Floor Members shall be required to maintain all trading cards, including those that have been rewritten. (Floor Members may be exempt from personally retaining their Trading Cards if a Member notifies the CCO that it is the custodian of a Floor Member's daily trading records (i.e. trading cards, and Customer order memoranda).)
- (H) Notwithstanding the foregoing, the Board may approve for use by a Floor Member (or certain of its employees) an Approved Handheld to regularly and promptly record all transactions that he executes, which Approved Handheld must be capable of producing a sequential, unalterable record of trades executed by the Floor Member so as to comply with the information and record retention rules and requirements of the Exchange.

- (I) If the CCO or his designee determines that a Floor Member has failed to comply with any paragraph of this Rule 6.16, he may summarily implement disciplinary procedures and fines pursuant to Rule 7.33.

6.17 Surrender of trading records for examination

Each Floor Member shall, if required at any time to do so, promptly submit his trading records to the CEO, CCO or other designated Exchange employee for examination.

6.18 Standard forms of orders

- (A) Subject to this Rule 6.18, Floor Brokers may agree with their Customers any form of order or instruction to execute an Exchange Contract, but Floor Brokers shall treat the order types listed below as instructions in the following terms and Floor Brokers shall ensure that they agree with their Customers to treat such orders in relation to Exchange Contracts in accordance with this Rule 6.18.
- (B) **Market Orders.** A Market Order shall be an order to buy or sell a stated number of Futures or Options Contracts at the best price obtainable immediately after the order is received in the pit.
- (C) **Limit Orders.** A Limit Order shall be an order to buy or sell a stated amount of Futures or Options Contracts at a specified price, or at a better price, if obtainable.
- (D) **Specified Time Orders.** A Specified Time Order shall be an order to buy or sell a stated number of Futures or Options Contracts which, if not executed within the time specified in the order, automatically expires.
- (E) **Stop Orders.** A Stop Order shall be an order to buy or sell a stated number of Futures or Options Contracts at the market when the market reaches a specified price, and:
 - (1) a Stop Order to buy shall become a Market Order when a transaction in the relevant contract occurs at or above that specified price after the order is received in the pit, or if so specified by the Customer, when a bid for the contract is made at, or above that specified price;
 - (2) a Stop Order to sell becomes a Market Order when a transaction in the contract occurs at or below that specified price after the order is received in the pit or, if so specified by the Customer, when an offer for the contract is made at, or below that specified price, and

a Floor Member may not set off any Stop Order in hand unless such Floor Member has an order for a Customer, which by its execution would set off the stop price.

(F) Stop Limit Orders

- (1) A Stop Limit Order to buy shall become a Limit Order when, after the order is received in the pit, a transaction in the contract to which it relates occurs at or above a specified price or, if so specified by the Customer, when a bid for the contract is made at or above the specified price.
 - (2) A Stop Limit Order to sell shall become a Limit Order executable at the limit price when, after the order is received in the pit, a transaction in the contract occurs at or below the stop price or, if so specified by the Customer, when an offer for the contract is made at or below the specified price.
- (G) **Market-If-Touched Orders.** A Market-If-Touched Order shall be the same as a Limit Order except that it shall become a Market Order when, after the order is received in the pit, a transaction in the contract occurs at the price specified on the MIT order.

(H) **Time and Price Discretion Order.** A Time and Price Discretion Order shall be a Market Order or a Limit Order to buy or sell a stated number of Futures or Options Contracts in which a Floor Broker is to exercise his own judgment and discretion in determining the price and the time of execution of the order.

(I) Any reference to Futures and Options Contracts in this Rule 6.18 shall be deemed to refer to Spreads or Strip Transactions in relation to them, where appropriate.

6.19 Errors and omissions in handling orders

(A) Where a Floor Broker executes a cross trade to fill a Customer order in accordance with this Rule 6.19 and assigns the opposite position to its designated error account, a contract in the terms of an Exchange Contract shall arise between the Clearing Member and the relevant Floor Broker in accordance with (and opposite to) the terms of the filled Customer order.

(B) **Error Trades.** If a Floor Member has failed to execute an order placed by a Customer or has made an error in handling a Customer order (such as by under-buying or under-selling), and the order cannot be executed in the market at a price which is equal to that which the order should have received, the Floor Member may take any of the following actions:

- (1) execute the order in the market and, if the price is worse than that which the Customer should have received had the error not occurred, provide a financial adjustment to the customer at least equivalent to the difference;
- (2) execute a Spread transaction in accordance with Rule 6.20; or
- (3) fill the order by taking the opposite side of the order (by means of a cross trade) and assigning the opposite position to the Floor Member's designated error account (or other proprietary account with the relevant Clearing Member) at a price equal to the price the order should have received had the error not occurred,

provided that the Customer must always receive a price which after taking into account any financial adjustment is at least as good as what the Customer should have received had the error not occurred.

(C) **Out-Trades.** If two Floor Members who have executed a trade disagree about any of the material terms of the trade (including the quantity, price, option series or Contract Month), or if one Floor Member fails to acknowledge the trade, the trade (an **Out-Trade**) shall be deemed to have been executed and shall be submitted for clearing in accordance with the records of the selling Floor Member (as reported in accordance with Rule 6.12), unless both Floor Members agree to:

- (1) break the trade (i.e. treat it, and all resulting contracts arising in relation to it under these Rules, as void); or
- (2) accept the trade in accordance with the buyer's recorded terms.

(D) If a trade is broken after the execution of that trade has been confirmed to a Customer, the Floor Member handling the Customer order may, notwithstanding any Rule to the contrary, fill the order by taking the opposite side of the order (by means of a cross trade) and assigning the opposite position to the Floor Member's designated error account (or other proprietary account with the relevant Clearing Member) in accordance with the terms of the trade as confirmed, provided that it does so in accordance with the procedures set out in this Rule 6.19 by the close of trading on the next Trading Day after that on which the trade was originally executed.

(E) **"Who" Trades.** If a Floor Member has executed a trade for a Customer, recorded the terms of the trade on his Trading Card or Approved Handheld and confirmed the trade to the Customer, but is unable to determine the proper identity of the opposite Floor Member on the trade (a **"Who" Trade**), the Floor Member may:

- (1) re-execute the order in the market and, if the price is worse than that confirmed to the Customer, provide a financial adjustment to the customer at least equivalent to the difference; or
- (2) take the opposite side of the order (by substituting itself for the unknown opposite Floor Member) and assign that opposite position to the Floor Member's designated error account (or other proprietary account with the relevant Clearing Member) in accordance with the terms of the trade as confirmed,

provided that it does so in accordance with the procedures set out in this Rule 6.19 by the close of trading on the next Trading Day after that on which the trade was originally executed.

(F) **Procedures.** A Floor Member may take the opposite side of a Customer order as set out in this Rule 6.19 to resolve an Error Trade, Out-Trade or "Who" Trade in accordance with the following procedures.

- (1) Within 15 (fifteen) minutes of the resolution of an Error Trade, Out-Trade or "Who" Trade, the Floor Member must prepare a correction slip (a **Slip**) setting out:
 - (a) the date of the Error Trade, Out-Trade or "Who" Trade;
 - (b) the Floor Member's badge number;
 - (c) the Floor Member's designated error account number and the Clearing Member at which the account is maintained;
 - (d) the badge of the opposite Floor Member, if applicable;
 - (e) the details of:
 - (i) the trade as recorded by the Floor Member;
 - (ii) the trade as recorded by the opposite Floor Member, in the case of an Out-Trade, and the cross trade by which the Floor Member has taken the opposite side of his Customer's order;
 - (iii) the date on which the Slip was prepared;
 - (iv) the signature of the individual who prepared the Slip; and
 - (v) such other information as the Exchange may require.
- (2) On completion of the Slip, the Floor Member shall staple a photocopy of his trading records to the Slip and submit the Slip and trading records to a designated representative of the Exchange for signature.
- (3) After the Exchange representative has signed the Slip, the Floor Member shall submit the remaining copies of the Slip as follows:
 - (a) the top copy shall be submitted to the Clearing Member at which time the Clearing Member shall time stamp the Slip, thereby acknowledging receipt;
 - (b) the second copy shall be submitted to the Clearing Member intended to clear the Customer's trade; and
 - (c) the third copy shall be submitted to the opposite Floor Member, in the case of an Out-Trade.

(G) **Record-Keeping Requirements.** A Floor Member shall not be required to insert on a Trading Card or an Approved Handheld the cross trade resulting from the resolution of an Error Trade,

Out-Trade or "Who" Trade by having taken the opposite side of a Customer's order, but any trade offsetting that cross trade must be recorded in conformity with the requirements of Rule 6.16 and, if executed after the cross trade, identified in such manner as the Exchange may prescribe.

- (H) In addition to the trade data required to be submitted under Rules 6.12 and 6.15, Floor Members shall specially identify any cross trade resulting from their resolution of Error Trades, Out-Trades or "Who" Trades, identifying each account with a Clearing Member to which each such trade will be allocated for clearing.
- (I) Any claim made by a Floor Member against another Floor Member in connection with an Out-Trade shall be recorded on the reverse side of the Trading Card of each of the Floor Members. If either Floor Member records trades using an Approved Handheld, the Floor Member must either create a written time-stamped record or an electronic notation of the claim.
- (J) **Modification of Trade Terms Prohibited.** Except as otherwise provided in this Rule 6.19, a Floor Member shall not change the terms of a trade executed on the Exchange Floor.
- (K) **Arbitration.** Nothing shall preclude the resolution of a dispute arising from or in connection with an Error Trade or Out-Trade by means of arbitration in accordance with the Arbitration Rules.

6.20 Spread transaction to rectify an error

- (A) If a Customer order is executed in respect of the wrong Contract Month or at the wrong strike price, the resulting trade shall be an Out-Trade and the relevant Floor Broker may use a Spread transaction to re-execute the order and liquidate the position created by that Out-Trade, provided that the Floor Member follows the procedures set out in this Rule 6.20.
- (B) By the close of trading on the first Trading Day after the day on which the Out-Trade was executed:
 - (1) the Floor Broker must submit a properly completed error form (as may be prescribed by the Board from time to time) to the CEO or his designee;
 - (2) the Error Trade, as well as the liquidating trade, must be placed in either the Floor Member's designated error account (or other proprietary account with the relevant Clearing Member); and
 - (3) the pricing of the re-executed trade shall be consistent with pricing at the time of the initial error.
- (C) Any Spread transaction executed for the purposes of taking advantage of a Customer order shall be a Rule breach.

6.21 Transfer trades and office trades

- (A) Transfer trades are limited to trades made on the books of a Member for the purpose of:
 - (1) transferring existing trades from one account to another within the same office, or between different offices of such Member, where no change in ownership is involved (in which case the transferred trade must be recorded and carried at the original date and price or premium, or as otherwise approved in advance by the CCO or his designee, on the books of the receiving Member); or
 - (2) transferring existing trades from the record of one Member to the record of another Member when no change in ownership is involved, provided that no such transfer shall be made after receipt from the Clearing House of notice of intention to deliver on such trades or the issuance by such Member of a Notice of Intention to Accept (or, in the

case of Options Contracts, after receipt from the Clearing House of notice of exercise and assignment on such trades). The transferred trade in the transferee's office must be recorded and carried at the original date and price or premium.

- (B) Every person handling, executing, clearing or carrying trades or contracts which are not competitively executed shall identify and mark by appropriate symbol or designation all such transactions or contracts and all orders, records and memoranda pertaining thereto.

6.22 Cross trades

- (A) A Floor Broker may execute a cross trade against a Customer's order in respect of an Exchange Contract (by taking the opposite side of the Customer order), provided that:
- (1) the Floor Broker first executes trades for the Customer in respect of all relevant bids and offers in the relevant pit which are at the price (or at a price which is better for the Customer than that) at which the Floor Broker intends to execute such cross trade;
 - (2) the Floor Broker executes the cross trade only in respect of the unfilled portion of the Customer order, after any such trades are executed;
 - (3) if trades are being executed in the relevant pit at the time, the Floor Broker executes the cross trade at the Current Market Price (or if it is a Spread, at the Current Spread Differential); and
 - (4) if trades are not being executed in the relevant pit at the time:
 - (a) where bids and offers are being made in the pit at the minimum price fluctuation in the relevant Contract Month, the Floor Broker executes the trades at either the bid or offer price; and
 - (b) where bids and offers are not being made in the pit, or are being made at a price fluctuation greater than the minimum price fluctuation in the relevant Contract Month, the Floor Broker makes a minimum market by making a bid or offer competitively and openly in the relevant pit at the minimum price fluctuation and trades with any Floor Member who accepts such order for the full amount so accepted before executing the cross trade.
- (B) A Floor Broker which has buy and sell orders at the same time from different customers for the same contract in the terms of a Future or Option and for the same Contract Month (or for the same Spread in relation to the same underlying Contract Months) may execute a cross trade by matching such customers' orders, provided that:
- (1) if trades are being executed in the relevant pit (or pits), it matches such orders at the Current Market Price (or, in the case of a Spread, at the Current Spread Differential);
 - (2) if trades are not being executed and bids or offers are not being made in relation to such contract or Spread in the relevant pit (or pits), the Floor Broker first asks in and allows a reasonable time for the market in such contract and Contract Month (or Spread) to make bids or offers, and if no such bids or offers are made:
 - (a) the Floor Broker then offers the orders in the relevant pit openly and competitively by bidding and offering the quantity to be purchased and sold at the same price and clearly stating the quantity of the intended cross trade, and provided that neither such bid nor such offer are accepted within a reasonable time; and
 - (b) if any such bid or offer is accepted, the Floor Broker trades up to a maximum of half the size of such bid or offer before executing any cross trade for the unfilled balance.

- (C) A Floor Broker must execute a cross trade in accordance with paragraph (B) of this Rule 6.22 in the presence of an Exchange employee designated to observe such transactions or a member of the Floor Committee, and must at the time of execution clearly identify such trade as a principal cross trade on his Trading Card (or, if the Member uses an Approved Handheld, a written record of the execution) and record the exact time of execution, and must promptly present such record to the Exchange employee or member of the Floor Committee for verification and initialling. No such person shall verify or initial such a record, unless they are satisfied that the execution procedures set out in this Rule 6.22 have been followed.
- (D) The Exchange shall keep for at least five (5) years a record of each such transaction showing the date, price, quantity, kind of commodity, Contract Month, by whom executed, and the exact time of execution or, in the case of Options Contracts, a record showing the date, premium, strike price, whether a put or call, quantity, kind of commodity, expiration month, by whom executed, and the exact time of execution.

6.23 EFPs, EFSs and EOOs

- (A) EFP, EFS and EOO transactions may be effected by means of the Exchange's facilities subject to and in accordance with the Clearing House Rules in relation to them. The Clearing House may impose additional requirements and restrictions in respect of such transactions and, in particular, may impose reporting requirements on Clearing Members in respect of their own and their Customers' EFPs, EFSs and EOOs. Members are therefore required to give and obtain all necessary consents to such disclosure and reporting from their Customers before executing such contracts.
- (B) An **EFP** (Exchange of Futures for Product) is a transaction whereby a Futures Contract is exchanged for or in connection with a cash transaction executed off the exchange in (or in a derivative or by-product of or related product to) the same commodity (a **physical product**).
- (C) An **EFS** (Exchange of Futures for Swap) is a transaction whereby a Futures Contract is exchanged for or in connection with a swap transaction executed off the exchange in relation to the same physical product.
- (D) An **EOO** (Exchange of Options for OTC) is a transaction whereby an Options Contract in relation to a Future on a commodity is exchanged for or in connection with an option contract executed off the exchange in relation to a physical product.
- (E) At the time an EFP, EFS or EOO transaction is effected, the buyer and seller of the underlying Futures transaction must be the seller and the buyer respectively of:
 - (1) For EFPs, a cash transaction;
 - (2) for EFSs, a swap transaction; or
 - (3) for EOOs, an Option transaction,
 in or in relation to a quantity of physical product approximately equivalent to the quantity covered by the relevant Futures Contract (which in the case of an EOO is the Futures Contract underlying the relevant Option Contract).
- (F) EFP transactions may be effected in respect of all Futures Contracts; EFS transactions may be effected only in respect of Brent Crude Oil Futures; and EOO transactions may be effected in respect of all Options Contracts.
- (G) All EFPs and EFSs transacted on the Exchange Floor must be effected during the hours of Futures trading on the Exchange Floor and otherwise in accordance with Rule 6.16. (Chapter 9 (**Electronic Trading Rules**) applies in respect of EFPs effected through the Electronic Trading Platform.)

- (H) All EOOs transacted on the Exchange Floor must be effected during the hours of Options trading on the Exchange Floor and otherwise in accordance with Rule 6.16.
- (I) Each EFP, EFS and EOO transaction shall be posted immediately when relevant cash terms, swap terms or Option terms (as applicable) are determined, but in no event later than the earlier of the next Trading Day or the end of the permissible posting period for EFPs, EFSs or EOOs as set out in this Rule 6.23 or specified by the Board from time to time. EFS transactions involving the NYMEX Brent Crude Oil contract are permitted until the close of trading on the last Trading Day in the expiring Contract Month; EFP and EFS transactions in relation to other products are permitted up to the time specified on the trading day following the last Trading Day in the expiring Contract Month. EOO transactions are permitted until trading terminates on the last day of trading in the relevant expiring Options Contract Month.
- (J) An EFP or EFS which establishes a position for both buyer and seller shall not be permitted on the first Trading Day following the expiry of the relevant Exchange Contract.
- (K) For each EFP, EFS and EOO transaction, each buyer and seller must satisfy the Exchange at the latter's request that the transaction is a legitimate and *bona fide* transaction and:
- (1) upon the request of the Exchange, all documentary evidence relating to the EFP, EFS or EOO, including (without limitation), in the case of an EFP, evidence as to change of ownership of the physical product or a commitment for that product shall be obtained by the Floor Member acting for the buyer or seller and made available for examination by the Exchange;
 - (2) if the buyer or seller is a Member, the Exchange may obtain such information directly from such person(s);
 - (3) if the buyer or seller fails to satisfy the Exchange that an EFP or an EFS transaction is legitimate and *bona fide*, the Exchange may in its absolute discretion refuse to register that transaction;
 - (4) if the buyer or seller is a Member and fails to satisfy the Exchange that an EFP or an EFS transaction is legitimate and *bona fide*, it shall be subject to disciplinary action, which, depending on the gravity of the offence, may be deemed to be a major offence of these Rules; and
 - (5) if the buyer or seller is not a Member, the Exchange may conduct a hearing before the Business Conduct Committee to limit, condition or deny access to the market.
- (L) The Exchange shall presume that any EFP which does not involve commercial market participants as both buyer and seller is not a *bona fide* transaction, unless the Exchange is provided with documentation for examination clearly demonstrating that:
- (1) the cash transaction underlying the EFP is independent of and not contingent upon a contemporaneous offsetting cash transaction, and would have involved a cash market risk if not hedged by a Futures Contract; or
 - (2) the physical product was or was to be delivered from the seller to the buyer, and
- for the purposes of this paragraph (L) of this Rule 6.23, a **commercial market participant** means a person or entity which transacts business in the normal channels of commerce in the physical product underlying an EFP posted on the Exchange.
- 6.24 Trading at settlement**
- (A) A Floor Member may enter into a transaction at the daily Settlement Price by open outcry with another Floor Member in such Futures Contracts and Contract Months as may be specified and subject to such procedures as may be issued by the Board from time to time.

- (B) All TAS trades shall be identified as such on the executing Floor Broker's trading records prepared in accordance with Rule 6.12.

6.25 Daily Settlement Prices

- (A) The daily Settlement Price for each Futures and Options Contract shall be determined by the Settlement Price Committee in accordance with the procedures set out in Rules 6.25 and 6.26, at the conclusion of each RTH Trading Session on the Exchange Floor. The daily Options Settlement Premiums (other than for the Trading Day on which they expire) shall be determined by the Settlement Price Committee in accordance with the procedures set out in Rule 6.27 at the conclusion of each RTH Trading Session on the Exchange Floor.
- (B) The Settlement Price Committee shall consist of such representatives of Members and non-Members as the CEO may appoint with the consent of the Board and, in relation to Brent Crude Oil Futures, an Exchange employee shall be a voting member of that committee and may veto any decision of that committee in accordance with Rule 6.26.
- (C) The Settlement Price Committee shall be divided into sub-committees for each Futures and Options Contract, and, to the extent possible, each sub-committee shall consist of at least six (6) members of whom there shall be at least one (1) Floor Broker, one (1) Floor Trader and one (1) representative of trade interests (either personal, of his employer or of a substantial Customer base).
- (D) The Settlement Price Committee or any subcommittee thereof may request from any member representing that certain market information should be considered in the determination of a daily Settlement Price such documentation as it deems appropriate including, but not limited to, Trading Cards or records created using an Approved Handheld, and Order Tickets.
- (E) The Exchange shall notify the daily Settlement Price determined by the Settlement Price Committee to the Clearing House. Such price shall be used by the Clearing House in the calculation of original and variation margin, unless the Clearing House reasonably believes that it is clearly erroneous, in which case:
- (1) it will notify the Exchange with a view to agreeing on an appropriate daily Settlement Price; or
 - (2) in the absence of such agreement, it will notify the Exchange of the Settlement Price it will use.

6.26 Daily Settlement Prices for Brent Crude Oil and Gasoil Futures

- (A) For Brent Crude Oil and Gasoil Futures, the daily Settlement Price (for any Trading Day) for each Contract Month:
- (1) which as of the opening of business for that Trading Day has at least ten per cent (10%) of the total open interest for all Contract Months of the Futures Contract; and
 - (2) for which ten per cent (10%) of the Closing Range volume in that commodity is done in that Contract Month (excluding, for the purposes of this calculation, volume done during the Close on the last Trading Day in an expiring contract and including TAS volume),
- shall be the weighted average price (rounded to the nearest minimum fluctuation) of all outright transactions in that Contract Month which occur in the Closing Range.
- (B) For Contract Months for such Futures Contracts which do not satisfy the criteria set out in paragraph (A) of this Rule 6.26, the daily Settlement Price shall be determined based upon Spread relationships between and among Contract Months, as determined in the judgement of the Settlement Price Committee with:

- (1) greatest weight given to Spread transactions executed late in the trading day in large volumes, and
- (2) lesser weight given to:
 - (a) Spread transactions traded in lesser volumes;
 - (b) Spread bids and offers actively represented late in the trading day; and
 - (c) Spread transactions, bids and offers from earlier in the trading day,

provided that, in any circumstance where the Settlement Price Committee is considering bids and offers for Spreads transactions, it shall consider the mid-point of the best bid and best offer and not the individual best bid or best offer. In the event of a price spike in the Closing Range in any Contract Month where the daily Settlement Price is determined by weighted average according to the open interest and volume criteria set out in paragraph (A) of this Rule 6.26, the Settlement Price Committee may disregard the daily Settlement Price for a spiked month in considering Spread relationships.

- (C) For the purposes of this Rule 6.26, a **price spike in the Closing Range** shall have occurred if, in the sole discretion of the Settlement Price Committee, a significant change in the Spread relationships between the "spiked month" and the Contract Months immediately preceding and following such month occurred during the Closing Range.
- (D) Notwithstanding the foregoing, no daily Settlement Price shall be established that would be lower than the best bid, or higher than the best offer that:
 - (1) was for at least one hundred (100) contracts for outright or at least two hundred (200) contracts for Spreads in Brent Crude Oil Futures Contracts, or at least fifty (50) contracts (outright or Spread) for Gasoil Futures Contracts, and
 - (2) had been posted with the Exchange and remained available for execution and unfilled for the final fifteen (15) minutes of trading.
- (E) If any daily Settlement Price is inconsistent with Futures transactions that occurred during the Closing Range in other Contract Months of the same Futures Contract or with market information known to the Settlement Price Committee, including, but not limited to:
 - (1) bids or offers for outright transactions and Spreads that were unfilled during the Closing Range;
 - (2) bids, offers or transactions in Strips; and
 - (3) outright transactions executed prior to the Closing Range,

the Settlement Price Committee may establish a daily Settlement Price at a level consistent with such other transactions or market information and, in such event, the Settlement Price Committee shall prepare a written record of the basis for any daily Settlement Price so established.

- (F) In the event that the Settlement Price Committee:
 - (1) establishes a daily Settlement Price in accordance with paragraph (E) of this Rule 6.26;
 - (2) determines that a "price spike in the closing range occurred"; or
 - (3) fails to determine a daily Settlement Price by unanimous agreement of its members,
 it shall prepare a written record of the basis upon which it established such Settlement Price.

- (G) Notwithstanding the above, the daily Settlement Price for the last Trading Day in a Contract Month in Brent Crude Oil Futures shall be determined in accordance with the rules in Chapter 10 (Brent Crude Oil Futures Contract Specification).

6.27 Daily Options Settlement Premiums

- (A) Options Settlement Premiums (other than for the Trading Day on which they expire) shall be determined daily in accordance with the following.
- (1) For call or put Options whose strike price is greater or less respectively than or equal to the daily Settlement Price of the underlying Futures Contract and which have traded during the Closing Range, the Option Settlement Premium shall be based on, but not limited to:
 - (a) volume traded;
 - (b) the underlying Futures price;
 - (c) the bid/offer spread on the underlying Futures Contract, and
 - (d) the length of time between a trade and the close of trading.
 - (2) For call or put Options whose strike price is less or greater respectively than the daily Settlement Price of the underlying Futures Contract and which have traded during the Closing Range, the Option Settlement Premium will be determined consistent with the corresponding put or call using an appropriate Option pricing model.
 - (3) Bids and offers for twenty-five (25) lots or more posted at least ten (10) minutes before the Close and throughout the Closing Range shall be considered for settlement, unless the Settlement Price Committee determines that it is unreasonable to do so given Spread relationships at the close of trading. Any Floor Member wishing to protect a bid or offer posted during that period must remain available to the Settlement Price Committee until settlements are final and provide appropriate documentation of the bid offer if requested by the Settlement Price Committee.
- (B) If, using the procedures above, a daily Settlement Premium being considered for a particular Option would be inconsistent with:
- (1) trades made during the Closing Range in other Option series on the same underlying Future;
 - (2) the daily Settlement Price of the underlying Future; or
 - (3) market information before the Settlement Price Committee,

then it may establish a daily Settlement Premium consistent with other trades, the daily Settlement Price of the underlying Future or such market information, and it shall prepare a written record setting out the basis for determining such Settlement Premium.

- (C) After settlements for all Contract Months for a particular Option contract are completed by the Settlement Price Committee, there will be a ten (10) minute period where Floor Members can object to a particular daily Settlement Premium, following which they may no longer so object.

6.28 Floor Offences

- (A) Betting or offering to bet on the Exchange Floor or in any part of the Exchange premises or handling offers of others to bet is prohibited (and for the avoidance of doubt, entering into or executing Exchange Contracts shall not be regarded as betting for the purposes of this Rule).
- (B) Smoking on the Exchange Floor or in any part of the Exchange premises is prohibited.

- (C) The possession or use of any illegal drug, or other controlled substance on the Exchange Floor or in any part of the Exchange premises is prohibited.
- (D) The use of alcohol on the Exchange Floor or in any part of the Exchange premises (other than as may be specifically allocated by the Board) is prohibited.
- (E) The use of mobiles phones on the Exchange Floor (including the pits and the trading booths) is prohibited.
- (F) If a Member or any of its employees damages or destroys property of the Exchange, it shall be repaired or replaced under the direction of the Floor Committee and the expense thereof charged to such Member.
- (G) No person within the jurisdiction of the Exchange shall engage in any conduct subversive of good order or decorum or which interferes with the personal comfort or safety of others or breach any Rules or resolutions adopted by the Board which relate to the conduct or attire of those on the premises of the Exchange.
- (H) No Member shall make misleading, ambiguous or frivolous bids or offers or engage in any other practices relating to bids or offers which are disruptive of or inconsistent with orderly trading practices.
- (I) Acts committed on the Exchange Floor or in any part of the Exchange premises which constitute the striking, shoving, kicking or otherwise subjecting another person to physical abuse, or attempts or threats to do the same, are prohibited.
- (J) The Floor Committee shall have the power to enforce this Rule 6.28 summarily pursuant to Rule 7.31.

6.29 Access to the Exchange Floor

- (A) No-one, except an individual with Floor Trading Privileges, shall execute, or attempt to execute, any transaction on the Exchange Floor. Each such individual shall wear an Exchange authorised identification badge (a **Trading Badge**) issued by the Board in accordance with paragraph (B) of this Rule 6.29 in a prominent position at all times while on the Exchange Floor.
- (B) The Board will issue temporary Trading Badges to those individuals whom it has approved to exercise Floor Trading Privileges, and permanent Trading Badges to those who have completed any course prescribed by the Exchange or who qualify for an exemption.
- (C) Clerks must wear an Exchange authorised identification badge (a **Clerk Badge**) in a prominent position at all times while on the Exchange Floor. Floor Members and Floor Brokers must withdraw any such Clerk Badges promptly upon termination of their Clerk's employment.
- (D) The Board will issue temporary Clerk Badges to registered Clerks and permanent Clerk Badges to those who have successfully completed the Course or who qualify for an exemption.
- (E) No Clerk may trade in any Exchange Contract either in his own name or in an account in which he has a direct or indirect interest.
- (F) No guest of any Member shall be permitted to enter any order, execute any trade or make any transaction during the course of any visit to the Exchange.

6.30 Representatives of the press

The courtesies of the Exchange may be extended by the CEO to duly accredited representatives of the press to report markets, but they shall not be allowed to transact any other business.

6.31 Attendance by representatives of Members under extraordinary circumstances

In the event that the timely and accurate submission of trading data or the operation of the Exchange or the Clearing House are or may be threatened to be severely and adversely affected due to high volume, price volatility or other conditions, the CEO, in his sole discretion, may require an authorised representative of any or all Members to be present and remain available at the normal place of business of such Member during such times as he may specify.

6.32 Communications between Members

The Exchange has no responsibility for any act, error or omission of its employees in connection with the receipt or transmission of messages or other communications between Members, or between Members and their offices or other persons, all of which is entirely at the risk of the Member receiving or sending such message or communication or the Member or other person for whom the same may be intended.

6.33 Inter-Exchange Arbitrage Transactions

- (A) The Board of Directors may designate any Exchange Contract as eligible for Inter-Exchange Arbitrage Trade transactions under this Rule 6.33 and shall determine the minimum transaction size thresholds, and such other conditions as it deems necessary or desirable, for the Exchange Contracts in which Inter-Exchange Arbitrage Trade transactions are permitted. Those designated Exchange Contracts and their corresponding minimum size thresholds and other conditions are listed in paragraph (H) of this Rule 6.33.
- (B) Members who have been designated by the Exchange for this purpose (an **IXA Specialist**) may privately negotiate spread transactions off the Exchange Floor with respect to a contract designated by the Exchange for such purpose (hereinafter referred to as **Inter-Exchange Arbitrage** or **IXA Trade**) and an economically equivalent sized trade in a futures contract prescribed for the Exchange Contract by paragraph (H) of this Rule 6.33 (a **Prescribed Futures Contract**).
- (C) Each IXA Specialist shall have an arrangement with a member (a **correspondent**) on the floor of the futures market prescribed for the Exchange Contract by paragraph (H) of this Rule 6.33 (a **Prescribed Futures Market**), pursuant to which that correspondent shall sell, if the IXA Specialist is buying, or buy, if the IXA Specialist is selling, an economically equivalent sized trade in a Prescribed Futures Contract.
- (D) IXA Specialists may report a spread between an IXA Trade and the Prescribed Futures Contract to the Pit Supervisor for the relevant Exchange Contract, which shall constitute, and which shall be reported by the Exchange as, non-binding indications of interest.
- (E) The Exchange will input IXA Trades into the TMS, provided that all of the following conditions are satisfied.
 - (1) Subject to any further restrictions listed in paragraph (H) of this Rule 6.33, for a relevant Exchange Contract, each IXA Trade must only be executed off the Exchange Floor and in connection with an intermarket spread transaction against an economically equivalent sized trade in a Prescribed Futures Contract traded on or subject to the rules of a Prescribed Futures Market.
 - (2) Each buy or sell order underlying an IXA Trade must:
 - (a) state explicitly that it is to be, or may be, executed by means of an IXA Trade; and

- (b) be for at least the applicable minimum quantity specified in paragraph (H) of this Rule 6.33, for the relevant Exchange Contract. Orders for different accounts may not be aggregated in order to achieve the minimum transaction size, other than by or for a fund manager with total assets under management exceeding \$25 million.
- (3) Each party to an IXA Trade transaction, other than a Member, must be a market counterparty or an intermediate customer as defined in the rules of the FSA.
- (4) Each IXA Trade executed off the Exchange Floor subject to this Rule 6.33 must be executed between separate persons or legal entities whose accounts are under separate control.
- (5) The price at which an IXA Trade is executed must be fair and reasonable in light of:
 - (a) the size of such IXA Trade,
 - (b) the price and size of other trades in the same Exchange Contract at the relevant time;
 - (c) the price and size of trades in other relevant markets, including without limitation the underlying futures markets, at the relevant time, and
 - (d) the circumstances of the parties to such IXA Trade.

Members executing an IXA Trade at a price that is away from the competitive market price prevailing at the time of the transaction must retain documentation as to how the requirements of this paragraph ((E))(5) are satisfied.

- (6) IXA Trades shall not set off conditional orders, including but not limited to, Stop Orders, Limit Orders or Market-If-Touched Orders, or otherwise affect orders or prices in the regular market.
- (7) All IXA Trades transacted during the RTH Trading Session must be reported by the selling IXA Specialist to a designated Exchange official within five (5) minutes of the time of execution or, in the case of IXA Trades executed after the close of the RTH Trading Session, within fifteen (15) minutes from the commencement of the opening range in the relevant Exchange Contract on the next Trading Day. The report must include the contract, Contract Month, price and quantity of the trade.
- (8) IXA Specialists executing IXA Trades during the RTH Trading Session must record such IXA Trades on their Trading Cards along with the time of execution. All executed IXA Trades must be cleared through Clearing Members.
- (9) Each IXA Specialist shall record the following details on its Order Ticket for such IXA Trade:
 - (a) the contract (including the Contract Month);
 - (b) that the trade is an IXA Trade;
 - (c) the number of contracts;
 - (d) the price of execution;
 - (e) the identity of the counterparty;
 - (f) the relevant Prescribed Futures Contract;
 - (g) the spread between the IXA Trade and the Prescribed Futures Contract; and,

- (h) if applicable, details regarding the Customer for which the IXA Trade was executed.

Such order ticket must also be time stamped at the time the IXA Trade order was received and at the time the order was executed.

- (F) Each party to an IXA Trade including, where applicable, a Customer, must satisfy the Exchange, at its request, that the transaction conforms to the requirements of this Rule 6.33. Upon the request of the Exchange, all documentary evidence relating to the IXA Trade including, without limitation, the relevant Order Ticket, the documentation referred to in paragraph (E)(B)5 of this Rule 6.33, and any additional records required to be created under paragraph (H) of this Rule 6.33, shall be obtained by the Member and made available by the Member for examination by the Exchange and the Clearing House.
- (G) Failure by a Member or any other party to satisfy the Exchange that the IXA Trade conforms with this Rule 6.33 shall subject such party if a Member to disciplinary action. Such disciplinary action, depending on the gravity of the offence, may be deemed to be a Major Offence.
- (H) The following contracts have been designated as contracts eligible for IXA Trade transactions with the corresponding minimum transaction sizes and other conditions indicated:
 - (1) Brent Crude Oil. An IXA Trade transaction in the Brent Crude Oil Futures Contract may be traded for a minimum quantity of 50 contracts and only in connection with a spread transaction against an economically equivalent sized trade in the Light Sweet Crude Oil Futures Contract traded on the floor of NYMEX, Inc. Both legs of such spread transaction must be executed off the Exchange Floor within five (5) minutes of each other. Complete information regarding such spread transaction, including all of the information listed in paragraph (B)(9) pertaining to the corresponding transaction on NYMEX, Inc. must be recorded by a Member executing a Brent Crude Oil IXA Trade.

Chapter 7 Disciplinary Rules

Table of Contents

7.1	Jurisdiction	1
7.2	Retention of jurisdiction over former Members	2
7.3	Retention of jurisdiction over former employees of Members	2
7.4	Obligation of Employees of Members to comply with Rules	3
7.5	Classification of offences	3
7.6	Compliance Department	5
7.7	Complaints about users of the Exchange	6
7.8	Inspections and enquiries	6
7.9	Investigation	6
7.10	Service and filing of documents	7
7.11	Investigative Report	7
7.12	Business Conduct Committee	8
7.13	Notice instituting disciplinary proceedings (a Notice)	8
7.14	Answer	9
7.15	Reply	9
7.16	Adjudication Committee	9
7.17	Hearing Panel	9
7.18	Pre-hearing procedures	10
7.19	Hearing procedures	10
7.20	Settlements	11
7.21	Decision	12
7.22	Appeals	14
7.23	Compliance Department's Answer	14
7.24	Respondent's Reply	14
7.25	Appeal Committee	14
7.26	Procedures of the Appeal Committee	15
7.27	Decision of the Appeal Committee	16
7.28	<i>Ex parte</i> communications	16
7.29	Confidentiality of Exchange investigations and proceedings	17
7.30	Expulsion by the Board	17
7.31	Floor offences	18
7.32	Breaches of Trading Card procedures	19
7.33	Breaches of Floor Order Ticket procedures	19
7.34	Appeals against Compliance Department summary fines	20
7.35	Clerk registration, badges and training	20
7.36	Member responsibility	21
7.37	Sanctions against Clerks	21
7.38	Summary fines: payment and appeals	21
7.39	Billing and commissions	22
7.40	Member summary suspension	22
7.41	Summary procedures for denial of access	23
7.42	Payment of gratuity to employees of others	25
7.43	Notification of Final Disciplinary Action involving financial harm to a Customer	25

7.1 Jurisdiction

- (A) All Members shall be subject to the jurisdiction of the Exchange for the purposes of Chapter 7 of these Rules.
- (B) All employees of Members having access to the Exchange Floor, the Electronic Trading Platform or any part of the Exchange premises (including floor traders, Clerks and Authorised Terminal Users) shall be subject to the jurisdiction of the Exchange to the same extent as Members for the purposes of Chapter 7 of these Rules.

7.2 Retention of jurisdiction over former Members

- (A) The Exchange shall, subject to the provisions of this Rule 7.2, retain jurisdiction over former Members with respect to any proceedings or matter which occurred prior to the termination of Membership privileges (**termination of Exchange privileges**) of such Member, whether through the sale or transfer of a Membership or the termination of a lease (licence) agreement or otherwise.
- (B) Subject to paragraph (C) of this Rule 7.2, the CCO or his designee shall notify a former Member of an investigation or hearing pursuant to this Chapter 7 in connection with any matter involving such former Member which occurred prior to the termination of his Exchange privileges. Such notice shall be in writing and shall be posted to the former Member as soon as possible and, in any event, no later than one (1) year after the effective date of the termination of Exchange privileges by registered or first class post to his last address as shown in the books and records of the Exchange.
- (C) Written notice in accordance with paragraph (B) of this Rule 7.2 shall not be necessary where such notice has been given prior to the termination of the former Member's Exchange privileges, whether in writing or orally during a recorded interview.
- (D) At any time after the notice has been served in accordance with paragraph (B) or (C) of this Rule 7.2, the CCO or his designee may, in connection with any matter specified in such notice, request in writing that the former Member furnish books, records and copies of documents, supply written or oral statements under oath, or appear and testify at any hearing. The former Member shall comply with such request as promptly as possible.
- (E) As soon as is practicable after the notice has been served in accordance with paragraph (B) or (C) of this Rule 7.2, the former Member may be charged with any breach of the Bylaws and Rules relating to any matter specified in such notice, including any failure to comply with a request pursuant to this Rule 7.2 or any subsequent breach of the Bylaws or Rules arising from the conduct of the former Member during the investigation. Any such former Member shall be subject to discipline as though his Membership privileges had not been terminated.

7.3 Retention of jurisdiction over former employees of Members

- (A) Employees of Members having access to the Exchange Floor or to the Electronic Trading Platform or any part of the Exchange premises shall remain subject to Exchange jurisdiction for the purposes of this Chapter 7 if, subject to paragraph (B) of this Rule 7.3, within a period of one (1) year of such employee's termination of employment with any Members, the CCO or his designee advises such person in writing, by registered or first class post to the employee's last known residence address as reflected in Exchange's records, or the records of the Member, that it is conducting an investigation of possible Rule breaches during the period of his employment.
- (B) Written notice in accordance with paragraph (A) of this Rule 7.3 shall not be necessary where such notice has been given prior to the employee's termination of employment, whether in writing or orally a recorded interview.
- (C) Employees and other persons notified of any investigation pursuant to paragraph (A) or (B) of this Rule 7.3 shall respond to all inquiries of the Compliance Department at the time and place and in the manner designated by the Compliance Department, and shall make available to the Compliance Department any books and records maintained by him in the course of his Exchange-related employment. Any person under such investigation shall be entitled to legal representation in any interview conducted by the Compliance Department in the course of, and for the duration of, such investigation. Any interview conducted by the Compliance Department may be tape-recorded or transcribed stenographically at the election of the Compliance Department.

7.4 Obligation of Employees of Members to comply with Rules

All employees of Members must comply with all Rules, Board Resolutions and policies of the Exchange as if specifically referred to therein. Any Rule which provides for the discipline, suspension, or imposition of fine or other penalty for breach thereof shall apply to all employees of Members for the purposes of disciplinary and summary action as provided in this Chapter 7. Rule breaches and suspected Rule breaches shall be investigated and resolved as described in Chapter 7, including summary action taken pursuant to Rule 7.31.

7.5 Classification of offences

- (A) Offences shall be classified as major offences (**Major Offences**) and minor offences (**Minor Offences**).
- (B) Major Offences shall be punishable by one or more of the following:
- (1) expulsion or suspension from all or some rights and privileges of Membership, Floor Trading Privileges, Electronic Trading Privileges and employment on the Exchange Floor;
 - (2) a censure;
 - (3) a fine of not more than five hundred thousand pounds sterling (£500,000);
 - (4) a cease and desist order; or
 - (5) an order directing restitution to any injured person.
- (C) Minor Offences shall be punishable by one or more of the following:
- (1) a fine of no more than five thousand pounds sterling (£5,000);
 - (2) a censure;
 - (3) a cease or desist order;
 - (4) an order directing restitution to any injured party; or
 - (5) suspension of not more than one (1) year from all or some rights and privileges of Membership, Floor Trading Privileges, Electronic Trading Privileges and employment on the Exchange Floor.
- (D) Unless a good cause is shown, any offence involving fraudulent or deceitful trading practices detrimental to a Customer's order shall be a Major Offence and shall be punishable at a minimum with a suspension or revocation of the Member's right to execute Customer orders.
- (E) Where a Member or any employee of a Member commits the same Minor Offence or breaches the same Rule twice within a period of twenty-four (24) months of a final disciplinary action by the Exchange, he will be subject to penalty provisions equivalent to a Major Offence.
- (F) **Major Offences.** A Member or employee of a Member shall not do any of the following, which shall be deemed Major Offences:
- (1) knowingly give an execution to a Customer which purports to be a Market Contract executed on the Exchange but which is not backed by a contract traded on the Exchange (i.e. "bucketing"), or aid, abet or collude with any other person to carry out, or attempt to carry out, such an action;
 - (2) act fraudulently or in bad faith;

- (3) conduct itself dishonestly;
- (4) make or report, or attempt to make or report, a false or fictitious trade;
- (5) attempt or engage in extortion;
- (6) default on, be delinquent in or otherwise fail to comply with the delivery requirements on any contract;
- (7) attempt or engage in wash trading or accommodation trading;
- (8) manipulate prices or attempt to manipulate prices or corner or attempt to corner the market, or engage in any practice which results in such manipulation or cornering;
- (9) engage in any behaviour amounting to market abuse as defined in Section 118 of the FSMA;
- (10) make a material misstatement to the Board or to a committee of the Exchange, or in any information supplied to the Exchange or its officials;
- (11) knowingly disseminate or attempt to disseminate false, misleading or inaccurate reports concerning market information or conditions that affect or tend to affect the price of any commodity upon the Exchange;
- (12) trade or accept margins after insolvency;
- (13) refuse to appear before the Board, the CEO or his designee or any investigative and hearing committee at a duly convened investigative hearing, or, in connection with any investigation, refuse fully to answer all questions and produce all books and records at such hearing or investigation, or testify falsely;
- (14) make use of or reveal any Confidential Information obtained by reason of participating on the Board or on any committee or in any investigative proceeding or hearing;
- (15) knowingly accept, execute or clear a trade on the Exchange, or attempt to do so, for:
 - (a) the account of an Exchange employee;
 - (b) the account of a floor trader who is not a Member;
 - (c) the account of an Authorised Terminal User who is not a Member and who is an employee or agent of an Electronic Member; or
 - (d) an account in which such employee or non-Member has a direct or indirect interest;
- (16) use or permit the use of its facilities, any Electronic Trading Platform, or Membership Privileges by a Member or non-Member in a manner that impairs the dignity or degrades the good name of the Exchange, or creates a market or other situation detrimental to the Exchange, or results in breach of the Price Fluctuation Limits, or effects or attempts to effect manipulations or corners;
- (17) use improperly or permit the unauthorised use of the Electronic Trading Platform;
- (18) fail to maintain minimum financial requirements;
- (19) attempt or commit an act which is substantially detrimental to the interests or welfare of the Exchange;

- (20) refuse to comply with an order of the Board, the CEO or his designee, or any committee of the Exchange;
- (21) intentionally breach any Rule that results in harm to a Customer;
- (22) fail to provide a required notice to the Exchange;
- (23) breach Rules 3.8, 7.42 or 7.35;
- (24) knowingly assign false indicator codes to trades executed on the Exchange Floor; or
- (25) fail to supervise any employee adequately so as to prevent such employee breaching any Rule that:
 - (a) results in substantial detriment of the welfare and interests of the Exchange;
 - (b) results in harm to a Customer or another Member; or
 - (c) otherwise constitutes a Major Offence.

(G) **Minor Offences.** A Member or employee of a Member shall not do any of the following, which shall be deemed Minor Offences:

- (1) attempt or engage in conduct detrimental to the Exchange;
- (2) attempt or engage in conduct inconsistent with just and equitable principles of trade;
- (3) attempt or engage in conduct tending to impair the dignity or the good name of the Exchange;
- (4) breach any Rule, the breach of which is not a Major Offence;
- (5) circulate or aid in the circulation in any manner of rumours which tend to reflect on the integrity of any Exchange Contract;
- (6) fail consistently to conform to audit trail and/or trade submission standards;
- (7) enter an order, either in person, by telephone or otherwise, from a location on the Exchange Floor for which the Member has not obtained Floor Trading Privileges, or attempt to do such an action; or
- (8) fail to supervise any employee adequately in order to prevent breaches of Rules by such employee(s),

provided that, where the breach of a Rule by an employee is a first offence of that kind and the Member discloses the breach to the Exchange and takes immediate and appropriate remedial action on its own initiative upon discovering the breach, that shall constitute mitigating circumstances to a charge of breaching this paragraph (G) of this Rule 7.5.

(H) A breach of a cease and desist order may be determined to be either a Major or a Minor offence.

7.6 Compliance Department

(A) The Compliance Department shall consist of employees of the Exchange. Such employees may not be Members or persons otherwise subject to the jurisdiction of Chapter 7 of these Rules.

- (B) The Compliance Department shall be headed by the CCO. The Exchange may also employ persons (who shall not be Members or persons otherwise subject to the jurisdiction of Chapter 7 of these Rules) to assist the Compliance Department in carrying out its functions.
- (C) The Compliance Department shall conduct investigations of Rule breaches and suspected Rule breaches.

7.7 Complaints about users of the Exchange

- (A) Any complaint about the conduct of a Member, employee of a Member or other user of the Exchange, or suspicion that any of the foregoing has committed or is about to commit a Rule breach, shall be made in writing and be addressed to the CCO.
- (B) The Compliance Department will acknowledge such complaint promptly after receiving it. Enclosed with the acknowledgement will be a copy of this Chapter 7.
- (C) Any complaint received by the CCO under paragraph (A) of this Rule 7.7 will be considered promptly by a member of the Compliance Department.
- (D) If the Compliance Department considers that the conduct complained of may constitute a Rule breach, it will instigate a full investigation according to the procedures set out in Rule 7.9.
- (E) The Compliance Department shall retain copies of all documents and materials relating to any complaint received by the CCO under paragraph (A) of this Rule 7.7 for a minimum of five (5) years.

7.8 Inspections and enquiries

- (A) The CCO may authorise the Compliance Department to carry out routine inspections and enquiries about the conduct of any Member or employee of a Member. In carrying out such inspections and enquiries, the Compliance Department shall have the powers described in paragraphs (B) to (D) of Rule 7.9. Members or employees of Members shall co-operate fully with the Compliance Department's inspection and enquiries.
- (B) If the Compliance Department concludes from such inspections and enquiries that there may have been a Rule breach, it shall instigate an investigation according to the procedures set out in Rule 7.9.

7.9 Investigation

- (A) During the investigation of a Rule breach by the Compliance Department, the CCO may, in his discretion, taking into account the circumstances of the matter, advise all relevant parties of the investigation.
- (B) In that event, the Member or employee of a Member shall be permitted to present to the Compliance Department any facts in their defence. The Compliance Department may, in the course of its investigation, interview any Member or employee of a Member as it sees fit and at such time, manner and place it determines in its absolute discretion. For the purposes of any interview conducted pursuant to this paragraph (B) of this Rule 7.9, a Member or employee of a Member must be informed in writing prior to the interview that he may be legally represented at the interview. Procedures governing the conduct of an interview under this paragraph (B) of this Rule 7.9, including the limitation on adjournments granted to accommodate an interviewee's legal representative's schedule to reasonable periods of time, shall be determined by the Compliance Department. Any interview conducted by the Compliance Department may be tape-recorded or transcribed stenographically at the election of the Compliance Department.
- (C) Any Member or employee of a Member who fails to attend any interview pursuant to paragraph (B) of this Rule 7.9 may be fined one thousand pounds sterling (£1,000) per day of

non-attendance and may be excluded from the Exchange Floor until he takes reasonable steps to make himself available on an alternative date.

- (D) In investigating the conduct and transactions of Members and employees of Members the Compliance Department may visit their premises and examine their books and records. Members and employees of Members shall make their books and records available to the Compliance Department and shall respond to all inquiries of, and requests for information from, the Compliance Department as it deems necessary to pursue its investigation at the time, place and in the manner designated by the Compliance Department.
- (E) The Compliance Department may issue warning letters to persons under investigation informing them that there may have been a Rule breach and that such continued activity may result in more severe disciplinary sanctions. Such warning letter is not a penalty nor is it an indication that a finding of a Rule breach has been made.
- (F) The CCO shall submit reports to the Board. Such reports shall describe for the period covered by each report:
 - (1) the activities of the Compliance Department;
 - (2) all investigations commenced and terminated; and
 - (3) the disposition of all cases presented to the Business Conduct Committee, the Adjudication Committee and the Appeal Committee.

Such reports are to be submitted at least twice a year.

7.10 Service and filing of documents

- (A) For the purposes of all proceedings under this Clause 7, unless otherwise stated, any document shall be deemed to be served or filed (as appropriate):
 - (1) on the second Business Day after it is posted, if it is sent by first class post;
 - (2) on the day it is delivered, if it is delivered personally or by a generally recognised overnight delivery service before 5 p.m. on a Business Day; or
 - (3) on the Business Day following the day on which it is delivered, if it is delivered personally or by a generally recognised overnight delivery service after 5 p.m. on a Business Day or at any time on a Saturday, Sunday or public holiday.

7.11 Investigative Report

- (A) When an investigation is completed, the Compliance Department shall prepare an investigative report (**Investigative Report**).
- (B) The Investigative Report shall be in writing and shall set out:
 - (1) the reason the investigation was initiated;
 - (2) the relevant facts;
 - (3) the conclusions of the Compliance Department; and
 - (4) if the Compliance Department concludes that there is a reasonable basis to believe that a Rule breach occurred, a recommendation of the Compliance Department to the Business Conduct Committee.
- (C) The Investigative Report, when completed, shall be submitted for presentation to the Business Conduct Committee.

7.12 Business Conduct Committee

- (A) The Business Conduct Committee shall have the power to direct the Compliance Department to investigate any suspected Rule breach within its jurisdiction.
- (B) The Business Conduct Committee shall meet monthly, or as necessary, to review Investigative Reports.
- (C) As provided for in Rule 3.13(B), a member of the Business Conduct Committee shall excuse himself from such review where he, or any person with whom he is affiliated, has a financial, personal or other interest in the matter under consideration.
- (D) The Business Conduct Committee shall permit the Member or employee of a Member under investigation to present evidence on his or its behalf. Such presentation shall be conducted pursuant to the following procedures.
 - (1) The Investigative Report shall be served by the Compliance Department on the Member or employee of a Member that is the subject of the report at the last address filed with the Exchange.
 - (2) The Member or employee of a Member may submit to the Business Conduct Committee a written statement together with any supporting documentation which is relevant to the investigation.
 - (3) Such statement shall be filed with the Membership Department not later than ten (10) Business Days following service of the Investigative Report from the Compliance Department.
- (E) The Compliance Department shall be present during the Business Conduct Committee's review of an Investigative Report, and shall respond to all inquiries of the Business Conduct Committee. Members or employees of Members who have submitted a written response to the Business Conduct Committee in the manner set out in paragraph (C) of this Rule 7.12 may, after the presentation of the Compliance Department's report and before deliberations of the Business Conduct Committee, personally appear before the Business Conduct Committee with the Compliance Department present, either with or without legal representation, to make an oral presentation relevant to the Business Conduct Committee's review of the Investigative Report, and may answer any questions posed by the Business Conduct Committee provided, however, that the presentation be limited to matters raised in the written statement submitted pursuant to paragraph (C) of this Rule 7.12.
- (F) If the Business Conduct Committee concludes that a reasonable basis exists for finding that a Rule breach has occurred, it shall direct the Compliance Department to advise the Member or employee of a Member of that fact and take any one of the following actions:
 - (1) issue a warning letter; or
 - (2) issue a written notice instituting disciplinary action.

7.13 Notice instituting disciplinary proceedings (a Notice)

- (A) If the Business Conduct Committee directs the Compliance Department to issue a Notice, the Notice shall be served on the Member or employee of a Member named in the Notice either:
 - (1) personally; or
 - (2) by first class post to the last address filed with the Exchange.
- (B) The Notice shall:

- (1) set out the acts, practices or conduct in which the Member or employee of a Member is alleged to have engaged; and
 - (2) state the Rules alleged to have been, or about to be, breached.
- (C) For the purposes of this Rule 7.13, **Respondent** means a Member or employee of a Member against whom a Notice has been filed.
- (D) The Compliance Department shall also notify the Respondent that the Respondent:
- (1) is entitled to a hearing on the charges;
 - (2) must request in writing a hearing, and that failure to request a hearing within twenty (20) Business Days after service of the Notice will operate as a waiver of the right to a hearing, unless good cause for the delay in making the request is shown by the Respondent;
 - (3) must file an Answer to the Notice with the Membership Department within twenty (20) Business Days of service of the Notice; and
 - (4) will be deemed to admit the allegations in the Notice if the Respondent does not so file an Answer.

7.14 Answer

- (A) The Respondent must serve on the Compliance Department and file with the Membership Department a written notice (an **Answer**) and a request for a hearing within twenty (20) Business Days of service of the Notice.
- (B) Any charges in the Notice not denied in the Answer shall be deemed admitted.
- (C) If no Answer is filed within such period, unless good cause is shown, all the charges in the Notice will be deemed to have been admitted.

7.15 Reply

- (A) The Compliance Department may serve upon the Respondent and file with the Membership Department a written reply (a **Reply**) to any Answer within ten (10) Business Days of the filing of the Answer by the Respondent.
- (B) Any Reply must be limited to matters set out in the Answer.

7.16 Adjudication Committee

- (A) The Notice, any Answer and any Reply shall be filed with the chairman of the Adjudication Committee not later than ten (10) Business Days after service of the Answer or, if there is a Reply, after service of the Reply.
- (B) The chairman of the Adjudication Committee shall assign the case to a Hearing Panel to hear and decide the matter.
- (C) The initial hearing shall be conducted on such date and at such time and place as the chairman of the Hearing Panel decides on not less than then (10) Business Days' written notice to the Respondent.

7.17 Hearing Panel

- (A) The chairman of the Adjudication Committee shall, in writing, notify the Respondent and the Compliance Department of the names of the persons on the Hearing Panel to which the case

has been assigned pursuant to paragraph (B) of Rule 7.16 at least fifteen (15) Business Days prior to the initial hearing date.

- (B) As provided for in Rule 3.11(B), no person may serve on a Hearing Panel in a case in which he has any financial, personal or other interest in the matter under consideration, or if such person has engaged previously in any disciplinary function under these Rules in connection with the matter before the Adjudication Committee, including service as a member of the Business Conduct Committee. Such person shall promptly make such interest known to the chairman of the Adjudication Committee.
- (C) The Compliance Department and/or the Respondent may file with the Membership Department a written challenge against any member of the Hearing Panel for cause. The merits of such challenge shall be decided by the chairman of the Adjudication Committee in his sole discretion, provided that, if the chairman is challenged, the merits of the challenge will be decided by the CEO or his designee. Unless a party's written challenge is received by the Membership Department within seven (7) Business Days of service of notice in accordance with paragraph (A) of this Rule 7.17, any right of challenge shall be waived.

7.18 Pre-hearing procedures

- (A) At least seven (7) Business Days before the scheduled start of the hearing, the Compliance Department and the Respondent respectively shall furnish each other with a list of witnesses they intend to call in the presentation of their cases at the hearing, and a list of all documents they intend to rely on at the hearing.
- (B) The Compliance Department shall retain all rights of investigation under paragraph (D) of Rule 7.9 after completion of the Investigative Report and until the hearing is completed.

7.19 Hearing procedures

- (A) The Hearing Panel may determine the procedures to be applied in any hearing before it, provided, however, that the following procedures shall apply in every case.
 - (1) The prosecution shall be conducted by the Compliance Department.
 - (2) The Respondent may be represented by a lawyer or any other representative and may, either personally or through this representative, present witnesses or other evidence and cross-examine witnesses.
 - (3) The formal rules of evidence shall not apply and the Hearing Panel shall have the discretion to accept or to reject any and all evidence.
 - (4) A record of the proceedings shall be made.
 - (5) The complaint, any Answer, any Reply, the record of the proceedings, and any documentary evidence or other material presented to the Hearing Panel by either party shall constitute the record of the hearing.
 - (6) The burden of proof shall be on the Compliance Department.
 - (7) A finding of a Rule breach shall be made on the weight of the evidence contained in the record of the proceeding.
- (B) In advance of the hearing, the Respondent shall be entitled to examine all books, documents and other evidence in the possession or under the control of the Exchange that:
 - (1) are to be relied upon by the Compliance Department in prosecuting the matter; or
 - (2) are relevant to the charges.

- (C) The Compliance Department shall make such material available to the Respondent and the Respondent's representative for inspection within twenty (20) Business Days after the filing of an Answer by the Respondent pursuant to Rule 7.14.
- (D) Any person within the jurisdiction of the Exchange who is called as a witness at any hearing shall appear at such hearing and give testimony or produce evidence.
- (E) The Hearing Panel shall have the power to impose a penalty against any person who is within the jurisdiction of the Exchange and whose actions impede the progress of a hearing.

7.20 Settlements

- (A) When the Compliance Department concludes that a Rule breach has occurred, the Compliance Department may at any time prior to the submission of an Investigation Report to the Business Conduct Committee negotiate with the Respondent and enter into a written offer of settlement which the Respondent (an **Offer of Settlement**).
- (B) The Respondent may agree, without admitting or denying a Rule breach, to an Offer of Settlement which may provide for any one of the following:
 - (1) a cease and desist order;
 - (2) a censure;
 - (3) an order directing restitution to any injured person;
 - (4) a fine of not more than three thousand pounds sterling (£3,000) for each Rule breach alleged; or
 - (5) any combination of such penalties.
- (C) Any such settlement is subject to the approval of the Business Conduct Committee.
- (D) Concurrent with the review and consideration of an Investigation Report, the Business Conduct Committee may also approve Offers of Settlement which have been submitted by the Respondent and recommended by the Compliance Department (**Joint Offers of Settlement**) or have been unilaterally submitted by the Respondent (**Unilateral Offers of Settlement**).
- (E) Prior to the Respondent's submission of the Unilateral Offer of Settlement, the Respondent shall be required to file a written copy of the Unilateral Offer of Settlement with the Compliance Department. Thereafter, the Compliance Department may submit a written response to the Business Conduct Committee.
- (F) The Business Conduct Committee has the sole discretion to determine whether it will hear oral arguments, and it may either accept or reject both Joint and Unilateral Offers of Settlement.
- (G) Subsequent to the Business Conduct Committee's consideration of an Investigative Report and its directive that a Notice be issued, but prior to filing of the Notice on the chairman of the Adjudication Committee or his designee, the Compliance Department may present a Joint Offer of Settlement to the Business Conduct Committee. Alternatively, the Respondent may present a Unilateral Offer of Settlement to the Business Conduct Committee, in which case the provisions of paragraph (E) of this Rule 7.20 will apply.
- (H) The Business Conduct Committee has the sole discretion to determine whether it will hear oral arguments, and it may either accept or reject both Joint and Unilateral Offers of Settlement.
- (I) Any Offer of Settlement agreed to under paragraphs (D) to (H) of this Rule 7.20 may provide for any of the following:
 - (1) a cease and desist order;

- (2) a censure;
 - (3) an order directing restitution to any injured person;
 - (4) a fine of not more than fifteen thousand pounds sterling (£15,000) for each Rule breach alleged;
 - (5) an expulsion or a suspension from all or some rights and privileges of Membership, Floor Trading Privileges, Electronic Trading Privileges or employment on the Exchange Floor, for a period not to exceed three (3) months for each Rule breach alleged; or
 - (6) any combination of such penalties.
- (J) Any Offer of Settlement approved by the Business Conduct Committee is subject to the approval of the Board and shall be accompanied by a Notice.
- (K) If the Respondent wishes to settle a matter at any time after the filing of the Notice with the chairman of the Adjudication Committee, the Respondent may submit an Offer of Settlement. The Offer of Settlement will be directed to the Hearing Panel to which the case has been assigned.
- (L) The Compliance Department may recommend to the Hearing Panel an approval or a rejection of any Offer of Settlement made in accordance with paragraph (K) of this Rule 7.20.
- (M) Such offer may provide for any of the following:
- (1) a cease and desist order;
 - (2) a censure;
 - (3) an order directing restitution to any injured person;
 - (4) a fine not to exceed five hundred thousand pounds sterling (£500,000) for each Rule breach alleged to have been committed;
 - (5) an expulsion or a suspension from all or some rights and privileges of Membership, Floor Trading Privileges, Electronic Trading Privileges or employment on the Exchange Floor; or
 - (6) any combination of such penalties.
- (N) Any Offer of Settlement made in accordance with paragraph (K) of this Rule 7.20 and which is approved by the Hearing Panel is subject to further approval by the Board.

7.21 Decision

- (A) The Hearing Panel shall give a written decision (a **Decision**) within forty-five (45) Business Days after the later of the close of the hearing or the last day on which any post-hearing submissions were required to be filed by the Compliance Department or the Respondent, unless by virtue of the complexity of the case or other special circumstances, additional time is required for the preparation of the Decision.
- (B) The Decision shall including:
- (1) a summary of the charges and the Answer;
 - (2) a summary of the evidence produced at the hearing;

- (3) a statement of the findings and conclusions of the Hearing Panel with respect to each charge; and
 - (4) where the Hearing Panel finds that the Respondent has committed any Rule breach, an order stating the penalties imposed and the effective date of such penalties.
- (C) Notwithstanding the provisions of paragraph (A) of this Rule 7.21, the Hearing Panel may issue a written summary Decision setting forth its determination of liability and penalties, if any, prior to the issue of the decision required to be issued pursuant to paragraph (A) of this Rule 7.21.
- (D) Where the Respondent has admitted any Rule breach charged in the Notice, the Hearing Panel shall impose a penalty for each breach. The Hearing Panel shall notify the Respondent of the penalty within forty-five (45) Business Days after the filing of the admission of a Rule breach.
- (E) Where the Respondent has:
 - (1) failed to deny the Rule breach(s) charged; or
 - (2) submitted an Answer denying the Rule breach(s) charged but not requested a hearing; or
 - (3) waived a hearing,the Hearing Panel shall make its decision in accordance with paragraphs (A) and (B) of this Rule 7.21 based on such documents filed by the Compliance Department and the Respondent as required by the Hearing Panel.
- (F) Where the Respondent fails to appear at a requested hearing at the time and place scheduled, the Hearing Panel shall make its decision in accordance with paragraphs (A) and (B) of this Rule 7.21 based on such documents filed by the Compliance Department and the Respondent as required by the Hearing Panel.
- (G) If the Hearing Panel determines to order the imposition of a penalty, the penalties which may be imposed are any one of the following:
 - (1) a cease and desist order;
 - (2) a censure;
 - (3) an order directing restitution to any injured person;
 - (4) a fine or not more than five hundred thousand pounds sterling (£500,000) for each Rule breach found to have been committed;
 - (5) an expulsion or a suspension from all or some rights and privileges of Membership, Floor Trading Privileges, Electronic Trading Privileges or employment on the Exchange Floor; and
 - (6) any combination of such penalties.
- (H) Notice of the Respondent's right to Appeal, pursuant to Rule 7.22, shall be incorporated into a Decision issued in accordance with paragraph (A) of this Rule 7.21.
- (I) Unless appealed, a Decision is the final decision of the Exchange and shall be effective fifteen (15) Business Days after a copy of the Decision has been served upon the Respondent.
- (J) Any fine imposed by a Hearing Panel shall be due and payable on the effective date of the Decision or on such later date as the Hearing Panel may specify in the Decision.

- (K) The Compliance Department may (and shall, if the Hearing Panel so directs) give such publicity as it considers appropriate (or is directed to give) to any finding of, or any sanction imposed or order made by, the Hearing Panel.

7.22 Appeals

- (A) Within ten (10) Business Days of the Decision being served upon the Respondent, the Respondent may appeal the Decision by serving on the Compliance Department and filing with the Membership Department a written notice of appeal (a **Notice of Appeal**) and a request for the transcript of the proceedings before the Hearing Panel. Such transcript shall be provided to the Respondent as soon as is reasonably practical.
- (B) Within ten (10) Business Days of service of the transcript of the proceedings, a Respondent who has filed a Notice of Appeal within the time stipulated in paragraph (A) of this Rule 7.22 shall serve on the Compliance Department and file with the Membership Department a written memorandum of appeal (a **Memorandum of Appeal**) specifying the grounds of the appeal. The grounds of appeal may be any one or more of the following:
- (1) the Hearing Panel misdirected itself;
 - (2) the Decision was:
 - (a) one which no reasonable Hearing Panel could have reached;
 - (b) unsupported by the evidence or against the weight of the evidence; or
 - (c) based on an error of law or a misinterpretation of the Rules;
 - (3) the sanction imposed by the Hearing Panel was excessive or otherwise inappropriate; or
 - (4) new evidence is available and, had it been adduced before the Hearing Panel, the Hearing Panel could reasonably have come to a different decision.
- (C) The ground of appeal referred to in paragraph (B)(4) of this Rule 7.22 will not be a valid ground for appeal if the evidence could have been made available to the Hearing Panel by the exercise of reasonable diligence.
- (D) A failure to file either a Notice of Appeal or Memorandum of Appeal within the times stipulated shall operate as a waiver of all rights of appeal.

7.23 Compliance Department's Answer

The Compliance Department shall serve upon the Respondent and file with the Membership Department, within ten (10) Business Days of the Respondent filing the Memorandum of Appeal, a written answer (an **Answer**).

7.24 Respondent's Reply

The Respondent may serve on the Compliance Department and file with the Membership Department, within five (5) Business Days of the service of the Compliance Department's Answer, a written reply (a **Reply**). Such Reply must be limited to the matters contained in the Answer.

7.25 Appeal Committee

- (A) Any appeal shall be heard and decided by an appeal committee (the **Appeal Committee**).

- (B) The chairman of the Appeal Committee shall notify the Respondent and the Compliance Department in writing of the names of the members of the Appeal Committee at least fifteen (15) Business Days prior to the initial hearing date.
- (C) No person who has participated in any stage of the disciplinary process, nor with any financial, personal or other interest in the matter under consideration, may serve on the Appeal Committee. Any person so interested shall promptly notify the chairman of the Appeal Committee of his interest.
- (D) The Compliance Department and/or the Respondent may file with the Membership Department a written challenge against any member of the Appeal Committee for cause. The merits of such challenge shall be decided by the chairman of the Appeal Committee in his sole discretion, unless such challenge is made against the chairman of the Appeal Committee, in which case the merits of the challenge shall be decided by the non-Member alternate of the Committee. Unless a party's written challenge is received by the Membership Department within seven (7) Business Days of service of the notice by the chairman of the Appeal Committee under paragraph (B) of this Rule 7.25, any right of challenge shall be waived.

7.26 Procedures of the Appeal Committee

- (A) The Appeal Committee may, if it considers it appropriate, but only with the agreement of the Compliance Department and the Respondent, decide the appeal on the basis of the record of the proceeding, the Memorandum of Appeal, Answer and Reply, and any other evidence placed before it. In all other cases, the Compliance Department and the Respondent shall be given the opportunity (and may be required by the Appeal Committee upon reasonable notice) to attend and give evidence before the Appeal Committee and be questioned. The Compliance Department or the Respondent may call witnesses to give evidence and be questioned.
- (B) The Appeal Committee may call for any person to attend its hearings. This provision aside, all hearings shall be in private unless the Respondent requests otherwise and the Exchange and the Appeal Committee consent to his request.
- (C) The Appeal Committee shall adopt such procedures as it thinks fit and just, subject to the following procedures applying in all cases:
 - (1) the Appeal Committee may request from the Compliance Department or the Respondent such further statements, information, documents or other evidence as it may think fit;
 - (2) the Compliance Department and the Respondent may adduce such further evidence as they consider necessary within reasonable time limits agreed by the Appeal Committee;
 - (3) the Appeal Committee, or its chairman sitting alone, may deal with such matters as it considers appropriate at a pre-hearing review of the appeal;
 - (4) the Appeal Committee, or its chairman sitting alone, may issue directions and take such other steps as it considers appropriate for the clarification of the facts and issues and for the just and expeditious determination of the appeal;
 - (5) the Appeal Committee may accept as conclusive any finding of fact made by a court or any regulatory body;
 - (6) a Respondent's disciplinary history shall not be disclosed to the Appeal Committee until the Appeal Committee has decided that the Respondent has committed a Rule breach; and

- (7) if the Appeal Committee determines that the Respondent has breached a Rule, it shall request the Respondent's disciplinary record from the Compliance Department and may take that record into account in deciding the appropriate sanction.
- (D) The Compliance Department may make submissions to the Appeal Committee as to the appropriate sanction and any such submissions shall be made available to the Respondent, who shall have the right to make submissions in reply regarding the sanction.

7.27 Decision of the Appeal Committee

- (A) No findings of a Hearing Panel referred to in paragraph (A) of Rule 7.21 may be set aside if supported by the evidence in the record of the proceeding.
- (B) The Appeal Committee may affirm, reverse or modify a Decision in whole or in part. In the event of a reversal, the matter may be remitted to the same or a differently constituted Hearing Panel for further proceedings or may be dismissed. Modification of a Decision may include, among other things, an increase in any penalties imposed by the Hearing Panel.
- (C) The Appeal Committee shall issue a written decision as soon as reasonably practical after the hearing of the appeal.
- (D) The Appeal Committee's decision shall include:
 - (1) a statement of its findings and conclusions with respect to each charge or penalty reviewed;
 - (2) its reasons for those findings and conclusions;
 - (3) the specific Rule breach which the Respondent was found to have committed;
 - (4) an order confirming or modifying any penalties imposed, if any; and
 - (5) the effective date of such decision and penalty.
- (E) Any decision of the Appeal Committee is the final decision of the Exchange and shall be effective fifteen (15) Business Days after it is served upon the Respondent.
- (F) Any fine imposed or modified by the Appeal Committee shall be due and payable on the effective date of the Appeal Committee's decision or on such later date as the Appeal Committee may specify in its decision.
- (G) The Compliance Department may (and shall, if the Appeal Committee so directs) give such publicity as it considers appropriate (or is directed to give) in relation to any finding of, or any sanction imposed or order made by, the Appeal Committee.

7.28 Ex parte communications

- (A) While proceedings before either the Hearing Panel or the Appeal Committee are pending, there shall be no *ex parte* communications relating to those proceedings between representatives of the Compliance Department, the Respondent, the Respondent's legal representative, or anyone acting on the Respondent's behalf, and any member of the Hearing Panel or Appeal Committee (as appropriate) or any legal adviser to the Hearing Panel or Appeal Committee, provided that such parties may have *ex parte* communications with the legal adviser (if any) to the Hearing Panel or Appeal Committee on timetabling and procedural matters.
- (B) Any person who receives, makes, or learns of any *ex parte* communication which is prohibited by paragraph (A) of this rule 7.28 shall promptly give written notice of such communication and any response thereto to all parties to the proceedings to which the communication relates and

place on the record of the proceeding any such written communications or responses and a memorandum stating the substance of any such oral communications or responses.

7.29 Confidentiality of Exchange investigations and proceedings

All investigatory materials and all other documents and evidence presented in any disciplinary proceeding, other than those included in a Decision, shall be confidential and shall not be disclosed to any person other than the Complaints Commissioner, as provided in the complaints procedures contained in the relevant Notice to Members.

7.30 Expulsion by the Board

- (A) The Board, under the procedures set out in paragraph (B) of this Rule 7.30, may expel any Member or employee of a Member who, within a five (5) year period, has either:
- (1) on two or more occasions, as a result of a Notice under Rule 7.13 or a settlement under Rule 7.20, withdrawn or been suspended from all or some rights and privileges of Membership, Floor Trading Privileges, Electronic Trading Privileges or employment on the Exchange Floor;
 - (2) been fined or agreed to pay in settlement more than twenty-five thousand pounds sterling (£25,000) in aggregate.
- (B) The Compliance Department shall inform the Board of any individual or entity who falls within this Rule 7.30 within thirty (30) Business Days of receipt of a final disciplinary decision which makes applicable its provisions.
- (C) The following procedures shall be followed for any proceedings that the Board may institute under paragraph (A) of this Rule 7.30.
- (1) The Compliance Department shall provide each member of the Board, for his review, copies of all transcripts, exhibits received in evidence and decisions in all disciplinary actions and copies of all settlements concerning such Member or employee of a Member, together with any arguments filed on appeal and appeal decisions in connection with such disciplinary actions.
 - (2) The Board, if it determines that consideration of expulsion is warranted, may issue a written notification (a **Notification**) to the Member or employee of a Member within a reasonable time of receiving such a referral from the Compliance Department, informing them that the Board is considering expelling them, and the reasons for it considering this option.
 - (3) The Member or employee of a Member shall within twenty (20) Business Days of such Notification submit to the Board a statement of reasons in support of its continued Membership trading privileges or employment privileges on the Exchange (the **Statements**) and may at the same time request a hearing before the Board.
 - (4) Within five (5) Business Days of such a Statement being filed with the Board, the CCO shall schedule a hearing to consider the issue of expulsion.
 - (5) The hearing shall be convened within fifteen (15) Business Days of such Statement being filed, unless good cause is shown to justify a delay of such hearing.
 - (6) If no hearing is requested, the Board shall render a decision on the documents provided to it under paragraphs (C)(1) to (3) of this Rule 7.30.
 - (7) A Member or employee of a Member shall have the right to be heard before the Board and to be represented by a lawyer or any other person.

- (8) Promptly following the hearing, the entire Board shall by majority vote render a decision as to whether or not to expel the Member or employee of a Member from the Exchange.
- (9) The decision of the Board shall include a statement of findings and conclusions with respect to its decision and the effective date of such decision. This decision shall be deemed the final decision of the Exchange.

7.31 Floor offences

- (A) **Breaches of Decorum or Attire Rules.** The Floor Committee, any member of the Floor Committee or any Exchange employee designated by the CEO may impose summarily, on any Member or any person under the control of a Member, a warning letter and/or fine of not more than two thousand pounds sterling (£2,000) for each breach of any Rules relating to decorum or attire on the Exchange Floor or in any part of the Exchange premises.
- (B) **Other Floor Offences.** The Floor Committee, any member of the Floor Committee or any Exchange employee designated by the CEO may impose summarily, on any Member or any person under the control of a Member, a warning letter and/or fine of not more than two thousand pounds sterling (£2,000) for:
 - (1) each breach of any Rule relating to Clerk registration;
 - (2) any Rule regarding the untimely or inaccurate submission of trade data, reports, records or similar matters for clearing or for verifying each day's transactions;
 - (3) failure by qualified floor traders and/or their authorised representatives to attend any option's expirations;
 - (4) failure by a Member to attend mandatory training; or
 - (5) each breach of Rules 6.28 or 6.31.
- (C) The official imposing of the fine shall issue a notice of fine (a **Notice of Fine**) in a form to be prescribed by the Exchange, which shall be served on the Respondent in accordance with Rule 7.10, notifying him of the offence committed and the fine to be imposed.
- (D) Any warning letter or fine imposed in accordance with paragraph (A) of this Rule 7.31 may be appealed to the Floor Committee by filing a written request with the Membership Department within ten (10) Business Days of service of the warning letter and/or the Notice of Fine. The request should set out the reason for the appeal and attach any relevant documents. Any member of the Floor Committee involved in the imposition of the summary action being appealed shall excuse himself from the committee. Where this results in the Floor Committee being unable to hear the appeal, the matter will be referred for hearing to a panel of the Adjudication Committee. The Floor Committee shall adopt procedures in accordance with Rule 7.26, modified as it deems appropriate to the circumstances of the case before it. It shall affirm, modify or reverse the penalty appealed and shall issue its decision in writing within thirty (30) Business Days of the appeal.
- (E) Unless it is subject to an appeal, any fine imposed in accordance with paragraph (A) of this Rule 7.31 shall be due and payable within ten (10) Business Days of service of the Notice of Fine. Where a determination has been made by the Floor Committee following an appeal, such a determination shall be final ten (10) Business Days after notice of it is given to the Member, and any fine imposed as a result of such determination shall be due and payable within ten (10) Business Days after notice of the determination is given to the Member.
- (F) The Floor Committee may refer any matter within its jurisdiction to the Business Conduct Committee or to the Compliance Department for further action under this Chapter 7.

- (G) In addition to any sanctions provided in any other Paragraph in this Rule 7.31, any three (3) members of the Floor Committee, one (1) of whom must be the chairman of the Floor Committee, may summarily remove, or cause the removal of, any Member or any employee or agent or any Member from the Exchange Floor if that Member or employee or agent of a Member commits a Floor offence as described in Rule 6.28 which, in the opinion of such three (3) members of the Floor Committee, either involves a physical altercation or otherwise is sufficiently disruptive to warrant such summary removal. Any member or employee summarily removed from the Exchange Floor pursuant to the provisions of this Rule 7.31 may not return to the Exchange Floor for such period as may be determined by such three (3) members of the Floor Committee, which period shall not exceed two (2) Business Days in addition to the day the offence was committed.
- (H) Action taken by the Floor Committee, a member of the Floor Committee or any Exchange employee designated by the CEO shall not be subject to the provisions of this Chapter 7 in respect of procedures for disciplinary proceedings.

7.32 Breaches of Trading Card procedures

- (A) If the Compliance Department determines that a Floor Member has failed to comply with any part of Rule 6.16, it may summarily, (in each case informing the Member of the Rule breach):
- (1) issue a warning letter for a first breach;
 - (2) subject the Member to a fifty-pound-sterling (£50) summary fine for a second breach in a twelve (12) month period;
 - (3) subject the Member to a three-hundred-pound-sterling (£300) summary fine for a third breach in an eighteen (18) month period; and
 - (4) refer the Member to the Business Conduct Committee for formal Disciplinary Action for a fourth breach in a twenty-four (24) month period.
- (B) Paragraph (A)(1) to (4) of this Rule 7.32 will not apply when the Compliance Department determines that a Member has committed a substantive breach of the Rules in addition to a breach of Trading Card procedures.

7.33 Breaches of Floor Order Ticket procedures

- (A) If the Compliance Department determines that a Floor Broker has failed to comply with Rule 6.10 which respect to the preparation of floor order tickets, by achieving a compliance rate of eighty-nine per cent (89%) or lower, it may summarily implement disciplinary procedures as provided for by this Rule 7.33.
- (B) After an initial review, the Compliance Department may impose fines corresponding to the following rates of compliance:
- (1) 89-80% £50;
 - (2) 79-70% £100;
 - (3) 69-60% £300; and
 - (4) 59% and below £500.
- (C) If after a second review a Floor Member fails to achieve a passing compliance rate, the Compliance Department may impose a fine in the amount imposed in the initial review under paragraph (B) of this Rule 7.33, plus an additional amount corresponding to their rate of compliance achieved in the second review, as follows:
- (1) 89-80% (B) + £50;

- (2) 79-70% (B) + £100;
 - (3) 69-60% (B) + £300; and
 - (4) 59% and below (B) + £500.
- (D) If after a third review a Floor Member fails to achieve a passing compliance rate, the Compliance Department may impose a fine in the amount imposed in the initial review under compliance achieved in the third review, as follows:
- (1) 89-80% (C) + £100;
 - (2) 79-70% (C) + £300;
 - (3) 69-60% (C) + £500; and
 - (4) 59% and below (C) + £1,000.
- (E) The Compliance Department may, in its discretion, refer to the Business Conduct Committee any Floor Member achieving a compliance rate of sixty-nine per cent (69%) and below after a third review.
- (F) If after a fourth review the Floor Member fails to achieve a passing compliance rate, the Compliance Department may refer the Floor Member to the Business Conduct Committee for disciplinary action.

7.34 Appeals against Compliance Department summary fines

- (A) Any fine imposed in accordance with Rules 7.32 and 7.33 may be appealed to a panel of the Adjudication Committee.
- (B) To appeal a fine, a Member shall file a written request with the Membership Department within ten (10) Business Days of receiving notice of such fine.
- (C) The request should set out the reason for the appeal and attach any relevant documents.
- (D) The panel of the Adjudication Committee shall follow procedures in accordance with Rule 7.26, modified as it deems appropriate to the circumstances of the case before it. The panel of the Adjudication Committee shall affirm, modify or reverse the fine appealed and shall issue its decision in writing within thirty (30) Business Days of the appeal.

7.35 Clerk registration, badges and training

- (A) Any intentional breach by a Member of the requirements of the rules on Clerk registration, badges and training pursuant to Rules 2.24 and 6.29 shall constitute a Major Offence.
- (B) Any Clerk who is not properly registered with the Exchange as provided by Rule 2.24 shall be subject to disciplinary action pursuant to this Chapter 7 and shall also be personally liable for a summary fine of fifty pounds sterling (£50) per Trading Day for each day of non-compliance with Rule 2.24. Such fine will be assessed by the Floor Committee or the Compliance Department acting as agent for the Floor Committee and shall be issued to the Clerk personally. Upon service of a notice of a fine, a Clerk shall be immediately excluded from the Exchange Floor until payment of the fine is made to the Exchange pursuant to paragraph (A) of Rule 7.38 and registration completed, in the manner provided by Exchange policy.
- (C) Three breaches of Rule 2.24 within one (1) calendar year is sufficient cause for the CCO or his designee summarily to revoke the Clerk's registration status.
- (D) The failure of a Member to withdraw a Clerk's badge on termination of his employment as required by paragraph (C) of Rule 6.29, or on revocation of his registration pursuant to

paragraph (C) of this Rule 7.35, may result in the issue of a summary fine against the Member in the amount of fifty pounds sterling (£50) per Trading Day for each day of non-compliance with this paragraph (D) of Rule 7.35.

- (E) A Clerk's failure to wear a badge, or to wear the badge in a prominent position as required by paragraph (C) of Rule 6.29, may result in the issuance of a summary fine by the Floor Committee against the Clerk in the amount of fifty pounds sterling (£50) and suspension from the Exchange Floor until the fine is paid and the badge displayed. Notice of such fine shall also be given to the Member who employs the Clerk. Such Member shall be responsible for the payment of such fine in the manner provided in Rule 7.38 if the Clerk defaults in its payment.
- (F) A Clerk shall be subject to the jurisdiction of the Exchange pursuant to Rule 7.3.
- (G) The CCO or his designee shall have the power and authority to inquire into and to investigate the employment and conduct of, and functions performed by, all Clerks employed by Members.
- (H) The CCO or his designee shall also have the power summarily to deny or revoke a Clerk's registration for conduct detrimental to the Exchange, including but not limited to, not being on the payroll of the Member, or not functioning as a *bona fide* Clerk.

7.36 Member responsibility

- (A) Notwithstanding any fine assessed pursuant to Rule 7.35, a Member whose Clerk is not properly registered with the Exchange shall be liable for a summary fine of one hundred and fifty pounds sterling (£150) per Business Day for each day the Clerk is not so registered.
- (B) Such fine shall be paid to the Exchange upon service of an assessment from the Floor Committee or the Compliance Department.
- (C) Three (3) breaches of this Rule 7.36 within one (1) calendar year is sufficient cause for formal disciplinary action to be taken.

7.37 Sanctions against Clerks

- (A) Penalties resulting from formal disciplinary proceedings against a Clerk may be imposed as a result of a written settlement agreement or by a Hearing Panel and may include:
 - (1) suspension or permanent revocation of Clerk registration; and
 - (2) a fine not to exceed twenty-five thousand pounds sterling (£25,000) for each breach.
- (B) Clerks shall also be personally liable for applicable summary fines imposed pursuant to Rule 7.31.
- (C) Members shall be responsible for any fine issued to their employees during their tenure pursuant to this Rule 7.37, provided however that a Hearing Panel may waive such responsibility if it determines that the Members did not have knowledge of the Clerk's conduct, and that a substantial injustice would result from imposing responsibility for a fine on the Member.

7.38 Summary fines: payment and appeals

- (A) Summary fines imposed pursuant to Rules 7.35 and 7.36 shall be payable to the Exchange within ten (10) Business Days of notice of such fine being given to the Clerk or Member.
- (B) Summary fines imposed pursuant to Rules 7.35 and 7.36 may be appealed as provided for in paragraph (C) of Rule 7.31.

7.39 Billing and commissions

- (A) Any bill for services rendered on the Exchange Floor or on the Electronic Trading Platform shall be issued in the name of, and as payable to, a Member.
- (B) A Telephone Clerk, Runner or Authorised Terminal User who is the employee or agent of an Electronic Member may only accept income, bonuses or remuneration from a single Member employer.

7.40 Member summary suspension

- (A) If, at any time, the CEO (or his designee) or the CCO (or his designee) has a reasonable belief that immediate action is necessary to protect the best interests of the Exchange, he may suspend, or take other summary action against, an individual or entity that is subject to the jurisdiction of the Exchange (the **Respondent**). Such action may be taken in circumstances including but not limited to, the following:
 - (1) notification of any suspension, expulsion, revocation or restriction of Trading Privileges, through an adverse determination, voluntary settlement or otherwise, by any court, commodity or securities exchange or related clearing organisation, the FSA or any other regulator, or any other regulatory or self-regulatory or other business or professional association;
 - (2) notification of other FSA action against an individual or firm (based on an individual's actions) or prohibition order;
 - (3) notification of any finding of guilt to a crime involving fraud, deceit, theft, embezzlement, gambling or other such act; or
 - (4) upon application by the Compliance Department, any other circumstance where the CEO or his designee or the CCO or his designee determines there is a reasonable basis to believe that the Respondent:
 - (a) has committed a breach of the Rules constituting a Major Offence involving honesty or integrity; and
 - (b) is reasonably likely to do so again unless summary action is taken.
- (B) Any suspension or other summary action taken pursuant to this Rule 7.40 shall be taken in accordance with the following procedure:
 - (1) any action under this Rule 7.40 may be taken without notice or a hearing, where the Respondent waives notice or hearing, or when the CEO or his designee or the CCO or his designee determines, in his sole discretion, that the furnishing of notice or an opportunity for a hearing, or both, before such suspension or other summary action is taken, is not practicable under the circumstances;
 - (2) whenever practicable, the Respondent shall be served with a notice before any action is taken;
 - (3) such notice shall state the circumstance giving rise to the summary action and the date, time and place of the hearing, and shall notify the Respondent of the right to legal representation at such hearing and all subsequent proceedings;
 - (4) in any case where the CEO or his designee or the CCO or his designee has taken action against the Respondent without prior notice or hearing because of impracticability, the Exchange shall promptly give the Respondent notice of:
 - (a) the action taken;

- (b) the reasons for it being taken;
 - (c) the effective date, time and duration of the action; and
 - (d) that, upon written request by a specified date, a hearing will be held to determine if action is necessary to protect the best interest of the Exchange.
- (C) Any hearing held pursuant to this Rule 7.40 shall be before a panel of the Adjudication Committee. The panel shall adopt procedures in accordance with Rule 7.19, modified as it deems appropriate, provided however that for actions taken as a result of paragraphs (A)(1), (2) or (3) of this Rule 7.40, paragraph (A)(7) of Rule 7.19 shall not apply.
- (D) Promptly following the hearing provided for in this Rule 7.40, the hearing panel shall issue a written decision and shall provide a copy of the decision to the Respondent.
- (E) The decision shall include:
 - (1) a description of the summary action taken;
 - (2) the reasons for the summary action;
 - (3) a brief summary of the evidence produced at the hearing;
 - (4) its findings and conclusions;
 - (5) a determination that the summary action should be affirmed, modified or reversed; and
 - (6) a declaration of any action to be taken and the effective date and duration of such action.
- (F) A Respondent against whom summary action has been taken pursuant to this Rule 7.40 may appeal such action to the Appeal Committee, which shall adopt procedures in accordance with Rules 7.22 to 7.26, modified as it deems appropriate.
- (G) Any decision of the Appeal Committee is the final decision of the Exchange and shall be effective immediately upon being served upon the Respondent.
- (H) A Respondent suspended under this Rule 7.40 may apply for reinstatement at any time prior to the sale of his Membership, provided, however, that if a Member suspended under this Rule 7.40 is not reinstated within one (1) year of the date of his suspension, such Member may not be reinstated.
- (I) Any application for reinstatement shall be filed with the Membership Department. Written notice of the time and place of the meeting of the Board at which the application for reinstatement is to be considered shall be sent to the suspended Member and to the membership of the Exchange not less than five (5) Business Days prior to the meeting. The vote of a majority of the Board present and voting is required to reinstate the suspended Member.

7.41 Summary procedures for denial of access to the Electronic Trading Platform

- (A) The following events shall be considered a failure to comply by any Electronic Member and any Authorised Terminal User (a **Failure**):
 - (1) any representation, warranty or covenant of an Electronic Member ceases to be true and accurate;
 - (2) an Electronic Member or Authorised Terminal User fails to comply with any Rule which applies to them;

- (3) an Electronic Member or Authorised Terminal User uses the Electronic Trading Platform from a jurisdiction other than those permitted by the Exchange;
 - (4) an Electronic Member fails to maintain a clearing arrangement acceptable to the Exchange;
 - (5) an Electronic Member fails to pay the Exchange the fees due on any transaction as provided by the applicable fee schedule; or
 - (6) it is deemed necessary to protect the Exchange, its markets or other Members or Customers.
- (B) In the event of such a Failure, the Exchange may, without limitation, take any or all of the following actions:
- (1) terminate all or any of the Electronic Member's User IDs and Passwords and access to the Electronic Trading Platform;
 - (2) close out all of the Electronic Member's open positions;
 - (3) cancel any or all of the orders entered by an Authorised Terminal User into the Electronic Trading System;
 - (4) treat any or all of the Electronic Member's obligations to the Exchange as immediately due and payable; and
 - (5) set off any obligations of the Exchange to the Electronic Member against any of the Electronic Member's obligations to the Exchange.
- (C) Actions taken pursuant to paragraph (E) of this Rule 7.41 (a **Summary Action**) shall be the final action of the Exchange if the Electronic Member or Authorised Terminal User does not request review when and as hereinafter provided.
- (D) The CEO or his designee or the CCO or his designee shall determine when a Failure has occurred and any Summary Action that will be taken by the Exchange without prior notice to the Electronic Member or Authorised Terminal User or a hearing. The Exchange shall provide the Electronic Member or Authorised Terminal User with written notice of a Summary Action via electronic mail or facsimile communication, which shall be sent to the Electronic Member or Authorised Terminal User in accordance with the contact information on file at the Exchange for the Electronic Member or Authorised Terminal User, and such notice shall be deemed to be received by the Electronic Member or Authorised Terminal User upon successful transmission of a facsimile communication or, in the case of an electronic mail communication, one (1) Business Day following an electronic mail message. Such notice shall specify the date of the Failure for which the Summary Action is being imposed and the provisions of any applicable agreement or other basis for the Summary Action. Within ten (10) Business Days of receipt of the notice, the Electronic Member or Authorised Terminal User may submit a written request to the Exchange to review the Summary Action taken and any such request shall specify the basis for such a review.
- (E) The chairman of the Adjudication Committee shall appoint a hearing panel to hear and consider a request for review made pursuant to paragraph (G) of this Rule 7.41 at a hearing to be held promptly after the Exchange has received such a request.
- (F) The Hearing Panel shall follow procedures in accordance with Rule 7.26, modified as it deems appropriate. A hearing pursuant to this Rule may, at the discretion of the hearing panel, be conducted by telephone.
- (G) The Hearing Panel shall issue a written decision containing the following:

- (1) a description of the Failure and Summary Action taken by the Exchange as provided in paragraphs (A) to (F) of this Rule 7.41;
- (2) a summary of the evidence produced at the hearing;
- (3) a statement of its findings and conclusions with respect to the Failure; and
- (4) its conclusion concerning whether the Summary Action was appropriate or its imposition of a different Summary Action, if any.

Such decision shall be the final action of the Exchange and shall not be subject to further appeal within the Exchange.

- (H) An Electronic Member or Authorised Terminal User suspended or terminated from access to the Exchange's facilities pursuant to this Rule 7.41 may apply for reinstatement if at the time of the application the Electronic Member or Authorised Terminal User can demonstrate compliance with all material terms of applicable agreements with the Exchange. The determination of such compliance and possible readmission shall be made by and is within the sole discretion of the CEO.
- (I) Nothing in this Rule 7.41 shall preclude any action against a Member pursuant to the Rules.

7.42 Payment of gratuity to employees of others

No Member or employee of a Member shall directly or indirectly pay or offer any compensation or gratuity in excess of twenty pounds sterling (£20) to any employee of another Member or to an employee of the Exchange or of the Clearing House for any service rendered or to be rendered, or requested, unless express written consent be obtained in advance from the employer of such employee.

7.43 Notification of Final Disciplinary Action involving financial harm to a Customer

- (A) For the purposes of this Rule 7.43, **Final Disciplinary Action** means any decision by or settlement with the Exchange in a disciplinary matter which cannot be further appealed at the Exchange.
- (B) Upon a Final Disciplinary Action in which the Exchange finds that a Member has committed a Rule breach that involved a transaction for a Customer, whether executed or not, and that resulted in financial harm to the Customer:
- (1) the Exchange shall promptly provide written notice of the disciplinary action to the Clearing Member that cleared the transaction;
 - (2) a Clearing Member that receives a notice under paragraph (B)(1) of this Rule 7.43 shall promptly provide written notice of the disciplinary action to the Customer as disclosed on its books and records; and
 - (3) if the Customer is another Clearing Member, such Clearing Member shall promptly provide the notice to the Customer.
- (C) A written notice required by paragraph (B) of this Rule 7.43 must include:
- (1) the principal facts of the disciplinary action;
 - (2) a statement that the Exchange has found that the Member has committed a Rule breach that involved a transaction for the Customer, whether executed or not; and
 - (3) a statement that Rule breach resulted in financial harm to the Customer.

Chapter 8 Default Rules

Table of Contents

8.1	Prevalence of Default Rules	1
8.2	Consultation with the Clearing House and co-operation with other bodies	1
8.3	Default Committee	2
8.4	Designated Non-Members	2
8.5	Declaration of a default	3
8.6	Event of Default	3
8.7	Default proceedings	4
8.8	Actions which may be taken on a default	5
8.9	Calculation and certification of Net Default Settlement Amounts	7
8.10	Notification by Members and Designated Non-Members	8
8.11	Powers	8
8.12	Costs	9
8.13	Reports to the FSA	9
8.14	Amendment	9

8.1 Prevalence of Default Rules

- (A) These Default Rules are without prejudice to other Rules relating to Market Contracts, but in the event of any inconsistency between these Default Rules and any other such Rule or the terms of any Exchange Contract or any other Market Contract, these Default Rules shall prevail.
- (B) Neither the Board nor any designated official empowered under Chapter 4 to take action in the event of any Emergency will be prevented from doing so as a result of action being taken under these Default Rules.
- (C) These Default Rules apply only in respect of Market Contracts and do not apply to contracts in the terms of Exchange Contracts to which the Clearing House is a party, which will be subject to the default rules of the Clearing House.
- (D) The Board's determination as to whether any contract in the terms of an Exchange Contract is a Market Contract for the purposes of any action taken under these Default Rules shall be final and binding on each party to such contract.

8.2 Consultation with the Clearing House and co-operation with other bodies

- (A) Before taking any action under these Default Rules in respect of any default, the Board will, where possible, consult with the Clearing House to establish a co-ordinated approach to managing that default.
- (B) The Board may consult with any other relevant person before or after taking any action under these Default Rules, including (without limitation), the FSA, the CFTC or any regulatory or government body, any RIE or RCH, any Designated Investment Exchange or Designated Clearing House (each as defined in the FSA Handbook) or any other exchange or clearing house approved under section 170 of the Companies Act 1989, any exchange or clearing house otherwise approved by the FSA, the CFTC or by any regulatory body or any relevant office-holder.
- (C) The Board may disclose any details or pass any information in its possession relating to a Defaulter or in connection with any default proceedings contemplated or carried out under these Default Rules to, and otherwise co-operate with, the Clearing House, the FSA, the CFTC or any regulatory or government body, any RIE or RCH, any Designated Investment Exchange or Designated Clearing House (each as defined in the FSA Handbook) or any other exchange or clearing house approved under section 170 of the Companies Act 1989, any

exchange or clearing house otherwise approved by the FSA, the CFTC or by any regulatory body or any relevant office-holder.

8.3 Default Committee

- (A) The Board may delegate all or any of its duties and powers under these Default Rules, the Companies Act 1989 or, in relation to these Default Rules, under the FSMA, to a committee (the **Default Committee**) consisting of such employees or officers of the Exchange as the Board considers fit and proper.
- (B) The Board or the Default Committee may engage the services of any professional advisor to assist and advise it in taking any action under these Default Rules.

8.4 Designated Non-Members

- (A) Clearing Members which are not also Members are designated as Designated Non-Members for the purposes of these Default Rules in respect of contracts in the terms of Exchange Contracts which arise or to which they become a party pursuant to Rule 6.9 (*Trade Formation*) or Rule 9.17 (*Trade Formation*) or otherwise under the Rules as a result of acting as a Clearing Member.
- (B) For the avoidance of doubt:
 - (1) such Designated Non-Members are not so designated in respect of contracts in the terms of Exchange Contracts between them and the Clearing House;
 - (2) each such Designated Non-Member is so designated in respect of any contract in the terms of an Exchange Contract arising pursuant to Rule 6.9 (*Trade Formation*), Rule 9.17 (*Trade Formation*) or otherwise under the Rules and any contract resulting from the giving up or other transfer to that Designated Non-Member as a Clearing Member by a Member; and
 - (3) persons ceasing to be Clearing Members shall cease to be Designated Non-Members (unless the Board otherwise declares).
- (C) All contracts that are formed as a result of paragraphs (E) and (F) of Rule 6.9, and Rule 9.17 are subject to the Default Rules and Designated Non-Members and other Clearing Members are subject to these Rules in making such contracts.
- (D) The Board:
 - (1) may from time to time designate any person or description of persons as a Designated Non-Member or Designated Non-Members or withdraw any such designation;
 - (2) shall take such steps to notify any such person of any such designation or withdrawal as it considers appropriate to ensure prompt notification;
 - (3) where it designates or withdraws any description of persons as Designated Non-Members, shall take such steps to ascertain which persons fall within such description as it considers appropriate; and
 - (4) where it has made any such designation, shall keep the appropriateness and suitability of that designation under review.
- (E) In determining whether to designate (or withdraw the designation) of any person or description of persons, the Board shall consider whether failure by any such person or description of persons to meet its obligations under one or more Market Contracts would be likely to adversely affect the operation of the Exchange.

- (F) If the Board considers that such failure by any such person or description of persons would be unlikely to adversely affect the operation of the Exchange, it may not so designate or allow to remain so designated any such person or description of persons.

8.5 Declaration of a default

- (A) If an Event of Default occurs or has occurred in relation to a Member or Designated Non-Member and the Board considers (in its discretion) that it should take action under these Default Rules in respect of such Member or Designated Non-Member in the interests of the market, it shall, subject to paragraph (B) of this Rule 8.5, declare such Member or Designated Non-Member to be a Defaulter.
- (B) If the FSA exercises its powers under section 166 of the Companies Act 1989 to give directions to the Board:
- (1) to take action under these Default Rules; or
 - (2) not to take action under these Default Rules which it appears the Board is proposing to take or may take,

the Board shall take or not take such action in accordance with such directions (including, where relevant, declaring a Member or Designated Non-Member to be a Defaulter).

- (C) Once the Board has declared a Member or Designated Non-Member to be a Defaulter pursuant to this Rule 8.5, that declaration shall remain in full force and effect until withdrawn by the Board or pursuant to any direction to do so given by the FSA under its powers under section 166 of the Companies Act 1989.
- (D) No Member or Designated Non-Member may enter into any contract in the terms of an Exchange Contract with a Defaulter while a declaration of default is in force in relation to that Defaulter, and no Defaulter may enter into any such contract with any person at such time, other than in accordance with an instruction to do so given by the Board under these Default Rules.
- (E) As soon as reasonably practicable after a declaration of a default or a decision is made or action is taken under these Default Rules in respect of a Defaulter, the Board shall take such steps as it considers appropriate to notify:
- (1) the Defaulter and each other party to any unsettled Market Contract to which the Defaulter is party as principal of the default, such declaration and of any decision or action taken under these Default Rules in respect of any such unsettled Market Contract; and
 - (2) where the Defaulter acted as agent for a principal in respect of any unsettled Market Contract, the parties to such unsettled Market Contract (including such principal) of the default, such declaration and each other's identities.

8.6 Event of Default

- (A) In these Default Rules an **Event of Default** means, without limitation, any event or circumstance in relation to a Member or Designated Non-Member which in the Board's opinion has the effect that such Member or Designated Non-Member would be, or would appear to be, unable or likely to become unable to discharge any of its obligations under or in respect of any Market Contract.
- (B) Without prejudice to the generality of the foregoing, the Board may consider the occurrence of any of the following in relation to a Member or Designated Non-Member as an Event of Default:

- (1) failure by a Member or Designated Non-Member to discharge, perform or comply with any obligation (including but not limited to any obligation to make payment or make or accept delivery) under the terms of a Market Contract;
- (2) failure by a Member or Designated Non-Member to satisfy any obligation to provide margin to any person in connection with a Market Contract;
- (3) an Insolvency Event occurring in relation to a Member or Designated Non-Member except where such event occurs for the purposes of a reconstruction or amalgamation by such Member or Designated Non-Member, the terms of which have been previously approved by the Board in writing;
- (4) the Member or Designated Non-Member failing to comply with any financial requirements or limits imposed on them under the Rules or the Clearing House Rules, as the case may be;
- (5) the Member or Designated Non-Member being, or being declared, in default or a Defaulter under the Clearing House Rules, any RIE, any RCH or any other investment exchange or clearing house or body which provides clearing or settlement services;
- (6) the Member or Designated Non-Member being declared in breach of the Rules or the Clearing House Rules, any RIE, any RCH or any other investment exchange or clearing house or body which provides clearing or settlement services or being refused an application for membership of or suspended or expelled from membership of any such exchange or clearing house;
- (7) the Member or Designated Non-Member being refused an application for or being suspended or expelled from membership of a regulatory body or a regulatory body taking or threatening to take any action in relation to it or taking or threatening to exercise its powers under the Rules to restrict or prohibit the Member or Designated Non-Member from entering into transactions or carrying on its business or dealing with its assets;
- (8) any licence, authorisation, consent or registration at any time necessary to enable a Member or Designated Non-Member to comply with his obligations to any person in respect of its activities on the Exchange, to NYMEX Europe, to the Clearing House or to any other Member or Designated Non-Member or to carry on its business in the normal course being revoked, withheld or materially amended or failing to be granted or perfected or ceasing to remain in full force and effect;
- (9) a Member failing to satisfy the Board (or the Default Committee) at any time that it meets any minimum financial resources or other financial requirement for Membership;
- (10) a Designated Non-Member failing to satisfy the Clearing House Board at any time that it meets any minimum financial resources or other financial requirement for membership of the Clearing House;

and where any such event or circumstance occurs in relation to a person who is a partner in a partnership or otherwise part of an unincorporated association, it shall be taken to have occurred in relation to such partnership or association.

8.7 Default proceedings

- (A) If a Member or Designated Non-Member is declared to be a Defaulter in accordance with Rule 8.5, the Board shall (subject to any direction duly given by the FSA in exercise of its powers under section 166 of the Companies Act 1989) take any one or more of the actions referred to in Rule 8.8 as it considers appropriate in its absolute discretion.

- (B) The Board shall exercise its powers under paragraph (A) of this Rule 8.7 with a view to ensuring that, in respect of each unsettled Market Contract to which the Defaulter and another person are each party as principal:
- (1) all rights and liabilities are discharged between the Defaulter and such other person and that a Default Settlement Amount is determined in accordance with these Default Rules in respect of each such unsettled Market Contract;
 - (2) all such Default Settlement Amounts are aggregated in accordance with Rule 8.9 to produce a Net Default Settlement Amount (if any) payable between the Defaulter and such person, by one to the other; and
 - (3) each Net Default Settlement Amount, once determined, is certified by the Board in accordance with Rule 8.9.
- (C) If the FSA has directed NYMEX Europe to take any action in respect of a Member or Designated Non-Member in exercise of the FSA's powers under section 166 of the Companies Act 1989, the Board shall take such action whether or not it is set out in Rule 8.8 and any such action shall be deemed to be taken under these Default Rules in respect of such Member or Designated Non-Member as a Defaulter, whether or not the Board has determined such Member or Designated Non-Member to be a Defaulter.
- (D) The Board shall not be required (but may determine) to take any step under Rule 8.8 in respect of margin or arising from a failure by a party to a Market Contract to perform its obligations under such contract.

8.8 Actions which may be taken on a default

- (A) The actions which the Board may take under paragraph (A) of Rule 8.7 are set out in paragraphs (B) to (I) of this Rule 8.8 and, for the avoidance of doubt, the Board may take more than one such action in respect of the same unsettled Market Contract.
- (B) **Prohibition.** The Board may prohibit a Defaulter from entering into any Market Contracts at any time from the date on which the Board declares such person to be a Defaulter until such time as the Board may determine and may prohibit Members from entering into any further Market Contracts with such Defaulter.
- (C) **Performance.** The Board may direct (where appropriate with the consent of the Relevant Office-Holder) that any or all unsettled Market Contracts to which a Defaulter is a party as principal is or are settled by performance of the rights and obligations of the parties in accordance with the terms of such contracts.
- (D) **Transfer of Positions.** The Board may direct, to facilitate the transfer to a Member or Designated Non-Member of any position constituted by any unsettled Market Contract between a Defaulter and another party, each acting as principal, that:
- (1) the position be closed out in accordance with paragraph (F) of this Rule 8.8; and
 - (2) there be made or deemed to be made:
 - (a) a contract (**new contract**) on the same terms as the unsettled Market Contract between such Member or Designated Non-Member and such other party (where each such party consents) at such price or premium as the Board may determine; and
 - (b) where the position is to be transferred to a Member which is not a Clearing Member, an additional contract (an **additional contract**) on the same terms as the new contract between the relevant Member and a Clearing Member (which agrees to act as such), save that if the Member acts as buyer or seller in

respect of the new contract, the Clearing Member shall act as such in respect of the additional contract.

- (E) **Exercise/Expiry of Options.** The Board may direct that any Market Contract in the terms of an Option between a Defaulter and another party, each acting as principal:
- (1) be (or be deemed to be) exercised, where such Option is exercisable by or on behalf of the Defaulter, on a Trading Day on which such Market Contract may be exercised under its terms; or
 - (2) shall expire without being (or being deemed to be) exercised.
- (F) **Close-out.** The Board may direct that any position constituted by an unsettled Market Contract between a Defaulter and another party, each acting as principal, may be closed-out by:
- (1) the making of a Corresponding Contract (or of a Spread comprising two (2) or more Corresponding Contracts) between the Defaulter and such other party (executed on the Exchange Floor or by means of the Electronic Trading Platform in accordance with the Rules by a Member and then allocated to such Defaulter); or
 - (2) by a reversal of entries in the Defaulter's books of account at a price or premium (if any) to be determined by the Board in its absolute discretion and in determining any such price or premium the Board may have regard (without limitation) to any of:
 - (a) the current market price or premium for contracts in the terms of the relevant unsettled Market Contract which is being closed out (or the current differential for any Spread constituted by two (2) or more such unsettled Market Contracts) or for any Futures, Option or Spread which would be required to close out any such position;
 - (b) the most recent Settlement Price or Settlement Premium for any such contract;
 - (c) any price or premium at which any contract in the terms of an Exchange Contract between the Defaulter and the Clearing House, which matches or corresponds to the relevant Market Contract, has been closed out by the Clearing House under the Clearing House's default arrangements (or any relevant average of any such prices or premia in respect of two or more such Market Contracts); and
 - (d) any other price, premium or factor which the Board considers appropriate having regard to market conditions.
- (G) **Set-off.** The Board may direct that any unsettled Market Contracts between a Defaulter and another party, each acting as principal and in the same capacity (for the purposes of section 187 of the Companies Act 1989), where such contracts are on the same terms save as to price, may be settled (in whole or in part) by setting off such contracts against each other.
- (H) **Further or Other Action.** The Board may take any further or other action in respect of any Market Contract to which a Defaulter is a party as principal, to achieve any of the purposes set out in Rule 8.7.
- (I) **Default Settlement Amount.** After taking any one or more of the actions set out in this Rule 8.8 in respect of any unsettled Market Contract, the Board may direct that all rights and obligations under such Market Contract be deemed to have been discharged and replaced by an obligation on one party to such Market Contract to pay the other a Default Settlement Amount, as determined by the Board by reference to:

- (1) where such unsettled Market Contract is directed to be performed in accordance with paragraph (C) of this Rule 8.8, the terms of such unsettled Market Contract;
- (2) where the position constituted by such unsettled Market Contract is closed out in accordance with paragraph (F) of this Rule 8.8, the difference (if any) between:
 - (a) the price or premium in respect of such unsettled Market Contract; and
 - (b) the price or premium of the Corresponding Contract made in relation to it in accordance with paragraph (F)(1) of this Rule 8.8 or the price or premium determined by the Board in accordance with paragraph (F)(2) of this Rule 8.8;
- (3) where such unsettled Market Contract is set-off against another unsettled Market Contract in accordance with paragraph (G) of this Rule 8.8, the difference (if any) between the prices of such unsettled Market Contracts; and
- (4) in any other case, such price, premium or factor as the Board may determine in its absolute discretion,

and the Board may take into account the amount of any arbitration award or judgment given in connection with any dispute or claim in respect of such Market Contract, any amounts due and payable but unpaid between the parties to such contract, and provided that, where such parties have entered into a separate agreement which provides that such unsettled Market Contract be terminated and liquidated so that a single sum would be determined or payable in respect of it, the Board may determine the Default Settlement Amount for such unsettled Market Contract as or by reference to such single sum.

- (J) Any Default Settlement Amount determined in relation to an unsettled Market Contract by the Board in accordance with paragraph (I) of this Rule 8.8 shall be final and binding on all parties to such Market Contract.

8.9 Calculation and certification of Net Default Settlement Amounts

- (A) Subject to paragraphs (B) and (C) of this Rule 8.9, the Board shall draw up an account of all unsettled Market Contracts between a Defaulter and each other party to such contracts by:
 - (1) including in such account each Default Settlement Amount, determined in accordance with Rule 8.8 in respect of such unsettled Market Contracts;
 - (2) crediting or debiting each such Default Settlement Amount to such account, according to whether such amount was determined to be payable to or by the Defaulter;
 - (3) performing any currency conversion in respect of any such Default Settlement Amount as the Board may consider necessary or desirable at the rate of exchange determined by the Board;
 - (4) aggregating and setting off against each other all credits and debits in such account, so as to result in a single net sum (the **Net Default Settlement Amount**) payable to or by the Defaulter by or to other party in respect of all such unsettled Market Contracts, and

the Board shall certify such Net Default Settlement Amount for the purposes of Rule 8.7.

- (B) The Board shall not be required to draw up any account in respect of (or include in any account drawn up under this Rule 8.9) any unsettled Market Contracts of which it does not have actual notice within three (3) months of the date on which the Defaulter is declared to be a Defaulter under Rule 8.5.
- (C) Where any person is party to two (2) or more Market Contracts acting in more than one (1) capacity (for the purposes of section 187 of the Companies Act 1989), such Market Contracts

entered into in each different capacity shall be regarded as if they were entered into by different persons and, for the avoidance of doubt, a Defaulter, Member or Designated Non-Member acting for an account which is or is required to be segregated or held for the benefit of a Customer or group of Customers shall be regarded as acting in a different capacity to that in which it acts for its proprietary account and the Board shall draw up separate accounts under this Rule 8.9 accordingly.

- (D) Where the Board certifies any Net Default Settlement Amount under this Rule 8.9, it shall note in such certification any dispute or claim of which it has notice in respect of or in connection with any unsettled Market Contract included in the account drawn up for the purposes of certifying such net amount. The Board may direct that such net amount shall not be payable by or to the Defaulter until the resolution of any such dispute or claim unless the Relevant Office-Holder (or, if there is no Relevant Office-Holder, the Defaulter) and the other party to the relevant unsettled Market Contract agree.
- (E) Any Net Default Settlement Amount certified by the Board pursuant to this Rule 8.9 shall be final and binding on all parties to the unsettled Market Contracts in respect of which it is made.
- (F) No action taken by the Board under Rule 8.8 or this Rule 8.9 shall prejudice any dispute or claim referred to arbitration or the court, or any person's right to do so, in respect of any failure by either party to an unsettled Market Contract to perform its obligations under such contract.
- (G) If there is any dispute about whether or not any unsettled Market Contract to which a Defaulter is (or purports to be) a party was made or about the terms of any such contract, the Board may direct that the parties refer such dispute to arbitration in accordance with the Arbitration Rules, and any Default Settlement Amount determined by the Board in respect of such unsettled Market Contract shall be taken into account in any award arising from such arbitration.
- (H) When the Board has completed taking action under these Default Rules and has certified Net Default Settlement Amounts in respect of all unsettled Market Contracts to which the Defaulter is a party as principal, the Board shall withdraw the declaration made under Rule 8.5.

8.10 Notification by Members and Designated Non-Members

- (A) As soon as any Member or Designated Non-Member becomes aware of the occurrence of any Event of Default in relation to it, it must immediately notify the Board of such Event of Default.
- (B) As soon as a Defaulter becomes aware that any party to an unsettled Market Contract to which such Defaulter is a party (as principal or as agent) disputes or intends to dispute any aspect of such unsettled Market Contract or that any claim has arisen in respect of it which is or is intended to be referred to arbitration or court proceedings, the Defaulter shall immediately notify the Board of such dispute or claim and provide further information as the Board may require.

8.11 Powers

- (A) Any employee, officer or agent of NYMEX Europe authorised by the Board may, for the purposes of implementing these Default Rules or exercising NYMEX Europe's rights under the Companies Act 1989 or the FSMA in relation to them, at any time and without giving prior notice enter the premises occupied or belonging to any Defaulter to examine, take or copy from any records of such Defaulter (including without limitation computer records, records in paper form, records relating to accounting, internal and external audit and trading and Customer records) and to operate any systems (including accounting or computing systems) of the Defaulter and reproduce data with a view to obtaining:
 - (1) names and contact details of Customers of the Defaulter (if the Defaulter acted for any Customers);

- (2) details of all unsettled Market Contracts to which the Defaulter is a party or which the Defaulter entered into as agent for any other person;
 - (3) details of money and other property held for the account of any customer or Customer; and
 - (4) any other information which the Board considers necessary or desirable for the purposes of implementing these Default Rules.
- (B) The Defaulter shall and shall ensure that its Customers are required to co-operate fully at all times with the Board and promptly provide such information as the Board or any such employee, officer or agent may request in connection with any action taken or to be taken under these Default Rules.

8.12 Costs

A Defaulter shall fully indemnify NYMEX Europe for its costs and expenses (including without limitation administrative costs incurred, the costs of engaging any person to assist and advise the Board or the Default Committee or of any professional fees and charges) in taking any action under these Default Rules in respect of that Defaulter's default.

8.13 Reports to the FSA

- (A) On the completion of any default proceedings carried out under these Default Rules, the Board shall report to the FSA as required by section 162(1) of the Companies Act 1989.
- (B) During any such default proceedings, the Board may report to the FSA as contemplated by section 162(2) of the Companies Act 1989.
- (C) The Board shall supply a copy of (or of part of) each report submitted under this Rule 8.13 to the Defaulter in question and any Relevant Office-Holder in relation to him or his estate, and shall to the extent required by sections 162(5) and (6) of the Companies Act 1989 make any such report available for inspection by the Defaulter or, on payment of a reasonable fee as determined by the Board, any other person.

8.14 Amendment

Subject to section 157 of the Companies Act 1989, the Board may amend, supplement or revoke any provision of these Default Rules and any such amendment, supplement or revocation shall take effect, unless otherwise expressed, with respect to any default proceedings being conducted at the time.

Chapter 9 Electronic Trading Rules

Table of Contents

9.1	Scope of Rules and definitions	1
9.2	Electronic Member designation requirements and obligations for Passwords	1
9.3	Scope of Trading Privileges	2
9.4	Entry of orders into the Electronic Trading Platform from the Exchange Floor	3
9.5	Limitation of liability	3
9.6	NYMEX personnel: limitation of liability	4
9.7	Arbitration of claims	4
9.8	Termination of designation as Electronic Member or Authorised Terminal User	6
9.9	Electronic Trading Spread Transactions and Strip Transactions	6
9.10	Reporting and record keeping requirements for Electronic Trading System and surrender of trading records for examination	7
9.11	Acceptance of orders for entry into the Electronic Trading System	7
9.12	Trading standards for Electronic Trading	8
9.13	Permissible pre-execution discussions	9
9.14	Trading prohibition by certain persons	9
9.15	Restriction on simultaneous buy and sell orders on Exchange Electronic Trading Systems	10
9.16	Settlement prices and Price Fluctuation Limits	10
9.17	Trade formation	11

9.1 Scope of Rules and definitions

- (A) The provisions of this Chapter 9 shall apply to all Electronic Members, Authorised Terminal Users, Designated Non-Members and other Clearing Members clearing Exchange Contracts, and to any other individual or entity in connection with the trading of Exchange Contracts on the Electronic Trading Platform.
- (B) These Rules and the NYMEX, Inc. Rules set forth below shall apply to all trading of Exchange Contracts on the Electronic Trading Platform:
- (1) NYMEX, Inc. Rule 11.23 Trade Limit Monitoring System;
 - (2) NYMEX, Inc. Rule 11.25 Acceptance of Orders for Entry in NYMEX ACCESS®;
 - (3) NYMEX, Inc. Rule 11.27 Type Indicator Codes for Trading on NYMEX ACCESS®;
 - (4) NYMEX, Inc. Rule 11.50 NYMEX Customer Service Call Center;
 - (5) NYMEX, Inc. Rule 11.54 Standard Forms of Orders for Exchange Electronic Trading Systems;
 - (6) NYMEX, Inc. Rule 11.55 Errors and Omissions in Handling Orders; and
 - (7) NYMEX, Inc. Rule 11.63 Electronic Trading Error Trade Procedures.
- (C) This Chapter 9 shall in no way limit the applicability of any provision of the FSMA, the rules of the FSA or the CEA, or the CFTC's regulations in connection with trading on the Electronic Trading Platform.

9.2 Electronic Member designation requirements and obligations for Passwords

- (A) To qualify as an Electronic Member for the trading of Exchange Contracts on the Electronic Trading Platform, an applicant must deliver to the Exchange:
- (1) an executed NYMEX Europe System User Agreement in the form and manner prescribed by the Exchange; and

- (2) the documents listed in Chapter 2 in relation to Members generally, and in relation to Electronic Members.
- (B) Upon receipt of the documentation required by paragraph (A) of this Rule 9.2, the Exchange in its sole discretion may determine to designate the applicant as an Electronic Member with trading rights in Exchange Contracts and will advise NYMEX, Inc. of its decision. NCSCC in turn will advise the NYMEX, Inc. Clearing Member who is guaranteeing the applicant's activities on the Electronic Trading Platform that this Electronic Member has been authorised by the Exchange to trade Exchange Contracts on the Electronic Trading Platform.
- (C) No person who executes Customer orders during Regular Trading Hours who is employed by a Member or Designated Non-Member during Regular Trading Hours in any capacity other than as a Write-Up Clerk may be employed by any other Member or Designated Non-Member during the Electronic Trading Session. No Telephone Clerk or Runner may become an Electronic Member or Authorised Terminal User.
- (D) Absent notice to the contrary by the Exchange, an Electronic Member will not be limited in terms of the number of Authorised Terminal Users that may be designated by the Electronic Member.
- (E) Each Electronic Member shall be responsible for all activity resulting from the use of the User ID and Password for that Electronic Member (if an individual) and/or the User ID and Password of any Authorised Terminal User under the Electronic Member's control.
- (F) No person may use a User ID or Password not assigned to him by the NCSCC. No person may disclose or knowingly permit the use by another of the User ID or Password assigned by the NCSCC. Each Electronic Member shall take such steps as are necessary to prohibit any person other than an Authorised Terminal User under the control of the Electronic Member from using the Passwords issued to those Authorised Terminal Users.
- (G) Each Electronic Member shall notify the NCSCC immediately upon becoming aware of:
 - (1) any unauthorised disclosure or use of any Password assigned to its Authorised Terminal Users;
 - (2) any unauthorised access to the Electronic Trading Platform; or
 - (3) the need to deactivate any Password assigned to its Authorised Terminal Users.

9.3 Scope of Trading Privileges

- (A) Only Electronic Members and their Authorised Terminal Users may enter orders on the Electronic Trading Platform.
- (B) An Authorised Terminal User who is an employee or agent of an Electronic Member, may enter orders on the Electronic Trading Platform only for an account of the Electronic Member that has designated him as one of its Authorised Terminal Users and for the account of any Customers of the authorising Electronic Member.
- (C) An Authorised Terminal User who is an employee or agent of an Electronic Member and who does not otherwise qualify as an Electronic Member may not enter orders on the Electronic Trading Platform for any account in which such Authorised Terminal User has an ownership interest.
- (D) Electronic Brokers may enter orders into the system for a splittable account only if they have established and maintain a written allocation scheme or schemes before entering orders for or on behalf of their Customers into the Electronic Trading System. If an Electronic Broker maintains more than one written scheme for the allocation of trades transacted by it for or on behalf of its Customers, it must elect which allocation scheme it will employ prior to entering any such orders into the Electronic Trading System, and document that selection in a

timestamped writing to be maintained by it. An Electronic Broker that will be entering orders directly into the Electronic Trading System pursuant to this paragraph shall provide its PCM with a list of all Clearing Members to whom it may be assigning trades for clearance.

9.4 Entry of orders into the Electronic Trading Platform from the Exchange Floor

No one except a Floor Member shall execute or attempt to execute any transaction on the Exchange Floor, provided however that an Electronic Trader or an Authorised Terminal User may enter orders into the Electronic Trading Platform from a computer terminal that is placed in a specified location and such location has been approved by the Exchange.

9.5 Limitation of liability

- (A) Except as provided in this Rule 9.5, and except in instances where there has been a finding of wilful or wanton misconduct, in which case the party found to have engaged in such conduct cannot avail itself of the protections of this Rule 9.5, none of NYMEX Europe or NYMEX, Inc., or their Affiliates or any of their respective officers, directors, members, employees, agents, designees, vendors, information providers, independent contractors or subcontractors; Holdings, or its Affiliates or their officers, directors, members or employees; Task Management, Inc. (**TMI**); IPE, IPE Officers, Directors, members or their employees; Clearing Members, Electronic Members, Authorised Terminal Users, or other persons acting as agents in causing the orders of others to be entered into the Electronic Trading System; nor any of their respective officers, directors, employees, agents or designees shall be liable to any person, including a Customer, for any losses, damages, costs or expenses (including, but not limited to, loss of profits, loss of use, direct, special, indirect incidental or consequential damages), arising from:
- (1) any failure or malfunction, including any inability to enter or cancel orders in whole or in part on the Electronic Trading System, of the Electronic Trading Platform or any of NYMEX, Inc., Holdings, or its Affiliates, including NYMEX Europe, AT&T or TMI or any Exchange services or facilities used to support the Electronic Trading Platform, including but not limited to the TMS and Clearing 21®; or
 - (2) any fault in delivery, delay, omission, suspension, inaccuracy or termination or any other cause, in connection with the furnishing, performance, maintenance, use of or liability to use all or any part of the Electronic Trading System, data or other information made available on the Electronic Trading Platform or any services or facilities used to support the Electronic Trading System.
- (B) The foregoing shall apply regardless of whether a claim arises in contract, tort, negligence, strict liability or otherwise; furthermore, it shall not limit the liability of any NYMEX, Inc. member, Clearing Member, Member, Authorised Terminal Users or other person acting as an agent in causing the orders of others to be entered into the Electronic Trading System or any of their respective officers, directors, employees, agents or designees for any act, incident or occurrence within their control.
- (C) There are no express or implied warranties or representations provided by NYMEX, Inc., TMI or the IPE relating to the Electronic Trading Platform or any of NYMEX, Inc., Holdings or its Affiliates, including NYMEX Europe, TMI or the IPE services or facilities used to support the Electronic Trading System, including, but not limited to, warranties of merchantability and warranties of fitness for a particular purpose or use.
- (D) Any dispute arising out of the use of the Electronic Trading Platform or TMI services or facilities used to support the Electronic Trading System in which NYMEX, Inc. or Holdings or any of their respective officers, Directors, employees, agents or designees is a party shall be construed and enforced in accordance with the laws of the State of New York without regard to conflict of laws, rules or procedures. Any actions, suits or proceedings against NYMEX, Inc. or Holdings must be brought within two (2) years from the time that a cause of action has accrued, and any party bringing such action consents to jurisdiction in the U.S. District Court for the Southern District of New York and waives any objection to venue. This provision shall

in no way create a cause of action and shall not authorise an action that would otherwise be prohibited by these Rules.

9.6 NYMEX personnel: limitation of liability

- (A) NYMEX, Inc. on behalf of NYMEX Europe shall, and NYMEX Europe may, provide employees in the NCSCC and elsewhere (**NCSCC employees**) to perform certain services on behalf of NYMEX Europe for Electronic Members and Authorised Terminal Users with respect to the Electronic Trading Platform, but such NCSCC employees may not always be available to assist them. NYMEX, Inc. shall be liable when such NCSCC employees negligently:
- (1) cancel, or fail to cancel, orders resting in the Electronic Trading System;
 - (2) terminate Electronic Trading Privileges, in which case only those orders that were resting in the Electronic Trading System at the time of deactivation may form the basis for an allowable claim;
 - (3) fail to terminate Electronic Trading Privileges pursuant to valid instructions, in which case those orders that were entered or matched after the instruction was received by the NCSCC, but before the NCSCC has had a reasonable period of time to act upon such instruction, shall not form the basis for an allowable claim; and
 - (4) issue Passwords to unauthorised persons.
- (B) The liability of NYMEX Europe and NYMEX, Inc. for the above shall be limited as follows:
- (1) ten thousand dollars (\$10,000) for any single claim; and
 - (2) one hundred thousand dollars (\$100,000) for all claims arising out of the negligent actions or failures to act of all NCSCC employees on any single Trading Day.
- (C) A single claim shall mean a loss resulting from all actions or failures to act as described above that were performed negligently by all NCSCC employees with respect, as applicable, to a single order entered through the Electronic Trading System or through the multiple orders entered through the Electronic Trading System for a single Customer. Such claim may be brought by the Member or Clearing Member who (or whose Customer) was damaged.
- (D) If the number of allowed claims arising out of the negligent actions or failures to act of all NCSCC employees on a single day cannot be fully satisfied because of the above limitations, all such claims shall be limited to a *pro rata* share of the maximum per day amount.

9.7 Arbitration of claims

- (A) A claim against NYMEX Europe or NYMEX, Inc. for the negligent actions or failures to act enumerated above of the NCSCC employees shall only be allowed if such claim is brought pursuant to and in accordance with this Rule 9.7.
- (B) Notice of Claim
- (1) A written notice of the claim, including the amount of the loss incurred as a result of the alleged negligent action, must be presented to NYMEX, Inc. within ten (10) days following, as applicable, the Electronic Trading Session during which the negligent action allegedly occurred.
 - (2) NYMEX, Inc. shall have twenty (20) days from receipt of such notice to satisfy, agree to pay subject to the limits in this Rule 9.7 or dispute the claim. No payment in satisfaction of a claim may exceed the limits in this Rule 9.7. NYMEX, Inc. shall notify the Member or Clearing Member if it disputes the claim.

(C) Filing a claim/answer

- (1) A Member or Clearing Member shall file a formal claim on behalf of itself or a Customer within twenty (20) days of notification that NYMEX, Inc. disputes the claim. Failure to file such formal claim shall result in dismissal of the claim.
- (2) NYMEX, Inc. shall file an answer within twenty (20) days of receipt of a formal claim. Failure to file such answer shall constitute an admission of liability, and NYMEX, Inc. shall be required to pay the amount of the claim; provided however, that no such payment may exceed the limits in this Rule 9.7.

(D) Arbitration Panel

- (1) All disputed claims shall be submitted to an arbitration panel for binding arbitration. The panel shall consist of the three (3) panellists selected from a list of arbitrators maintained by the NFA. The claimant and NYMEX, Inc. shall each select one (1) panellist. The President of NFA shall choose the third panellist.
- (2) No person shall serve as a panellist unless and until he has first pledged to NYMEX, Inc. that he will not publish, divulge, or make known in any manner, any facts or information regarding the business of any person or any other information which may come to his attention in his official capacity as a member of the panel, except when called upon to testify in any judicial or administrative proceeding.
- (3) Each person serving on the panel shall comply with the standards of the American Bar Association-American Arbitration Association's "Code of Ethics for Arbitrators in Commercial Disputes", incorporated herein by reference.
- (4) No person shall serve on an arbitration panel if he has a personal or financial interest in the matter under consideration.

(E) Hearing

- (1) The panel shall consider all relevant testimony and documents submitted by the claimant and NYMEX, Inc. Each party has the right to be present at the hearing, to be represented by counsel at his own expense, to examine all relevant documents prior to and during the hearing, to present all relevant evidence in support of or as rebuttal to a claim or defence and to question witnesses during the hearing. Testimony shall be taken under oath or affirmation.
- (2) The panel may require any Member or Clearing Member, or any person employed by or associated with a Member or Clearing Member, or persons employed by NYMEX, Inc., or other persons having an interest in the claim, to appear, to testify or to produce relevant documents. The panel shall have the power to issue and enforce subpoenas in accordance with the procedures of the American Arbitration Association. Whenever such production or appearance results from the request of a party, all reasonable costs incurred shall be borne by the party making the request, unless directed otherwise by the panel.
- (3) The panel shall be the sole judge of the law and the facts, but if the panel is in doubt as to any questions of law, it may refer the question to NYMEX, Inc. legal counsel for an opinion. The panel shall not be bound by the formal rules of evidence. *Ex parte* contacts by any of the parties with persons on the arbitration panel shall not be permitted.
- (4) An audio recording of the proceeding shall be made and maintained until the decision becomes final. A verbatim record of such recording shall not be transcribed unless requested by a party, who shall bear the cost of transcription.

(F) Decision

- (1) Within thirty (30) days of a completed hearing, the panel shall issue a written decision. The amount of any award issued by the panel shall be limited to the lesser of the actual loss or the loss that would have occurred if the claimant had diligently taken all necessary actions to mitigate the loss. The decision of a majority of the panel shall be final, and there shall be no appeal.
- (2) An award shall be satisfied within three (3) Business Days of receipt of the notice of decision. However, a party may, within three (3) Business Days, request the arbitration panel to modify or correct its decision when there has been an obvious material miscalculation or misdescription or where the decision is imperfect in a matter of form not affecting the merits of the controversy.

9.8 Termination of designation as Electronic Member or Authorised Terminal User

- (A) The designation of an Electronic Member or Authorised Terminal User shall terminate automatically:
- (1) upon termination or suspension of an Electronic Member's PCM Guarantee;
 - (2) upon suspension, expulsion or termination of the Membership of the Electronic Member who designated the relevant Authorised Terminal User; or
 - (3) for any other reason specified in these Rules.
- (B) When designation as an Electronic Member or Authorised Terminal User has been terminated or suspended for any reason, the PCM that executed the PCM Guarantee shall take all appropriate steps to prevent the Electronic Member or Authorised Terminal User from entering orders on the Electronic Trading System, including immediately notifying the NCSCC.

9.9 Electronic Trading Spread Transactions and Strip Transactions

- (A) This Rule 9.9 shall apply to all orders for and execution of Spread Transactions and Strip Transactions on the Electronic Trading System.
- (B) All orders for Spread Transactions (Intercommodity Spreads, intra-commodity spreads, cracks, Options or Futures-Options) and Strip Transactions on the Electronic Trading Platform shall be made at a stated price differential.
- (C) Transactions executed by the Matching System as legs as a result of orders for Spread Transactions or Strip Transactions shall set off stops in the affected contract. To the extent applicable to the particular Electronic Trading System, transactions executed by the Matching System as Spread Transactions or Strip Transactions shall not set off stops in the affected contract, but shall set off stops with respect to the Spread Transaction or the Strip Transaction, as applicable.
- (D) If a Spread order is entered, and no opposing orders exist in the Matching System for the Electronic Trading Platform at the same price differential, the Matching System will create an "implied" bid, which will be above the best current bid, and/or an "implied" offer, which will be below the best current offer, then in the Matching System for the separate legs of the Spread Transaction; provided however that in the event that either an "implied" bid or offer would be outside the maximum permissible Price Fluctuation Limits for the Exchange Contract involved, the Electronic Trading Platform will not create the "implied" bid or offer and no further "implied" bids or offers will be created for that commodity for the remainder of the Electronic Trading Session in which the Spread order was entered.

9.10 Reporting and record keeping requirements for Electronic Trading System and surrender of trading records for examination

The provisions of paragraph (A) of Rule 4.6 shall apply to electronic trading as if the references to Order Tickets and Trading Cards were to order memoranda and information entered into the Electronic Trading System.

9.11 Acceptance of orders for entry into the Electronic Trading System

- (A) Electronic Members and Authorised Terminal Users may not accept any order for execution on the Electronic Trading Platform unless it includes the following details:
- (1) commodity;
 - (2) Contract Month;
 - (3) purchase or sale;
 - (4) account number (or certification that the order is for multiple accounts to be later allocated);
 - (5) quantity;
 - (6) Limit Price (except for Stop, Discretionary, MIT or Market Orders);
 - (7) Clearing Member who holds the account for the relevant Customer or for the Electronic Member if trading on own account or for the account of Affiliates or on an Omnibus Account basis;
 - (8) strike prices, put or call (for options); and
 - (9) any precondition for entry into the Matching System.
- (B) Customer orders for execution on the Electronic Trading Platform must be entered into the Matching System within one (1) minute of receipt or, if it is not possible so to enter them, they must be recorded within one (1) minute of receipt in non-erasable ink and time-stamped and entered into the Matching System as soon as possible. For purposes of this paragraph (B) of Rule 9.11, when a Member receives an order from a Customer a memorandum of the order shall be made in non-erasable ink which shall identify the Customer by symbol or account number and shall be time stamped when received and time stamped when a report of the execution is made, and, in addition, in the case of option Customers' orders, the memorandum shall be time stamped to the nearest minute the order is transmitted for execution.
- (C) For any order known to be an order for multiple accounts to be allocated after execution, the Electronic Member's account number followed by the suffix "999" shall be entered in satisfaction of paragraph (A)(4) of this Rule. Only a person with trading discretion over multiple accounts may place an order with an Electronic Member to be allocated after execution. No Electronic Member may accept an order for allocation after execution unless the it has on file a prior, written procedure for the systematic and non-preferential allocation of executions among accounts. The Customer's actual Clearing Member and customer account number must be provided no later than 8:30 a.m. following the Electronic Trading Session in which the transaction was executed.
- (D) No person may knowingly record false account number information in connection with any order submitted to the Electronic Trading Platform.
- (E) Unless otherwise agreed, all orders received for execution on the Electronic Trading Platform shall be deemed to be cancelled if not executed during the Electronic Trading Session for which they were received.

9.12 Trading standards for Electronic Trading

- (A) Electronic Brokers and Authorised Terminal Users must exercise reasonable care in the entry of Customer order information into the Electronic Trading System.
- (B) An Electronic Broker or an Authorised Terminal User who is an employee or agent of the Electronic Broker shall not withhold or withdraw from the market any Customer order or any part of a Customer order for his personal benefit or for the convenience of another.
- (C) An Electronic Broker or an Authorised Terminal User who is an employee or agent of the Electronic Broker must enter all Customer orders available for input into the Electronic Trading System before entering any order for his own account, an account in which he has a proprietary interest, a discretionary account for an immediate family member or an account in which his employer or any other employee of his employer has an interest.
- (D) An Electronic Broker or an Authorised Terminal User who is an employee or agent of the Electronic Broker who has entered an order into the Matching System which results in him having (immediately or subsequently) the highest bid or lowest offer for a particular Futures or Options Contract resting in the Electronic Trading System for his personal account, any account in which he has a proprietary interest, a discretionary account for an immediate family member or an account in which his employer or other employee of his employer has an interest, shall disclose the facts of the resting order to a Customer prior to accepting from such Customer any order for the opposite purchase or sale of the same contract.
- (E) An Electronic Broker or an Authorised Terminal User who is an employee or agent of the Electronic Broker may not enter an order for the Electronic Broker's own account, an account in which the Electronic Broker has a proprietary interest, a discretionary account for an immediate family member or an account in which his employer or any employee of his employer has an interest which reflects the opposite side of a Customer order already resting in the Electronic Trading System, unless the Customer order has rested in the System for at least ten (10) seconds.
- (F) An Electronic Member or an Authorised Terminal User who is an employee or agent of the Electronic Broker shall not make any purchase or sale, or shall not enter an order through the Electronic Trading System, to effect a trade that has been pre-arranged. The foregoing restriction shall not apply to transactions executed pursuant to permissible pre-execution discussions in accordance with the provisions of Rule 9.13.
- (G) No Electronic Member or an Authorised Terminal User who is an employee or agent of the Electronic Member and acting on behalf of the Electronic Member shall purchase any commodity for future delivery, purchase any call Option, or sell any put Option for any commodity Options Contract, for the Electronic Member's own account, or for any account in which he has an interest, while holding an order of another person for the purchase of any Future, any call Option, or sale of any put Option, in the same commodity which is executable at the market price or at the price at which such transaction can be made for the Member's own account or the account in which he has an interest.
- (H) No Electronic Member or an Authorised Terminal User who is an employee or agent of the Electronic Member and acting on behalf of the Electronic Member shall sell any commodity for future delivery, sell any call Option or purchase any put Option for the Electronic Member's own account, or for any account in which he has an interest, while holding an order of another person for the sale of any Future, any call Option, or purchase of any put Option, in the same commodity which is executable at the market price or at the price at which such transaction can be made for the Electronic Member's own account or the account in which he has an interest.
- (I) No Electronic Broker or an Authorised Terminal User who is an employee or agent of the Electronic Broker shall place an order in the Electronic Trading System for any account of another person for which buying or selling orders can be placed or originated or for which transactions can be executed by such member, without the prior specific consent of such other

person (hereinafter referred to as **Discretionary Orders**) regardless of whether the general authorisation for such orders or transactions is pursuant to a written agreement, except that Discretionary Orders may be placed with another Member for execution.

The restrictions set forth in this paragraph (I) of this Rule 9.12 shall not apply to Discretionary Orders for:

- (1) a member of the immediate family, which is defined to mean a spouse, parent, parent of a spouse, brother, sister, child or spouse of a child;
 - (2) another Member;
 - (3) a proprietary account of the Electronic Member; or
 - (4) a Non-Member account where the Member does not trade for his personal account or any other Customer account.
- (J) No Electronic Broker or an Authorised Terminal User who is an employee or agent of the Electronic Broker shall disclose at any time that he is holding an order of another person or shall divulge any order revealed to him by reason of his relationship to such other person, except to execute an order or at the request of an authorised representative of the FSA, the CFTC or the Exchange.

9.13 Permissible pre-execution discussions

Electronic Members may engage in pre-execution discussions with regard to transactions executed on the Electronic Trading Platform where they wish to be assured that a counterparty will take the opposite side of the order. One party may agree in advance with another party that the first party will take the opposite side of the first party's order, under the following circumstances.

- (1) Customers must consent to allow pre-execution discussions with other market participants.
- (2) Electronic Members or Authorised Terminal Users who are solicited to participate in an electronic transaction through pre-execution discussions shall not:
 - (a) disclose to another Electronic Member or an Authorised Terminal User the details of such discussions; or
 - (b) enter an order through the Electronic Trading Platform to take advantage of information conveyed during such discussions unless the Electronic Member or an Authorised Terminal User has agreed during the pre-execution discussions to participate in the transaction in accordance with this Rule 9.13 and the order is entered to implement that agreement.
- (3) A period of at least ten (10) seconds shall elapse between entry of the two orders during which the order first entered is resting in the market.

9.14 Trading prohibition by certain persons

Electronic Members and Authorised Terminal Users are prohibited from directly or indirectly accepting or executing an order, or accepting trades for clearance or maintaining positions in contracts, for the delivery of any commodity traded or otherwise listed for clearing on the Exchange if such Electronic Member or Authorised Terminal User knows, or with the exercise of reasonable care should know, that the transaction was executed or carried for or on behalf of:

- (1) an employee or public director of NYMEX, Inc. or of the Exchange;

- (2) an employee of another Member without the prior written consent of such employer;
- (3) a Telephone Clerk or a Runner or Authorised Terminal User; or
- (4) an employee of TMI.

9.15 Restriction on simultaneous buy and sell orders on Exchange Electronic Trading Systems

- (A) With respect to trading on the Electronic Trading Platform, an Electronic Member or an Authorised Terminal User who is an employee or agent of the Electronic Member may not enter orders for different principals as a cross-trade into the system.
- (B) Instead, an Electronic Member or an Authorised Terminal User who is an employee or agent of the Electronic Member shall enter orders into the system strictly on the basis of time of receipt of the orders. An Electronic Member or an Authorised Terminal User who is an employee or agent of the Electronic Member who has entered a buy or sell order for one (1) principal into the Electronic Trading System shall not enter a sell or buy order respectively for another principal for the same commodity, month and price or for the same Option (both puts or calls, with the same underlying contract for future delivery, expiration date and strike price) unless the first order has rested in the applicable system for at least ten (10) seconds.

9.16 Settlement prices and Price Fluctuation Limits

- (A) For the purposes of determining Price Fluctuation Limits during an Electronic Trading Session, each Contract Month for an Exchange Contract that is currently listed for trading on the Electronic Trading Platform shall have a Settlement Price assigned to it on each day on which it is listed for trading, regardless of whether there has been any trading on that day or there is any open interest in that Contract Month.
- (B) For the purposes of determining the Prices and Fluctuations that shall be applicable to transactions executed on the Electronic Trading Platform where the actual Settlement Price for a Contract Month is not available in sufficient time prior to commencement of the Electronic Trading Session, the procedures set forth in paragraphs (C) and (D) of this Rule 9.16 shall govern in descending order of priority based upon the information that is available in sufficient time prior to commencement of the Session.
- (C) If the actual Settlement Price for a Contract Month of an Exchange Contract has not been determined in sufficient time prior to commencement of the Electronic Trading Session, a Notional Settlement Price shall be used as the basis for determining Prices and Fluctuations and , determined as follows:
 - (1) Price Limits Based on the Closing Range
 - (a) If the Closing Range for a Contract Month has been determined in sufficient time prior to commencement of the Electronic Trading Session, the midpoint of the Closing Range shall serve as the Notional Settlement Price.
 - (b) If the Closing Range for a Contract Month has been determined and consists of only one (1) price, that price shall serve as the Notional Settlement Price.
 - (c) If the information specified in paragraphs (C)(1)(a) and (b) of this Rule 9.16 is not available and a Closing Range is available for any other Contract Month in that contract, then the Notional Settlement Price for that Contract Month shall be determined using the Closing Range of the nearest preceding Contract Month, the Notional Settlement Price shall be determined by adding to (or subtracting from) the midpoint of such Closing Range, if available, or single closing price, the difference between the previous day's Settlement Price for that month and the previous day's Settlement Price for the Contract Month in which no transactions occurred.

(2) Price Limits Based on a Weighted Average Price

If the actual Settlement Price has not been determined and if the Closing Range is not available, if no transactions were executed during the closing period for a Contract Month, and if no Closing Range is available for any other Contract Month in the contract, then the Notional Settlement Price in that Contract Month shall be the weighted average price (rounded to the nearest minimum fluctuation) of all outright transactions in such Contract Month which occur during the fifty-(50)-minute period of the preceding RTH Trading Session from 6.30 p.m. to 7:20 p.m. (or as otherwise established for such purpose by the CEO or his designee in his sole discretion).

(3) Price Limits Based on Spread Differentials

If the information specified in paragraph (C)(2) of this Rule 9.16 is not available, then the Notional Settlement Price in that Contract Month shall be determined by adding to (or subtracting from) the average weighted price of the nearest preceding Contract Month the difference between the previous day's Settlement Price for that month and the previous day's Settlement Price for the Contract Month in which no transactions occurred.

- (D) Where an actual Settlement Price has not been determined in sufficient time prior to commencement of an Electronic Trading Session and a Notional Settlement Price as set forth in paragraph (C) or (D) of this Rule 9.16, as applicable, has been determined, the basic maximum Price Fluctuation Limits for the applicable period shall be established by using the Notional Settlement Price established pursuant to this Rule 9.16 in lieu of a Settlement Price and the applicable basic maximum Price Fluctuation Limit shall be reduced by ten per cent (10%) for price limits based upon a Notional Settlement Price determined pursuant to paragraphs (C)(1) and by one-third ($\frac{1}{3}$) for price limits based upon a Notional Settlement Price determined pursuant to paragraphs (C)(2) and (C)(3). These reduced price fluctuation limits shall be known as **Interim Price Fluctuation Limits**.
- (E) For those Exchange Contracts for which a Notional Settlement Price has been established pursuant to this Rule 9.16, the basic maximum Price Fluctuation Limits based upon Settlement Prices determined in accordance with the Exchange's usual procedures shall be put in place automatically by the Electronic Trading Platform when such Settlement Prices and Price Fluctuation Limits are available, and such Price Fluctuation Limits shall be applicable to the remainder of the Electronic Trading Session.
- (F) Any transaction executed within the Interim Price Fluctuation Limits during the period that such limits are in effect shall be a valid trade, regardless of whether the trade price falls outside the Price Fluctuation Limits based upon the actual Settlement Prices.

9.17 Trade formation

- (A) Except where paragraph (B) of this Rule 9.17 applies, the following contracts in the terms of an Exchange Contract shall arise when the Matching System matches two orders, and each such contract shall be in the terms of the bid and the offer matched when the orders are so matched:
- (1) where the Electronic Member trades as principal, a contract between each Electronic Member and the Clearing Member carrying the account for which the order was submitted by that Electronic Member (in respect of which the Electronic Member shall be the buyer or the seller);
 - (2) where the Electronic Member trades as agent, a contract between the principal for whom the Electronic Member acts and the Clearing Member carrying the account for which the order was submitted by that Electronic Member (in respect of which the principal (Customer, Affiliate or other Member) shall be the buyer or the seller);

- (3) where the two (2) Electronic Members submit the orders for accounts carried by different Clearing Members, a contract between each such Clearing Member (in respect of which the Clearing Member shall be the buyer or the seller, if it is the seller or the buyer respectively on the contract between it and the relevant Electronic Member or principal); and

no contract shall arise between the Electronic Members whose orders are matched.

- (B) The following contracts in the terms of an Exchange Contract shall arise in relation to an order matched in the Matching System which is an order for a splittable account in accordance with paragraph (D) of Rule 9.3 when the Matching System matches it with another orders, and each such contract shall be in the terms of the bid and the offer matched when the order is so matched:

- (1) a contract between the relevant Electronic Broker and its PCM (in respect of which the PCM shall be the buyer and the seller if it is the seller or buyer respectively on the contract between it and the relevant Electronic Broker);
- (2) where the relevant Electronic Broker's PCM and the other Electronic Member's PCM or Clearing Member are different persons, a contract between each such PCM or Clearing Member (in respect of which the PCM or Clearing Member shall be the buyer or the seller if it is the seller or buyer respectively on the contract between it and the relevant Electronic Broker);
- (3) where the relevant Electronic Broker executes a trade as principal for its Customer account, a contract between it and the Customer for whose order the Electronic Broker executed the trade; and

no contract shall arise between the Electronic Members whose orders are matched

- (C) Where an Electronic Broker enters and validates information in accordance with Rule 9.3(D) allocating a trade to a Customer's Clearing Member and such Clearing Member does not reject that allocation, if the Electronic Broker acted:

- (1) as principal and the trade is allocated to the Electronic Broker's Customer Omnibus Account, such Clearing Member shall be substituted as a party in place of the Electronic Broker's PCM on the contracts arising pursuant to paragraphs (B)(1) and (2) of this Rule 9.17 in respect of such trade;
- (2) as principal and the trade is allocated to the Customer's account at a Clearing Member, and the Electronic Broker, the Customer and the Clearing Member have executed a give-up agreement in a form acceptable in the futures industry, such Clearing Member shall be substituted as a party in place of the Electronic Broker and in place of the Electronic Broker's PCM on the contracts arising pursuant to paragraph (B) of this Rule 9.17; and
- (3) as agent and the trade is allocated to the Customer's account at a Clearing Member, such Clearing Member shall be substituted as a party in place of the Electronic Broker's PCM and the Customer in place of the Electronic Broker on the contracts arising pursuant to paragraph (B) of this Rule 9.17.

Chapter 10 Contract specifications

Part 1 NYMEX Europe Brent Crude Oil Futures Contract	1
10.1 Scope	1
10.2 Definitions	2
10.3 Reference crude oils	2
10.4 NYMEX Europe Brent Crude Oil Index	2
10.5 Contract value	2
10.6 Contract Months	2
10.7 Prices and price fluctuations	2
10.8 Trading hours	3
10.9 Termination of trading	4
10.10 Final settlement price	4
10.11 EFPs and EFSs	4
10.12 Governing law	4
Part 2 NYMEX Europe Brent Crude Oil Option Contract	4
10.13 Expiration of Brent Crude Oil Option Contract	4
10.14 Trading unit for Brent Crude Oil Option Contracts	4
10.15 Trading months for Brent Crude Oil Option Contracts	4
10.16 Hours of trading in Brent Crude Oil Option Contracts	4
10.17 Strike prices for Brent Crude Oil Option Contracts	4
10.18 Prices and price fluctuations	5
10.19 Absence Of price fluctuation limitations For Brent Crude Oil Options Contracts	5
10.20 Daily Options Settlement Premiums	6
10.21 Governing law	6
Part 3 NYMEX Northwest Europe Gasoil Futures Contract	6
10.22 Scope	6
10.23 Definitions	6
10.24 Time references	6
10.25 Contract unit	6
10.26 Grade and quality specifications	6
10.27 Delivery	7
10.28 Contract Months	8
10.29 Minimum price fluctuations and daily price fluctuation limits	8
10.30 Termination of trading	9
10.31 Product placement	9
10.32 Delivery procedures	10
10.33 Shipment	14
10.34 Validity of documents	15
10.35 Inspection	15
10.36 EFPs and EFSs	16
10.37 Alternative Delivery Procedure	16
10.38 Force Majeure, Late Performance and Failure to Perform	17
10.39 Governing law	21

Part 1 NYMEX Europe Brent Crude Oil Futures Contract

10.1 Scope

The provisions of this Part 1 of this Chapter 10 shall apply to all contracts bought or sold on the Exchange for cash settlement on the NYMEX Europe Brent Crude Oil Index.

10.2 Definitions

For the purposes of the Rules set out in this Part 1 of this Chapter 10, the terms set forth below shall have the following meanings.

- (A) **Barrel** means forty-two (42) gallons of two hundred and thirty-one (231) cubic inches per gallon corrected for temperature to sixty (60) degrees Fahrenheit.
- (B) **NYMEX Europe Brent Crude Oil Index** means the last day's cash settlement price of Brent Crude Oil established in Rule 10.4.
- (C) **Settlement Day** means the day that the NYMEX Europe Brent Crude Oil cash settlement value is published, which occurs on the next Business Day following the last Trading Day for the Contract Month.
- (D) **First-Nearby Month** means the most recent month for which trading is being transacted, or the spot month.
- (E) **Second-Nearby Month** means the month immediately following the First-Nearby Month.

10.3 Reference crude oils

- (A) For the purposes of this contract, Brent Crude Oil shall refer to crude oil of current pipeline export quality for delivery at storage and terminal installations at Sullom Voe in the UK.
- (B) **Brent** shall be defined as a mixture of hydrocarbons that exist in a liquid phase in naturally occurring underground reservoirs and remains in a liquid state at atmospheric pressure after passing through surface separating facilities and contains less than point-five-zero per cent (.50%) sulphur by weight.

10.4 NYMEX Europe Brent Crude Oil Index

The Exchange shall publish a Final Settlement Price which shall be set at the value of the NYMEX Europe Brent Crude Oil Index.

10.5 Contract value

The contract value shall be the settlement price multiplied by one thousand (1,000).

10.6 Contract Months

- (A) Trading shall be conducted in contracts in such months as shall be determined by the Board (**Contract Months**).
- (B) Trading in a Contract Month shall commence on the day fixed by resolution of the Board.

10.7 Prices and price fluctuations

- (A) Prices shall be quoted in dollars and cents per Barrel.
- (B) The minimum price fluctuation shall be one cent (\$0.01) per Barrel.
- (C) **Initial Price Fluctuation Limits for All Contract Months.** At the commencement of each Trading Day, there shall be price fluctuation limits in effect for each Contract Month of this Futures Contract of ten dollars (\$10) per Barrel above or below the previous day's settlement price for such Contract Month.
- (D) **Triggering Event and Temporary Trading Halt.** If a market for any Contract Month is traded, or is bid in the case of upward price moves, or is offered in the case of downward price

moves, for five (5) minutes consecutively at the upper or lower price limit (as applicable) then a triggering event (a **Triggering Event**) will be deemed to have occurred.

(E) Except as otherwise provided in this Rule 10.7, as a result of a Triggering Event, the market will be given notice immediately that the market in:

(1) all Contract Months of this Futures Contract, any associated Option Contract as may be listed by the Exchange, any related Futures Contracts listed for trading on the Electronic Trading Platform, and

(2) all Contract Months of the Northwest Europe Gas Oil Futures Contracts and any associated Option Contract as may be listed by the Exchange, any related Futures Contracts listed for trading on the Electronic Trading Platform

will be halted immediately for a five (5) minute temporary trading halt (**Temporary Trading Halt**).

(F) **Expansion of Limits following Temporary Trading Halt.** Following the end of the Temporary Trading Halt, the market shall reopen simultaneously in all Contract Months of this Futures Contract. When trading resumes, price fluctuation limits for each Contract Month shall be expanded to twenty dollars (\$20) per Barrel above and below the previous day's settlement price for such Contract Month. In addition, Price Fluctuation Limits shall also be expanded at that time for the Northwest Europe Gas Oil Futures Contract as if a Temporary Trading Halt occurred only for NYMEX Europe Brent Crude Oil Futures.

(G) With the exception of the final fifteen (15) minutes of the RTH Trading session, in each instance in which a Triggering Event occurs, a Temporary Trading Halt will commence as provided by paragraphs (C) to (F) of this Rule 10.7, and following each such Temporary Trading Halt, price fluctuation limits for each Contract Month shall be expanded by an additional ten dollars (\$10) per Barrel above and below the previous day's settlement price for such Contract Month.

(H) **Final Fifteen Minutes of the RTH Trading Session.** Regardless of any prior action concerning price limits during the Trading Session commencing fifteen (15) minutes before the close of the RTH Trading Session, there shall be no price fluctuation limits on any Contract Month in this Futures Contract and accordingly no further trading halts may occur for the remainder of such Trading Session. The trading ranges applicable to Post-Close Trading Sessions shall be governed by the provisions of Rule 6.3 or 6.4 as applicable.

(I) **Application of Price Fluctuation Limits to the Electronic Trading Platform**

(1) The limits described in this paragraph (I) of this Rule 10.7 shall apply to trading on the Electronic Trading Platform except as provided by Rule 9.13, provided however that a Triggering Event generating an immediate trading halt will occur whenever a limit price is merely touched in this Futures Contract and the trading halt will only be for such brief period of time as is necessary for staff to expand the limits in this Futures Contract.

(2) Accordingly, in the event that price fluctuation limits are expanded during an Electronic Trading Session, the RTH Trading Session shall commence with the expanded price fluctuation limits in effect at the close of such an Electronic Trading Session.

(J) **Exception for Last Trading Day of an Expiring Contract Month during Regular Trading Hours and the Electronic Trading Session on last Trading Day,** notwithstanding the preceding paragraphs of this Rule 10.7, there shall be no limitations on price fluctuations for any Contract Month of this Futures Contract during RTH or Electronic Trading Sessions, of the final Trading Day in the current Contract Month.

10.8 Trading hours

The Board shall determine the trading hours for the contract.

10.9 Termination of trading

Trading shall end one (1) Business Day before the fifteenth (15th) calendar day prior to the first day of the Contract Month if the fifteenth (15th) calendar day is not a holiday or weekend in London. If the fifteenth (15th) calendar day is a holiday or weekend in London, trading shall end one (1) Business Day prior to the last Business Day preceding the fifteenth (15th) calendar day.

10.10 Final settlement price

The Exchange shall publish a cash settlement price on the next Business Day following the last Trading Day for the Contract Month. Subject to the rules of this Chapter 10, the cash settlement price shall be for the Brent price indicated by the NYMEX Europe Brent Crude Oil Index for the last Trading Day for the Contract Month.

10.11 EFPs and EFSs

Any EFP or EFS involving the Brent Crude Oil Futures Contract shall be governed by the provisions of Rule 6.23.

10.12 Governing law

This Contract shall be governed by English law.

Part 2 NYMEX Europe Brent Crude Oil Option Contract

10.13 Expiration of Brent Crude Oil Option Contract

A Brent Crude Oil Option Contract on the Exchange shall expire at the close of trading two (2) Business Days prior to the expiration of the underlying Futures Contract. The expiration date shall be announced prior to the listing of the Option contract.

10.14 Trading unit for Brent Crude Oil Option Contracts

A Brent Crude Oil put or call Option Contract traded on the Exchange represents an Option to assume a short or long position in the underlying Futures Contract traded on the Exchange.

10.15 Trading months for Brent Crude Oil Option Contracts

- (A) Trading in Brent Crude Oil Option Contracts shall be conducted in the Contract Months as shall be determined by the Board.
- (B) Trading shall commence on the day fixed by resolution of the Board.

10.16 Hours of trading in Brent Crude Oil Option Contracts

The hours of trading in Brent Crude Oil Option contracts on the Exchange shall be the same as the hours of trading for Brent Crude Oil Futures Contracts. All such trading shall take place on the Exchange Floor within the hours prescribed by the Board.

10.17 Strike prices for Brent Crude Oil Option Contracts

- (A) Trading shall be conducted for Options with strike prices in increments as set forth in this Rule 10.17.
- (B) On the first Trading Day in an Option Contract Month, trading shall be at the following strike prices:

- (1) the previous day's settlement price for Brent Crude Oil Futures Contracts in the corresponding Contract Month rounded off to the nearest fifty-cent (\$0.50) increment strike price, unless such settlement price is precisely midway between two (2) fifty-cent (\$0.50) increment strike prices, in which case it shall be rounded off to the lower fifty-cent increment strike price;
 - (2) the twenty (20) fifty-cent (\$0.50) increment strike prices which are twenty (20) increments higher than the strike price described in paragraph (B)(1) of this Rule 10.17;
 - (3) the twenty (20) fifty-cent (\$0.50) increment strike prices which are twenty (20) increments lower than the strike price described in paragraph (B)(1) of this Rule 10.17;
 - (4) an additional ten (10) strike prices for both call and put Options will be listed at two-dollar-fifty-cent (\$2.50) increments above the highest fifty-cent (\$0.50) increment as described in paragraph (B)(2) of this Rule 10.17, beginning with the first available such strike that is evenly divisible by two dollars and fifty cents (\$2.50);
 - (5) an additional ten (10) strike prices for both call and put Options will be listed at two-dollar-fifty-cent (\$2.50) increments below the lowest fifty-cent (\$0.50) increment as described in paragraph (B)(3) of this Rule 10.17, beginning with the first available such strike that is evenly divisible by two dollars and fifty cents (\$2.50).
- (C) Thereafter, on any Business Day prior to the expiration of the Option:
- (1) new consecutive fifty-cent (\$0.50) increment striking prices for both puts and calls will be added such that at all times there will be at least twenty (20) fifty-cent (\$0.50) increment strike prices above and below the at-the-money strike price available for trading in all Options Contract Months; and
 - (2) new two-dollar-fifty-cent (\$2.50) increment strike prices will be added such that at all times there shall be ten (10) two-dollar-fifty-cent (\$2.50) strike prices above and below the nearest fifty-cent (\$0.50) increment strike price.

The at-the-money strike price will be determined in accordance with the procedures set forth in paragraph (B) of this Rule 10.17.

- (D) Notwithstanding the provisions of paragraphs (A) to (C) of this Rule 10.17, if the Board determines that trading in Brent Crude Oil Options will be facilitated thereby, the Board may, by resolution, change the increments between strike prices, the number of strike prices which shall be traded on the first day in any new Option Contract Month, the number of new strike prices which will be introduced on each Business Day, or the period preceding the expiration of a crude oil Futures Option in which no new strike prices may be introduced.

10.18 Prices and price fluctuations

- (A) Prices shall be quoted in dollars and cents per Barrel and prices shall be in multiples of one cent (\$0.01) per Barrel.
- (B) A cabinet trade may occur at a price of one cent \$0.01 per Barrel, or one dollar (\$1.00), however, if it results in the liquidation of positions for both parties to the trade.
- (C) There shall be no maximum price fluctuation limits.

10.19 Absence of Price Fluctuation Limitations for Brent Crude Oil Options Contracts

Trading in Brent Crude Oil Options contracts shall not be subject to price fluctuation limitations.

10.20 Daily Options Settlement Premiums

Options Settlement Premiums (other than for the Trading Day on which they expire) shall be determined by the Settlement Price Committee in accordance with Rule 6.27.

10.21 Governing law

This Contract shall be governed by English law.

Part 3 NYMEX Northwest Europe Gasoil Futures Contract

10.22 Scope

The provisions of this Part 3 of this Chapter 10 shall apply to Gasoil bought or sold for future delivery in Amsterdam, Rotterdam and Antwerp (ARA), including Vlissingen and Ghent.

10.23 Definitions

- (A) The terms **Seller** and **Buyer** shall mean the short Clearing Member and the long Clearing Member respectively.
- (B) The terms **Seller's Customer** and **Buyer's Customer** shall mean the seller and buyer of the physical product.
- (C) The term **Notice Day** shall mean the Business Day after the day on which the Clearing House receives copies of the Notices of Intention to Deliver and Notices of Intention to Accept from the respective Clearing Members. The Notice Day shall be one (1) Business Day after the last Trading Day of the expiring Contract Month.
- (D) The term **Settlement Price** shall mean the final settlement price used as the price for delivery of the product, which shall be the settlement price for the Business Day prior to the last Trading Day of the expiring Contract Month. The Settlement Price shall be determined in accordance with the procedures set forth in Rule 6.25.

10.24 Time references

For the purposes of the Rules set out in this Part 3 of this Chapter 10, unless otherwise specified, times referred to herein shall refer to and indicate the prevailing time in London, England (i.e. Greenwich Mean Time or British Summer Time (as the case may be)).

10.25 Contract unit

The contract unit shall be one hundred (100) metric tons. Except for delivery by book transfer, intra-tank transfer or inter-tank transfer pursuant to Rule 10.27 below, the volume shall be 118.35 cubic metres per lot or one hundred (100) metric tons as determined at a density of 0.845 kilograms per litre (kg/litre) in vacuum at fifteen (15) degrees Centigrade in accordance with ASTM D1298, within a loading tolerance of plus or minus zero point five (0.5%) of the contract unit of Gasoil.

10.26 Grade and quality specifications

- (A) Gasoil may be EU qualified as referred to in Rule 10.27.
- (B) For deliveries where the Buyer's Customer is a non-registered trader, the Buyer's Customer shall pay any excise duty that applies to the Gasoil delivery.
- (C) The Gasoil shall be in conformance with the following physical properties:

- (1) Gasoil Quality Specifications
 - (a) Sulphur: 0.20% maximum (A.S.T.M. Test Method D129, D1552, D1266, D2622, D4294, or IP 336);
 - (b) Density: Maximum 0.860 kilograms per litre (kg/litre) and Minimum 0.820 kg/litre at 15 degrees Centigrade (C) (A.S.T.M. Test Method D1298, D4052 in a vacuum);
 - (c) Distillation: Evaporated at 250 and 350 degrees C, max. 65% volume and min. 85% volume (A.S.T.M. Test Method D86);
 - (d) Colour: Maximum 2.0 (ASTM D1500);
 - (e) Flash Point: Minimum 55 degrees C, Pensky Martens Closed Cup (ASTM D93);
 - (f) Kinematics Viscosity: Centistokes at 20 degrees C, Max. 6.0 (ASTM D445);
 - (g) Cloud Point: Maximum 3 degrees C (DIN EN116);
 - (h) Cold Filter Plugging Point: 12 degrees C maximum if cloudpoint is 3 degrees C or less, or 11 degrees C maximum if cloudpoint is 2 degrees C or less, or 10 degrees C maximum if cloudpoint is 1 degree C or less;
 - (i) Oxidation Stability: mg/100ml., 3.0 maximum (ASTM D2274);
 - (j) Cetane Index: Min. 45 (ASTM D2274);
 - (k) Sediment: Maximum 24 mg/kg (DIN 51419);
 - (l) Water: Maximum 200 mg/kg (ASTM D1744);
 - (m) Strong Acid Number: Max. 0.1 mg KOH/g (ASTM D974);
 - (n) Halogenated: Not detected (DIN 51577-3);
- (2) Definitions:
 - (a) ASTM means the American Society for Testing Materials;
 - (b) IP means Institute of Petroleum Laboratory Test Methods;
 - (c) DIN means Deutsche Industrie Norm.

10.27 Delivery

- (A) Delivery shall be made F.O.B. Seller's Customer's ex-shore facility in Amsterdam, Rotterdam, Antwerp (**ARA**), including Vlissingen and Ghent.
- (B) The Gasoil shall be delivered in bulk and free of all liens and claims.
- (C) The price shall include all costs of loading.
- (D) The Buyer's Customer shall pay all VAT, Excise Duties and compulsory stock requirements.
- (E) If tender documents do not show that the material is EU qualified or exempt, the import duty is deducted from the payment.

- (F) Deliveries made in Vlissingen shall be discounted by fifty cents (\$0.50) per ton, and deliveries made in Ghent shall be discounted by one dollar and twenty-five cents (\$1.25) per ton.
- (G) At Buyer's Customer's Option, such delivery shall be made by any of the following methods:
 - (1) by delivery into Buyer's Customer's barge, coaster, or tanker (collectively **vessels**);
 - (2) by inter-facility transfer (pump-over), if the facilities used by both Seller's Customer and Buyer's Customer allow such transfer;
 - (3) by intra-facility transfer (pump-over), if the facility used by Seller's Customer allows such transfer;
 - (4) by in-tank transfer without movement of Gasoil where the Seller's Customer's facility permits; or
 - (5) by book transfer if the Seller's Customer agrees to such transfer.

10.28 Contract Months

Trading shall be conducted in such Contract Months as shall be determined by the Board.

10.29 Minimum price fluctuations and daily Price Fluctuation Limits

- (A) The minimum price fluctuation shall be twenty-five cents (\$0.25) per metric ton.
- (B) **Initial Price Fluctuation Limits for All Contract Months.** At the commencement of each trading day, there shall be Price Fluctuation Limits in effect for each Contract Month of this Futures Contract of one hundred dollars (\$100) per metric ton above or below the previous day's settlement price for such Contract Month.
- (C) **Triggering Event and Temporary Trading Halt.** If a market for any Contract Month is traded, or is bid in the case of upward price moves, or is offered in the case of downward price moves, for five (5) minutes consecutively at the upper or lower price limit (as applicable), then a Triggering Event will be deemed to have occurred.
- (D) Except as otherwise provided in this Rule 10.29, as a result of a Triggering Event, the market will be given notice immediately that the market in:
 - (1) all Contract Months of this Futures Contract, any associated Option Contract as may be listed by the Exchange, any related Futures Contracts listed for trading on the Electronic Trading Platform, and
 - (2) all Contract Months of the NYMEX Europe Brent Crude Oil Futures Contracts and any associated Option Contract as may be listed by the Exchange, any related Futures Contracts listed for trading on the Electronic Trading Platform

will be halted immediately for a five (5) minute temporary trading halt (**Temporary Trading Halt**).

- (E) **Expansion of Limits Following Temporary Trading Halt.** Following the end of the Temporary Trading Halt, the market shall reopen simultaneously in all Contract Months of this Futures Contract. When trading resumes, Price Fluctuation Limits for each Contract Month shall be expanded to two hundred dollars (\$200) per metric ton above and below the previous day's Settlement Price for such Contract Month. In addition, Price Fluctuation Limits also shall be expanded at that time for the NYMEX Europe Brent Crude Oil Futures as if a trading halt had occurred in such other contracts, notwithstanding that the Temporary Trading Halt occurred only for Northwest Europe Gas Oil Futures Contracts.

- (F) With the exception of the final fifteen (15) minutes of the RTH Trading Session, in each instance in which a Triggering Event occurs a Temporary Trading Halt will commence as provided by paragraphs (C) to (D) of this Rule 10.29, and following each such Temporary Trading Halt Price Fluctuation Limits for each Contract Month shall be expanded by an additional one hundred dollars (\$100) per metric ton above and below the previous day's Settlement Price for such Contract Month.
- (G) **Final Fifteen Minutes of the RTH Trading Session.** Regardless of any prior action concerning price limits during the trading session, commencing fifteen (15) minutes before the close of the RTH Trading Session, there shall be no Price Fluctuation Limits on any Contract Month in this contract and accordingly no further trading halts may occur for the remainder of the RTH Trading Session. The trading ranges applicable to Post-Close Trading Sessions shall be governed by the provisions of Rule 6.3 or 6.4, as applicable.
- (H) **Application of Price Fluctuation Limits to the Electronic Trading Platform**
- (1) The limits described in this paragraph (H) of this Rule 10.29 shall apply to trading on the Electronic Trading Platform except as provided by Rule 9.13, provided however that a Triggering Event generating an immediate trading halt will occur whenever a limit price is merely touched in this Futures Contract and the trading halt will only be for such brief period of time as is necessary for staff to expand the limits in this Futures Contract.
 - (2) In addition, when trading resumes after such a brief trading halt occurs in this Futures Contract, Price Fluctuation Limits also shall be expanded at that time for all other NYMEX Division energy Futures listed on the Electronic Trading Platform as if a trading halt had occurred in such other contracts, notwithstanding that the Temporary Trading Halt occurred only for this Futures Contract.
 - (3) Accordingly, in the event that Price Fluctuation Limits are expanded during a the Electronic Trading Session, the RTH Trading Session shall commence with the expanded Price Fluctuation Limits in effect at the close of such Electronic Trading Session.
- (I) **Exception for Last Trading Day of an Expiring Contract Month during Regular Trading Hours and the Electronic Trading Sessions on Last Trading Day.** Notwithstanding the preceding paragraphs of this Rule 10.29, there shall be no limitations on price fluctuations for any Contract Month of the Northwest Europe Gasoil Futures Contract during the RTH or the Electronic Trading Sessions of the final Trading Day in the current Contract Month.

10.30 Termination of trading

Trading in the current Contract Month shall cease at 12:00 p.m. noon on the second Business Day prior to the fourteenth (14th) calendar day of the Contract Month.

10.31 Product placement

- (A) **Certification.** For the purposes of Clearing House Rule 9.19, the Seller shall fulfil its contractual obligation on a maturing contract only if, prior to one (1) hour before the close of trading in the applicable Contract Month, such Seller has received from his Customer a certification, in the form prescribed by the Exchange, stating that the Customer has or will have in position, not later than one (1) Business Day after Notice Day, as defined in paragraph (C) of Rule 10.32, at one (1) or more eligible delivery facilities at which delivery may be made under this Part 3 of this Chapter 10, a quantity and quality of product sufficient to meet such Customer's obligations to make delivery when and as prescribed in these Rules; provided, however, that the receipt of such certification shall not relieve the Seller of any obligations under any Rule other than Clearing House Rule 9.19.
- (B) **Product in Tank.** The Seller's Customer shall have a quantity and quality of product in tank at one or more eligible delivery facilities in accordance with the inspection requirements under

Rule 10.35 prior to the first day of the consecutive five-(5)-day period for initiation of delivery identified by the Buyer's Customer in the Initial Delivery Instructions. The obligation to have product in tank, as prescribed in this paragraph (B) of this Rule 10.31, shall constitute a "material act with respect to a delivery obligation" as referenced in paragraph (A)(4) and (2) of Rule 10.38.

10.32 Delivery procedures

(A) Responsibilities of Clearing Members having Open long Positions

(1) **Notice of Intention to Accept.** By 2:00 p.m. on the last Trading Day of an expiring Contract Month, a Buyer having an open long position shall file with the Clearing House a properly completed and signed Notice of Intention to Accept. The Notice of Intention to Accept, in the form prescribed by the Clearing House, shall include:

- (a) the name of the Buyer's Customer;
- (b) the number of contracts to be accepted; and
- (c) the names of two inspection companies and any additional information required by the Clearing House.

The Buyer may, at its option, request a preferred delivery facility; such request shall not be binding upon the Seller.

(2) **Initial Delivery Instructions.** As soon as possible after receipt by the Clearing House of a Notice of Intention to Deliver, but not later than 4:30 p.m. one (1) Business Day after the Notice Day, the Buyer shall deliver to the Seller identified in such Notice of Intention to Deliver, with a copy to the Clearing House, properly completed and signed initial delivery instructions (**Initial Delivery Instructions**), in the form prescribed by the Clearing House, which shall include the following information:

- (a) name/Exchange identification number of Seller;
- (b) tender number;
- (c) name and location of the delivery facility specified in the Notice of Intention to Deliver;
- (d) number of contracts;
- (e) method of delivery;
- (f) a consecutive five-(5)-day period for initiation of delivery;
- (g) name of the designated inspection company, if so required; and
- (h) such additional information as may be required by the Clearing House.

(3) Verification of Delivery Method and Inspection Company

(a) Prior to giving the Initial Delivery Instructions, the Buyer's Customer shall verify with and confirm in writing to the Seller's Customer that the method of delivery specified conforms to the normal capabilities of the Seller's Customer's delivery facility with respect to the manner of delivery and the quantity to be delivered and that the inspection company specified has been accepted by the Seller's Customer. Such verification shall be confirmed in the Initial Delivery Instructions.

- (b) If the Buyer's Customer and Seller's Customer fail to agree on one (1) of the two (2) inspection companies included in the Notice of Intention to Accept, the matter shall be referred to the Gasoil Delivery Committee as provided in paragraph (C)(8) of Rule 10.38. Initial Delivery Instructions may not be amended after they have been given to the Seller.

(4) **Delivery Instructions**

- (a) The Buyer may tender, at the office of the Seller, delivery instructions (**Delivery Instructions**) on any Business Day prior to 12 p.m. Delivery Instructions given after 12 p.m. on any Business Day shall be deemed to have been given on the following Business Day.
- (b) A Buyer may not tender Delivery Instructions on the day on which Initial Delivery Instructions are tendered to the Seller under paragraph (A)(2) of Rule 10.32. The Buyer's Delivery Instructions for a delivery which is to occur during the consecutive five-(5)-day period the final day of which is the day prior to the last Business Day of the Contract Month shall not designate such final day of the period for the initiation of the delivery.
- (c) The Buyer must give Delivery Instructions to the Seller not later than two (2) calendar days prior to the time of the proposed delivery, or such earlier Business Day as is necessary to assure that the day on which Delivery Instructions are given is followed by a period that includes at least one (1) Business Day and two (2) subsequent calendar days ending on the day prior to the last Business Day of the Contract Month.
- (d) A copy of the Delivery Instructions must be given to the Clearing House.
- (e) Except as provided in paragraph (A)(6) of this Rule 10.32, Delivery Instructions must conform to the Initial Delivery Instructions tendered by the Buyer to the Seller.

(5) **Form of Delivery Instructions.** The Delivery Instructions must be properly completed and signed, in such form as prescribed by the Clearing House, and shall contain the following information:

- (a) name/Exchange identification number of Seller;
- (b) tender number;
- (c) name and location of the delivery facility specified in the Notice of Intention to Deliver;
- (d) number of contracts;
- (e) method of delivery (which must conform to the normal capabilities of the facility named in the Notice of Intention to Deliver with respect to the manner and time of delivery and the quantity to be delivered);
- (f) name of proposed carrier (i.e. barge, coaster, tanker or pipeline), and the approximate size of the vessel, if any;
- (g) for interfacility transfers, name of receiving facility;
- (h) date and approximate time for initiating delivery;
- (i) name of inspection company, if so required; and
- (j) such additional information as may be required by the Clearing House.

(6) **Amendment of Initial Delivery Instructions or of Delivery Instructions**

Neither Initial Delivery Instructions nor Delivery Instructions may be amended after they have been given. However, upon mutual consent of the Buyer and Seller and upon written notice to the Clearing House, the delivery facility named by the Seller, the method of delivery named by the Buyer, the five-(5)-day period for the initiation of a delivery named by the Buyer and/or the specific date and time for initiation of delivery named by the Buyer may be changed.

(7) **Notice of Clearance; Notice of Non-Clearance**

- (a) If the Buyer receives from the Seller a Notice of Clearance advising that the Seller will deliver pursuant to the Delivery Instructions, the Buyer shall require its Customer to post with it the total anticipated contract value (i.e. Settlement Price times one hundred (100)) of all products to be delivered under all contracts covered by such Notice not later than two (2) Business Days prior to the scheduled initiation of delivery.
- (b) If the Buyer receives from the Seller a Notice of Non-Clearance advising that the Seller is unable to deliver in accordance with the Delivery Instructions, the Buyer shall give revised delivery instructions (**Revised Delivery Instructions**) to the Seller not later than 12 p.m. on the third (3rd) Business Day following receipt of such Notice, or such earlier Business Day as is necessary to ensure that the day on which Revised Delivery Instructions are given is followed by at least two (2) subsequent calendar days ending on the day prior to the last Business Day of the Contract Month.
- (c) A copy of Revised Delivery Instructions shall be given to the Clearing House.
- (d) The Revised Delivery Instructions shall comply in all respects with the provisions of paragraph (A)(5) of this Rule 10.32 and shall thereafter comply with the provisions of this paragraph (A)(7) of this Rule 10.32 as if such Revised Delivery Instructions were the original Delivery Instructions; provided, however, that such Revised Delivery Instructions may designate for initiation of delivery the final day of the consecutive five-(5)-day period immediately prior to the last Business Day of the Contract Month.
- (e) Such Revised Delivery Instructions shall specify a date and time for the initiation of delivery not less than twenty-four (24) hours before or after the time specified in the original Delivery Instructions (whether or not such date and time is within the five-(5)-day period specified in the Initial Delivery Instructions), provided such date and time is prior to the last Business Day of the Contract Month and at least two (2) calendar days subsequent to the date on which such Revised Delivery Instructions are given to the Seller.
- (f) Revised Delivery Instructions given after 12 p.m. on any day shall be deemed to have been given on the following Business Day.
- (g) Except as provided in paragraph (A)(6) of this Rule 10.32, Revised Delivery Instructions may not be amended after they have been given to the Seller.

(8) **Acceptance of Product**

- (a) The Buyer may not initiate taking delivery of the product earlier than the first (1st) day of the five-(5)-day window as provided by these Rules, or later than one (1) day prior to the last Business Day of the Contract Month.
- (b) The Buyer shall complete the taking of delivery of the product no later than the last Business Day of the Contract Month.

(B) **Responsibilities of Clearing Members Having Open Short Positions**

- (1) **Notice of Intention to Deliver.** By 2:00 p.m. on the last trading day, a Seller having an open short position shall file with the Clearing House a properly completed and signed Notice of Intention to Deliver. The Notice of Intention to Deliver shall be in such form as prescribed by the Clearing House and shall include:
 - (a) the name of the Seller's Customer;
 - (b) the name and location of the Seller's Customer's delivery facility;
 - (c) the number of contracts; and
 - (d) such additional information as may be required by the Clearing House.

- (2) **Notice of Clearance; Notice of Non-Clearance**
 - (a) Not later than 4:30 p.m. on a day on which the Buyer gives the Seller Delivery Instructions, the Seller shall give the Buyer a properly completed and signed notice of clearance in such form as prescribed by the Clearing House (a **Notice of Clearance**), with a copy to the Clearing House, indicating that it is prepared to make delivery in accordance with the provisions of the Buyer's Delivery Instructions.

 - (b) In the event that the Seller is unable to make delivery in accordance with the Buyer's Delivery Instructions because of a *bona fide* inability to receive clearance from the facility, the Seller shall, not later than 4:30 p.m. on the day on which the Buyer gives the Seller Delivery Instructions, give to the Buyer a notice of non-clearance (a **Notice of Non-Clearance**), with a copy to the Clearing House, and state the reasons for such inability. The Seller may, at its Option, in the Notice of Non-Clearance suggest an alternate or preferred delivery site, date or time.

 - (c) In the event that the facility nominated by the Seller pursuant to paragraph (B)(2)(b) of this Rule 10.32 asserts a minimum loading requirement for barge delivery which is an amount greater than the quantity nominated by the Buyer for lifting, the Seller may not issue a Notice of Non-Clearance to the Buyer based solely upon such loading requirement. However, in the event that the facility's minimum loading requirement prevents delivery as nominated by the Buyer, the Seller may unilaterally and without the Buyer's consent, upon written notice to the Buyer, with a copy to the Clearing House, not later than 4:30 p.m. on the day on which the Buyer gives the Seller Delivery Instructions, amend the name and location of the delivery facility set forth in the Delivery Instructions and otherwise accept delivery on the terms provided in the Delivery Instructions.

 - (d) If Notice of Non-Clearance is given, the Seller shall require its Customer, at the time the Notice of Non-Clearance is given, to post additional original margin equal to twenty-five per cent (25%) of the total anticipated contract value (i.e. Settlement Price times one hundred (100)) of all contracts listed in the Delivery Instructions. Such additional margin shall be posted by the Seller with the Clearing House not later than 11 a.m. on the next Business Day.

 - (e) Not later than 4:30 p.m. of a day on which the Buyer gives the Seller Revised Delivery Instructions, the Seller shall give the Buyer a Notice of Clearance, with a copy to the Clearing House, indicating that it is prepared to make delivery in accordance with the provisions of the Buyer's Revised Delivery Instructions. Revised Delivery Instructions given after 12 p.m. on any day shall be deemed to have been given on the following Business Day. In the event that the Seller is unable to make delivery in accordance with the Buyer's

Revised Delivery Instructions because of *force majeure*, the Seller shall, not later than 4:30 p.m. on the day on which the Buyer gives the Seller Revised Delivery Instructions, give to the Buyer a Notice of Non-Clearance with a copy to the Clearing House, and state the reasons for such inability to make delivery.

- (C) **Notice Day.** The Clearing House shall allocate Notices of Intention to Deliver and Notices of Intention to Accept by matching size of positions to the extent possible.
- (D) **Non-Transferable.** The Clearing Member who receives a Notice of Intention to Deliver or Notice of Intention to Accept from the Clearing House shall have agreed to accept or deliver product. Notices of Intention to Deliver or Notices of Intention to Accept are not transferable.
- (E) **Delivery Day**
 - (1) Shipment will commence when the product passes the Buyer's Customer's vessel intake flange, tank or pipeline connection; at such time the Buyer's Customer shall bear the risk of loss.
 - (2) The Buyer shall pay the Seller at the office of the Seller by certified check by 12:00 p.m. on the Business Day following the receipt of the product, or by 12:00 p.m. on the last Business Day of the Contract Month, whichever is earlier. The amount of payment shall be based on actual volume delivered as set out in the inspector's quantitative results and based on the Settlement Price as defined in paragraph (D) of Rule 10.23. Should the inspector appointed under Rule 10.35 be unable to supply quantitative results prior to the time established herein for payment of the product, a pro forma payment based on one hundred (100) metric tons per contract shall be made. Payment adjustments based on actual quantity delivered shall be completed between Clearing Members by 12:00 p.m. on the first (1st) Business Day after receipt of the Inspector's quantitative and qualitative results but no later than the third (3rd) Business Day after completion of delivery of the physical product. Alternatively, Buyer and Seller may mutually agree to effect payment or adjustment, as otherwise prescribed in this Rule 10.32, by same day funds money wire as a substitution for a certified check. All payments shall be made in dollars.
 - (3) If the Buyer requires multiple delivery dates, multiple payment shall be required for each portion of product delivered and each separate delivery shall require a separate set of Notices and other documents to be produced and/or filed pursuant to these Rules.
 - (4) The Seller, upon receipt of payment, shall give the Buyer a bill of lading or other quantitative and qualitative certificate and any other appropriate documents necessary to transfer ownership of the product to the Buyer.
 - (5) The day the Buyer completes taking of the delivery of the product shall be referred to as the Delivery Day.

10.33 Shipment

- (A) The Seller's Customer's delivery facility must be capable of making delivery by barge, coaster or tanker.
- (B) The Seller's Customer must be ready to deliver the product as soon as the Buyer's Customer's vessel reports readiness to load; alternatively, if delivery is to be made on shore, the Seller's Customer must be ready to deliver the product as soon as the Buyer's Customer reports that the transfer facility is ready to take delivery of the product.
- (C) The Buyer's Customer's vessel must be safely afloat at all times.

- (D) The Seller's Customer shall pay all applicable demurrage charges if the shore facility is unable to deliver the product at a rate sufficient to meet normal requirements for loading a barge or tanker or is unable to deliver ex-tank or pipeline at the normal rate for such delivery. The Buyer's Customer shall pay all other demurrage charges.

10.34 Validity of documents

The Clearing House makes no representation respecting the authenticity, validity or accuracy of any inspection certificate, Notice of Intention to Deliver, Notice of Intention to Accept, bill of lading, cheque or of any document or instrument delivered pursuant to these rules.

10.35 Inspection

- (A) The Buyer shall notify the Seller in the Initial Delivery Instructions that a grade and quality or quantity inspection is requested. The Seller's Customer shall initiate inspection of the product to be delivered twenty-four (24) hours prior to the nominated time and date specified in the Delivery Instructions. The Buyer may request the tests for any or all grade and quality specifications for the stated product listed in Rule 10.26. The Buyer may request a quantity inspection for all deliveries. The Buyer shall require a quantity inspection for delivery by barge, tanker or inter-facility transfer (pump-over). If the Buyer does not request a quantity inspection, the Seller may request such inspection.
- (B) If a Buyer's Customer requests grade and quality and/or quantity inspection, or if a Seller's Customer requests a quantity inspection, the inspection company listed in the Initial Delivery Instructions shall perform the inspection pursuant to paragraph (A)(3) of Rule 10.32 unless an alternate inspection company is appointed by the Gasoil Delivery Committee.
- (C) If the product meets grade and quality specifications, the Buyer's Customer and Seller's Customer shall share equally in the cost of inspection. If the product does not meet grade and quality specifications, the Seller's Customer shall pay the cost of inspection. The cost of verifying the quantity of product transferred shall be shared equally by Buyer's Customer and Seller's Customer.
- (D) If the product does not meet grade and quality specifications, or if product is added to the tendered tank(s) after the inspection is conducted, the Seller's Customer, at its own expense, shall initiate a second (2nd) inspection, performed by the same inspection company as the initial inspection. The Seller's Customer shall furnish the results of the second (2nd) inspection to the Buyer's Customer no later than the time and date for initiation of delivery set forth in the Delivery Instructions. If the product does not meet grade and quality specifications in the second (2nd) inspection, within one (1) Business Day of receipt of the report by the Clearing House a Panel of the Gasoil Delivery Committee, as appointed by the chairman of the committee, shall meet to review the delivery if necessary, pursuant to the procedures set forth in paragraph of Rule 10.38. In addition, the Seller shall require its Customer to post additional margin equal to twenty-five per cent (25%) of the total contract value of all contracts listed in the Delivery Instructions. Such additional margin shall be posted by the Seller with the Clearing House not later than 11:00 a.m. on the next Business Day.
- (E) The inspection company shall not be affiliated with the parties to the delivery. The inspection company must be capable of performing the quantity or quality tests requested by the Buyer or Seller in such a manner so as to assure that the product delivered conforms with these Rules. The inspection company shall determine the quantity or quality of product transferred by using the prevailing practices of the facility transferring the product in effect at the time of delivery and shall provide a copy of any inspection report both to the Buyer's Customer and to the Seller's Customer.
- (F) Upon request of the Clearing House, the Buyer shall deliver to the Clearing House a copy of all reports of the inspection company when they are received.
- (G) The Buyer's Customer, at its own discretion and expense, may request in the Initial Delivery Instructions that the Seller's Customer run an additional inspection (a **Pre-Inspection**) for

quality and quantity on the total amount to be delivered in the five-(5)-day delivery period specified in the Initial Delivery Instructions. The Seller's Customer shall initiate a Pre-Inspection twenty-four (24) hours prior to the first (1st) day of the consecutive five-(5)-day period for delivery. Pre-Inspection shall be performed by the same inspection company as indicated in the Initial Delivery Instructions. If the product does not meet grade and quality specifications in the Pre-Inspection, the Seller's Customer, at its own expense, shall initiate a second (2nd) Pre-Inspection, performed by the same inspection company as the Initial Pre-Inspection. The Seller's Customer shall furnish the results of the second Pre-Inspection to the Buyer's Customer prior to the first (1st) day of the consecutive five-(5)-day delivery period.

10.36 EFPs and EFSs

- (A) An exchange of Futures for, or in connection with, the product (EFP) or exchange of Futures for swaps (EFS) consist of two discrete, but related, transactions; a physical commodity or swap transaction and a Futures transaction. At the time such transaction is effected, the Buyer's Customer and Seller's Customer of the Futures must be the Seller's Customer and Buyer's Customer of a quantity of the physical product or swaps agreement covered by this Rule 10.36 (or any derivative, by-product or related product). The quantity of physical product or swap agreement must be approximately equivalent to the quantity covered by the Futures Contracts.
- (B) Except as provided below, an EFP or EFS must take place during the hours of Futures trading for the Gasoil Futures Contract. An EFP or EFS is permitted at any time before 12:00 p.m. on the last Trading Day.
- (C) Any EFP or EFS shall be governed by the provisions of this Rule 10.36 and by the provisions of Rule 6.23.
- (D) Each Buyer's Customer and Seller's Customer must satisfy the Exchange at its request that the transaction is a legitimate EFP or EFS transaction. All documentary evidence relating to the EFP or EFS, including (without limitation) evidence as to change of ownership of the physical commodity or swap commitment, shall be obtained by the Clearing Members from their Customers and made available by the Clearing Members for examination by the Exchange upon request.
- (E) A report of each EFP or EFS transaction shall be given, and notice thereof shall be posted on the Exchange Floor, on the day that the relevant transaction was made, or if such agreement was made after the close of trading, then on the next Business Day.

10.37 Alternative Delivery Procedure

- (A) A Seller's Customer or Buyer's Customer may agree with the Buyer's Customer or Seller's Customer respectively with which it has been matched by the Clearing House under paragraph (C) of Rule 10.32 to make and take delivery under terms or conditions which differ from the terms and conditions described by this Part 3 of this Chapter 10. In such a case, Clearing Members shall execute an alternative notice of intention to deliver on the form prescribed by the Clearing House (an **Alternative Notice of Intention to Deliver**) and shall deliver a completed executed copy of such Alternative Notice of Intention to Deliver to the Clearing House.
- (B) The delivery of an executed Alternative Notice of Intention to Deliver to the Clearing House shall release the Clearing Members and the Clearing House from their respective obligations under the Clearing House contracts.
- (C) In executing a Alternative Notice of Intention to Deliver, Clearing Members shall indemnify the Clearing House against any liability, cost or expense it may incur for any reason as a result of the execution, delivery or performance of such contracts or such agreement, or any breach thereof or default thereunder.

- (D) Upon receipt of an executed Alternative Notice of Intention to Deliver, the Clearing House will return to the Clearing Members all margin monies held for the account of each with respect to the contracts involved.

10.38 Force Majeure, Late Performance and Failure to Perform

- (A) **Definitions.** For the purposes of this Rule 10.38, the following terms, as well as variations thereof, shall have the following meanings.

- (1) **Contract Value** means the amount equal to the Settlement Price in the contract times one hundred (100) the number of contracts to be delivered.
- (2) **Day of Late Performance** means the twenty-four-(24)-hour period commencing twelve (12) hours after a Party should have performed, provided however, with respect to the obligations of a Party to submit documents to the Clearing House pursuant to the provisions of this Part 3 of this Chapter 10, **Day of Late Performance** means the twenty-four-(24)-hour period commencing immediately after the time specified in the provisions of this Part 3 of this Chapter 10 for the submission of a document. Each subsequent Day of Late Performance shall commence twenty-four (24) hours after the beginning of the prior day of Late Performance. When a Party is late in performance, the day when the act is performed shall be a Day of Late Performance.
- (3) **Failure to Perform** means the failure of a Party to complete a material act with respect to a delivery obligation prior to the expiration of the period allowed for the late performance of such act.
- (4) **Force Majeure** means any circumstance (including but not limited to a strike, lockout, national emergency, governmental action, or act of God) which is beyond the control of a Party, and which prevents that Party from making or taking delivery of product when and as provided for in these Rules.
- (5) **Gasoil Delivery Committee** means the regular committee of the Clearing House of that name appointed in accordance with its Rules.
- (6) **Late Performance** means the failure of a Party to complete a material act with respect to a delivery obligation imposed by, and within the time period established in, these Rules. No Late Performance may exceed the lesser of five (5) continuous Business Days or eight (8) consecutive calendar days.
- (7) **Other Party** means the corresponding Buyer when the Seller is late in performance or has failed to perform, and the corresponding Seller when the Buyer is late in performance or has failed to perform.
- (8) **Party** means a Buyer or a Seller. For the avoidance of doubt, the Buyer and the Seller are each responsible to the Clearing House for their obligations and for those of their respective Customers under the provisions of this Part 3 of this Chapter 10.

(B) **Responsibilities of Parties to the Delivery**

The parties to a delivery shall make commercially reasonable efforts to perform their respective obligations at all times until a Party has failed to perform.

(C) **Gasoil Delivery Committee**

- (1) Subject to paragraph (C)(10) of this Rule 10.38, Force Majeure, Late Performance and Failure to Perform shall be determined by a Panel of the Gasoil Delivery Committee as set forth below. The chairman of the Gasoil Delivery Committee shall appoint a panel, which shall consist of three (3) members, to review a delivery:

- (a) when the chairman is advised by the President or any person designated by the President that it appears that the performance of a Party to the delivery is late;
 - (b) upon the written request of both Parties;
 - (c) when the President or any person designated by the President requests such appointment; or
 - (d) when either Party of the delivery notifies the Clearing House that circumstances exist constituting Force Majeure.
- (2) The chairman shall not appoint to any panel any person who has a direct or indirect interest in the delivery in question. Any Panel so appointed shall retain jurisdiction over the delivery in question until the delivery has been completed or a Party has been found to have failed to perform such delivery. The Clearing House counsel shall serve as advisor to the panel.
- (3) Either Party may object to the chairman or the Exchange to the appointment of any member of the Delivery Committee to the Delivery Panel. Any such objection shall be determined by the chairman or the Exchange, as the case may be, at their discretion.
- (4) The panel shall meet within one (1) Business Day of notification as provided in these Rules. Unless good cause for delay exists, within one (1) Business Day the panel shall determine whether Force Majeure exists, whether a Party is late in performing or has failed to perform its obligations as provided in these Rules, and advise the Compliance Department of such determination and its findings in support thereof immediately. The Panel shall cause its determination to be communicated to the Parties to the delivery as expeditiously as possible.
- (5) The Delivery Panel may meet at any time either in person or by telephone.
- (6) Absent a declaration of a Force Majeure, the panel may, with the consent of both Parties, take any one or a combination of the following actions as it deems suitable:
- (a) the granting of an extension of time not to exceed five (5) days from the date of the scheduled delivery, provided, however, that each delivery shall be completed not later than the fifth (5th) Business Day of the calendar month following the Contract Month or the last day of the period provided for late performance of the contract, whichever is earlier;
 - (b) the changing of the delivery facility to a site within the ARA delivery area, provided that the Seller's Customer has product or will have product at such site in time for delivery; or,
 - (c) the modification of the method of taking delivery.

Nothing in this paragraph (C)(6) of this Rule 10.38 shall preclude a Party or the Clearing House from seeking the remedies set forth in paragraphs (D) and (E) of this Rule 10.38.

- (7) Upon a finding of Force Majeure, the panel may take any one or a combination of the following actions as it deems suitable:
- (a) the order of an extension of time not to exceed five (5) days from the date of the scheduled delivery, provided, however, that each delivery shall be completed not later than the fifth (5th) Business Day of the calendar month following the Contract Month;

- (b) the changing of the delivery facility to a site within the ARA delivery area, provided that the Seller's Customer has product or will have product at such site in time for delivery;
 - (c) the modification of the method of taking delivery if such method is acceptable to the Buyer;
 - (d) the allocation of deliveries; or
 - (e) the referral to the Board of the Clearing House for emergency action under Article 7 of the Bylaws of the Clearing House.
- (8) The panel may appoint an inspection company as provided in paragraph (A)(3) of Rule 10.32, provided, however, that the inspection company appointed by the Panel shall not be either of the two (2) inspection companies listed in the Notice of Intention to Accept.
- (9) The Delivery Panel may obtain legal advice from the Exchange's legal advisers.
- (10) If a Party has been declared a defaulter under the Default Rules or has failed to discharge its obligations to the Clearing House, no dispute or matter in respect of a delivery involving that Party will be determined by the Gasoil Delivery Committee.

(D) **Clearing House action**

- (1) Whenever a Party is found by the Gasoil Delivery Panel to be late in the performance of or to have failed to perform any of its obligations in relation to a delivery, the Clearing House, represented by its compliance department, shall issue a Notice of Assessment in accordance with paragraphs (D)(2) and(3) of this Rule 10.38 (a **Notice of Assessment**) specifying the findings of the panel with respect to the late or failed delivery.
- (2) Either one (1) or both Parties may be assessed a penalty to be paid to the Clearing House for each day of Late Performance as follows:
- (a) first (1st) day of Late Performance – up to 1% of Contract Value, but not less than \$95 per contract;
 - (b) second (2nd) day of Late Performance – up to 1% of Contract Value, but not less than \$95per contract;
 - (c) third (3rd) day of Late Performance – up to 1% of Contract Value, but not less than \$95 per contract;
 - (d) fourth (4th) day of Late Performance – up to 1% of Contract Value, but not less than \$95 per contract;
 - (e) fifth (5th) day of Late Performance – up to 1% of Contract Value, but not less than \$95 per contract;
 - (f) sixth (6th) day of Late Performance – up to 1% of Contract Value, but not less than \$95 per contract;
 - (g) seventh (7th) day of Late Performance – up to 2% of Contract Value, but not less than \$200 per contract; and
 - (h) eighth (8th) day of Late Performance – up to 3% of Contract Value, but not less than \$300 per contract.

Such penalties shall be cumulative for each day of Late Performance. In setting the penalty, the Clearing House compliance department shall take into account the Party's culpability or negligence.

- (3) When a Party has failed to perform any of its obligations in relation to a delivery, the Compliance Department shall issue a Notice of Assessment assessing penalties of up to ten per cent (10%) of the Contract Value, but not less than one thousand dollars (\$1,000) per contract, in addition to any penalties assessed pursuant to paragraph (D)(2) of this Rule 10.38, to be paid to the Clearing House.
- (4) A Party may appeal a Notice of Assessment by filing a notice of appeal (a **Notice of Appeal**) with the hearing registrar of the Clearing House and by serving a copy of the Notice of Appeal on the Clearing House's compliance counsel within two (2) Business Days of receipt of the Notice of Assessment from the Compliance Department. The Party filing the appeal (the **Appellant**) shall file, within twenty (20) days after filing the Notice of Appeal, a memorandum of appeal (a **Memorandum of Appeal**) setting forth the factual and legal basis for the appeal. The Memorandum of Appeal must be filed with the hearing registrar and a copy of the same served upon the Clearing House's Compliance Counsel.
- (5) The Compliance Department may file with the Appellant and the hearing register an answering memorandum to the Memorandum of Appeal (an **Answering Memorandum**) within ten (10) days of receipt of the Memorandum of Appeal.
- (6) Failure by the Party to file a Notice of Appeal or a Memorandum of Appeal in the time specified in paragraph (D)(4) of this Rule 10.38 shall constitute a waiver, and the penalties set forth in the Notice of Assessment shall be paid within five (5) days to the Clearing House. Failure to pay such penalties in accordance with this Rule 10.38 shall subject the Party to the sanctions set forth in Bylaw 106 of the Clearing House. In the event that a Party fails to appeal or waives the opportunity to appeal a Notice of Assessment, the assessment and findings of the Gasoil Delivery Committee shall constitute a final disciplinary action of the Clearing House.
- (7) Within ten (10) days after receipt of the Compliance Department's reply, the Appellant shall be entitled to examine all books, documents and other tangible evidence in possession or under the control of the Clearing House that are to be relied on by the Compliance Department or are otherwise relevant to the matter.
- (8) In the event of an appeal by a Party, the chairman of the Clearing House, or his designee, shall appoint an assessment appeal panel (the **Assessment Appeal Panel**) to hear and decide the appeal. The panel shall be composed of three (3) members of the Clearing House, at least one (1) of whom shall be a member of the Board. No member of the panel may have a direct or indirect interest in the matter under the appeal. Each panel Member shall disclose to the chairman any such interest which might preclude such panel member from rendering a fair and impartial determination. The formal rules of Evidence shall not apply to such appeal, and the panel shall be the sole judge with respect to the evidence presented to it. Clearing House outside counsel shall advise the panel.
- (9) The procedures for the hearing of the appeal before the Assessment Appeal Panel shall be as follows.
 - (a) At a date to be set by order of the panel, and prior to such hearing, the Appellant and the Compliance Department shall furnish each other with a list of witnesses expected to be called at the hearing, and a list of documents and copies thereof expected to be introduced at the hearing.
 - (b) At such hearing the Appellant may appear personally or may be represented by counsel or other representative of his choice.

- (c) The Compliance Department shall be entitled to offer evidence relating to the delivery and shall be entitled to call witnesses and introduce documents in support thereof.
 - (d) It shall be the burden of the Compliance Department to demonstrate, by the weight of the evidence, the appropriateness of the sanction set forth in the Notice of Assessment.
 - (e) The Appellant shall be entitled to rebut the Compliance Department's evidence and shall be entitled to call witnesses and introduce documents in support thereof.
 - (f) The Compliance Department and the Appellant shall be entitled to cross-examine any witness called by the opposing Party at the hearing.
 - (g) The Notice of Assessment, the Notice of Appeal, the Memorandum of Appeal, any Answering Memorandum, the stenographic transcript of the appeal and any documentary evidence or other material presented to and accepted by the panel shall constitute the record of the hearing.
 - (h) The decision of the panel shall be based upon the record of the hearing/
 - (i) The panel shall have the power to impose a penalty against any person who is within the jurisdiction of the Clearing House and whose actions impede the progress of a hearing.
 - (j) The Assessment Appeal Panel shall issue a written decision in which it may affirm, reduce, or waive the charges assessed against the Appellant and shall state the reasons therefor.
 - (k) The decision of the Assessment Appeal Panel shall be a final decision of the Clearing House, and shall constitute a final disciplinary action of the Clearing House. The fine is payable on the effective day of the decision or as specified. The effective day shall be fifteen (15) days after a copy of the written decision has been delivered to the appellant and to the Commission.
- (10) The Assessment Appeal Panel shall consider, and make recommendations to the Board concerning acceptance or rejection of, any offer of settlement submitted by the Appellant. In the case of an offer of settlement, acceptance by the Board shall constitute the final disciplinary action of the Clearing House.

(E) Arbitration Procedure

- (1) Any claim for damages arising between the Parties as a result of a delivery pursuant to this contract shall be settled by arbitration in accordance with this paragraph (D) of Rule 10.38.
- (2) A notice of intent to arbitrate (a **Notice of Intent to Arbitrate**) must be submitted to the Secretary of the Clearing House within three (3) Business Days of the occurrence upon which the claim is based or the decision of the Gasoil Delivery Committee with respect to a late or failed performance. Failure to submit a Notice of Intent to Arbitrate within the prescribed period will be deemed a waiver of a Party's rights to arbitrate such delivery dispute under this Rule or under the Arbitration Rules.
- (3) The Arbitration will be governed by the Clearing House arbitration rules except that the chairman of the Clearing House or his designee shall appoint an arbitration panel composed of three (3) members of the Clearing House, at least one (1) of whom shall be a member of the Board.

10.39 Exclusion of liability in respect of shore, storage and delivery method

The Clearing House or the Exchange shall have no liability in respect of the condition, availability, performance or suitability of shore and storage facilities, pipelines, barges, coasters, tankers or any other means used for storing, or transporting Gasoil, however used pursuant to this Part 3 of Chapter 10. Accordingly no claim can be made against either the Clearing House or the Exchange for any loss or damage incurred or suffered by persons placing Gasoil into such devices or taking delivery of the same, however such loss or damage has occurred,

10.40 Governing law

This Contract shall be governed by English law.

Chapter 11 Governing Law and Jurisdiction

11.1 Governing Law

Except where expressly provided otherwise, these Rules shall be construed in accordance with English law.

11.2 Jurisdiction of the English Courts

- (A) Each Member irrevocably agrees for the benefit of NYMEX Europe, and subject to paragraphs (B) and (C) of this Rule 11.2, that the English Courts shall have exclusive jurisdiction to settle any dispute arising out of or in connection with these Rules or out of or in connection with Market Contracts.
- (B) Nothing in this Rule 11.2 shall limit the right of NYMEX Europe in respect of any such dispute to take proceedings against a Member in any court of competent jurisdiction.
- (C) The US District Court for the Southern District of New York shall have exclusive jurisdiction to settle any dispute involving NYMEX, Inc. or Holdings arising out of or in connection with these Rules.