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Chapter 4
Enforcement of Rules

400. GENERAL PROVISIONS

The Board has adopted rules, and from time to time adopts amendments and supplements to such rules, to promote a free and open market on the Exchange, to maintain appropriate business conduct and to provide protection to the public in its dealings with the Exchange and its Members. The Board has created committees to which it has delegated responsibility for the investigation, hearing and imposition of penalties for violations of Exchange rules. The Board has also delegated responsibility for the investigation and imposition of penalties for violations of Exchange rules to Exchange staff as set forth in the rules. The delegation of such responsibility and authority shall in no way limit the authority of the Board with respect to all rule violations.

For purposes of Chapter 4, the term "Member" shall mean: 1) members and clearing members of the Exchange, including retired members with floor access privileges and individuals and entities described in Rule 106; 2) associated persons ("APs") and affiliates of clearing members and member firms of the Exchange; 3) guaranteed introducing brokers of clearing members and member firms of the Exchange and their APs, 4) Exchange permit holders and any person or entity that has been granted cross-exchange trading privileges; 5) employees, authorized representatives, contractors, and agents of any of the above persons or entities, in regard to the Exchange related activities of such employees and agents; 6) individuals and entities that have agreed in writing to comply with the rules of the Exchange; and 7) CBOT members and other individuals who have access to the combined CME and CBOT trading floors.[1]

Members are deemed to know, consent to and be bound by all Exchange rules. Former Members shall be subject to the continuing jurisdiction of the Exchange, including, without limitation, the application of Rule 432.L., with respect to any conduct that occurred while a Member.

401. THE CHIEF REGULATORY OFFICER

It shall be the duty of the Chief Regulatory Officer to enforce Exchange rules, and he shall have available to him at all times the resources of the Market Regulation Department and such other Exchange resources as may be necessary to conduct investigations of alleged rule violations and market conditions. The Chief Regulatory Officer shall have the authority to inspect the books and records of all Members and the authority to require any Member to appear before him and produce his or its books and records and answer questions regarding alleged violations of Exchange rules, at the time, place and in the manner he designates. The Chief Regulatory Officer may also delegate such authority to staff of the Market Regulation Department.[2]

402. BUSINESS CONDUCT COMMITTEE

402.A. Jurisdiction and General Provisions[3]

The Business Conduct Committee ("BCC") shall have: 1) jurisdiction over Members with respect to matters relating to conduct, trading practices, sales practices, trading ethics and market manipulations or other actions that threaten the integrity of the market; 2) the authority, pursuant to Rule 402.C., to take emergency actions; 3) the authority, pursuant to Rule 402.D., to take actions against non-members; 4) the authority, pursuant to Rule 413.B., to conduct hearings on denials of access pursuant to Rule 413.A., and 5) the authority to conduct hearings on all matters over which it has jurisdiction.

The BCC shall act through a Panel composed of a chairman, three Exchange members or employees of member firms and three non-members. Of the Exchange members appointed to a Panel, a majority must be from the contract market where the case originated. A quorum of

[1] Revised April 2008.
[2] Revised December 2008.
[3] Revised December 2008.

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a Panel shall consist of a majority of the panel, but must include at least the chairman, two members or employees of member firms and two non-members.

Any Panel that conducts a hearing or proceeding shall consist of panelists who possess sufficiently diverse interests so as to ensure fairness.

No person shall serve on the BCC unless he has agreed in writing 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 BCC, except when reporting to the Board or to a committee concerned with such information or to the Legal Department or Market Regulation Department, when requested by the CFTC or other governmental agency or when compelled to testify in any judicial or administrative proceeding.

All information, records, materials and documents provided to the BCC and all deliberations, testimony, information, records, materials and documents related thereto shall be treated as non-public and confidential and shall not be disclosed, except as necessary to further an Exchange investigation or as required by law.[1]

402.B. Hearings[1]

Hearings by the BCC shall be before a Panel, and shall be conducted by a chairman of the BCC in accordance with the provisions of Rule 408.

If a Member is found guilty, by a majority vote, the Panel may do one or more of the following:

1. Order the Member to cease and desist from the conduct found to be in violation of these rules, the rules of any other exchange owned or controlled by CME Group, or the Commodity Exchange Act;
2. Order the Clearing Member or other Member to liquidate such portion of the open contracts in the Clearing Member's or other Member's proprietary or customers' accounts, or both, as the Panel deems appropriate to ensure the integrity of Exchange contracts or to ensure an orderly and liquid market;
3. Order the Clearing Member or its customer to deposit such additional performance bonds with the Clearing House as the Panel deems appropriate to protect the integrity of open contracts;
4. Prescribe such additional capital or other financial requirements as it deems appropriate;
5. Restrict the privilege of being affiliated with, employed by or having an interest in, a broker association or guaranteed introducing broker and/or suspend the trading floor access and/or the right to associate with a Member;
6. Restrict the Member's access to the Globex platform or any other trading or clearing platform owned or controlled by CME Group or to supervise the entry of any orders into such platforms by others;
7. Restrict the Member's access to any trading floor owned or controlled by CME Group[2];
8. Restrict the Member's ability to trade or enter orders in any or all products of any Exchange owned or controlled by CME Group;
9. Suspend any or all of the privileges of membership;
10. Expel the member;
11. Impose a fine upon the Member not to exceed $1,000,000 per violation plus the amount of any benefit received as a result of the violation;
12. Issue a reprimand;
13. Prescribe limitations on positions of the Member as may be appropriate;
14. Impose advertising restrictions upon the Member pursuant to these rules; and/or
15. Direct the Member to make restitution, in such amount as is warranted by the evidence, to the account of any party damaged by the conduct, or to the Clearing Member who has previously made restitution to the account of such party.

The Panel may also find that the evidence warrants an adjustment to the account of a party where a Member, though not in violation of an Exchange rule, has not fulfilled his or its

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[2] Revised April 2008.

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responsibility for proper execution of such party's order.

When determining whether to impose any of the sanctions listed above, the Panel may consider any factors determined by the Panel to be relevant in the context of a particular case, including any of the factors described in the "Sanctioning Guidance to Self-Regulatory Organizations" in the CFTC Policy Statement Relating to the Commission's Authority to Impose Civil Money Penalties and Futures Self-Regulatory Organizations' Authority to Impose Sanctions: Penalty Guidelines (1994).

If the Panel shall decide by a majority vote that the matter might warrant a penalty in excess of its own authority, the chairman of the Panel shall refer the matter to the Board for further hearings and decision.

402.C. Emergency Actions

1. The BCC is authorized to determine whether an emergency exists and whether emergency action is warranted. The following events and/or conditions may constitute emergencies:
   a. Any actual, attempted, or threatened market manipulation;
   b. Any actual, attempted, or threatened corner, squeeze, congestion, or undue concentration of positions;
   c. Any action taken by the United States or any foreign government or any state or local government body, any other contract market, board of trade, or any other exchange or trade association (foreign or domestic), which may have a direct impact on trading on the Exchange;
   d. The actual or threatened bankruptcy or insolvency of any Member or the imposition of any injunction or other restraint by any government agency, self regulatory organization, court or arbitrator upon a Member which may affect the ability of that Member to perform on its contracts;
   e. Any circumstance in which it appears that a Member or any other person or entity has failed to perform contracts or is in such financial or operational condition or is conducting business in such a manner that such person or entity cannot be permitted to continue in business without jeopardizing the safety of customer funds, Members, or the Exchange;
   f. Force majeure, which shall mean any circumstance (including but not limited to a strike, lockout, national emergency, governmental action, or act of God) which is beyond the control of the buyer or seller, and which prevents the buyer or seller from making or taking delivery of product or effecting payment when and as provided for in Exchange rules; and/or[1]
   g. Any other circumstance which may have a severe, adverse effect upon the functioning of the Exchange.[2]
   2. In the event that the BCC determines, in the good faith exercise of its sole discretion, that an emergency exists, it may take any of the following emergency actions or any other action that may be appropriate to respond to the emergency:
   a. Terminate trading;
   b. Limit trading to liquidation of contracts only;
   c. Impose or modify position limits and/or order liquidation of all or a portion of a Member's proprietary and/or customers' accounts;
   d. Order liquidation of positions as to which the holder is unable or unwilling to make or take delivery;
   e. Confine trading to a specific price range;
   f. Modify price limits;
   g. Modify the trading days or hours;
   h. Modify conditions of delivery;
   i. Establish the settlement price at which contracts are to be liquidated; and/or

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[2] Revised December 2008.

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j. Require additional performance bond to be deposited with the Clearing House.

All actions taken pursuant to this subsection shall be by a majority vote of the Panel members present. A Member directly affected by the action taken shall be notified in writing of such action. As soon as practicable, the Board and the CFTC shall be notified of the emergency action in accordance with CFTC regulations. Nothing in this section shall in any way limit the authority of the Board, other committees, or other appropriate officials to act in an emergency situation as defined by these rules.

402.D. Actions against Non-Members[1]

If the BCC or Market Regulation Department has reason to believe or suspect that any non-member is conducting trading activities in violation of the Commodity Exchange Act or Exchange rules or in a manner that threatens the integrity or liquidity of any contract, the committee or Market Regulation Department may request such non-member and require any Members to appear, produce documents and testify at a Market Regulation Department interview or investigation, or hearing to be conducted by the BCC.

If, after the hearing, the BCC determines that the actions of such non-member threaten the integrity or liquidity of any contract or threaten to violate or violate the Commodity Exchange Act or Exchange rules, the BCC may:

1. Order any Clearing Member to liquidate all or any portion of such non-member's position;
2. Order that no Clearing Member accept new positions on behalf of any such non-member;
3. Deny, limit or terminate access of such non-member to the Globex platform or any other trading or clearing platform owned or controlled by CME Group; and/or
4. Order such action as is necessary to prevent a threat to the contract or violation of the Commodity Exchange Act or Exchange rules.

403. CLEARING HOUSE RISK COMMITTEE

403.A. Jurisdiction and General Provisions

The Clearing House Risk Committee (or any subcommittee thereof) (collectively, "CHRC"), shall determine whether an applicant satisfies the qualifications for status as a Clearing Member. The CHRC decision shall be subject to appeal to the Board by an applicant. The CHRC may adopt regulations regarding qualifications for admission to membership in the Clearing House, which regulations, when approved by the Board, shall have the same effect as rules of the Exchange. The CHRC shall act upon applications for clearing membership and applications for assignment of Class A Shares, trading rights and related Class B Shares for clearing purposes. Applications for clearing membership and for assignment of Class A Shares, trading rights and related Class B Shares for clearing purposes, when approved by the CHRC, shall be effective and thereafter ratified by the Board.

The CHRC shall have at least two co-chairmen, who shall be members of the Board, and at least seven additional individuals, five who shall be Clearing Member representatives and at least one who shall be a non-member.

The CHRC may conduct investigations, issue charges and consider settlement offers on its own initiative or by referral from Exchange staff, the PCC, or the BCC. Hearings on charges issued by the CHRC will be conducted by the BCC pursuant to the provisions of Rule 408.

If the CHRC determines that a Clearing Member is in a financial condition which jeopardizes or may jeopardize the integrity of the Exchange, the CHRC may, by majority vote:

1. Order the Clearing Member or its customers to deposit such additional performance bond with the Clearing House as deemed appropriate to protect the integrity of open contracts;
2. Prescribe such additional capital or other financial requirements as it deems appropriate;
3. Impose position limits on Clearing Members based on their regulatory capital and such other criteria as it deems appropriate;
4. Suspend a Clearing Member, subject to approval of any two of the following individuals: the Chief Executive Officer, the President, the President of the Clearing House, the Chairman of the Board, the Chairman of the CHRC or the Chief Operating Officer; and/or
5. Order the Clearing Member to cease and desist from the conduct found to be contrary to

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the best interests of the Exchange.

No person shall serve on the CHRC unless he has agreed in writing that he will not publish, divulge, or make known in any manner, any facts or information regarding the business of any person or entity or any other information which may come to his attention in his official capacity as a member of the CHRC, except when reporting to the Board or to a committee concerned with such information or to the Legal Department, Audit Department or Market Regulation Department, when requested by the CFTC or other governmental agency or when compelled to testify in any judicial or administrative proceeding.

All information and documents provided to the CHRC and all deliberations and documents related thereto shall be treated as non-public and confidential and shall not be disclosed, except as necessary to further an Exchange investigation or as required by law.

The CHRC shall have jurisdiction to enforce rules pertaining to the following:

1. Financial integrity of Clearing Members; and
2. Business conduct of and compliance with Exchange rules by Clearing Members and by any Member who is an officer or a principal or who has assigned his membership on behalf of a Clearing Member, in connection with such Clearing Member's activities, except insofar as jurisdiction over matters relating to conduct, trading practices, trading ethics and certain sales practices of Members, and market manipulations or other actions that threaten the integrity of the market are within the purview of the BCC.

403.B. Settlement Offers

A respondent that is the subject of an investigation or charges may submit for consideration by the CHRC a written offer of settlement in disposition of such investigation or charges. A respondent may submit a settlement offer without admitting or denying the rule violations upon which the penalty is based; provided, however, that an offer must include a consent to entry of findings by the CHRC regarding the conduct and rule violations at issue and to the penalty to be imposed.

If the Audit or Market Regulation Department does not oppose the respondent's offer of settlement, the respondent's written offer of settlement and the Audit or Market Regulation Department's supporting statement shall be submitted to the CHRC for consideration.

If the Audit or Market Regulation Department opposes an offer of settlement, the Respondent's written offer and the Audit or Market Regulation Department's written opposition shall be submitted to the CHRC. The CHRC's consideration of the offer of settlement shall be based upon the written offer and opposition filings, as well as the evidence presented to the CHRC in determining to issue the charges.

The respondent may withdraw his offer at any time prior to final acceptance of the offer by the CHRC. If the CHRC accepts the offer, a written decision setting forth the CHRC's findings and sanction shall be issued, and written notice of the decision shall be given to the respondent.

If the CHRC rejects the offer, the respondent will be notified of the rejection and the offer will be deemed withdrawn. If an offer is withdrawn or rejected by the CHRC, the respondent shall not be deemed to have made any admissions by reason of the offer and shall not otherwise be prejudiced by having submitted the offer. The CHRC chairman may decline to convene the CHRC to consider a settlement offer.

In submitting a settlement offer, the respondent waives his right to a hearing and to appeal the CHRC's decision if the offer is accepted; the respondent also waives any claim of bias or prejudgment on the part of the CHRC. If a respondent submits an offer within 14 days of a scheduled BCC hearing on the charges, or after the BCC hearing has begun, the offer shall not stay the BCC hearing unless otherwise determined by the chairman of the BCC. Any settlement offer submitted within 14 days of a scheduled BCC hearing will be directed to the BCC in the first instance. The BCC may determine to accept or reject the settlement offer, or the BCC may refer the settlement offer to the CHRC, in which case the CHRC will determine whether to accept or reject the offer.

403.C. Emergency Actions

1. The CHRC is authorized to determine whether an emergency exists and whether emergency action is warranted. The following events and/or conditions may constitute emergencies:
   a. Any circumstances which may materially affect the performance of contracts traded

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on the Exchange, including failure of the payment system;

b. Any action taken by the United States or any foreign government or any state or local government body, any other contract market, board of trade, or any other exchange or trade association (foreign or domestic), which may have a direct impact on trading on the Exchange;

c. The actual or threatened bankruptcy or insolvency of any Member or the imposition of any injunction or other restraint by any government agency, court or arbitrator upon a Member of the Exchange which may affect the ability of that Member to perform on its contracts;

d. Any circumstance in which it appears that a Member or any other person or entity has failed to perform contracts, is insolvent, or is in such financial or operational condition or is conducting business in such a manner that such person or entity cannot be permitted to continue in business without jeopardizing the safety of customer funds, Members, and/or the Exchange; and/or

e. Any other circumstances which may have a severe, adverse effect upon the functioning of the Exchange.

2. In the event that the CHRC determines, in the good faith exercise of its sole discretion, that an emergency exists, it may take any of the following emergency actions or any other action that may be appropriate to respond to the emergency:

a. Order the Clearing Member or his customer to deposit such additional performance bond with the Clearing House as deemed appropriate to protect the integrity of open contracts;

b. Prescribe such additional capital requirements as it deems appropriate;

c. Prescribe such position limitations as it deems appropriate;

d. Order special or advance performance bond or funds to be deposited with the Clearing House from Members or from longs, shorts or both; and/or

e. Order such performance bond changes as it deems appropriate.

All actions taken pursuant to this subsection shall be by majority vote of the committee members present. A Member affected by the action taken shall be notified in writing of such action. As soon as practicable, the Board and the CFTC shall be promptly notified of the emergency action in accordance with CFTC regulations. Nothing in this section shall in any way limit the authority of the Board, other committees, or other appropriate officials to act in an emergency situation as defined by these rules.

403.D. Appeal of Administrative Fines

Appeals of administrative fines in excess of $25,000, imposed pursuant to Rule 852, shall be heard by a panel comprised of a co-chairman and three members of the CHRC. The panel's decision shall be final. The appellant shall be advised of its right to appear at the hearing and of its right to be represented by legal counsel or a member of the Exchange, other than a member of the CHRC, a member of the Board or an employee of the Exchange. The appellant may present evidence in support of its appeal. The panel shall not set aside, modify or amend the decision appealed from unless the panel determines by a majority vote that the decision was:

1. Arbitrary, capricious, or an abuse of Exchange staff's discretion;
2. In excess of Exchange staff's authority or jurisdiction; or
3. Based on a clearly erroneous application or interpretation of Exchange rules.

404. PIT COMMITTEE

The Pit Committee shall have the authority to: 1) participate in the determination of opening and closing ranges in accordance with Rule 546; 2) oversee and enforce changes in prices in accordance with Rule 528; 3) resolve pit space disputes; 4) remove unauthorized persons from the pit; 5) resolve, by immediate action, all grievances arising from price infractions pursuant to Rule 514 during pit trading; and 6) issue charges for alleged violations of Rule 514.

To the extent that Pit Committee members participate in the creation of settlement prices, they agree to assign and transfer to the Exchange any and all right, title and interest in and to the settlement prices, including, but not limited to, all copyrights in the settlement prices.

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A Pit Committee member shall not exercise his authority if he or any person, firm, or broker association with which he is affiliated has a personal, financial, or other direct interest in the matter under consideration. A Pit Committee member shall be deemed to have a financial interest if the decision is likely to have an immediate financial impact on a transaction for his account or an account in which he has an interest or if the decision is likely to impact on liability for filling an order for which he or a person with whom he has a financial or business relationship was responsible.

405. FLOOR CONDUCT COMMITTEE

The Floor Conduct Committee shall be responsible for resolving pit space disputes that are not resolved by the Pit Committee. The committee shall conduct summary proceedings for alleged violations of Rule 514. Floor Conduct Committee members shall participate in the resolution of quotation change requests pursuant to the Quotation Change Procedures set forth in the Appendix to Chapter 5. The Floor Conduct Committee shall have jurisdiction to conduct summary proceedings for violations of, and assess penalties in accordance with, Exchange rules. The procedures contained in Rule 409 shall govern summary proceedings.

406. PROBABLE CAUSE COMMITTEE[1]

The Probable Cause Committee ("PCC") shall receive and review investigation reports from the Market Regulation Department. The PCC shall act through a Panel comprised of a chairman, three Exchange members or employees of member firms and three non-members. Of the Exchange members appointed to a Panel, a majority must be from the contract market where the case originated. A quorum of a Panel shall consist of a majority of the Panel, but must include at least the chairman, two members or employees of member firms and two non-members. The Market Regulation Department is not required to provide notice of its intent to appear before the PCC to request charges.

Each Panel shall consist of panelists who possess sufficiently diverse interests so as to ensure fairness.

The PCC shall have the power to compel any Member to appear before it and to produce all books and records relevant to the subject matter under investigation. No Member or subject of an investigation shall have the right to appear before the PCC or make any written submission on his behalf.

A Panel shall endeavor to review an investigation report prepared by the Market Regulation Department within 30 days of receipt of a report the Panel deems to be complete. The Panel shall, by majority vote, take one of the following actions:

A: If the Panel determines that a reasonable basis exists for finding that a violation of an Exchange rule may have occurred which warrants disciplinary action, it shall issue appropriate charges.

B: If the Panel determines that a reasonable basis exists for finding that a violation of an Exchange rule may have occurred, but that the issuance of charges is unwarranted, it shall direct that a warning letter be issued.

C: If the Panel determines that no reasonable basis exists for finding that a violation of an Exchange rule may have occurred it shall direct that no further action be taken.

The Panel shall direct the Market Regulation Department to give notice of the charges to the respondent in accordance with Rule 407.B. and to the appropriate BCC Panel chairman.

The Market Regulation Department may appeal to the Board any refusal by a Panel to issue those charges requested by the Market Regulation Department. If such an appeal is requested, the Board shall conduct a hearing on the matter in accordance with the procedures in Rule 411.

No person shall serve on the PCC unless he has agreed in writing that he will not publish, divulge or make known in any manner, any facts or information regarding the business of any person or entity or any other information which may come to his attention in his official capacity as a member of the PCC, except when reporting to the Board or to a committee concerned with such information or to the Legal Department or Market Regulation Department, when requested by the CFTC or other governmental agency or when compelled to testify in any

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judicial or administrative proceeding.

All information, records, materials and documents provided to the PCC and all deliberations, testimony, information, records, materials and documents related thereto shall be treated as non-public and confidential and shall not be disclosed, except as necessary to further an Exchange investigation or as required by law.

407. INITIAL INVESTIGATION, ASSIGNMENT FOR HEARING AND NOTICE OF CHARGES

The Market Regulation Department shall investigate alleged rule violations. Investigations and all information and documents obtained during the course of an investigation shall be treated as non-public and confidential and shall not be disclosed, except as necessary to further an Exchange investigation or as required by law. The Market Regulation Department is authorized to take recorded interviews of Members pursuant to an Exchange investigation.[1]

The Market Regulation Department may take oral depositions of witnesses during an investigation. The Member under investigation shall be given at least five days written notice of the time of the deposition and place where the witness will be deposed, which may be at any location within the United States. The Member under investigation shall have the right to be present in person or by representative at the oral deposition, with right of cross-examination. All oral depositions of witnesses shall be taken under oath, before an officer qualified in the place of the deposition to administer oaths, and the complete testimony of the witnesses shall be transcribed by such officer or by a person under his supervision. Oral depositions taken in accordance with this rule shall be admissible in evidence at any hearing of the Board of Directors or a committee, reserving to the Member under investigation the right to object at the hearing to the relevancy or materiality of the testimony contained therein.

Upon conclusion of an investigation, the Market Regulation Department may issue a warning letter to the Member under investigation. Such letter shall not constitute either the finding of a rule violation or a penalty.

If the Market Regulation Department has reasonable cause to believe an offense has occurred which should be dealt with by a panel of the BCC ("BCC Panel"), it shall request a panel of the PCC ("PCC Panel") to convene to consider its recommendation for charges. The Market Regulation Department's presentation to the PCC Panel shall not constitute an ex parte communication as described in Rule 417.

407.A. Investigation File

The Market Regulation Department shall maintain a file once an investigation is initiated. The file shall include any materials in the possession of the Market Regulation Department that may be relevant to the conduct being investigated. In any matter in which a PCC Panel issues charges, the investigation file shall include an investigation report prepared by the Market Regulation Department. A member charged with a violation of the rules shall have the right to review the evidence in the investigation file relevant to the issued charges, provided, however, that protected attorney work product, attorney-client communications and investigative work product, including, but not limited to, the investigation report and any exception reports, are neither discoverable by a respondent in disciplinary proceedings nor subject to review by a respondent as part of the investigation file. Production of the investigation report to a PCC Panel shall not constitute a waiver of the protected and/or privileged nature of such report.[2]

407.B. Notice of Charges; Opportunity for Hearing

The notice of charges shall set forth the alleged misconduct and the rule(s) alleged to have been violated, and shall advise the respondent regarding the submission of a responsive answer to each charge in accordance with Rule 407.C. Further, the notice shall advise the respondent that the matter will be heard by a BCC Panel and of the time and place for the hearing, if known. The respondent shall also be advised of his right to appear personally at the hearing and of his right to be represented by legal counsel or a member of the Exchange, other than a member of the charging or hearing committee, a member of the Board or an employee of the Exchange. A respondent may waive his right to a hearing within 10 days of receipt of the notice of charges.

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[2] Revised December 2008.

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A respondent who elects to waive his right to a hearing on the charges will be notified of the date on which the BCC Panel will render its decision. Upon a finding of guilt on any charge, the BCC Panel will promptly determine what penalties, if any, are to be imposed and their effective date. A respondent who has waived his right to a hearing and/or admitted the charges against him will be advised of his right to participate in the hearing solely with respect to the penalty.

407.C. Answer to Charges

The respondent shall have 21 days after notice to submit a written answer to the charges. Upon a showing of good cause, the BCC Panel chairman may extend the period of time in which the respondent is required to submit his answer. The answer must state that the respondent admits, denies, or lacks sufficient knowledge to admit or deny each charge. A statement of lack of sufficient knowledge shall be deemed a denial. Any charge not denied in whole or in part shall be deemed admitted, and the failure to file a timely answer may be deemed an admission to the charges. If all the charges are admitted, the respondent shall be deemed to waive his right to a hearing on the charges and the BCC Panel shall find that the violations alleged in the notice have been committed. The BCC Panel will determine the penalty, if any, to be imposed at a hearing, due notice of which will be provided to the respondent. The respondent shall be advised of his right to appear personally at the penalty hearing and advised of his right to be represented by legal counsel or another member of the Exchange, other than a member of the charging or hearing committee, a member of the Board or an employee of the Exchange.

If an answer contains both an admission to one or more charges and a denial of one or more charges, the BCC Panel will consider the penalties which may be imposed for the admitted charges at the same time as the charges denied by the respondent are considered.

408. CONDUCT OF HEARINGS

408.A. General[1]

All disciplinary proceedings conducted before a panel of the BCC or before a hearing panel of the Board of Directors (collectively, "Panel") shall be conducted in accordance with the following procedures. Hearings shall be fair. The respondent shall have the right to appear personally at the hearing and to be represented by legal counsel or a member of the Exchange, other than a member of the charging or hearing committee, a member of the Board, a potential respondent or witness, or an employee of the Exchange. The Panel or its chairman shall have the power to compel any Member to attend, testify and/or produce evidence in connection with the hearing.

The BCC's counsel shall, in writing, notify the respondent of the names of the persons on the Panel at least seven days in advance of the originally scheduled hearing date. Parties to the hearing may request the Panel chairman to strike any panelist for good cause shown. The Panel chairman may then excuse such panelist and direct that an alternate panelist be appointed.

408.B. Pre-Hearing[2]

1. Procedural and Evidentiary Matters

The Panel chairman may require a pre-hearing conference.

The Panel chairman shall have the authority to decide all procedural and evidentiary matters and all pre-hearing motions, and the chairman's decision shall be final. Notwithstanding the preceding sentence, a motion to dismiss any or all of the charges may be granted only by the Panel. The Market Regulation Department may appeal to the Board any decision of the Panel to grant such a motion. If such an appeal is requested, the Board shall conduct a hearing on the matter in accordance with the procedures in Rule 411.

Pre-hearing motions must be submitted in writing to the BCC's counsel and a copy shall also be provided to the Market Regulation Department. Motions to dismiss any or all of the charges must be submitted at least 21 days in advance of the originally scheduled hearing date and a copy shall also be provided to the Market Regulation Department. Upon receipt, the Market Regulation Department shall have seven days to submit a written response to the BCC's

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[2] Revised December 2008.

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counsel, and shall provide a copy to the respondent.

Any pre-hearing motions not specifically covered by these rules must be filed at least five business days in advance of the hearing.

Prior to the hearing, the respondent may examine all evidence which is to be relied upon by the Market Regulation Department during the hearing, or which is relevant to the charges. However, the respondent shall not be entitled to examine protected attorney work product, attorney-client communications or investigative work product, including, but not limited to, the investigation report and any exception reports. The respondent may obtain a copy of all such evidence, and any copying costs shall be the sole responsibility of the respondent. A respondent who seeks documents that are not in the possession of the Market Regulation Department may request the documents from their custodian. The Market Regulation Department is not required to produce or obtain any documents that are not in its possession. Upon a showing of good cause, the respondent may petition the Panel chairman to compel the production of documents by a custodian, provided that the custodian is subject to the jurisdiction of the Exchange, the custodian has refused voluntarily to provide the documents, and the documents are relevant to the charges. The Market Regulation Department may object, in whole or in part, to any such petition.

The issuance of charges shall not restrict the Market Regulation Department from further investigating the activity underlying the charges or investigating other potential violations by the respondent.

2. Submission of Documents and Identification of Witnesses by Respondent

At least 10 days in advance of the hearing, the respondent shall submit to the Market Regulation Department copies of all documents and records upon which the respondent plans to rely at the hearing, and provide a list of, and make available for inspection by the Market Regulation Department, all books, records, names of witnesses and other tangible evidence upon which the respondent plans to rely at the hearing. The Panel may refuse to consider any books, records, documents or other tangible evidence which was not made available to, or witnesses whose names were not submitted to, the Market Regulation Department pursuant to this section.

408.C. Settlement Offers[1]

A respondent that is the subject of an investigation or charges may submit for consideration by the Panel a written offer of settlement in disposition of such investigation or charges. However, the CHRC will determine whether to accept or reject any settlement offer with respect to charges issued by the CHRC submitted more than 14 days before a scheduled BCC hearing, pursuant to Rule 403.B.

A respondent may submit a settlement offer without admitting or denying the rule violations upon which the penalty is based; provided, however, that an offer must include a consent to entry of findings by the Panel regarding the conduct and rule violations at issue and to the penalty to be imposed.

If the Market Regulation Department does not oppose the respondent's offer of settlement, the respondent's written offer of settlement and the Market Regulation Department's supporting statement shall be submitted to the Panel for consideration.

If the Market Regulation Department opposes the respondent's offer of settlement, then following the issuance of any charges by the PCC, the respondent may submit a written offer of settlement for consideration by the Panel no less than 14 days in advance of the originally scheduled hearing date. If a respondent submits an offer less than 14 days before a scheduled hearing date, or after the hearing has commenced, the offer shall not be considered unless agreed by the parties. In considering whether to accept the respondent's offer, the Panel shall examine the respondent's written offer of settlement and the Market Regulation Department's written opposition thereto.

The respondent may withdraw his offer at any time prior to final acceptance of the offer by the Panel. If the Panel accepts the offer, a written decision setting forth the Panel's findings and sanction shall be issued, and written notice of the decision shall be given to the respondent.

If the Panel rejects the offer, the respondent will be notified of the rejection and the offer will be

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deemed withdrawn. If an offer is withdrawn or rejected by the Panel, the respondent shall not be deemed to have made any admissions by reason of the offer and shall not otherwise be prejudiced by having submitted the offer.

The Panel chairman may decline to convene the Panel to consider a settlement offer. Upon consent by the respondent, any hearing that follows a rejected settlement offer will be heard by the same Panel.

In submitting a settlement offer, the respondent waives his right to a hearing and to appeal the Panel's decision if the offer is accepted; the respondent also waives any claim of bias or prejudgment on the part of the Panel.

408.D. Hearings

The Market Regulation Department shall be a party to the hearing and shall present evidence on the charges. The Market Regulation Department and the members of the Panel may question any witness and examine all the evidence stipulated to or presented at the hearing. The respondent shall be entitled to appear personally, testify, produce evidence, call witnesses on his own behalf and cross-examine any witness. The Market Regulation Department bears the burden of establishing the basis for a finding of guilt on any charge by a preponderance of the evidence. Formal rules of evidence shall not apply.

All testimony and documents produced in connection with a disciplinary hearing shall be deemed non-public and confidential and shall not be disclosed except in connection with proceedings resulting from that hearing or as required by law. A recording or other substantially verbatim record of the hearing shall be made and become part of the record of the proceeding. If a respondent requests a transcript, he shall be solely responsible for the cost of producing the transcript.

A majority vote of the Panel is required for a finding of guilt. A respondent that is found not guilty shall not again be charged with or tried for the same underlying conduct. In the event of a finding of guilt, the Panel may request additional information or argument from the parties as to the appropriate nature and amount of a sanction prior to determining such sanction. In the absence of exceptional circumstances, as determined by the Panel chairman, such argument shall proceed immediately upon the conclusion of the evidence and determination of the committee.

408.E. Decisions

Promptly following a hearing, the respondent shall be issued a written decision of the Panel's findings, which shall include: the notice of charges (or a summary thereof); the answer to the charges, if any (or a summary thereof); a brief summary of the evidence produced at the hearing; a statement of findings and conclusions with respect to each charge, including the specific rules which the respondent is found to have violated; a declaration of any penalty imposed and the effective date of such penalty; and the availability, if any, of an appeal of the decision within the Exchange or to the Commodity Futures Trading Commission.

409. SUMMARY PROCEEDINGS BEFORE THE FLOOR CONDUCT COMMITTEE

409.A. Jurisdiction

A member of the Pit Committee, a member of the Floor Conduct Committee, or a designated representative of the Market Regulation Department shall have the authority to issue charges against an individual with respect to trading infractions as set forth in Rule 514. A panel of the Floor Conduct Committee shall have authority to conduct summary proceedings with respect to charges under Rule 514.

Charges against an individual shall be issued by filing the appropriate forms with the Market Regulation Department and by giving a copy to the respondent.

409.B. Selection of the Panel

For proceedings before the Floor Conduct Committee, the Chief Regulatory Officer or his designee, in consultation with a Floor Conduct Committee Co-Chairman, shall select a panel consisting of three additional members of the Floor Conduct Committee, which may include other Co-Chairmen of the committee. The Chief Regulatory Officer shall endeavor to rotate the members serving on the panels.

No panelist may serve on the particular panel if he or any person, firm, or broker association with which he is affiliated has a personal, financial, or other direct interest in the matter under

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consideration.

409.C. Conduct of Summary Proceedings[1]

A summary proceeding before the Floor Conduct Committee shall be conducted in a fair and impartial manner.

A summary proceeding before the Floor Conduct Committee shall take place as soon as practicable after the issuance of charges. The proceeding will not be recorded. The respondent shall be entitled to appear personally and answer the charges issued. Respondents and witnesses may not be represented by counsel at a summary proceeding. However, an employee without membership privileges who is a respondent may be represented by a single representative of his employer. A panel shall decide by a majority vote whether the individual is guilty of the violation or offense charged. If the accused individual is found guilty, a panel may impose fines in accordance with Exchange rules. A witness who fails to appear at a summary proceeding after being directed to do so by the Chairman of the panel or by staff may be charged with a violation of Rule 432.

If a panel of the Floor Conduct Committee, by a majority vote, decides that the matter is of major importance or might warrant a penalty in excess of its own authority, the Chairman of the Panel shall refer the matter to the PCC and shall inform the individual of this referral in writing.

409.D. Appeals

An individual found guilty of an offense who receives a fine greater than $1,000 may, within 10 days of the decision, file a written appeal of the decision with the Market Regulation Department. A written appeal that fails to specify the grounds for the appeal and the specific error or impropriety of the original decision shall be dismissed by the Chief Regulatory Officer. The appeal shall be heard by a Panel of the BCC ("BCC Panel") whose decision shall be final. The appellant shall be entitled to be represented by counsel, appear personally before the BCC Panel and present evidence that he may have in support of his appeal. The BCC Panel shall not set aside, modify or amend the appealed decision unless it determines, by majority vote, that the decision was:

1. Arbitrary, capricious, or an abuse of the committee's discretion;
2. In excess of the committee's authority or jurisdiction; or
3. Based on a clearly erroneous application or interpretation of Exchange rules.

410. HEARINGS BEFORE A HEARING PANEL OF THE BOARD OF DIRECTORS[2]

Whenever a hearing is scheduled to be held before a hearing panel of the Board ("Panel"), the Chairman of the Board shall appoint a director to serve as the Panel chairman, who shall conduct the hearing, and two additional directors to serve on the Panel. One of these directors shall be a non-member. A majority decision by the Panel shall be considered the action of the Board as a whole.

This rule shall not create any right to a hearing before a Panel that is not otherwise provided for in other rules of the Exchange. The Chairman of the Board shall determine, in his sole discretion, whether sufficient grounds exist to hold a hearing with respect to any matter that is not addressed by other Exchange rules.

Each Panel that conducts a hearing or proceeding shall consist of directors that possess sufficiently diverse interests so as to ensure fairness. In a disciplinary matter, the hearing shall be conducted in accordance with the provisions of Rule 408.

No member of the Board may serve on a particular Panel if he participated on the charging committee or has a personal, financial or other direct interest in the matter under consideration or is a member of the same broker association as the respondent.

411. APPEAL TO A HEARING PANEL OF THE BOARD OF DIRECTORS

The Market Regulation Department may request an appeal to a hearing panel of the Board ("Appellate Panel") regarding a final decision of or sanction imposed by the BCC, or any refusal by the PCC to issue those charges requested by the Market Regulation Department, by filing a request for an appeal with the Exchange Legal Department within 10 business days

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[2] Revised December 2008.

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after receiving notice of such decision, sanction or refusal. Filing of a request for an appeal by the Market Regulation Department shall stay any decision that is appealed unless the Chairman of the Board or the chairman of the BCC Panel from which the appeal is taken specifically directs that the decision is not stayed pending appeal.[1]

A Member found guilty of an offense or otherwise aggrieved by a final decision of the BCC, may, within 10 business days of being provided notice of any such decision, unless specifically prohibited, request an appeal to an Appellate Panel provided that the decision assesses a monetary sanction greater than $10,000 and/or an access denial or suspension of any membership privileges for greater than five business days against the Member. Filing of a request for an appeal by a Member shall stay the decision appealed unless the Market Regulation Department objects to such a stay and the Chairman of the Board or the chairman of the BCC Panel from which the appeal is taken specifically directs that the decision is not stayed pending appeal.

Upon receiving the written request for an appeal, the Appellate Panel, by a majority vote, shall determine whether sufficient grounds exist to hold a hearing on the appeal. The Appellate Panel may only determine that sufficient grounds exist if there is a reasonable basis to conclude that the appellant might be able to meet one of the standards identified below that would permit the Appellate Panel to set aside, modify or amend the appealed decision or the refusal to issue charges. The Appellate Panel's determination shall be based solely upon the written request and, in the case of an appeal of a BCC decision, any written response by the opposing party. The Appellate Panel's determination of whether to hold a hearing on an appeal shall be final.

If the Appellate Panel grants the appellant's request for a hearing, the appeal shall be heard within 60 days of the filing of the request for an appeal, unless the chairman of the Appellate Panel determines that good cause for an extension has been shown.

The appellate hearing shall be limited to the record from the appealed proceeding. The Appellate Panel shall not entertain any new evidence or new legal theory not raised in the prior proceeding except upon a clear showing by the appellant that such new evidence or new legal theory did not exist or was not ascertainable by due diligence at the time of the proceeding, and that there was insufficient time within the intervening period prior to the hearing of the Appellate Panel for the appellant to bring such new evidence or legal theory to the attention of the BCC or the PCC, as applicable. The chairman of the Appellate Panel shall allow the filing of briefs in connection with the appeal of a decision of the BCC. The Appellate Panel shall review the investigation report in connection with the appeal of a refusal by the PCC to issue those charges requested by the Market Regulation Department.

No member of the Board may serve on a particular Appellate Panel if he participated on the PCC Panel that issued, or considered issuing, the charges, or on the BCC Panel that issued the decision, or if he has a personal, financial, or other direct interest in the matter under consideration or is a member of the same broker association as the respondent or potential respondent.

The Chairman of the Board shall appoint a director to serve as the Appellate Panel chairman, who shall conduct the hearing, and two additional directors to serve on the Appellate Panel. One of these directors shall be a non-member. Any party to the appeal may request the Chairman of the Board to strike any director for good cause shown. The Chairman of the Board may then excuse such director and shall then select an alternate director from the Board. An Appellate Panel shall consist of directors that possess sufficiently diverse interests so as to ensure fairness.

The Appellate Panel shall not set aside, modify or amend the appealed decision or the refusal to issue charges unless it determines, by a majority vote, that the decision or the refusal to issue charges was:

A. Arbitrary, capricious, or an abuse of the committee's discretion;

B. In excess of the committee's authority or jurisdiction; or

C. Based on a clearly erroneous application or interpretation of Exchange rules.

In the case of an appeal of a disciplinary decision, the Appellate Panel shall issue a written decision which shall include a statement of findings with respect to the decision from which the

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appeal was taken and the Appellate Panel's determination that such initial decision is affirmed, set aside, modified or amended in whole or in part and, with respect to any initial decision that is not affirmed in whole, the Appellate Panel's determination of the order or penalty to be imposed, if any, and the effective date. The decision of the Appellate Panel shall be deemed a decision of the Board and shall be a final decision of the Exchange.

In the case of an appeal by the Market Regulation Department of a decision by the PCC not to issue those charges requested by the Market Regulation Department, the Appellate Panel shall either affirm or set aside the decision of the PCC. If the decision is set aside, the Appellate Panel shall remand the matter to the PCC for the issuance of charges. If the decision is affirmed, the Appellate Panel shall direct that no further action be taken and such decision shall be deemed a decision of the Board and shall be a final decision of the Exchange.

In the case of an appeal by the Market Regulation Department of a decision by the BCC to grant a respondent's motion to dismiss any or all of the charges, the Appellate Panel shall either affirm or set aside the decision of the BCC with respect to each dismissed charge. If the decision is set aside with respect to any dismissed charge, such charge shall be deemed to be reinstated and disciplinary proceedings with respect to all of the charges shall be conducted before a different panel of the BCC pursuant to the procedures in Rule 408. If the decision is affirmed with respect to any dismissed charge, the Panel shall direct that no further action be taken with respect to such dismissed charge and such decision shall be deemed a decision of the Board and shall be a final decision of the Exchange.

This rule shall not apply to appeals of Arbitration Committee decisions, which shall be governed by the rules contained in Chapter 6.

412. SUMMARY ACTION

In cases of action taken against a Member pursuant to Rules 976 or 977, the Member affected shall be notified in writing of such action. The notice shall state: the action taken; the reason for action; and the effective time, date and duration thereof.

The Member may, within two business days following receipt of notice of action taken, request a hearing before a hearing panel of the Board ("Panel") pursuant to Rule 410. The hearing shall be conducted within 60 days of such request, in accordance with the requirements of Rule 408, unless the chairman of the Panel determines that good cause for an extension has been shown, but shall not stay any action taken pursuant to Rules 976 or 977.[1]

Following the hearing, if any, the Panel shall cause to be prepared a written decision containing: a description of the summary action; the reasons for such action; a description of the evidence produced at the hearing; findings and conclusions; a determination that the summary action should be affirmed, set aside, modified or amended and the reasons therefor; and the effective date and duration, if any, of subsequent or continuing actions. The Panel shall not set aside, modify or amend the summary action taken against a Member unless it determines, by a majority vote, that the summary action taken was:

A. Arbitrary, capricious, or an abuse of the committee's discretion; or

B. In excess of the committee's authority or jurisdiction.

413. SUMMARY ACCESS DENIAL ACTIONS

413.A. Authority to Deny Access[2]

Members may be: (1) denied access to any or all CME Group markets; (2) denied access to the Globex platform; (3) denied access to any other electronic trading or clearing platform owned or controlled by CME Group; or (4) immediately removed from any trading floor owned or controlled by CME Group, by the Chief Regulatory Officer or his delegate upon a good faith determination that there are substantial reasons to believe that such immediate action is necessary to protect the best interests of the Exchange.

Non-members may be denied access to any or all CME Group markets or be denied access to the Globex platform or any other electronic trading or clearing platform owned or controlled by CME Group by the Chief Regulatory Officer or his delegate upon a good faith determination

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[2] Revised April 2008; December 2008.

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that there are substantial reasons to believe that such immediate action is necessary to protect the best interests of the Exchange

413.B. Notice

Promptly after an action is taken pursuant to Rule 413.A., the Member shall be informed of the action taken, the reasons for the action, and the effective date, time and the duration of the action taken. The Member shall be advised of his right to a hearing before a panel of the BCC ("Panel") by filing notice of intent with the Market Regulation Department within 10 business days of the Notice date.

413.C. Hearing

The Member shall have the right to be represented by legal counsel or a member of the Exchange, other than a member of the BCC, a member of the PCC, a member of the Board or an employee of the Exchange. The Panel shall conduct a de novo hearing solely on the issue of the denial of access in accordance with the procedures in Rule 408. Filing of a notice of intent pursuant to Rule 413.B. shall not stay the Chief Regulatory Officer's decision to deny access.

413.D. Duration of Access Denial

Any decision to deny access pursuant to Rule 413.A. or Rule 413.C. shall not remain in effect for more than 60 days unless the Chief Regulatory Officer or his delegate, upon further consideration of the circumstances that resulted in a prior access denial action, provides written Notice to the Member advising that the Member's access will be denied for an additional period of time not to exceed 60 days. Such Notice shall comport with the provisions of Rule 413.B. At any time, a Member may petition the BCC to reconsider the access denial based upon materially changed circumstances.

414. INVESTIGATIONS BY OTHER SELF-REGULATORY ORGANIZATIONS

If a self-regulatory organization that is a party to an information sharing agreement with the Exchange requests assistance in connection with an investigation, the Chief Regulatory Officer may direct a Member to submit to an examination by the requesting self-regulatory organization and to produce information pertinent to that investigation. The request for assistance shall describe the investigation, explain why Exchange assistance is necessary and describe the scope of assistance sought. An order directing a Member to submit to an examination shall be issued unless the Chief Regulatory Officer determines that such order would not be in the best interests of the Exchange. An examination pursuant to such order shall be conducted according to Exchange rules and shall be conducted on Exchange premises under the direction of Exchange staff. At the discretion of the Chief Regulatory Officer, representatives of the requesting self-regulatory organization may observe and participate in the examination. Failure to comply with an order issued under this rule shall be an offense against the Exchange.

415. COOPERATION WITH OTHER EXCHANGES AND CLEARING ORGANIZATIONS

The Chief Executive Officer or the President, or their delegates, are authorized to provide information to an exchange or clearing organization that is a party to an information sharing agreement with the Exchange, in accordance with the terms and conditions of such agreement.

416. CONFLICTS OF INTEREST

416.A. Abstention Requirements

A member of a charging, adjudicating, or appeal committee or panel must abstain from participating in any matter where such member:

1. Is a witness, potential witness, or a party;
2. Is an employer, employee, or co-worker of a witness, potential witness, or a party;
3. Is associated with a witness, potential witness, or a party through a broker association as defined in Exchange rules;
4. Has any significant personal or business relationship with a witness, potential witness, or a party, not including relationships limited to (a) executing futures or options transactions opposite each other, or (b) clearing futures or option transactions through the same

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clearing member; or

5. Has a familial relationship to a witness, potential witness, or a party.

416.B. Disclosure of Relationship

1. Prior to the consideration of any matter involving a subject, each member of a charging, adjudicating, or appeal committee or panel must disclose to the appropriate Exchange staff whether he or she has one of the relationships listed in Rule 416.A. above with the subject.
2. In its sole discretion, Exchange staff shall determine whether any member of the committee or panel is required to abstain in any matter.

417. PROHIBITED COMMUNICATIONS

417.A. *Ex Parte* Communications

Unless on notice and opportunity for all parties to participate:

1. No subject or respondent (or any counsel to or representative of a subject or respondent) or the Market Regulation Department (or any counsel to or representative of the Market Regulation Department) shall knowingly make or cause to be made an ex parte communication relevant to the merits (which shall not include scheduling and procedural matters) of an investigation or a proceeding to a member of a charging, adjudicatory, or appeal committee or panel with respect to that matter or proceeding.
2. No member of a charging, adjudicating, or appeal committee or panel that is participating in a decision with respect to an investigation or a proceeding shall knowingly make or cause to be made to a subject or respondent (or any counsel to or representative of a subject or respondent) or the Market Regulation Department (or any counsel to or representative of the Market Regulation Department) an ex parte communication relevant to the merits (which shall not include scheduling and procedural matters) of that matter or proceeding.

417.B. Communications with Panelists

No member shall attempt to influence disciplinary matters pending before a charging, adjudicatory, or appeal committee by discussing, or attempting to discuss, such pending matters with a member of such committee or any member of the Board.

417.C. Disclosure

Any person who receives, makes or learns of any communication which is prohibited by this rule shall promptly give notice of such communication and any response thereto to the Market Regulation Department and all parties to the proceeding to which the communication relates. A person shall not be deemed to have violated this rule if the person refuses an attempted communication concerning the merits of an investigation or proceeding as soon as it becomes apparent that the communication concerns the merits.

418.-431. [RESERVED]

432. GENERAL OFFENSES

It shall be an offense:

A. to have an interest in, operate or knowingly act on behalf of a bucket-shop, or knowingly make any transaction with a bucket-shop;

B. to engage in fraud, bad faith or in conduct or proceedings inconsistent with just and equitable principles of trade;

C. to engage in dishonest conduct;

D. to create or report a false or fictitious trade;

E. to extort or attempt extortion;

F. to buy or sell any Exchange futures or options contract with the intent to default on such purchase or sale;

G. to act as both buyer and seller in the same transaction;

H. to engage in, or attempt to engage in, the manipulation of prices of Exchange futures or options contracts; to corner or squeeze, or attempt to corner or squeeze, the underlying

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cash market; or to purchase or sell, or offer to purchase or sell Exchange futures or options contracts, or any underlying commodities or securities, for the purpose of upsetting the equilibrium of the market or creating a condition in which prices do not or will not reflect fair market values;

I. to make a verbal or written material misstatement to the Board, a committee, or Exchange employees;

J. to knowingly disseminate false, misleading or inaccurate information concerning crop or market information or conditions that affect or may affect the price of any Exchange futures or options contract or spot transaction in the underlying commodity;

K. to trade or accept performance bonds after insolvency;

L. 1. to fail to appear before the Board, Exchange staff or any investigative or hearing committee at a duly convened hearing or in connection with any investigation;

   2. to fail to fully answer all questions and produce all books and records at such hearing or in connection with any investigation, or to make false statements;

   3. to fail to produce any books or records requested by Exchange staff in connection with an investigation within 10 days after such request is made or such shorter period of time as determined by the Market Regulation Department in exigent circumstances or to fail to appear at a scheduled staff interview;

M. to use or disclose, for any purpose other than the performance of an individual's official duties as a member of any committee or the Board of Directors, any non-public information obtained by reason of participating in any Board of Directors or committee meeting or hearing;

N. to knowingly accept, directly or indirectly, a trade on the Exchange for the account of a non-member employed on the floor of the Exchange;

O. for a Member to permit the use of its facilities or membership privileges in a manner that is detrimental to the interest or welfare of the Exchange or results in a violation of Exchange Rules or the Commodity Exchange Act;

P. for a Clearing Member to fail to maintain minimum financial requirements;

Q. to commit an act which is detrimental to the interest or welfare of the Exchange or to engage in any conduct which tends to impair the dignity or good name of the Exchange;

R. to fail to submit to arbitration any dispute which Exchange staff, an arbitration panel or the Board decides should be arbitrated pursuant to Chapter 6; or to fail to comply with a final arbitration award;

S. to fail, after hearing, to comply with an order of the Board, Exchange staff or any hearing committee;

T. to engage in dishonorable or uncommercial conduct;

U. except where a power of attorney or similar document has been executed pursuant to Rule 956, for a Member to accept or transmit a customer order which has not been specifically authorized, i.e., the customer has not specified commodity, contract month, quantity, time and price;

V. to be expelled from a U.S. or foreign designated commodities or securities exchange;

W. for a Member to fail to diligently supervise its employees and agents in the conduct of their business relating to the Exchange;

X. for a Member to aid or abet the commission of any offense against the Exchange;

Y. to improperly use the Globex platform or any electronic trading or clearing platform owned or controlled by CME Group or permit the unauthorized use of such platforms; and/or

Z. for a Member to fail to disclose to the Exchange and his qualifying Clearing Member that an involuntary bankruptcy petition has been filed against him or, in the case of a voluntary bankruptcy proceeding, that he has filed or has formed a definite intention to file for bankruptcy.

433. STRICT LIABILITY FOR THE ACTS OF AGENTS[1]

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Pursuant to Section 2(a)(1)(B) of the Commodity Exchange Act, and nothwithstanding Rule 432.W., the act, omission, or failure of any official, agent, or other person acting for any Member within the scope of his employment or office shall be deemed the act, omission or failure of the Member, as well as of the official, agent or other person who committed the act.

434. [RESERVED]

435. EFFECT OF SUSPENSION OR EXPULSION[1]

The effects of a suspension or expulsion from membership shall apply to all CME Group markets in which the suspended or expelled member has membership privileges.

Unless otherwise determined by the committee with jurisdiction over such matters, a suspended or expelled Member shall not be entitled to any of the privileges of membership during the period of such suspension or expulsion, including, but not limited to, the right to:

A. access any trading floor owned or controlled by CME Group;

B. access the Globex platform or any other electronic trading or clearing platform owned or controlled by CME Group;

C. obtain member rates;

D. any applicable cross-exchange trading privileges; and

E. lease out an owned membership.

436. [RESERVED]

437. NOTICE OF DISCIPLINE

Notice, in accordance with Section 8c(a)(2) of the Commodity Exchange Act, shall be made available to an internet accessible computer database at the National Futures Association and shall be provided to any Member who is suspended, expelled, disciplined or denied access to the Exchange within 30 days after the decision becomes final. Additionally, a written notice shall be posted on the floor of the Exchange for five business days promptly after the disciplinary action becomes effective. The notice shall include the Member's name, the rule(s) violated, the reason for the Exchange's action, and the action taken or penalty imposed.

438. [RESERVED]

439. MEMBER'S INDEMNIFICATION LIABILITY

A Member or former Member shall indemnify and hold harmless the Exchange, Chicago Mercantile Exchange Holdings Inc., the New York Mercantile Exchange Inc., CME Alternative Marketplace Inc., and solely in its capacity as a provider of auction services for CME Alternative Marketplace Inc., the International Securities Exchange, including each of their respective subsidiaries and affiliates (collectively, the indemnified parties) and their officers, directors, employees, and agents, for any and all losses, damages, costs and expenses (including attorneys' fees) incurred by the indemnified parties as a result (directly or indirectly) of such Member's violation or alleged violation of Exchange rules or state or federal law.

Any charges arising out of this rule shall be subject to liens as provided in Rule 110(a).

440. CLAIMS BY MEMBERS

A Member who commences a legal action against the Exchange, its directors, officers, employees, or agents, or another Member of the Exchange without first resorting to and exhausting the procedures established by Rule 110 and the mandatory arbitration provisions of Chapter 6 (including appeals to the Board), or any other rules relating to settlement of disputes arising out of transactions or matters pertaining to the Exchange shall be deemed to have committed an act detrimental to the interest or welfare of the Exchange. This rule shall not abrogate an individual's right to reparations pursuant to Section 14 of the Commodity Exchange Act.

A Member who commences a legal action against the Exchange, its directors, officers, employees, or agents, after he has exhausted all of the procedures established by the Exchange, may be found to have committed an act detrimental to the interest or welfare of the

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Exchange in the event that at hearing the Board or the BCC determines that the Member's action was not meritorious or warranted.

441. COMMUNICATIONS WITH THE PUBLIC AND PROMOTIONAL MATERIAL

Promotional material and similar information issued by Members shall comply with the requirements of National Futures Association Rule 2-29, as amended.

442. NOTIFICATION OF SIGNIFICANT EVENTS

Each Member shall immediately notify the Market Regulation Department in writing upon becoming aware of any of the following events relating to such Member:

1. any suspension, expulsion, revocation or restriction of such Member's trading privileges or any fine in excess of $25,000, through an adverse determination, voluntary settlement or otherwise, by any court, commodity or securities exchange or related clearing organization, the Securities and Exchange Commission, the Commodity Futures Trading Commission or the securities commission or equivalent authority of any state, territory, the District of Columbia or foreign country, the National Futures Association, the National Association of Securities Dealers, Inc., or any self-regulatory or regulatory organization;
2. any indictment of the Member or any of its officers for, any conviction of the Member or any of its officers of, or any confession of guilt or plea of guilty or nolo contendere by the Member or any of its officers to 1) any felony or 2) any misdemeanor involving, arising from, or related to the purchase or sale of any commodity, security, futures contract, option or other financial instrument or involving or arising from fraud or moral turpitude; and/or
3. any involuntary bankruptcy petition that has been filed against such Member, or in the case of a voluntary bankruptcy proceeding, when such Member has filed or has formed a definite intention to file for bankruptcy.

Nothing in this rule shall limit or negate any other reporting obligations that any member may have to the Exchange or any other regulator or person.

443. POSITION LIMIT VIOLATIONS

The Market Regulation Department and the BCC shall have the authority to enforce the position limit rules of the Exchange. For purposes of this rule, any positions in excess of those permitted under the rules of the Exchange shall be deemed position limit violations. Additionally, any person making a bid or offer that would, if accepted, cause such person to exceed the applicable position limits shall be in violation of this rule.

If a position exceeds position limits as a result of an option assignment, the person who owns or controls such position shall be allowed one business day to liquidate the excess position without being considered in violation of the limits. Additionally, if, at the close of trading, a position that includes options exceeds position limits when evaluated using the delta factors as of that day's close of trading, but does not exceed the limits when evaluated using the previous day's delta factors, then the position shall not constitute a position limit violation.

A clearing member shall not be in violation of this rule if it carries positions for its customers in excess of the applicable position limits for such reasonable period of time as the firm may require to discover and liquidate the excess positions. For the purposes of this rule, a reasonable period of time shall generally not exceed one business day.

A customer who exceeds the position limits as a result of maintaining positions at more than one clearing member shall be deemed to have waived confidentiality regarding his positions and the identity of the clearing members at which they are maintained. A clearing member carrying such positions shall not be in violation of this rule if, upon notification by the Market Regulation Department, it liquidates its pro-rata share of the position in excess of the limits or otherwise ensures the customer is in compliance with the limits within a reasonable period of time.

443.A. First Violation

The first occurrence of a position limit violation shall result in a warning letter issued by the Market Regulation Department to the party in violation of the limit, with a copy provided to the carrying clearing member(s). In circumstances where the carrying clearing member has also committed a position limit violation as set forth in this rule by carrying such positions, a warning

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letter will be issued to the clearing member(s).

443.B. Second Violation, Sanctions and Appeals

A second position limit violation by a nonmember customer within 24 months of the issuance of a warning letter shall result in the imposition of an automatic fine by the Market Regulation Department to the nonmember customer as set forth below. Such fines will be payable to the Exchange by the clearing member(s) carrying the nonmember customer's account(s).

A second position limit violation by a member or member firm within 24 months of the issuance of a warning letter shall result in the imposition of an automatic fine by the Market Regulation Department to the member or member firm as set forth below and the issuance of a cease and desist order.

The automatic fine for a position exceeding the applicable limit by up to 25% shall be $5,000. The automatic fine for a position exceeding the applicable limit by more than 25% shall be $15,000.

Parties may, within 10 business days of being provided notice of sanctions issued pursuant to this section, request an appeal to a Panel of the Business Conduct Committee ("BCC Panel").

Upon receiving a written request for appeal, the Chairman of the BCC Panel shall determine whether there is a reasonable basis to conclude that the appellant might be able to meet one of the standards identified below that would permit the BCC Panel to set aside, modify or amend the appealed decision. The BCC Chairman's determination shall be based solely upon the written request for appeal and any written response of the Market Regulation Department. The BCC Chairman's determination of whether to hold a hearing on an appeal shall be final. If the BCC Chairman grants the appellant's request for a hearing, the chairman shall allow the filing of briefs in connection with the appeal.

The BCC Panel hearing the appeal shall not set aside, modify or amend the appealed decision unless it determines by a majority vote that the decision was:

A. Arbitrary, capricious, or an abuse of the Market Regulation Department's discretion;

B. In excess of the Market Regulation Department's authority or jurisdiction; or

C. Based on a clearly erroneous application or interpretation of Exchange rules.

The BCC Panel shall issue a written decision which shall include a statement of findings with respect to the decision from which the appeal was taken and the Panel's determination that such initial decision is affirmed, set aside, modified or amended in whole or in part and, with respect to any initial decision that is not affirmed in whole, the BCC Panel's determination of the order or penalty to be imposed, if any, and the effective date. The decision of the BCC Panel shall be final and may not be appealed.

443.C. Referral to the Probable Cause Committee

Any third or subsequent position limit violation within 24 months of the issuance of a warning letter shall be referred by the Market Regulation Department to the PCC for consideration of the issuance of charges. Additionally, notwithstanding Sections A. and B. of this rule, the Market Regulation Department, in its sole discretion, may refer any position limit violation it deems egregious to the PCC for consideration of the issuance of charges.

444. SANCTIONS AND RESTITUTION ORDERS[1]

Disciplinary fines and restitution orders issued by an Exchange disciplinary committee must be submitted to the Market Regulation Department no later than the date specified in the notice of decision. An individual who fails to make the required payment within the time prescribed will automatically forfeit the privileges of access to the trading floor, access to the Globex trading platform and preferred fee treatment until the payment has been received by the Market Regulation Department. An entity member that fails to make the required payment within the time prescribed will automatically forfeit preferred fee treatment for its proprietary trading until the payment has been received by the Market Regulation Department. Any member that fails to pay a disciplinary fine or restitution order within the prescribed time period may also be subject to sanctions pursuant to Rule 432.S

[1] Adopted December 2008.

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Members and Member Firms may, subject to a determination by the sanctioning entity, be liable for unpaid fines or unpaid restitution orders imposed upon their employees.

(End Chapter 4)

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