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Exhibit 4

COMMODITY CLEARING CORPORATIONBY-LAWS**SECTION 1 STOCKHOLDERS AND DIRECTORS**

The Corporation may have as few as one stockholder and the sole stockholder of the Corporation may be the New York Cotton Exchange.

The government of the Corporation and the management of its affairs are vested in a Board of ten directors. The directors shall annually elect a Chairman, Vice Chairman, President, Vice President, Secretary and Treasurer who shall hold office until the first meeting of the Board of Directors following the annual election of directors and until their successors are elected. The Chairman and Vice Chairman must be directors of the Corporation. No officer other than the Chairman and Vice Chairman may be a Clearing Member or be affiliated with a Clearing Member. The Board may also appoint such other officers as it may in its discretion determine.

The President, Vice President, Secretary and Treasurer shall before entering on the duties of their offices, give such bonds for the faithful performance of their duties and with such surety or sureties as the Board may require.

Any officer elected or appointed by the Board may be removed by the Board at any time with or without cause.

If the office of any officer becomes vacant, the Board may appoint any qualified person to fill such vacancy. Any person so appointed shall hold office for the unexpired term of his predecessor and until his successor is elected or appointed and qualified or until he resigns or is removed.

Any or all of the directors may be removed for cause or without cause by vote of the shareholders. The term "cause" shall include, but shall not be limited to, a violation by a director of Rule 12-B.

SECTION 2 CLASSES OF DIRECTORS

The Board of Directors shall be divided into four classes, one of such classes to consist of two directors and two such class to consist of three directors and the fourth class to consist of two directors who are not Clearing Members and who are nominated by the Board of Managers of the New York Cotton Exchange. The

directors in each class shall hold office for a period of three years or until their successors shall be elected and qualified. The term of office of the respective classes of directors shall expire at successive intervals of one year.

Each director shall be at least twenty-one years of age and two shall be members in good standing of the New York Cotton Exchange.

Vacancies in the Board of Directors, by reason of death, resignation, or other cause may be filled for the unexpired term by vote of the majority of directors then in office, although less than a quorum.

SECTION 3 MEETINGS OF THE BOARD OF DIRECTORS

- (a) Regular meetings of the Board of Directors shall be held on the third Monday of each month at such time and at such place as shall from time to time be determined by the Board. If such date should be a holiday, the meeting shall be held on the next succeeding business day. No notice need be given of the regular meetings of the Board of Directors.
- (b) Special meetings of the Board of Directors may be called by the Chairman, and shall be called by the President on the written request of three directors. Notice of a special meeting of the Board of Directors stating the place, date and hour of the meeting, shall be given to each director by mail not less than three days prior to the date of the meeting or by personal delivery or by telegram on the day prior to the date of the meeting.
- (c) Notice of any meeting of directors need not be given to any director who submits a signed waiver of notice, either before or after the meeting, or who attends without protesting the lack of notice either prior to the meeting or at its commencement.
- (d) Four directors shall constitute a quorum at any meeting of the Board of Directors. The vote of a majority of the directors present shall be required for the transaction of any business, except as may be otherwise specifically provided by law. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting.
- (e) Any action required or permitted to be taken by the Board of Directors may be taken without a meeting if all members of the Board consent in writing to the adoption of a resolution authorizing the action. The resolution and the written consents thereto by the members of the Board shall be filed

with the minutes of the proceeding of the Board.

- (f) Any one or more members of the Board of Directors may participate in a meeting of the Board by means of a conference telephone or similar communications equipment 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 such meeting.

SECTION 4 DUTIES AND POWERS OF THE DIRECTORS

The Board shall have control and management of the affairs and business of the Corporation. Without limiting the generality of the foregoing:

- (a) The Board shall be empowered to adopt such Rules not contrary to the provisions of these By-Laws with respect to the conduct of the business of the Corporation as will, in its judgment, best promote and safeguard the interests of the Corporation;
- (b) The Board may from time to time adopt, amend and repeal Rules for clearing; and
- (c) The Board shall have exclusive power to interpret the By-Laws and Rules and its rulings and its decisions thereon shall be binding on all Clearing Members.

Except as provided in Sections 3(e) and 3(f), directors in all cases shall act as a board, regularly convened.

SECTION 4-A EXECUTIVE COMMITTEE

The Board of Directors, by majority vote of the entire Board, may elect from its own number an Executive Committee, to serve at the pleasure of the Board, consisting of three or more members.

The Executive Committee shall elect from among its members a Chairman and a Secretary.

During the intervals between the meetings of the Board of Directors, the Executive Committee shall have and may exercise all the powers of the Board of Directors in the government of the Corporation and the management of its affairs, subject to such limitations as are prescribed by statute.

Meetings of the Executive Committee may be called by the Chairman of the Committee and shall be called by the Chairman at the written request of any two members thereof. All actions of the Committee shall be reported to the Board of Directors at its

meeting next succeeding the date of such action.

Notice of all meetings stating the place, date and hour thereof shall be given to each member by mail at least two days prior to the meeting, or by personal delivery or by telegram on the day prior to the date of the meeting.

Notice of any meeting need not be given to any member who submits a signed waiver of notice, either before or after the meeting, or who attends without protesting the lack of notice either prior to the meeting or at its commencement.

A majority of the members of the Committee shall constitute a quorum at any meeting thereof. The vote of a majority of the members present shall be required for the transaction of any business. If a quorum shall not be present at any meeting of the Committee, the members present thereat may adjourn the meeting.

The Board of Directors may designate one or more directors as alternate members of the Executive Committee, who may replace any absent members at any meeting.

Any action required or permitted to be taken by the Executive Committee may be taken without a meeting if all members of the Executive Committee consent in writing to the adoption of a resolution authorizing the action. The resolution and the written consents thereto by the members of the Committee shall be filed with the minutes of the proceedings of the Committee.

Any one or more members of the Executive Committee may participate in a meeting of the Committee by means of a conference telephone or similar communications equipment 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 such meeting.

SECTION 5 MEETINGS OF STOCKHOLDERS

The annual meeting of the stockholders for the election of directors and for the transaction of such other business as may be brought before the meeting shall be held on the first Monday in December of each year at 11:00 A.M. at the office of the Corporation or at such place as the Board of Directors may designate. If such date should be a holiday, the meeting shall be held on the next succeeding business day at the same hour. Written notice of the place, date and hour of the annual meeting shall be given personally or by mail to each stockholder not less than ten nor more than fifty days prior to the meeting.

Special meetings of the stockholders may be called by the Chairman or by the Board of Directors and shall be called by the

President at the written request of fifteen stockholders or, if there are fewer than fifteen stockholders, at the written request of stockholders holding a majority of the shares of the Corporation, or, if there is only one stockholder, by written request of the sole stockholder. Written notice of a special meeting of stockholders stating the place, date and hour of the meeting, the purpose or purposes for which the meeting is called, and by or at whose direction the notice is being issued, shall be given personally or by mail to each stockholder not less than ten nor more than fifty days prior to the meeting.

Notice of any meeting of stockholders need not be given to any stockholder who submits a signed waiver of notice, in person or by proxy, either before or after the meeting, or who attends the meeting, in person or by proxy, and does not protest the lack of notice prior to the conclusion of the meeting.

The holders of a majority of the shares of the Corporation issued and outstanding, present in person or represented by proxy, shall be necessary to and shall constitute a quorum for the transaction of business at all meetings of the stockholders. If a quorum shall not be present at any meeting of the stockholders, the stockholders present thereat may adjourn the meeting.

In lieu of meetings of the stockholders, whenever stockholders are required or permitted to take any action by vote, such action may be taken without a meeting on written consent, setting forth the action so taken, signed by the holders of all outstanding shares entitled to vote thereon.

SECTION 6 RESERVED

SECTION 7 CHAIRMAN AND VICE CHAIRMAN

CHAIRMAN:

The Chairman of the Board shall be the chief executive officer of the Corporation and shall preside at all meetings of the stockholders and of the Board of Directors.

VICE CHAIRMAN:

The Vice Chairman shall perform the duties of the Chairman of the Board in the absence of the Chairman.

SECTION 8 PRESIDENT AND VICE PRESIDENT

PRESIDENT:

The President shall be the chief administrative officer of the Corporation. He shall not be a member of the Board or a stockholder of the Corporation and he shall be responsible for the administration of the business affairs of the Corporation.

VICE PRESIDENT:

The Vice President shall perform the duties of the President in the absence of the President.

SECTION 9 SECRETARY AND TREASURER

SECRETARY:

The Secretary shall be the custodian of the minutes of all meetings of the stockholders, of the Board of Directors and of Committees. Said minutes may be prepared by the President or the Secretary. The Secretary shall give or cause to be given notice of all meetings of stockholders, Board of Directors and Committees. Such notice may also be given by the President or by any person so directed by the President. The Secretary shall have charge of the corporate books and records. He shall have custody of the seal of the Corporation and shall affix the seal to all instruments requiring such seal.

TREASURER:

The Treasurer shall have charge of all funds and securities of the Corporation, shall endorse the same for deposit or collection when necessary and deposit the same to the credit of the Corporation in such banks or depositories as the Board of Directors may authorize. The Treasurer and any other officer designated by the Board may endorse all commercial documents requiring endorsements for or on behalf of the Corporation and may sign all receipts and vouchers for payment made to the Corporation.

SECTION 9-A

INDEMNIFICATION OF DIRECTORS AND OFFICERS

- (a) Any person made a party to an action by or in the right of the Corporation to procure a judgment in its favor, or made, or threatened to be made, a party to an action or proceeding other than one by or in the right of the Corporation to procure a judgment in its favor, by reason of the fact that he, his testator or intestate is or was an officer, a member of the Board of Directors, or a member of a Committee of the Corporation, or of any other corporation of any type or kind, domestic or foreign, or any partnership, joint venture, trust, employee benefit plan or other enterprise, which he, his testator or intestate, served in any capacity at the request of the Corporation, shall be indemnified by the Corporation against judgments, fines, amounts paid in settlement, and reasonable expenses (including attorney's fees) actually incurred by him as a result of such action or proceeding, or any appeal therein, to the full extent to which the Corporation is permitted to indemnify an officer or a member of the Board of Directors pursuant to the New York Business Corporation Law.
- (b) Indemnification by Clearing Members.

In any legal proceeding brought against the Corporation or any Director or Officer or any person entitled to be indemnified by the Corporation pursuant to Section 9-A(a) (such Directors, Officers and persons are collectively referred to as "Officials") acting in his or her capacity as such, claiming, directly or indirectly, in whole or in part, that the Corporation or such Official has failed, neglected or omitted to prevent, detect or require any conduct by a Clearing Member or by an employee, partner, officer, director or agent of a Clearing Member, which conduct or lack thereof is alleged to constitute a violation of the Commodity Exchange Act, any other federal or state law, a rule or order of the Commodity Futures Trading Commission, or any By-Law or Rule of the Corporation, such Clearing Member shall indemnify and hold harmless the Corporation and each such Official from and against all loss, liability, damage and expense (including but not limited to attorneys' fees, expenses of investigating such claim, judgments and amounts paid in settlement) incurred by or asserted against the Corporation or any such Official in or in connection with any such legal proceeding.

SECTION 9-B COMMODITIES COVERED

Contracts which may be cleared by the Corporation are futures contracts and option contracts ~~traded made or which may be made~~ on the New York Cotton Exchange, the Cantor Financial Futures Exchange, Inc. ("CFFE") or any other exchange affiliated with the New York Cotton Exchange. The term "Exchange" is used to mean one of said exchanges; the term "Exchanges" is used to mean all of said exchanges.

SECTION 9-C NAME OF CORPORATION

The Corporation was organized under "New York Cotton Exchange Clearing Association, Inc." Its name was changed to Commodity Clearing Corporation on December 3, 1962. It is referred to in the By-Laws and Rules either as "the Corporation" or "the Association".

SECTION 9-D ELECTRONIC FUNDS TRANSFER

- (a) (1) Electronic Funds Transfer or wire transfer shall mean the ability to transfer funds by wire from the appropriate account of the Clearing Member into the appropriate account of the Corporation for daily variation margin settlements, intra-day variation margin settlements, advance cash or foreign currencies original margin and premiums due to the Corporation and the ability to transfer funds by wire to the appropriate account of the Clearing Member from the Corporation.
- (2) Electronic Funds Transfer or wire transfer shall also mean the ability to transfer securities, i.e., United States Government obligations, and sovereign debt as approved by the Board of Directors or common stock out of the Corporation's Original Margin Custody Account or Guaranty Fund Custody Account into the appropriate Clearing Member's account.
- (a) Sovereign debt, as used in these By-Laws, refers to obligations of the government of any nation.
- (b) (1) Each Clearing Member shall establish and maintain an original margin account at an approved depository of its choice for each of its house and customer accounts. A Clearing Member may use such accounts for the deposit of both original and variation margin or may establish and maintain a separate account at such approved depository for each of its house and customer accounts for the deposit of variation margin only.

- (2) Each clearing member who has signed a Cross Margin Clearing Member Agreement shall establish an appropriate cross margining account for its customer account, and for its house account.
- (3) Whoever clears a trade that settles in a foreign currency shall establish and maintain a foreign currency account at an approved depository for each of its house and customer accounts. A Clearing Member may use such accounts for the deposit of both original and variation margin or may establish and maintain a separate account at such approved depository for each of its house and customer accounts for the deposit of variation margin only.
- (4) All documents governing any such margin accounts shall be approved in advance by the Corporation and shall not be modified, rescinded or terminated without the Corporation's approval. The Corporation shall have the right to instruct each approved depository to debit or credit each margin account maintained by a Clearing Member in accordance with margin payments due to or from the Corporation pursuant to the margin Rules.

SECTION 10 CLEARING MEMBERS

- (a) The following shall be eligible to become Clearing Members of the Corporation:
 - (1) Individuals.
 - (2) A member firm of the New York Cotton Exchange.
 - (3) A corporation recognized as a member firm of the New York Cotton Exchange.
 - (4) A cotton cooperative association approved by the New York Cotton Exchange.
- (b) An applicant for clearing membership shall file with the Corporation an application for approval as a Clearing Member in such form as may be prescribed by the Corporation together with such financial statements and supporting documents or information as the Corporation may deem necessary to establish the financial responsibility and other qualifications of the applicant.
- (c) The application shall be subject to approval by the Board of Directors of the Corporation. If the applicant is approved as a Clearing Member by the Board he shall, as a condition to

exercising the privileges of a Clearing Member, comply with the provisions of this Section 10, as well as with any condition imposed by the Board of Directors in approving the application.

- (d) The applicant shall execute and deliver to the Corporation one or more agreements in such form as may be prescribed by the Corporation which shall, among other things, include the following agreements of the applicant:
 - (1) To clear or offer to clear through the Corporation, contracts for the future delivery of commodities made on the Exchanges with other Clearing Members.
 - (2) To abide by the By-Laws and Rules of the Corporation as they may be amended from time to time.
 - (3) That such By-Laws and Rules shall be considered to be a part of the terms and conditions of every contract or transaction which the Clearing Members may at any time make or have with the Corporation or any other Clearing Member.
- (e) The applicant shall deposit with the Corporation the contribution to the Guaranty Fund required by the By-Laws.
- (f) Clearing Members shall have the privilege to clear, through the Corporation, futures contracts and option contracts with other Clearing Members made on the Exchanges; provided, however, that no Clearing Member who is an individual or which is a firm having only one general partner may clear contracts for the account of customers. The privilege to clear through the Corporation is subject to the By-Laws and Rules which permit the Corporation to accept or to refuse to accept any contract or contracts offered to it by Clearing Members.
- (g) The financial condition of each Clearing Member shall at all times be satisfactory to the Corporation. Each Clearing Member shall furnish such financial statements and information as may be required by the Corporation from time to time in such form as may be prescribed by the Corporation.
- (h) The Corporation shall cause to be prepared and revised from time to time a list of Clearing Members who have complied with the provisions of this Section 10.
- (i) The privileges of a Clearing Member may be suspended or revoked as provided in the By-Laws or Rules.
- (j) The clearing privileges, if granted, shall be terminable by the Clearing Member only upon a date to be fixed by the

Board, which date shall be subsequent to the date when all obligations of the Clearing Member to the Corporation have been fulfilled and after such Clearing Member has made a written request for termination of clearing privileges to the Secretary of the Corporation; but that said clearing privileges may be terminated at any time by the Corporation.

All open contracts shall be closed out or transferred in accordance with Section 20-A.

In addition, an applicant shall furnish such other documentation as from time to time may be required by the Board to establish to the satisfaction of the Board the authority of the applicant to enter into the agreement referred to herein and that being a Clearing Member of the Corporation is an activity in which applicant lawfully may engage.

- (k) Upon receipt of an application for clearing privileges, the Secretary of the Corporation promptly shall notify all Clearing Members of the name and address of the applicant, which notice shall specify that if any Clearing Member has any objections to such application, it shall submit the same in writing to the Secretary within ten (10) days after the date of such notice.
- (l) The Board, in considering an application for clearing privileges, shall take into account any objections received from Clearing Members.
- (m) The Board shall have final authority to grant or deny an application for clearing privileges; provided, however, that if the Board determines to deny an application for clearing privileges, it shall notify the applicant in writing thereof, which notification shall set forth the grounds for the Board's determination, and the applicant, upon written request made within ten (10) days after the date of such notification to him or it, shall be entitled to a hearing before the Board. Any such hearing shall be conducted pursuant to rules and procedures adopted by the Board which, in the judgment of the Board, are sufficient to give such applicant an opportunity to fully and fairly present to the Board his or its reasons why he or it should be granted clearing privileges in the Corporation.

SECTION 11 METHOD OF CLEARANCE

- (a) The Corporation may accept contracts offered to it by Clearing Members for clearance, and by such acceptance shall, in place of each party to a contract so accepted and toward the other party thereto, assume the obligations imposed thereby and succeed to and become vested with all the rights and benefits accruing therefrom, assuming to the buyer the position of the seller and to the seller the position of the buyer, as the case may be. As between the Corporation and each of the parties to an accepted contract, the terms and conditions thereof shall continue in full force and effect; provided, however, that the Corporation shall have no liability to the buyer or the seller after a notice of delivery under such contract has been issued and stopped.
- (b) There are hereby established two methods for the clearance of contracts: (1) manual and (2) electronic, either of which may be adopted by the Corporation from time to time. The methods of clearance shall be as follows:
- (1) Manual. For each futures contract or option contract made on an Exchange, each Clearing Member shall, on the day when such transaction takes place, sign a memorandum slip evidencing the terms of such contract in accordance with the By-Laws and Rules of said Exchange, and shall deliver the same to such other Clearing Member. Each Clearing Member shall make and deliver to the Corporation a daily report of all such contracts in such form as may be prescribed by the Corporation. Upon the delivery of the daily report, the Clearing Member shall instruct its bank to transfer funds by wire out of such Clearing Member's account to an appropriate account of the Corporation for the amount of variation margin shown to be due on said report; or, if said report shows an amount due to the Clearing Member, payment shall be made by wire transfer from the Corporation's account.
- (2) Electronic. For each futures contract or option contract made on an Exchange, each Clearing Member shall on the day when such transaction takes place input all trade data through a computerized network system approved by the Corporation evidencing the terms of such contract.

The Corporation shall prepare a daily report for each Clearing Member based upon the trade data input of such Clearing Member which have been matched as aforesaid and shall deliver such report to the Clearing Member on or before 8:00 a.m. of the following business day for futures contracts and before 8:00 a.m. of the following

business day for option contracts. Each Clearing Member shall transfer funds by wire to the appropriate account of the Corporation for the amount of variation margin shown to be due on said report, or if said report shows an amount due to the Clearing Member, payment shall be made by transfer of funds by wire by the Corporation to the appropriate account of the Clearing Member.

Each Clearing Member shall report to the Corporation at the close of business each day the number of purchases and sales of option contracts executed on the Exchanges which are open on the member's books for each option series and class.

Daily reports shall be deemed delivered by the Corporation when they are made available to the Clearing Member at the office of the Corporation.

- (c) Each Clearing Member shall execute and deliver to the Corporation a power of attorney, in such form as the directors may approve, authorizing the Corporation to act on behalf of such Clearing Member.
- (d) The amount payable to or by the Corporation as aforesaid shall be such amount as is necessary, after allowing for amounts theretofore paid on account, to mark outstanding contracts with the Corporation, together with all other contracts set forth in the daily report, to the last settlement prices for said contracts established by the Exchanges for the maturity months mentioned in such contracts respectively. (Marking a contract to the last settlement price is the payment or receipt of the difference between the value of the contract at the contract price, and at the closing settlement price.) When trading in the current month has ceased, differences on outstanding contracts shall be settled as provided in the Rules.
- (e) Each Clearing Member shall, at the time when payments are due to or from the Corporation as aforesaid, transfer by wire funds to the appropriate account of the Corporation for any original margin that may be required under the By-Laws or Rules.
- (f) All contracts reported to the Corporation as above provided shall be deemed accepted by it when matched and daily reports are received by the Clearing Member. The refusal by the Corporation to accept any contract offered for clearance may be made by announcement from the rostrum of the floor of the Exchange. For the purpose of this subsection, "business day" shall be construed to be a day on which the Corporation is open for business.
- (g) Checks to the order of or to make payments to the Corporation

must be drawn on an approved depository.

- (h) The Board of Directors may by Rule or Rules vary the method pursuant to which payments shall be made by and to the Corporation of amounts due to and from Clearing Members, as well as the time for the delivery of daily reports and the time for payments pursuant thereto.
- (i) The terms "buyer" and "seller" as used in these By-Laws and Rules mean the Clearing Member which assumed the buy contract and the Clearing Member which assumed the sell contract, respectively.

SECTION 11-A MANUAL TRANSFER OF FUNDS

In the event that the electronic funds transfer system is not functioning, each Clearing Member shall deliver certified checks in the amount of the original and variation margin shown due to the Corporation in the manner set forth in the By-Laws and Rules. Checks for any amount shown to be due to the Corporation shall be delivered to the Corporation on or before 10:00 a.m. of said day or if an amount is due to the Clearing Member, payment shall be made by check of the Corporation to the Clearing Member. Securities or letters of credit meeting the requirements of the Corporation's By-Laws and Rules may be delivered in lieu of cash original margins.

SECTION 12 NOTICE OF DELIVERY AND EXERCISE

Notices of delivery of futures contracts and notices of exercise of option contracts may be issued to and distributed by the Corporation in accordance with such Rules and Regulations as may be adopted by the Board of Directors.

Original margins on trades on which notices have been passed shall not be released until delivery is completed, unless otherwise ordered by the Board of Directors.

SECTION 13 GUARANTY FUND

- (a) Each Clearing Member shall deposit and keep deposited with the Corporation a minimum of \$30,000 and additional amounts pursuant to Rule 9-A for its net interest for contracts it is authorized by the Corporation to carry in excess of 500 contracts ("excess carrying authorization").
- (b) Of the amount each Clearing Member is required to deposit the first \$100,000 shall be deposited in cash and any additional amounts may be deposited in cash or in direct obligations of

the United States which shall conform to and be subject to the By-Laws and Rules respecting forms of original margin and shall be in compliance with the other provisions of the By-Laws and Rules respecting securities and depositories.

- (c) The amounts so deposited shall be deposited in a special account in the name of the Corporation in such depositories as may be designated by the Board of Directors.
- (d) The amounts so deposited shall collectively constitute a fund known as the "Guaranty Fund" and shall be used as provided in the By-Laws to reimburse the Corporation for any loss sustained by the Corporation as provided in the By-Laws.
- (e) The Board of Directors shall be empowered to invest and reinvest all or part of the cash funds constituting the Guaranty Fund in obligations of the United States and/or to deposit said funds in approved depositories. Such investments and deposits shall be at the risk of the Corporation. All net income and gains on such investments and interest on such deposits shall belong to the Corporation and may be withdrawn from the Guaranty Fund and deposited with the general funds of the Corporation.
- (f) Amounts deposited by a Clearing Member for excess carrying authorization shall be returned to the Clearing Member when so authorized by the Board of Directors upon a reduction of the Clearing Member's carrying authorization and a finding that the Clearing Member has no liability with respect to the number of contracts by which the excess carrying authorization has been reduced.
- (g) After a Clearing Member ceases to be a Clearing Member of the Corporation and after all obligations, including contingent obligations, of such member to the Corporation shall have been discharged in full, the amount of such Member's contribution to the Guaranty Fund shall be returned; provided, however, that such amount may, in the discretion of the Board of Directors, be returned to such Clearing Member before such contingent obligations are determined, where such contingent obligations are assumed by another Clearing Member.
- (h) Any expense, including counsel fees, incurred by the Corporation in connection with a Clearing Member's deposit or the return thereof, may be charged to such member.

SECTION 14 ORIGINAL MARGIN AND OPTION CONTRACT MARGINS

- (a) Original margins and option contract margins in the amounts to be determined by the Board of Directors shall be deposited

- with the Corporation by each Clearing Member to secure the payment of the obligations of the Clearing Member to the Corporation on his contracts with the Corporation.
- (b) Original margins may be different for each contract cleared by the Corporation and may also be different for different futures months.
 - (c) Original margins for futures contracts shall apply to the net interest and the straddle interest of the Clearing Member for each contract computed separately. For this purpose the term "net interest" means the difference between the gross long and the gross short position of the Clearing Member, and the term "straddle interest" means the lower of the total net long position for all months and the total net short position for all months of the Clearing Member both as shown in the daily reports prepared by the Corporation.
 - (d) Original margins on option contracts shall be based upon the formulas outlined in the Rules relating to options.
 - (e) All original margins shall be transferred by wire to the Corporation's appropriate account in multiples of not less than \$500.
 - (f) Increases and decreases in original margins shall apply to existing positions and new positions of Clearing Members unless otherwise specifically provided.
 - (g) The Corporation shall give Clearing Members at least 24 hours notice of any change in original margin requirements, unless otherwise specifically provided.
 - (h) Notwithstanding the foregoing provisions of this section, the Board of Directors shall have the power to order any Clearing Member to transfer by wire to the appropriate account for additional original margin at any time whenever in its judgment it is in the interest of the Corporation to do so. A Clearing Member objecting to such order shall, on request, be entitled to a prompt hearing on its objection but such request shall not entitle it to a delay in complying with such order unless so ordered by the Board.
 - (i) The Corporation may establish cross-margining programs with one or more participating Clearing Organizations permitting Clearing Members to subject eligible positions to cross-margining treatment. Each such cross-margining program shall be conducted in accordance with a participating CO Agreement executed by the Corporation and one or more participation COs.
 - (j) Each Clearing Member electing cross-margining shall open a

"Cross-Margin Account" with the CCC and maintain "Cross-Margin Accounts" for each customer.

SECTION 15 RESERVED

SECTION 16 LIMITATIONS ON POSITIONS

No Clearing Member shall be allowed to have contracts with the Corporation representing a net interest or a straddle interest in excess of such limits as may be fixed from time to time by the Board of Directors. The limit so fixed by the Board of Directors for each contract may be different for each Clearing Member consistent with the Board's judgment as to the relationship between the risk inherent in the position and the financial condition of the Clearing Member as well as other factors deemed relevant.

A Clearing Member may request the Board to permit it to base its Guaranty Fund contribution and position limits upon an adjusted net capital less than that shown on its certified annual statement by submitting a written request to the Board setting forth the amount of its adjusted net capital on which it elects to have its Guaranty Fund contribution and position limits based. A Clearing Member may not make such a request more than once in any twelve (12) month period unless, for good cause shown, the Board determines otherwise. The Board, in its sole and absolute discretion, may grant such request in whole or in part. A Clearing Member which has been given permission pursuant to this Section may not increase its position limits for a period of six months after the date it has been given such permission by the Board unless, for good cause shown, the Board determines otherwise.

SECTION 17 FORM OF ORIGINAL MARGINS

Original margins shall be in the form of cash deposits, foreign currencies, security deposits, letters of credit, and common stock subject to the following provisions:

- (a) Cash Deposits. Original margins shall be transferred by wire to the appropriate account of such institutions as shall be designated by the Board of Directors of the Corporation as original margin depositories.
- (b) Foreign Currency Deposits. Foreign Currencies may be deposited in lieu of cash for original margins in accordance with such rules or regulations as may be promulgated from time to time by the Board of Directors.
- (c) Security Deposits. Securities may be deposited in lieu of

cash for original margins in accordance with such Rules or Regulations as may be promulgated from time to time by the Board of Directors. Such Rules or Regulations shall be subject to the following conditions:

- (1) The only securities which shall be eligible for deposit shall be direct obligations of the United States and other sovereign debt approved by the Board of Directors.
- (2) The valuation to be given to securities deposited under this Section shall be determined by the Corporation.
- (3) The Board of Directors shall have power to prescribe what amount of any required deposit shall be made in securities. It shall also have power to declare any security to be ineligible.
- (4) Deposits of securities shall be in such form as the Board of Directors may approve, and may be evidenced by certificates of deposit or such other documents which evidence ownership issued by an institution designated by the Board of Directors as an original margin depository and selected by the depositor, and shall require delivery of the securities to the depositing member upon direction of an officer of the Corporation, or delivery to the Corporation, upon the order of an officer of the Corporation countersigned by two of its Directors. Securities so deposited shall be at the risk of the depositor.
- (5) Each Clearing Member depositing securities under this section shall execute an agreement in such form as may be prescribed by the Board of Directors, which shall include provisions empowering the Corporation to sell any deposited securities and to pledge any deposited securities as collateral for a loan.

Notwithstanding the specifications of the foregoing matters, the Board of Directors shall have power to prescribe the terms under which securities may be deposited provided they are not inconsistent with the foregoing provisions.

- (d) Letters of Credit. Letters of credit may be deposited in lieu of cash for original margins in accordance with such Rules or Regulations as may be promulgated from time to time by the Board of Directors. Letters of credit shall be in such form as the Board of Directors may approve, shall be in favor of the Corporation, shall be issued by an institution designated by the Board of Directors as an original margin depository and selected by the depositor, and shall be accepted as original margin for the full principal amount

thereof, provided that the aggregate amount of letters of credit which may be accepted any time from any one original margin depository or any one Clearing Member may be limited by the Board of Directors from time to time. Such letters of credit shall be irrevocable and shall be available to be drawn upon by the Corporation by clean sight drafts which shall not expire for at least 90 days from the date of issue. No letter of credit shall be eligible for original margin deposit which has an expiration date less than 6 business days from the date of deposit, and every letter of credit which has been deposited for original margin shall cease to be eligible therefor on the fifth business day prior to its expiration date, in which case the Corporation may draw upon the issuer thereof unless a cash deposit for the principal amount, or a new letter of credit or amendment thereof which meets the foregoing requirements is substituted therefor.

- (e) Common Stock. Common Stock may be deposited in lieu of cash for original margins in accordance with cross-margining agreements and in accordance with such rules or regulations as may be promulgated from time to time by the Board of Directors.
- (f) Release of Original Margin. Original margins shall be held by the Corporation until they are not longer required. Thereafter, cash, foreign currencies or securities or the letters of credit shall be released by the Corporation accompanied by appropriate instruments of transfer or surrender.

SECTION 18 INTRA-DAY ORIGINAL MARGIN

Whenever the price of a contract has fluctuated during the day to a point where, in the opinion of any officer of the Corporation, the Corporation is not sufficiently secure by waiting until the following day to receive original margins, any officer may, at any time during the day, call any Clearing Member for intra-day original margins in such amount as in his opinion is necessary or desirable to meet the risk resulting from variations in prices. Such intra-day original margin shall be paid to or collected from the Corporation in accordance with the By-Laws and Rules.

SECTION 19 REVOCATION OF MEMBERSHIP

- (a) Upon the happening of any of the following events, the privilege of the Clearing Member shall be revoked and its right as a Clearing Member shall be terminated:
 - (1) The death of an individual Clearing Member or of a

partner of a Clearing Member firm or of an executive officer of a Clearing Member corporation where such partner or executive officer is the only partner or executive officer of the firm or corporation who is a member of the New York Cotton Exchange.

- (2) The failure of a Clearing Member to pay any obligation to the Association or to furnish margin when required under the By-Laws or Rules.
 - (3) The suspension or expulsion from membership in the New York Cotton Exchange of a Clearing Member or a partner of a Clearing Member firm or an executive officer of a Clearing Member corporation where such partner or executive officer is the only partner or executive officer of the firm or corporation who is a member of the New York Cotton Exchange, or the suspension of a firm or corporation under Rule 6.05 of the Rules of the New York Cotton Exchange; provided, however, that when the rights and privileges of a member, firm or corporation are suspended under Rule 6.05 of the Rules of the New York Cotton Exchange and the member involved requests a further hearing under said Rule, the Board of Directors may in its discretion, stay the revocation of the privilege of the Clearing Member affected for such time and under such terms and conditions as it may deem appropriate, in which case the revocation of such Clearing Member's privileges shall become effective upon the termination of such stay.
 - (4) The appointment of a receiver or trustee for, or the filing of, a petition in bankruptcy or other insolvency or reorganization proceeding for the relief of debtors against a Clearing Member or a partner of a Clearing Member firm or an executive officer of a Clearing Member corporation where such partner or executive officer is the only partner or executive officer of the firm or corporation who is a member of the New York Cotton Exchange.
 - (5) The failure of a Clearing Member to comply with any directive, order, or decision of the Board of Directors.
- (b) Whenever it appears to the Treasurer or Assistant Treasurer that any of the following events have occurred, he shall notify the Board of Directors and the Board, after giving the Clearing Member an opportunity to be heard, may, upon a finding that such event has occurred and that it is in the interest of the Association to do so, direct upon such terms as it deems appropriate, if any, that the activities of the Clearing Member be limited or that the privileges of the

Clearing Member as such be revoked and its designations as a Clearing Member be terminated:

- (1) The failure of the Clearing Member, without sufficient cause, to make a daily report to the Association of its contracts with other Clearing Members or to deliver to the Association memorandum slips evidencing the terms of such contracts, whichever may be required pursuant to the By-Laws or Rules of the Association.
 - (2) The suspension or expulsion from membership in any commodity exchange other than the New York Cotton Exchange, or in any securities exchange, of a Clearing Member or of a partner of a Clearing Member firm or an officer of a Clearing Member corporation, or the suspension or expulsion from membership in the New York Cotton Exchange of a member other than as provided in Subsection (a) (3) of this Section 19.
 - (3) The suspension of business by a Clearing Member by court order or otherwise.
 - (4) The appointment of a receiver or trustee for, or the filing of a petition in bankruptcy or other insolvency or reorganization proceeding for the relief of debtors against, a partner of a Clearing Member firm or an officer of a Clearing Member corporation who does not hold stock in the Association.
 - (5) The breach of any provision or non-fulfillment of any condition in the agreements of a Clearing Member furnished to the Association.
 - (6) The failure of a Clearing Member to maintain a satisfactory financial condition or to furnish any financial statements or information required by and pursuant to the By-Laws or Rules.
 - (7) The failure of a Clearing Member to comply with any provision of the By-Laws or Rules.
- (c) If the privilege of a Clearing Member is revoked, the Corporation shall cause all contracts remaining outstanding between such Clearing Member and the Corporation to be closed on the floor of the Exchange on which such contracts are traded by the close of business on the business day following the day of such revocation; provided, however, that if trading in such contracts is suspended or if such contracts cannot be closed because of trading limitations imposed by the contract market or for any other reason, the time for closing out such contracts shall be extended. The foregoing requirements shall not apply to contracts carried by such

Clearing Member which have been transferred to another Clearing Member or Members upon such terms and conditions as are acceptable to the Corporation. The Corporation shall have no liability by reason of any action or omission to act under this Section.

SECTION 20-A LOSSES ON DEFAULT BY CLEARING MEMBER

(1) Events of Default.

A Clearing Member shall be deemed to be in default:

- (a) When it fails for any reason whatsoever to meet any of its obligations upon its contracts with the Corporation;
- (b) When it has been expelled or suspended from the Exchange, or its partnership or corporation privileges have been terminated by the Exchange;
- (c) When it fails to pay any fee or any assessment levied upon it as provided in the By-Laws;
- (d) When it fails, omits or refuses to furnish margin when required pursuant to the By-Laws or Rules; or
- (e) When it fails or refuses to make any payment to the Guaranty Fund.

(2) Close Out or Transfer of Contracts.

Upon the default or termination by a Clearing Member, the Corporation shall cause all contracts then outstanding between the Clearing Member and the Corporation to be closed out or transferred in accordance with the following procedures:

- (a) All open contracts carried by the Corporation for such Clearing Member shall be closed out in the manner set forth in Section 20-A(2)(b) as expeditiously as is practicable but not later than the close of trading on the Exchange on the business day following such termination unless and to the extent that:
 - (i) Such open contracts are transferred to and accepted by one or more other Clearing Members; provided, however, that no open contracts carried by the Corporation for a Clearing Member whose clearing privileges have terminated may

be transferred without the prior consent of the Board, which the Board may withhold if, in its judgment, the transfer or any or all of such contracts would create or increase a deficit in the accounts of such Clearing Member with the Corporation or would otherwise be adverse to the interests of the Corporation and/or other Clearing Members;

- (ii) Such Clearing Member or its legal representative directs that any or all of such open contracts be liquidated prior thereto;
- (iii) The Chairman or any Vice Chairman or, in the absence of the Chairman or any Vice Chairman, any two members of the Board of Directors determine that, in their opinion, it is in the best interest of the Corporation and/or other Clearing Members that any or all of such open contracts be liquidated prior or subsequent thereto; or
- (iv) Such close out is delayed because of the cessation or curtailment of trading on the Exchange as a result of Exchange rules limiting fluctuations in price or because of any other suspension or termination of trading on the Exchange.

Notwithstanding the foregoing provisions of this Section 20-A (2)(a), if a Clearing Member whose clearing privileges are terminated is a Futures Commission Merchant, the Corporation shall endeavor to transfer to one or more other Clearing Members the open contracts of customers of such Futures Commission Merchant in lieu of closing out the same; provided, however, that in no event shall the Corporation, any other Clearing Member, or any director, officer, employee, or agent of the Corporation or any other Clearing Member be liable to such Futures Commission Merchant, to any customer of such Futures Commission Merchant, or to any other person because any or all of such open contracts are not so transferred.

For the purposes of the preceding sentence, the term "customer" shall not include the holder or owner of a "proprietary account" as that term is defined in Regulation Section 1.3(y) adopted by the Commodity Futures Trading Commission.

- (b) The open contracts of a Clearing Member which,

pursuant to Section 20-A(2)(a), are required to be closed out pursuant to this Section 20-A(2)(b), shall be closed out as follows:

- (i) The net open contracts carried by the Corporation for the account of such Clearing Member shall be closed out by transactions effected on the floor of the Exchange through one or more Exchange members selected by the Corporation or on the Cantor System through one or more Terminal Operators selected by the Corporation, as applicable; provided, however, that if any such net open contracts constitute long in-the-money options which are covered by futures contracts in the same commodity and having the same delivery month as the option contract month, the Board shall have the right, if it deems it preferable, to exercise such long options so that the futures positions resulting from such exercise can be closed out pursuant to Section 20-A(2)(b)(iii).
- (ii) If any net open contracts described in Section 20-A(2)(b)(i) constitute straddles which are executed on the basis of the price differential between the two parties of the straddle, the Corporation shall establish a liquidation price for each such transaction as follows:
 - (A) The liquidation price for that part of the transaction which has the nearer maturity shall be the settlement price for that maturity on the day such close out is effected; and
 - (B) The liquidation price for that part of the transaction having the more distant maturity shall be the liquidation price determined pursuant to Section 20-A(b)(ii)(A) plus or minus, as the case may be, the price differential between the two parts of the straddle.
- (iii) The remaining open contracts carried by the Corporation for the account of such Clearing Member shall be closed out by entries on the records of the Corporation (including, without limitation, pairing and cancelling offsetting long and short positions in the same maturity month of the same commodity

contract) at a liquidation price equal to the weighted average liquidation price at which contracts in the same commodity and maturity month are closed out pursuant to Section 20-A(2)(b)(i), or, if there are no such close outs,

(A) if such Clearing Member is subject to Part 190 of the Commission's Regulations and an order for relief (as hereinafter defined) has been entered with respect to such Clearing Member, with the Commission's approval, at the average of the opening price and the settlement price therefor on the day the order for relief was entered; and

(B) in all other cases, at the settlement price therefor on the day preceding the day on which the making of such entries is effected.

For the purpose of this Section 20-A(2)(b)(iii), the term "order for relief" means the filing of the petition in bankruptcy in a voluntary case and the adjudication of bankruptcy in an involuntary case.

(c) Notwithstanding the provisions of Section 20-A(2)(a)(iv), if, as the result of Exchange rules limiting fluctuations in price or other market conditions, it is not possible to close out all net open contracts pursuant to Section 20-A(2)(b)(i), the Corporation may close out such contracts by taking opposite positions in the current maturity and closing out the resultant straddles pursuant to Section 20-A(2)(b)(ii); provided, however, that if the Clearing Member whose positions are being closed out is subject to Part 190 of the Commission's Regulations and an order for relief has been entered with respect to such Clearing Member, close outs to this paragraph may be effected only with the Commission's prior approval.

(i) All such close outs made pursuant to Sections 20-A(2)(b) and 20-A(2)(c) shall be for the account and risk of the Clearing Member whose clearing privileges have been terminated, and neither such Clearing Member nor any other person shall have any claim or right against the Corporation regarding the manner in which or the price at which contracts have been

closed out pursuant to Section 20-A(2) (b) or 20-A(2) (c).

- (d) The Secretary shall cause to be maintained a current list of Clearing Members. Upon termination of clearing privileges of a Clearing Member, the Secretary shall remove the name thereof from such list.
- (3) If a Clearing Member fails to pay immediately any obligation to the Corporation, said obligation may be paid by applying thereto all assets of said Clearing Member under control of the Corporation, including its margins on deposit and all other sums due to said Clearing Member (but not including any property, cash or letters of credit deposited on behalf of customers of said Clearing Member in excess of the amount deposited with respect to customers' accounts). The Clearing Member shall immediately make up any deficit in the amounts deposited with the Corporation as a result of the foregoing application. Any deficiency still remaining shall be made up as follows:
- (a) by first utilizing such Clearing Member's contribution to the Guaranty Fund, and if such amount fails to cover the deficit;
 - (b) by then applying such portion of the surplus of the Corporation as the Board of Directors shall determine is available for such purpose after setting aside such amount as the Board may, in its discretion, decide to retain as surplus for the continued operation of the Corporation; and if said amount fails to cover any remaining deficit;
 - (c) by then applying all or so much of the Guaranty Fund deposit of each Clearing Member which cleared futures and/or options contracts in which the deficit arose during the nine calendar months immediately preceding the month of said deficiency in proportion to said Clearing Member's contribution to the Guaranty Fund until the remainder of the deficit is made up, and if the amount of the Guaranty Fund so applied fails to cover the remaining deficit;
 - (d) by levying assessments against all Clearing Members as set forth in subparagraph (e) hereof;
 - (e) (i) Assessments upon Clearing Members (except the defaulting or insolvent Clearing Member) to cover any deficit in excess of the Guaranty Fund shall be levied upon all Clearing

Members in the proportion that the total number of net long and net short contracts in the futures and/or options in which the deficit arose carried with the Corporation by each Clearing Member (other than the defaulting or insolvent Clearing Member) during the nine calendar months immediately preceding the month in which the default occurs, computed on a daily basis during said period, bears to the total number of net long and net short contracts in the futures and/or options in which the deficit arose carried with the Corporation by all Clearing Members (other than the defaulting or insolvent Clearing Member) during said period computed on a daily basis during said period. Such assessments shall be applicable to all Clearing Members (other than the defaulting or insolvent Clearing Member) from whom the Corporation accepted contracts for clearance in the futures and/or options in which the deficit arose during said nine calendar month period, whether or not they continue to be Clearing Members up to the time of the assessments or during the entire nine month period and whether or not the shares of stock which qualified them as Clearing Members have been sold or transferred.

- (ii) The assessment on any Clearing Member pursuant to subparagraph (e)(i) hereof during any period of ten consecutive business days shall not exceed the lesser of Ten Million Dollars (\$10,000,000) or 25% of such Clearing Member's working capital as shown in its last financial statement filed with the Corporation prior to the default (the "Maximum Assessment").
- (iii) The excess, if any, of the amount which would be assessed against any Clearing Member pursuant to subparagraph (e)(i) hereof over the Maximum Assessment of such Clearing Member shall be assessed against the Clearing Members (excluding the defaulting Clearing Member and any Clearing Member which has paid the Maximum Assessment), in accordance with subparagraph (e)(i), until all such excess amounts have been paid or all Clearing Members (except the defaulting Clearing Member) have paid their Maximum Assessments. Any such additional assessments shall be

deemed part of a single assessment for the purpose of determining the Maximum Assessment of each Clearing Member.

- (iv) Notwithstanding the provisions of this subparagraph (e), a Clearing Member which timely pays an assessment made pursuant hereto and gives the Corporation written notice of withdrawal from membership within ten business days after such assessment is made shall not be subject to any further assessment after the date such notice is received by the Corporation, except that such Clearing Member shall continue to be liable for any assessment made pursuant to subparagraph (e)(iii), up to the Maximum Assessment.
 - (v) Said defaulting shall be paid in cash to the Corporation on the day following the call therefor.
- (4) A defaulting Clearing Member shall continue to be liable to the Corporation for any deficit made up pursuant to this Section 20-A.
 - (5) Any Clearing Member which has failed to pay an assessment pursuant to this Section 20-A shall be liable to the Corporation for the amount of such assessment.
 - (6) If the Corporation recovers from the defaulting Clearing Member any amount applied from the Guaranty Fund or from assessments, the amount of such recovery (after deducting legal fees and expenses) shall be paid as follows:
 - (a) First, to Clearing Members who have made payments of assessments to the Corporation in proportion to such payments, until all Clearing Members shall have been paid the full amount so paid;
 - (b) Second, to Clearing Members against whose Guaranty Fund deposits the deficit was charged in proportion to the amounts so charged, not exceeding the amounts so charged.
 - (7) If the whole or any part of the Guaranty Fund shall be applied to make up the deficit of any Clearing Member as provided in this Section, the Guaranty Fund shall be restored promptly, in accordance with the procedure set forth in subparagraph (e)(i) of this Section, except that the "deficit" used in said procedure for purposes of this paragraph (7) shall be the deficit in the Guaranty Fund.

SECTION 20-B SUSPENSION OR FAILURE OF DEPOSITORY

- (1) In the event of the suspension or failure of a depository which has issued to the Corporation on behalf of a Clearing Member cash or securities for original margin, or one or more certificates for securities as a contribution to the Guaranty Fund, such Clearing Member shall immediately replace the same by new deposits satisfactory to the Corporation upon a call therefor by the Corporation. Failure of a Clearing Member to make such replacement immediately shall be regarded as a default in the payment of an obligation to the Corporation and shall be governed by Section 20-A of the By-Laws.
- (2) If that part of the Guaranty Fund representing cash deposited by the Corporation received from Clearing Members as a contribution to the Guaranty Fund be lost, or become unavailable, as a result of the suspension of business of any depository of the Corporation or from any cause other than the default of a Clearing Member, the amount so lost or made unavailable shall forthwith be restored by the Corporation by transferring to the Guaranty Fund all of the surplus of the Corporation which may be necessary except such amount as the Board of Directors may, in its discretion, decide to retain as surplus for future operating expenses and, if the amount thus transferred is not sufficient to cover the entire loss, the balance of such loss shall be made up by an assessment in equal shares upon each Clearing Member. Such assessments shall be paid to the Corporation immediately (but in no case to exceed one business day) after notice in writing thereof shall have been delivered to the office of the Clearing Member.

SECTION 21 CLEARANCE FEES

- (a) Each Clearing Member shall pay to the Corporation a clearance fee for each contract reported by it to the Corporation. The amount of this fee shall be fixed by the Board, and may be increased or decreased by the Board from time to time. The Board may waive any clearance fee on pass-out transactions made on the floor of the Exchanges.
- (b) All of the clearance fees paid by Clearing Members to the Corporation which, in the opinion of the Board of Directors, are not required in the conduct and/or expansion of the business of the Corporation, shall be returned each year to Clearing Members in the proportion that the number of contracts cleared by each Clearing Member on which a clearance fee was charged by the Corporation during such year bears to the total number of such contracts cleared by the

Corporation during such year, and the decision of the Board of Directors as to the percentage and/or amount to be returned to Clearing Members shall be conclusive.

SECTION 22 RESERVED

SECTION 23 FINES

The Board of Directors shall have power to impose a fine on any Clearing Member by reason of his failure to observe any of the By-Laws, Rules, or Regulations of the Association. The imposition of a fine under this Section shall not prevent the Board of Directors from taking any action against such Clearing Member under Section 19.

SECTION 24 INTERPRETATION OF BY-LAWS AND RULES

The interpretation of these By-Laws and Rules by the officers of the Corporation and their administration thereunder shall at all times be subject to review by the Board of Directors.

SECTION 25 CERTIFICATES OF STOCK

The stock of the Corporation shall be represented by the certificates under seal of the Corporation and signed by the Chairman of the Board, Vice Chairman or the President or Vice President, and by the Secretary or Treasurer.

SECTION 26 THE SEAL

The seal of the Corporation shall be circular in form, with the words Commodity Clearing Corporation on the circumference and figures "1915" in the center.

It shall be kept by the Secretary and shall be affixed to all instruments requiring a seal.

SECTION 27 AMENDMENTS

These By-Laws may be amended and new By-Laws may be adopted by a vote of two-thirds of the stockholders of the Association present in person or by proxy at a meeting of stockholders of which notice is given of such proposed action.

**SECTION 28 PROHIBITION FROM SERVICE ON
BOARD AND CERTAIN COMMITTEES**

(a) For purposes of this Rule:

- (1) The term "Disciplinary Offense" shall have the same meaning as that set forth in Commodity Futures Trading Commission ("CFTC") Regulation 1.63 and includes a Corporation Disciplinary Offense.
- (2) Any finding imposing a penalty by the Board of Directors or Executive Committee that a person has violated a By- Law or Rule of the Corporation (other than those exempted in subsection (c) of this Rule) shall also constitute a Disciplinary Offense ("Corporation Disciplinary Offense").
- (3) The term "Disciplinary Condition" shall mean any of the conditions set forth in subsection (b)(1) through (b)(6) of Regulation 1.63.
- (4) The term "Corporation Governing Body" shall mean the Board of Directors and the Executive Committee.
- (5) The term "suspension" shall mean suspension from all rights and privileges of membership.

(b) No person shall serve on a Corporation Governing Body if that person:

- (1) (A) in the preceding thirty-six (36) months, has committed a Corporation Disciplinary Offense; or
 - (B) currently is, or was (for the applicable period set forth in Regulation 1.63(b)) subject to a Disciplinary Condition arising out of a Corporation Disciplinary Offense or arising under other Rules of the Corporation; or
- (2) (A) in the preceding thirty-six (36) months, has committed a Disciplinary Offense, other than a Corporation Disciplinary Offense; or
 - (B) currently is, or was (for the applicable period set forth in Regulation 1.63(b)), subject to a Disciplinary Condition other than one arising out of a Corporation Disciplinary Offense or arising under other Rules of the Corporation.

In the event that a Disciplinary Offense or a Disciplinary Condition referred to in subsection

(b) (2) arose solely out of a Corporation Disciplinary Offense or other rules of the Corporation, then subsection (b) (1) shall govern.

(c) (1) The Secretary of the Corporation is authorized to publish from time to time a listing of By-Laws and Rules, the violation of which, although actionable, without more, would not constitute a Corporation Disciplinary Offense. That listing of exemptions may encompass the following areas:

- (A) Government and Administrative
- (B) Membership
- (C) General
- (D) Contract Terms
- (E) Records and Reports
- (F) Margin and Financial
- (G) Procedural
- (H) Decorum
- (I) Errors
- (J) Such other similar category as the Executive Committee shall determine after submission to the CFTC for clearance under Regulation 1.41.

(2) In the event that a member is fined or otherwise penalized for violation of one of the exempted By-Laws or Rules, that penalty shall not constitute a Corporation Disciplinary Offense unless:

- (A) The Board of Directors or Executive Committee specifically found that such violation or violations:
 - (i) constitute misconduct in the member's relations to the Corporation or to any member of the Corporation;
 - (ii) involve any dishonest or fraudulent transaction relating to contracts cleared by the Corporation;
 - (iii) constitute conduct detrimental to the best interests of the Corporation;
 - (iv) constitute conduct inconsistent with just and equitable principles of trade.
- (B) In the case of financial, record-keeping, reports, decorum and other exempted offenses set forth pursuant to subsections (a) (4) (i) (A), (a) (4) (i) (B) and (a) (4) (i) (C) of Regulation 1.63, the Board of Directors or Executive Committee finds that they

involve fraud, deceit, or conversion; or a disciplinary committee issues a penalty of suspension or expulsion for such violation.

- (C) In the case of record-keeping and reporting violations, the person receives fines aggregating more than \$5,000 in any of:
 - (i) the current calendar year; or
 - (ii) either of the immediately preceding two (2) calendar years.

**COMMODITY CLEARING CORPORATION
OFFICERS AND DIRECTORS**

Chairman..... Adolph G. Reinhardt
 Vice-Chairman..... John S. Ruffino
 President and Treasurer..... George F. Haase, Jr.
 Vice-President and Secretary..... Brian P. Sayler

DIRECTORS

William M. Berger..... Ira Polk
 Stanley Meierfeld..... John S. Ruffino
 Clint V. Pazdera..... Albert M. Weis

**OFFICE OF THE CORPORATION
 4 WORLD TRADE CENTER
 SUITE 7300 - C
 NEW YORK, NEW YORK 10048
 (212) 775-0190-1-2-3**

COMMODITY CLEARING CORPORATIONRULES**RULE 1 INTRA-DAY MARGINS**

Calls for intra-day margin to meet variations in the market during the day may be made by delivery of notice in writing or telephone to the office of Clearing Members, in which case the time of such delivery or such call shall be noted by the Corporation. The amount due by the member must be paid to the Corporation by the transfer of funds by wire to the appropriate account.

Intra-day variation and original margins paid to the Corporation during the day may be withdrawn, if no longer needed, by the transfer of funds by wire to the Clearing Member's appropriate account for the amount of funds claimed.

RULE 2 RESERVED**RULE 3 NOTICE OF DELIVERY**

Each Clearing Member issuing a notice of delivery shall present to the Corporation all notices in the form and manner prescribed by the Exchange not later than 5:00 p.m. on the day preceding the date of issuance, unless otherwise provided in the By-Laws and Rules of the Exchange or the By-Laws and Rules of CFFE.

On the same day that the Corporation receives a notices of delivery, the Corporation shall allocate such all notices of delivery to Clearing Members in the manner prescribed by the By-Laws and Rules of the Exchange and of CFFE, as applicable in a ratio based on their gross long position compared to the total gross long position.

RULE 4 PRICE AND STOPPING NOTICE

Deliveries under contracts shall be made at the price stated in the notice of delivery.

Members issuing or stopping notices of delivery shall maintain original margins on such contracts until delivery is completed.

When trading in the delivery month has ceased, the President of the New York Cotton Exchange will provide the Corporation the difference between the settlement price of the delivery month and the next active trading month.

Clearing Members stopping notices of delivery on any notice day are required to notify the Corporation promptly.

RULE 5 CLEARING MEMBERS' ADDRESS TO RECEIVE NOTICE

Each Clearing Member must maintain an office to which all notices and orders from the Corporation may be transmitted or delivered. Such office shall be (1) at a location satisfactory to the Board; (2) kept open during normal business hours; and (3) staffed on a full-time basis.

RULE 5-A IDENTITY OF PERSONS OWNING, MANAGING OR CONTROLLING A CLEARING MEMBER

- (a) Each Clearing Member shall file with the Corporation a statement setting forth the name, title and business address of:
 - (i) the person who performs each of the following functions for such Clearing Member regardless of the title held by such person (if one person performs more than one such function, set forth each function performed by each such person);
 - (A) Chief executive officer
 - (B) Chief operating officer
 - (C) Officer in charge of futures department or division
 - (D) Chief financial officer
 - (E) Officer in charge of futures operations
 - (F) Authorized person(s) located at office designated pursuant to Rule 5
 - (G) The general partner or executive officer having direct supervision over the office designated pursuant to Rule 5
 - (H) Secretary
 - (i) Any partner or employee (including an officer) who is a member of the Exchange.
 - (ii) the person to whom notices from the Corporation should be addressed;

- (iii) each person who is a member of the Clearing Member's Board of Directors or other governing body, however named, specifying the name of any such other governing body; and
- (iv) each person who, by reason of share ownership or partnership interest, whether direct or indirect, or beneficial or of record, or pursuant to any agreement or understanding or other arrangement or relationship:
 - (A) has contributed, or has an interest in, 10% or more of the equity of the Clearing Member;
 - (B) has an interest in 10% or more of the income of the Clearing Member; or
 - (C) holds 10% or more of the voting power of the Clearing Member.

(b) Each Clearing Member immediately shall:

- (i) notify the Corporation of any change which would cause the statement furnished pursuant to Rule 5-A(a) to be in any way inaccurate or incomplete, provided that a change with respect to information required by Rule 5-A(a)(iv) need not be reported to the Corporation unless such change either:
 - (A) in the aggregate is more than five percentage points; or
 - (B) gives any person majority ownership of or control of such Clearing Member in which case the Clearing Member also must file with the Corporation the financial statements required pursuant to Rule 10-H(b);
- (ii) notify the Corporation of any agreement or understanding, written or oral, which if consummated would require notification pursuant to Rule 5-A(b)(i);
- (iii) furnish the Corporation with such other information regarding the ownership,

control or management of such Clearing Member as the Corporation may request.

**RULE 6 SERVICES PERFORMED BY TREASURER
REGARDING GOVERNING BOARDS**

The Treasurer of the Corporation shall perform such services as are required by the governing boards, Compliance Departments or the Control Committees of an Exchange pursuant to its By-Laws or Rules.

RULE 7 POSITION LIMITS

- (a) (i) A Clearing Member shall not maintain contracts with the Corporation representing a net interest in excess of the number of contracts set by the Board from time to time.
- (ii) The Board may limit the positions in any one commodity which Clearing Members may carry. Such limits may be different for different commodities and also may be different for net outright positions and net straddle positions. On application the Corporation may permit a Clearing Member to maintain positions in excess of those permitted pursuant to the preceding two sentences upon payment of such rates of additional original margin as the Board from time to time may determine.
- (b) A Committee consisting of the Chairman or Vice Chairman, the President or a Vice President and one other Member of the Board shall have the right, for reasons they deem appropriate, to impose position limits on particular Clearing Members below the level otherwise permitted by this Rule 7 and in connection therewith may direct such Clearing Members to reduce their then net open positions to such lower level. In addition, the Chairman or his designee, in extraordinary circumstances, may permit particular Clearing Members to carry positions in excess of the limits permitted by this Rule 7 for such time as the Chairman or his designee deems appropriate.
- (c) Notwithstanding the provisions of this Rule, no Clearing Member shall be allowed to have contracts with the Corporation representing a net interest or a straddle interest in excess of such lower limits as may be fixed from time to time by the Board of Directors. The limits so fixed by the Board of Directors for each commodity may be different for each Clearing Member consistent with the Board's judgment as to the risk inherent in the position in relation to the financial condition of the Clearing Member as well as other

factors deemed relevant.

- (d) As used in this Rule, the term "net interest" and "straddle interest" shall have the same meanings as are set forth in the By-Laws governing original margins.

RULE 8 ORIGINAL MARGIN DEPOSITORIES

Funds transferred by wire to the appropriate account of the Corporation by Clearing Members for variation margins shall be from banks or trust companies designated as original margin depositories.

RULE 9 FINANCIAL REQUIREMENTS FOR CLEARING MEMBERS

- (a) Clearing Members shall have and shall continue to maintain minimum working capital as follows:

- (1) Clearing Members who are authorized to clear contracts for customers:

Partnerships and Corporations -

Minimum working capital of \$1,000,000.

or

Minimum working capital of \$500,000 plus a guaranty by a guarantor having a minimum working capital of \$1,000,000 for each Clearing Member guaranteed.

- (2) Clearing Members who are not authorized to clear contracts for customers:

Individuals and Partnerships -

Minimum working capital of \$300,000.

Corporations

Minimum working capital of \$500,000.

or

Minimum working capital of \$300,000 plus a guaranty in the amount of \$500,000 by a guarantor having a minimum working capital or \$500,000 for each Clearing Member guaranteed.

- (b) Meaning of Terms

- (1) The term "working capital" means current assets less total liabilities.
- (2) In determining the working capital of a guarantor the amount invested in the Clearing Members shall be disregarded.

RULE 9-A GUARANTY FUND REQUIREMENTS

In accordance with Section 13 of the By-Laws, each Clearing Member shall be required to maintain in the Corporation's Guaranty Fund the following funds based on position limits the Clearing Member is authorized to carry by the Corporation:

0 to 500 contracts	\$ 30,000
501 to 5,500 contracts	\$ 100,000 for each 500 contracts
5,501 to 11,000 contracts	\$ 50,000 for each 500 contracts
11,001 or more contracts	\$ 25,000 for each 500 contracts

**RULE 10 RULES GOVERNING DEPOSITORIES FOR
DEPOSIT OF MARGINS**

- (1) To be designated by the Board of Directors as an approved depository for the deposit of margins, an institution must meet the following requirements:
 - (a) It must be (1) Bank (hereinafter referred to as "Bank") or trust company incorporated under the laws of the United States, or its branch located in a foreign country, and a firm licensed as a private banker by the Banking Department of the State of New York and licensed and supervised by the Superintendent of Banks of the State of New York or a firm licensed and supervised by the Banking Department of any other state approved by the Board of Directors; or (2) a branch of a bank organized under the laws of a foreign country and licensed and supervised by the Comptroller of the Currency or the Superintendent of Bank of the State of New York.
 - (b) It must have a capital and surplus of at least \$250,000,000. For all depositories approved on or before January 1, 1990, however, the capital and surplus requirement is at least \$100,000,000.
 - (c) It must have an office at a location satisfactory to the Board of Directors; provided, however, that the Board of Directors may limit the authority of an approved depository which does not have an office within three-quarters of a mile of the office of the

Corporation to participate in the Corporation's electronic funds transfer system and the issuance of letters of credit only, or, if the approved depository also does not have a FAX equipment, to the issuance of letters of credit only.

- (d) It must have its checks accepted by the Federal Reserve Bank of New York, or any other bank that is approved by the Board, for immediate credit with the same effect as checks drawn upon regular banking members of the New York Clearing House Association and cleared through such association.
 - (e) In the event that the branch of the Bank is located in a foreign country, it must be able to transfer funds electronically or issue checks certified by the Bank payable to the Corporation.
- (2) An institution which, on the effective date of this Rule, is an approved depository, has a capital and surplus of not less than \$50,000,000, otherwise satisfies all the requirements for depositories and is active as a holder of margin deposits for Clearing Members, may continue as an approved depository until such time as the Board of Directors may otherwise determine.
 - (3) Transfer of funds by wire from Clearing Members for original margin and for variation margin settlements must be from an approved depository.
 - (4) When funds are transferred by wire to the appropriate account of the Corporation by or on behalf of a Clearing Member, the Clearing Member shall not be released of his or its obligations to the Corporation thereby, any statute or rule of law to the contrary notwithstanding; and in the event that such transfer of funds shall not be collected in full by the Corporation upon presentation thereof in due course, the Clearing Member by or on whose behalf the same was given to the Corporation shall be immediately liable to the Corporation for the amount thereof, and such amount shall be paid to the Corporation by the Clearing Member as upon a call for variation margin.
 - (5) The Corporation will not accept from any approved depository an aggregate of letters of credit for original margin in excess of 10% of the depository's capital and surplus or an aggregate of cash certificates for original margin in excess of 10% of the depository's capital and surplus.

RULE 10-A CLASS B CLEARING MEMBERS

- (a) Class B Clearing Members shall be non-bank entities whose privileges and rights shall be limited to the sole purpose of conducting proprietary arbitrage in financial instruments between a bank ("arbitrage bank") and a member of the New York Cotton Exchange.
- (b) Class B Clearing Members shall be subject to all rights and obligations of clearing members, except as otherwise provided by the By-Laws, Rules, Resolutions, Interpretations, Directives, Orders of Decisions of the Corporation.
- (c) Special requirements of Class B members are as follows:
 - (1) A Class B Clearing Member must be a non-bank entity, associated with a single arbitrage bank which is approved by the Corporation for such purpose.
 - (2) A Class B Clearing Member must be guaranteed by one or more non-bank general clearing member(s).
 - (3) A Class B Clearing Member shall obtain from the arbitrage bank a letter of credit drawable by the Corporation whenever settlements are not otherwise made pursuant to the By-Laws and Rules of the Corporation. The value and terms of such letter of credit shall be in accordance with such Rules, Resolutions or Directives as may be promulgated from time to time by the Board of Directors. The Board of Directors may limit the total dollar or foreign currency amount of the letters of credit which a bank may have outstanding for purposes of meeting Class B settlements.
 - (4) A Class B Clearing Member shall make such security deposits as may be required by the Board of Directors.
 - (5) A Class B Clearing Member shall deposit with the Corporation such contributions to the Guaranty Fund as may be required by the Board of Directors.
 - (6) The financial condition of a Class B Clearing Member shall at all times be satisfactory to the Corporation. Each Class B Clearing Member shall furnish such financial statements and information as may be required by the Corporation from time to time in such form as may be prescribed by the Board of Directors.
- (d) Application for Class B clearing membership shall be fully in accordance with Rule 10-A of these Rules except that Class B Clearing Member applicants shall submit a separate application form for this purpose and also execute and

deliver to the Corporation agreements permitting the arbitrage bank to transfer its position to the books of a non-bank clearing member and agreements permitting the Corporation, in its discretion, to verify open positions of a Class B Clearing Member with the arbitrage bank, to send trade registers and recap ledgers of the Class B Clearing Member to the arbitrage bank, to collect and disperse monies directly to the arbitrage bank and such other agreements as the Board of Directors from time to time may require.

RULE 10-B CLASS B CLEARING MEMBER LETTERS OF CREDIT

- (a) Pursuant to Rule 10-A(c)(3) of the Rules of the Corporation all letters of credit obtained by Class B Clearing Members,
- (1) Must set forth a sum certain in U. S. Dollars, which must at all times be equal to or exceed five percent (5%) of the value of arbitrage positions assumed by the Class B Clearing Member or in such other amount as the Board may require in a specific instance.
 - (2) Must list as beneficiary "Commodity Clearing Corporation".
 - (3) Must indicate whether the letter of credit is to be applied to Customer or House Positions.
 - (4) Must be irrevocable.
 - (5) Must indicate a validity of at least 90 days.
 - (6) Must contain one of the following expiration dates: March 31, June 30, September 30, December 31, or the last business day preceding any of such dates.
- (b) All letters of credit shall be replaced or renewed no later than five (5) business days preceding the expiration date. If this is not done, there will be a cash margin call on the open positions beginning the fifth business day preceding the expiration date.
- (c) All letters of credit are subject to the approval, as to terms and amount, of the Corporation, which may at its discretion refuse to accept a letter of credit submitted by a Class B Clearing Member.

RULE 10-C CLASS B CLEARING MEMBER SECURITY DEPOSIT

- (a) Pursuant to Rule 10-A(c)(4) of the Rules of the Corporation, all Class B Clearing Members shall maintain a security deposit with the Corporation equal to \$50,000.
- (b) Up to \$25,000 of such security deposit may be deposited as Treasury Bills with the remainder in cash (U.S. Dollars).
- (c) Such security deposit may be used to fill obligations not otherwise met by the Class B Clearing Member or the posted letter of credit.

RULE 10-D CLASS B CLEARING MEMBER PARTICIPATION IN GUARANTY FUND

- (a) Pursuant to Rule 10-A(c)(5) of the Rules of the Corporation, all Class B Clearing Members shall contribute to the Guaranty Fund in the same amounts and subject to the same conditions as General Clearing Members (See By-Law Section 13).
- (b) Class B Clearing Members shall be benefited by the Guaranty Fund to the same extent as General Clearing Members (See By-Law Section 13).

RULE 10-E CLASS B CLEARING MEMBER FINANCIAL FILINGS

Pursuant to Rule 10-A(c)(6) of the Rules of the Corporation, Class B Clearing Members shall be subject to the same financial filing requirements as General Clearing Members.

RULE 10-F ARBITRAGE BANKS

- (a) In accordance with Rule 10-a(c)(1) of the Rules of the Corporation, an arbitration bank associated with a Class B Clearing Member is subject to the approval of the Corporation, which may at its discretion refuse to approve such arbitration bank.
- (b) All arbitration banks must complete an application and execute such agreements as are required by the Corporation to become an approved arbitration bank.
- (c) No bank may provide letters of credit to Class B Clearing Members in accordance with Rule 10-A(c)(3) of the Rules of the Corporation which exceed in the aggregate, 10% of its capital and surplus, except by prior application to and approval of the Corporation.

RULE 10-G TRANSFER OF CLASS B CLEARING MEMBER POSITION

- (a) When a Class B Clearing Member carrying open trades in an arbitrage account has been suspended or otherwise terminates his Class B Membership, or the arbitrage bank requests a change of Clearing Members, then the Corporation shall transfer the arbitrage account at the settlement price of the prior day to another Clearing Member who may conduct such arbitrage, who has agreed to such transfer and who has been designated by the arbitrage bank; provided, however, that no such transfer shall be permitted unless there is filed with the Exchange prior to such request or event, an "Agreement of Class B Clearing Member" form filed with the Corporation and signed by the Clearing Member with whom the arbitrage account is first maintained permitting such assignment.
- (b) Subject to the prior written approval of the Board of Directors or its delegate, existing trades may be transferred on the books of the Class B Clearing Member when an error has been made in the assignment of a trade or trades.

RULE 10-H FINANCIAL STATEMENTS FROM CLEARING MEMBERS

- (a) Each Clearing Member shall file with the Corporation:
- (i) a financial statement in the form specified in Rule 10-H(b) within ninety (90) days after the end of such member's fiscal year and within forty-five (45) days after the end of each of the first three fiscal quarters of such member's fiscal year;
- (ii) a copy of each financial statement or financial report it files with its designated self regulatory organization, any contract market, contract market clearing organization or national securities exchange of which it is a member or member firm, or any federal regulatory organization having jurisdiction over such Clearing Member at the same time it files such statement or report with any entity described above, and if such statement or report is other than a routine periodic statement or report required under the By-Laws, Rules or Regulations or such entity, such copy shall be accompanied by a written statement setting forth (to the extent known) the reasons why such Clearing Member is filing such statement or report; and
- (iii) such other financial information as from time to

time may be required by the Board.

- (b) The financial statements required by Rule 10-H(a)(i) shall be:
- (i) if such Clearing Member is a Futures Commission Merchant registered as such with the Commission in the form adopted by the Commission for use by Futures Commission Merchants (currently Commission Form 1-FR) or Focus Report Part II as at such fiscal year end; or
 - (ii) if such Clearing Member is not a Futures Commission Merchant registered as such with the Commission, a balance sheet prepared in accordance with generally accepted accounting principles consistently applied.

The financial statement for the fiscal year shall be certified by an independent public accountant and the financial statements for each of the first three fiscal quarters of the fiscal year shall be certified by the chief financial officer of the Clearing Member.

A Clearing Member which is a Futures Commission Merchant and elects to file a Focus Report Part II pursuant to this Rule 10-H(b) or in response to a request of the Board pursuant to Rule 10-H(a)(iii) may not file a financial statement in the form adopted by the Commission for use by a Futures Commission Merchant unless it obtains the prior consent of the Corporation.

A Clearing Member which is a Futures Commission Merchant and elects to file a financial statement in the form adopted by the Commission for use by a Futures Commission Merchant may subsequently elect to file a Focus Report Part II, provided that the first Focus Report Part II filed by such Clearing Member shall be accompanied by a statement reconciling the Clearing Member's adjusted net capital as shown on the Focus Report Part II with the adjusted net capital which would have been shown had it filed a financial statement for the same period in the form adopted by the Commission for use by a Futures Commission Merchant.

- (c) Each Clearing Member shall notify the Corporation,
- (i) if its adjusted net capital or working capital, as the case may be, declines from that shown on the latest financial statement it has filed pursuant to Rule 10-H(a) by twenty-percent (20%); and
 - (ii) of the amount of all withdrawals of capital from

such member scheduled to take place within the next six (6) months.

Such notification shall be in writing and, if by a Clearing Member which is a Futures Commission Merchant registered with the Commission, shall be given within three (3) business days after the event requiring such notification or, if by any other Clearing Member, shall be given on the business day following the event requiring such notification.

A Clearing Member which has given notification of a change in control to the Corporation pursuant to Rule 5-A(b)(i)(B) also shall furnish the Corporation such information regarding the proposed transaction as the Corporation may request and shall file with the Corporation as promptly as possible, and in any event within forty-five (45) days after such change of control takes place, a balance sheet of such Clearing Member as of a date subsequent to such change in control.

- (d) Each Clearing Member which intends to file a petition for any relief under the bankruptcy laws of the United States, now or hereafter in effect, or under any insolvency or arrangement law or statute of any state, now or hereafter in effect, or against which such petition is filed shall notify the Corporation thereof, in writing, as follows:
 - (i) In the case of a petition to be filed by the Clearing Member, on the business day prior to the date on which the Clearing Member intends to file the petition; and
 - (ii) In the case of a petition filed against the Clearing Member, not later than 9:00 o'clock A.M. on the business day following the day on which the Clearing Member learns that such petition has been filed.
- (e) If the Treasurer finds that a Clearing Member's adjusted net capital or working capital as the case may be,
 - (i) has declined by more than twenty percent (20%) from the amount shown on the latest financial statement filed with the Corporation by such Clearing Member, or by an amount which reduces the positions which such Clearing Member may carry pursuant to Rule 7, whichever amount is less; or
 - (ii) is in the judgment of the Treasurer inadequate, the Treasurer shall so report to the Board.
- (f) All financial statements furnished by a Clearing Member shall be kept confidential by the Treasurer except in connection

with reports to the Board or Exchange pursuant to paragraph (e);

- (g) If, at any time, a Clearing Member shall fail or refuse to file with the Corporation when due such financial statements or supplementary data as may be required, the Treasurer promptly shall report such failure or refusal to the Board.

RULE 10-I REQUIREMENTS FOR SUBORDINATED LOAN AGREEMENTS

Each subordinated loan agreement which, when executed, is to be included in determining a Clearing Member's adjusted net capital or working capital, shall be in the form of either a cash Subordinated Loan Agreement or a Secured Demand Note and Collateral Agreement (collectively "Agreement"); and

(a) shall contain the following provisions:

- (i) subordination of all obligations of the Clearing Member with respect of the payment of principal and interest under the Agreement to the payment in full of all obligations to other present and future creditors of the Clearing Member arising out of any matter arising prior to the maturity of the Agreement, other than obligations which are the subject of subordination agreements which rank on the same priority as or junior to the Agreement;
- (ii) a minimum term of one year, except for temporary subordination agreements permitted by Commission Regulation Section 1.17(h)(3)(v) as now in effect or as hereafter amended;
- (iii) immediate written notice to the Corporation if the collateral pledged to secure a secured demand note is less than unpaid principal amount of and interest accrued under the note;
- (iv) prior written Corporation consent as specified by the Board to any prepayments and to the cancellation, revocation, termination, or any modification of the Agreement; provided, however, that a Clearing Member which is a Futures Commission Merchant registered as such with the Commission, in lieu of obtaining prior written Corporation consent, may provide immediate written notice to the Corporation which notice shall be accompanied by a copy of the consent of the designated self-regulatory organization for such Clearing Member with respect thereto;

- (v) prior written notice to the Corporation given no sooner than six (6) months after the effective date of the Agreement if the maturity of payment (in whole or in part) under the Agreement is accelerated; and
 - (vi) any other lawful provisions which are not inconsistent with the foregoing.
- (b) shall be submitted to the Corporation for its approval at least ten (10) days prior to the proposed effective date thereof; and
- (c) if such Agreement is for a Clearing Member which is a Futures Commission Merchant, shall have been approved by the Commodity Futures Trading Commission or by the designated self-regulatory organization for such Clearing Member as being in compliance with Regulation Section 1.17 adopted by the Commodity Futures Trading Commission as said Section may be amended from time to time.

**RULE 11 NEW YORK COTTON EXCHANGE, CITRUS ASSOCIATES
OF THE NEW YORK COTTON EXCHANGE, INC.,
NEW YORK FUTURES EXCHANGE, INC. AND CANTOR
FINANCIAL FUTURES EXCHANGE, INC.**

Whenever reference is made to the Corporation in the By-Laws and Rules of the Exchanges involving any matters, including matters respecting deliveries in which the Corporation is involved, the Corporation agrees to abide by such provisions of the New York Cotton Exchange, the Citrus Associates of the New York Cotton Exchange, Inc., and the New York Futures Exchange, Inc. and the Cantor Financial Futures Exchange, Inc., as the same may be amended from time to time.

RULE 12 DAILY REPORTING OF ALL OPEN CONTRACTS

- (a) Each Clearing Member shall report to the Corporation by a time fixed by the Board on each business day in such manner as may be prescribed by the Corporation the gross number of long and short futures positions for each delivery month of each commodity and long and short put and call option positions on each commodity for each strike price of each expiration month which are open on such Clearing Member's books as of the close of business on the previous business day; provided, however, with respect to Contracts traded on CFFE, such reports by Clearing Members shall reflect the open positions on their books as of the close of business on the same business day.

- (b) A Clearing Member, at its election, may report to the Corporation, by a time fixed by the Board, the aggregate number of option contracts liquidated on each business day, for each put or call, option expiration month and strike price. Each option transaction which is not denominated as liquidating an existing option position shall be deemed to initiate a new option position.
- (c) Every report pursuant to this Rule 12 made by a Clearing Member which is a Futures Commission Merchant shall specify all information separately for such Clearing Member's customer account and for its proprietary account.

**RULE 12-A DISCLOSURES AND TRADING BY
 EMPLOYEES OF THE CORPORATION**

- (a) Disclosure of information. An employee of the Corporation shall not disclose to a non-employee of the Corporation any material non-public information which such employee obtains as a result of his employment at the Corporation if such employee has or should have a reasonable expectation that such information could assist another person in trading any commodity interest; provided, however, that this provision does not prohibit disclosures made in the course of an employee's duties or to another self-regulatory organization, court of competent jurisdiction, or person who the employee reasonably believes to be a representative of a governmental agency acting in his official capacity.
- (b) Trading prohibition. An employee of the Corporation shall not trade, directly or indirectly, any commodity interest cleared by the Corporation or any related commodity interest, or any other commodity interest traded on or cleared by any other contract market or clearing organization where the employee of the Corporation has access to material non-public information concerning such commodity interest.
- (c) Exceptions.
 - (i) Notwithstanding the provisions of subdivision (b) above, an employee of the Corporation, upon application to and approval by the Executive Committee may trade such commodity interests, and in such manner, as the Executive Committee may permit. The Executive Committee may permit exceptions to subdivision (b), above, on a case-by-case basis under circumstances which are not contrary to the purposes of this Rule, the Commodity Exchange Act or Regulation 1.59 thereunder, the public interest, or just and equitable principals of trade. Such circumstances may include, but are not necessarily

limited to:

- (A) participation in pooled investment vehicles where the employee of the Corporation has no direct or indirect control over transactions executed by the pool;
 - (B) service as an executor or administrator of an estate;
 - (C) service in any other fiduciary capacity, such as an officer of a charitable organization, in which the employee receives no pecuniary benefit from the trading of commodity interests;
 - (D) trading in commodity interests traded on or subject to the rules of other corporations under circumstances in which the employee's access to material non-public information as to those commodity interests is sufficiently minimal or attenuated so as to be insignificant;
 - (E) such other circumstances as the Executive Committee may determine. (Exemptions granted under this category shall be submitted to the Commodity Futures Trading Commission pursuant to its Regulation 1.41, and shall become effective as provided therein).
- (ii) The procedure for application for and approval of exemptions from subdivision (b), above, shall be as provided by the Executive Committee.
 - (iii) Participation in a Corporation-sponsored savings or retirement plan shall not be deemed to constitute trading directly or indirectly in a commodity interest, notwithstanding such plan's use of pooled funds which utilize commodity interests or the trading thereof.
- (d) Definitions. Terms used in this Rule shall have the same meanings as in Commodity Futures Trading Commission Regulation 1.59 (as from time to time amended), unless the context of this Rule clearing requires otherwise.

RULE 12-B CORPORATION'S PROPRIETARY INFORMATION

(a) Definitions. As used in this Rule:

- (1) The term "governing member" means a member of the Board of Directors or a member of any Committee of the Commodity Clearing Corporation (hereinafter the

"Corporation");

(2) the terms "material" and "non-public information" shall have the same meanings as set forth in CFTC Regulation 1.59(a), as from time to time amended;

(3) the term "Corporation's Proprietary Information" shall mean information which is both material and non-public and which is learned by a governing member through participation on its Board of Directors or Committee.

(b) Prohibition. No governing member shall use or disclose, for any purpose other than the performance of such member's official duties as a member of the Board of Directors or as a member of any Corporation Committee, Corporation Proprietary Information obtained as a result of such member's participation on any such Committee or Board of the Corporation.

**RULE 12-C CONFIDENTIAL TREATMENT OF INFORMATION
SUBMITTED BY CLEARING MEMBER**

All information known by the Corporation concerning past or current contract positions carried by the Corporation for a Clearing Member, margin payments between the Corporation and a Clearing Member and deliveries made by or to a Clearing Member and all information received by the Corporation pursuant to program described in (f) below shall be held in complete confidence by the Corporation and shall not be made known to any other person except as follows:

- (a) With the written consent of the Clearing Member involved;
- (b) To the Commodity Futures Trading Commission or the United States Department of Justice pursuant to the requirements of the Commodity Exchange Act or regulations promulgated thereunder;
- (c) To the Central Bank of Ireland pursuant to the requirements of applicable Irish laws, rules or regulations.
- (d) Pursuant to a subpoena issued by or on behalf of any person (or in the Corporation's discretion, pursuant to a written request from any Department or Agency of the United States, the State of New York or the City of New York) or any Department or Agency of the Republic of Ireland or the County or City of Dublin.
- (e) Pursuant to an order issued by a Court having jurisdiction over the Corporation;
- (f) To the Exchange Compliance Department or the Exchange

Director of Market Surveillance pursuant to such terms and conditions as the Board, from time to time, may deem appropriate; and

- (g) To one or more contract market clearing organizations in connection with a joint financial surveillance program among the Corporation and such other clearing organizations pursuant to such terms and conditions as the Board, from time to time, may deem appropriate.

If information concerning one or more named Clearing Members is requested pursuant to paragraphs (b), (c), (d) or (e) above, the Corporation shall notify each Clearing Member with respect to which information is being requested prior to furnishing such information, provided that, in the judgment of the Corporation, it is feasible to do so.

The Corporation is authorized, to the extent permitted by law, to require reimbursement of its out-of-pocket expenses (including, but not limited to, personnel) in obtaining and making available information pursuant to this Rule 12-C.

RULE 13 EXERCISE OF AN OPTION

Each Clearing Member electing to exercise an option shall present to the Corporation an option exercise report in the form and manner prescribed by the Corporation, showing the total number of options to be exercised by month and by strike price not later than 5:00 p.m.

On the same day that the Corporation receives an exercise report, the Corporation shall: (a) allocate all exercised options on a random basis to Clearing Members based on their gross short positions in such options separately for customer account and proprietary account; and (b) make the necessary entries on its books to convert each exercised option into the underlying futures contract. If the exercised option is a call, the Clearing Member so exercising shall receive a long futures contract, and the Clearing Member who is short shall receive a short futures contract. If the exercised option is a put, the Clearing Member so exercising shall receive a short futures contract, and the Clearing Member who is short shall receive a long futures contract.

On the business day after the Corporation receives an exercise report, it shall distribute a notice of exercise to each Clearing Member to which an exercised option has been allocated by making such notice available at the office of the Corporation. Daily statements are made available to each Clearing Member pursuant to these Rules. The Clearing Member shall then notify the grantor of such exercised option.

RULE 14 RESERVED**RULE 15 EXERCISE OF OPTIONS CONTRACT**

After the close on the last day of trading in any option, the Corporation will automatically exercise any open long option that has a striking price below (in the case of a call option) or above (in the case of a put option) at the Futures Reference price of the underlying futures contract on that day unless before 10:00 a.m. for the cross-rate and currency contracts and 5:00 p.m. for all other contracts on the last day of trading, the Clearing Member carrying any such option gives the Corporation instructions that any such option is to expire unexercised. Futures Reference Price is established by the Exchange and is used to determine whether an option position is in or out of the money. The Futures Reference Price may or may not be the Futures Settlement Price.

RULE 16 STANDARD PORTFOLIO ANALYSIS OF RISK

The Standard Portfolio Analysis of Risk (SPAN) margin system shall be utilized. Under this system, the Chicago Mercantile Exchange will evaluate the overall risk in an entire account and match the margin to risk. The option pricing calculations completed at the Chicago Mercantile Exchange will be sent to the Commodity Clearing Corporation in the form of arrays of simple value. The Commodity Clearing Corporation will then apply positions to these arrays and calculate each Clearing Member's customer and house account risk.

Positions that are held in cross margin accounts will be evaluated according to the margining system agreed to by the Clearing Organizations party to the cross margining agreement.

RULE 17 DELIVERY MONTH REPORTING FINES

Every Clearing Member of the Corporation is required to report on all positions for all commodities during the delivery month. Any Clearing Member's failure to report or under-report or over-report a customer and/or house gross long position for all commodities during the delivery month shall be fined in accordance with the following schedule:

(a) Under-reporting of delivery month positions.

During a delivery month when long positions are under-reported, firms may be fined \$50 per commodity. When underreporting affects delivery, an additional fine of \$25 per contract may be levied.

(b) Over-reporting of delivery month positions.

During a delivery month when long positions are over-reported, firms may be fined \$50 per commodity. When over-reporting affects delivery, an additional fine of \$25 per contract may be levied.

Any Clearing Member that over-reports long positions that result in assignments of notices must accept said notices.

RULE 17-A PROHIBITED CONDUCT

(a) For purposes of this Rule, the term "Prohibited Conduct" shall include, but not be limited to, the following conduct taken on the Corporation's premises in New York by anyone under the Corporation's jurisdiction:

- abusive or defamatory conduct;
- violation of security or safety rules;
- negligent, careless, or other action which interferes with the comfort, safety or well-being of another person;
- unauthorized possession of dangerous or illegal firearms, weapons or explosives;
- engaging in acts of violence or making threats of violence;
- fighting or horseplay, or provoking a fight on such premises;
- threatening, intimidating or coercing members, members' employees or Corporation employees;
- any act of harassment, sexual, racial or otherwise; putative sexual harassment shall include, but is not limited to, offensive or unwelcome sexual flirtations, advances or proposals; or verbal abuse of a sexual nature, graphic verbal commentaries about an individual's body, sexual degrading words used to describe an individual and any display in the workplace of any sexual objects or pictures;
- such other conduct as is identified from time to time by the Corporation as "prohibited".

(b) Persons under the Corporation's jurisdiction for purposes of

this Rule include, but are not limited to:

- (1) all Clearing Members of the Corporation;
 - (2) all floor employees of such Clearing Members; and
 - (3) All employees of the Corporation.
- (c) For purposes of this Rule, no person under the jurisdiction of the Corporation shall commit any act constituting Prohibited Conduct as described herein. Any allegation of such conduct shall promptly be reported to the Corporation for resolution pursuant to Rule 18.

**RULE 18 PROCEDURES FOR DETERMINING
VIOLATIONS AND IMPOSING SANCTIONS**

The provisions of this Rule 18 shall govern all proceedings conducted pursuant to Section 23 of the By-Laws.

(a) Notice to Clearing Members.

If it is claimed that a Clearing Member has failed or refused to comply with any provision of the By-Laws or any Rule or any Order or Directive of the Board issued pursuant to the By-Laws or Rules, a written notice containing the information set forth in Rule 18(b) shall be sent to such Clearing Member at its office.

(b) Form of Notice.

Notice sent to a Clearing Member pursuant to Rule 81(a) shall be signed by an officer of the Corporation and shall contain the following information:

- (i) The provision(s) of the By-Laws, Rules, or Order or Directive of the Board with which it is claimed the Clearing Member has failed or refused to comply;
- (ii) The acts or omissions of such Clearing Member which it is claimed constitute such failure or refusal; and
- (iii) The date (which shall not be less than twenty (20) days after the notice is sent to the Clearing Member), the time and the place at which the Board will meet to hear and consider the charges contained in the notice.

(c) Response from Clearing Member.

A Clearing Member which receives a notice sent pursuant to Rule 18(b) may submit a written response admitting, denying or otherwise explaining any matter set forth in such notice. Such response shall be sent to the Association, Attention: Secretary, not later than five (5) days prior to the hearing date specified in such notice. A Clearing Member which does not submit a response pursuant to this Rule 18(c) shall be deemed to have denied all charges contained in the notice.

(d) Board Meeting to Hear and Consider Charges.

- (i) At the Board meeting at which the charges contained in the notice are heard and considered, the staff of the Corporation shall present evidence in support of such charges and the Clearing Member may present evidence in opposition thereto. All witnesses shall be subject to cross-examination and to examination by members of the Board.
- (ii) The Board shall not be bound by formal rules of evidence or procedure or by technical considerations. The Board shall follow such procedures as it deems best calculated to ascertain all material information and otherwise to insure a fair and impartial hearing.
- (iii) A Clearing Member shall be entitled to be fully represented by legal counsel. Such counsel may render advice to a Clearing Member, examine and cross-examine witnesses, present argument to the Board and submit such briefs or memoranda to the Board as such counsel may deem desirable. If a Clearing Member elects not to be represented by counsel, the Clearing Member shall have the right to conduct the foregoing activities in its own behalf.
- (iv) A formal record of a hearing need not be maintained unless, at least five (5) days prior to the date on which the Board is scheduled to hear the matter, the Clearing Member makes written request that a formal record be maintained and undertakes to reimburse the Corporation for the cost thereof. If a formal record is not maintained, the Corporation shall maintain a record of all documentary evidence presented to the Board and a summary of all testimony given.

(e) Determination by the Board.

After hearing all evidence and receiving any brief or memoranda, the Board promptly shall render a written determination with respect to the matters set forth in the notice, which shall be based on the weight of the evidence presented to the Board. Such determination shall be in writing and shall contain the following:

- (i) A summary of the evidence presented to the Board.
- (ii) A statement of the acts or omissions which the Board has found to constitute a failure or refusal on the part of the Clearing Member to comply with the provisions of the By-Laws or Rules or an Order or Directive of the Board issued pursuant to the By-Laws or Rules and the specific By-Law, Rule, Order or Directive in question.
- (iii) The sanction imposed (if any) and the effective date thereof.

The Association promptly shall send a copy of the Board's determination to the Clearing Member at its office designated pursuant to Rule 5.

(f) Settlement.

- (i) At any time prior to the issuance of a determination by the Board pursuant to Rule 18(e), a Clearing Member may deliver to the Association a written proposal to settle the matter in question.
- (ii) If the Board accepts such proposal it shall issue a determination in the same manner as set forth in Rule 18(e) except that if the settlement proposal specifies that the Clearing Member is agreeing to accept a sanction without either admitting or denying any misconduct, the determination shall so state.
- (iii) A settlement proposal once made may not be withdrawn by a Clearing Member. If the Board does not accept a settlement proposal the proceedings shall continue against the Clearing Member as set forth in this Rule 18 as if such settlement proposal never was made.

(g) Imposition and Payment of Fines; Request for Review.

The Corporation shall give a Clearing Member written notice of a fine imposed pursuant to Section 23 of the By-Laws. Such notice shall specify the date of the occurrence for which a fine is being imposed, the By-Law Section, Rule Number or Board Order or Directive giving rise to the fine and the amount of the fine. Within ten (10) days of the date of such notice, the Clearing Member,

- (i) shall pay such fine; and
- (ii) at its election, may submit a written request to the Board to review such fine. Any such request shall specify the basis for such review.

(h) Review by Board.

- (i) The Board shall hear and consider a request for review made pursuant to Rule 18(g) at the next regular meeting of the Board held more than two (2) weeks after the date on which such request for review is received by the Corporation.
- (ii) At the Board meeting at which the request for review is heard and considered, the procedures set forth in Rule 18(d) shall apply, except, that the Clearing Member shall present evidence in support of its contention that it did not commit the violation for which the fine was imposed and/or that the fine imposed is excessive and the staff of the Corporation shall present evidence in opposition thereto.
- (iii) The Board shall have the authority to cancel, decrease, or increase any fine imposed pursuant to Rule 18(g). The Board's decision following such hearing shall be made in accordance with the provisions of Rule 18(e).

(i) Conflicts of Interest.

A member of the Board may not participate in any proceedings conducted pursuant to this Rule 18 if such member or any firm with which such member is affiliated has a financial, personal or other direct interest in the Clearing Member which is the subject of such proceedings, or in the transactions or other events which gave rise to such proceedings.

RULE 19 DELIVERIES IN BANKRUPTCY SITUATIONS

- (a) This Rule shall be read in connection with Bankruptcy Rules - Part 190 of the Commodity Exchange Act.
- (b) For the purposes of this Rule:
- (i) The term "customer" shall mean any person for whom a Clearing Member carries an Exchange futures contract, except a non-public customer as that term is defined in Commission Regulation 190.01(b)(b).
 - (ii) The term "debtor" shall mean any Clearing Member with respect to which an order for relief is entered under the Bankruptcy Code.
 - (iii) The term "person" shall include an individual, partnership, corporation, trust, association or any other organization.
 - (iv) The term "order for relief" means the filing of a petition in bankruptcy in a voluntary case and the adjudication of bankruptcy in an involuntary case.
 - (v) The term "tender" with respect to a notice of delivery shall mean, in the case of a short Clearing Member that has presented such a notice to the Corporation, the assignment of such notice by the Corporation to a long Clearing Member, and, in the case of a long Clearing Member, the acceptance by such member of such notice from the Corporation.
- (c) By not later than 12:00 noon New York time on the second business day following the date of the entry of the order for relief with respect to the debtor or on the date payment and delivery are required under the By-Laws and Rules of the Exchange, whichever is sooner (the "customer notification date"), each customer of the debtor shall notify the Corporation in writing that he is seeking to make or take

deliver in accordance with Exchange Rules; and

- (i) if the customer is seeking to make delivery, such notice shall be accompanied by,
 - (A) evidence, satisfactory to the Corporation, that the debtor presented a delivery notice to the Corporation on behalf of the customer;
 - (B) a warehouse or vault receipt, duly endorsed, for the commodity which is the subject of the delivery notice; and
 - (C) such other documents as are required pursuant to the By-Laws and Rules and the By-Laws and Rules of the Exchange to make delivery in fulfillment of an Exchange contract for such commodity; or
- (ii) if the customer is seeking to take delivery, such notice shall be accompanied by,
 - (A) the delivery notice which had been issued by the Corporation to the debtor and allocated by the debtor to the customer; and
 - (B) a certified, cashiers or official bank check, drawn on or issued by an approved depository and payable to the order of the Clearing Member which presented the delivery notice, in full amount payable on delivery of the commodity.

A customer who gives notice pursuant to this Paragraph (c) shall be deemed to agree to perform all obligations of the debtor under the By-Laws and Rules and under the By-Laws and Rules of the Exchange with respect to the commodity described in said notice. The Corporation, as a condition to permitting the customer to make or take delivery pursuant to this Rule 19, may require such customer to execute and deliver to the Corporation a written agreement, in form and substance satisfactory to the Corporation, embodying the preceding sentence and providing that the customer consents to being sued in federal or state court located in the City and State of New York in any dispute arising out of such delivery, plus a written release, in form and substance satisfactory to the Corporation, embodying the provisions of paragraph (e).

- (d) (i) Provided that the customer has fully complied with the last paragraph of Paragraph (c), the Corporation, not later than 10:00 A.M. New York time on the first business day following the customer notification date shall notify the Clearing Member which is obligated to

make or take delivery to or from such customer pursuant to this Rule 19 of the receipt of such notice, together with copies of the documents delivered to the Corporation by such customer.

- (ii) A Clearing Member which has received notification from the Corporation pursuant to subparagraph (i), not later than 2:00 P.M. on the date it receives such notice, shall deliver to the Corporation the documents and/or payment which the customer is entitled to receive from such Clearing Member against delivery by the Corporation to such Clearing Member of the documents and/or payment which the Clearing Member is entitled to receive from such customer in connection with such delivery.
- (e) The Corporation has no responsibility for the quantity or quality of the commodity to be delivered pursuant to this Rule 19.
- (f) Notwithstanding the provisions of paragraphs (c) and (d) of this Rule 19 nothing contained in this Rule shall prevent a customer and a Clearing Member from making mutually agreeable arrangements to settle delivery on terms other than those set forth in this Rule.
- (g) The making or taking of delivery or payment or other settlement with respect to any Exchange futures contract in accordance with this Rule 19, shall discharge in full the obligations of customer, the opposite Clearing Member and the Corporation with respect thereto; provided, however, that nothing contained in this Rule 19 shall relieve or discharge a debtor from any obligation or liability it may have to the Corporation, any Clearing Member or any customer by reason of its default.

**RULE 20 REPORTING OF EXCHANGE POSITIONS
 CARRIED BY OTHER FIRMS**

- (a) A Clearing Member which has customer or proprietary positions in any Exchange contract carried or maintained by another Clearing Member or by an FCM which is not a Clearing Member:
 - (i) Not later than the close of business on the first day any such position is carried or maintained by such other Clearing Member or FCM, shall give written notice to the Corporation of the name of such Clearing Member or FCM and, if any such position is being carried or maintained by another Clearing Member, shall give written notice that it is a Clearing Member to such other Clearing

Member; and

- (ii) If any such position is being carried or maintained by an FCM which is not a Clearing Member, shall provide to the Corporation, not later than 10:00 A.M. on each business day, the information specified in Rule 20(b) concerning any such position.
- (b) Each Clearing Member shall report to the Corporation not later than 10:00 A.M. on every business day, in such manner as may be prescribed by the Board, the number of long and short open positions in each commodity for each delivery month which such Clearing Member is carrying or maintaining for any other Clearing Member as at the close of business on the preceding business day. Each such report shall separately specify positions carried or maintained for such other Clearing Member's proprietary account and customer account.