

COMMERCIAL
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November 14, 2003

Ms. Jean A. Webb
Secretary
Commodity Futures Trading Commission
Three Lafayette Center
1155 21st St., N.W.
Washington, D.C. 20581

Reference File SR-PBOT-2003-11
Rule Certification

Dear Ms. Webb:

Pursuant to Commission Rule 40.6, the Philadelphia Board of Trade ("PBOT") hereby submits the following:

- **Amendment to PBOT 500 series of rules regarding arbitration (additions underlined; deletions bracketed and struck through).**

The amendments delete PBOT's 500 series of rules which govern its arbitration program and put into place rules to accommodate the provision of arbitration services by the National Futures Association ("NFA").

Section 5(d) of the Commodity Exchange Act ("CEA") requires futures exchanges to comply with 18 "core principles" in order to maintain a designation as a contract market. Core principle 13 provides that a board of trade shall establish and enforce rules regarding and provide facilities for alternative dispute resolution as appropriate for market participants and any market intermediaries. Appendix B to Part 38 of the CFTC rules states that a designated contract market may delegate to another self-regulatory organization or to a registered futures association its responsibility to provide for customer dispute resolution mechanisms, provided that the contract market treats any decision issued by such other organization or association as if the decision were its own, including providing for the appropriate enforcement of any award issued against a delinquent member.

Currently, the 500 series of PBOT rules contemplates that PBOT itself provides such arbitration facilities. The agreement attached as Attachment A and proposed new rules would permit PBOT to delegate this function to NFA. Consequently, as set forth below,

the existing 500 series of PBOT rules is proposed to be deleted. New Rules 501 and 502 are proposed to take their place.

The PBOT intends to implement these amendments no sooner than one business day following the Commission's receipt of this filing.

There were no opposing views among the PBOT's Board of Directors concerning these amendments.

The PBOT certifies that these amendments comply with the Commodity Exchange Act and the rules thereunder.

Sincerely,

Murray L. Ross
Vice President and Secretary

cc: Mr. Marvin Jackson

Additions underlined; deletions bracketed and struck through

ARBITRATION

Rule 501, Matters Subject to Arbitration; Incorporation by References

(a) Any dispute, claim or controversy between a customer, on one hand, and a member or member organization (including the Related Parties of such member or member organization), on the other hand, in each case in connection with, or otherwise related to, the Exchange business of such parties, shall, at the request of any such party, be arbitrated before an arbitration committee or panel constituted in accordance with, and subject to NFA's Code of Arbitration as in effect from time to time, which code is hereby incorporated by reference into this Chapter 5; provided, however, that a Customer shall not be subject to arbitration pursuant to this Chapter 5 without written consent by such Customer given in accordance with Commission Regulation § 166.5.

(b) Any dispute, claim or controversy between or among members and member organizations (including their respective Related Parties), in each case in connection with, or otherwise related to, the Exchange business of

such parties, shall, at the request of any such party and upon the approval of the President of the Exchange, or his or her designee, be arbitrated before an arbitration committee or panel constituted in accordance with, and subject to, NFA's Member Arbitration Rules as in effect from time to time, which rules are hereby incorporated by reference into this Chapter 5. This paragraph does not apply if NFA otherwise has jurisdiction over the dispute, claim or controversy.

(c) Copies of any Arbitration Claim or notice of intent to arbitrate filed with the NFA by or against any member or member organization (including their respective Related Parties) pursuant to the NFA Code of Arbitration and Member Arbitration Rules must be filed simultaneously with the President of the Exchange. Notwithstanding references to the President of NFA in Rule 2(b) of the NFA Code of Arbitration, any determinations as to arbitrability shall be made by the President of the Exchange, or his or her designee. If a party to a dispute, in an answer, reply or other written response to a request for arbitration, challenges the appropriateness of submitting a matter to arbitration under Chapter 5, the President of the Exchange, or his or her designee, shall serve upon the parties written notice of his or her decision to accept or reject the matter for arbitration. The decision by the President of the Exchange, or his or her designee, to accept or reject a matter for arbitration shall, at the request of any party to the dispute, be subject to review by the Board of the Exchange or a panel of the Board of the Exchange composed of at least three directors. Requests for review must be submitted to the President of the Exchange, or his or her designee, within 10 calendar days from receipt of notice of the decision by the President of the Exchange, or his or her designee. This paragraph does not apply if NFA otherwise has jurisdiction over the dispute, claim or controversy.

(d) For purposes of this rule, the term "Customer" means any person for or on behalf of whom a member of the Exchange effects a transaction on or subject to the By-Laws and Rules of the Exchange, except another member or member organization.

(e) For purposes of this Rule 501, the term "Related Parties" means, with respect to any member or member organization, as applicable, any partner, director, officer, branch manager or employee of such member or member organization (or any person occupying a similar status or performing similar functions) or any person directly or indirectly controlling, controlled by or under common control with, such member or member organization.

(f) For purposes of this Rule 501, the term "NFA" means the National Futures Association, and includes any successor organization fulfilling similar functions under the Commodity Exchange Act.

(g) References in NFA's Arbitration Code or Member Arbitration Rules to "Members" and "Associates" shall be deemed to be references to the Exchange's members and associated persons. References in NFA's Arbitration Code or Member Arbitration Rules to "customers" shall be deemed to be references to "Customers" as defined in Exchange Rule 501(d) above. Exchange members shall cooperate with NFA in all arbitration proceedings. NFA shall have the same power to compel production of evidence by Exchange members, employees and associated persons that it has with NFA "Members", employees and "Associates".

Rule 502, Failure to Honor Award or Settlement

(a) Any member, member organization or associated person or Related Party who fails to honor an arbitral award or settlement rendered under this Chapter 5 shall be subject to disciplinary proceedings in accordance with Rules 401 - 412.

(b) In addition to commencing a disciplinary proceeding against a member, member organization, or Related Party for failure to honor an Award, the President of the Exchange may, on 30 days written notice, summarily suspend a member, member organization, or Related Party which:

- (1) fails to comply with an award within 30 days from the date of service of the award by NFA or such other period as specified in the Award unless there is pending a request to modify the Award pursuant to NFA rules or an application to vacate, modify or correct the Award in a court of competent jurisdiction; or
- (2) fails to comply with a settlement agreement within 30 days after NFA terminates the arbitration proceeding pursuant to NFA rules or such other period as specified in the settlement agreement; or
- (3) fails to comply with a settlement agreement executed in connection with an NFA-sponsored pre-arbitration mediation proceeding within 30 days after the time stated in the settlement agreement; or
- (4) fails to pay any fee assessed within the time so ordered by the panel.

The suspension shall remain in effect until such award, settlement agreement, or order of the panel has been satisfied.

Rule 501, Definitions

Rule 501. The following terms, as used in the Arbitration Rules, shall have the meanings hereby assigned to them, unless otherwise indicated:

~~(a) Arbitration Director. A person selected by the Exchange to perform the duties and functions of the Arbitration Director under the Arbitration Rules.~~

~~(b) Claimant. A person which asserts a claim or grievance under the Arbitration Rules.~~

~~(c) Controversy. Any dispute involving a claim or grievance which arises out of any transaction on or subject to the By Laws and Rules of the Exchange executed by or effected through a member or employee thereof which does not require for adjudication the presence of essential witnesses or third parties over whom the Exchange does not have jurisdiction and who are not otherwise available. The term "controversy" does not include disputes arising from cash market transactions which are not a part of or directly connected with any transaction for the purchase or sale of any commodity interest.~~

~~(d) Counterclaim. A claim or grievance of the nature described in paragraph (c) of this Rule which is asserted by any respondent against the claimant in any controversy.~~

~~(e) Customer. Any person for or on behalf of whom a member of the Exchange effects a transaction on or subject to the By Laws and Rules of the Exchange, except another member.~~

~~(f) Members. A member or member organization of the Exchange.~~

~~(g) Respondent. A person against whom a claim or grievance is asserted under the Arbitration Rules.~~

~~(h) Statutory Controversy. Any controversy involving a claim or grievance by a customer against a member or an employee of a member.~~

~~(i) Submission Agreement. A form submitted by the parties by which all the parties formally agree to submit the controversy to arbitration and to be bound by the decision of the arbitrator with regard to such claim or grievance or counterclaim.~~

~~(j) Third Party Claim. A claim or grievance of the nature described in paragraph (c) of this Rule which is asserted by a claimant or respondent in any controversy against a person other than the respondent or claimant, respectively.~~

~~(k) Third Party Respondent. A person against whom a third party claim is asserted.~~

Rule 502, Jurisdiction

Rule 502. ~~(a) Any statutory controversy shall, if a customer so elects, be settled by arbitration pursuant to the provisions of the Arbitration Rules. Any counterclaim and any third party claim may be asserted and shall be settled in any such arbitration where such counterclaim or third party claim arises out of the transaction or occurrence that is the subject of the original controversy and does not require for adjudication the presence of essential witnesses, parties, or third persons over whom the Exchange does not have~~

~~jurisdiction. Other counterclaims may be asserted only if the customer agrees to the submission after the counterclaim has arisen and the aggregate monetary value of the counterclaim is capable of calculation and subject to the approval of the Arbitration Director.~~

~~(b) Any other dispute, counterclaim thereto or third party claim may be settled by arbitration pursuant to the provisions of the Arbitration Rules, provided that the parties execute a Submission Agreement and subject to the approval of the Arbitration Director or, in the case of a dispute between members, if any member involved therein so elects, and subject to the approval of the Executive Committee. If any such counterclaim is asserted by a respondent who is a customer against a claimant who is a member, the Arbitration Director shall refer the claim and counterclaim for handling as a statutory controversy.~~

~~(c) A member shall not enter into any agreement or understanding with a customer in which the customer agrees, prior to the time a controversy arises, to submit such controversy to arbitration except in accordance with Commission Regulation 180.3(b).~~

~~(d) The procedures for arbitration of controversies pursuant to paragraph (b) of this Rule shall not interfere with, or delay the resolution of, statutory controversies.~~

~~(e) Notwithstanding the foregoing, the Exchange shall have the right to decline the use of its arbitration facilities in any dispute other than such as may be asserted under paragraph (a) of this Rule, if the Exchange determines that the nature of the dispute makes it appropriate that the parties thereto be referred to the remedies provided by law.~~

~~Rule 503, Small Claims Procedures~~

~~**Rule 503.** (a) Any statutory controversy involving a dollar amount not exceeding \$2,500, exclusive of attendant costs and interest, shall upon demand of the customer or by written consent of the parties be arbitrated as hereinafter provided.~~

~~(b) The claimant shall file with the Arbitration Director one (1) executed Submission Agreement, a copy of any other agreement to submit the controversy to arbitration, and one (1) copy of the Statement of Claim, together with any documents in support of the claim. The Statement of Claim shall specify the relevant facts, the remedies sought, the name and address of the claimant's attorney, if any, and whether or not a hearing is demanded.~~

~~(c) The claimant shall pay the sum of \$50.00 upon filing the Submission Agreement. The final disposition of this sum shall be determined by the arbitrator.~~

~~(d) The Arbitration Director shall endeavor to serve promptly by mail or otherwise on the respondent(s) one (1) copy of the Submission Agreement and one (1) copy of the Statement of Claim. The respondent(s) shall within twenty (20) calendar days from~~

~~receipt of service thereof file with the Arbitration Director one (1) executed Submission Agreement and one (1) copy of the respondent's answer, together with any supporting documents. The answer shall specify (1) whether or not the claimant's right to demand arbitration is contested and, if so, the basis therefor, (2) all available defenses to the Statement of Claim, all counterclaims thereto and any third party claims permitted by Rule 502, and (3) the name and address of the respondent(s)' attorney, if any.~~

~~Upon the filing of an answer, the Arbitration Director shall, if the right to arbitrate is contested, determine whether or not a right to arbitrate exists hereunder. If the Arbitration Director determines that the claimant is entitled to arbitration under this procedure, he shall so notify the parties or their attorneys, if any; shall direct the party against whom the claim has been brought to complete and file any information withheld pending such determination, and shall refer the case to the arbitrators. If the Arbitration Director determines that the claimant is not entitled to arbitration, he shall so notify the parties and such attorneys in writing together with the reasons for such denial. There shall be no right of appeal within the Exchange from any determination pursuant to this paragraph (d).~~

~~(e) If the respondent(s) files any counterclaim or third party claim permitted by Rule 502 exceeding \$2,500, the Arbitration Director shall refer the claim, counterclaim and third party claim for handling as a statutory controversy which exceeds \$2,500.~~

~~(f) If the respondent(s) has interposed a third party claim, the Arbitration Director shall endeavor to serve promptly by mail or otherwise a copy of same, together with a copy of the Submission Agreement executed both by the claimant and the respondent(s) on such third party who shall respond in the manner herein provided for response to the Statement of Claim.~~

~~(g) The Arbitration Director shall endeavor to serve promptly by mail or otherwise on the claimant a copy of the answer, counterclaim, third party claim or other responsive pleadings, if any, and on the claimant and respondent(s) any response to the third party claim. The claimant, if a counterclaim is asserted against him, shall within ten (10) calendar days file any reply to the counterclaim with the Arbitration Director who shall serve a copy of the reply on the respondent(s).~~

~~(h) The controversy shall be submitted to a single arbitrator knowledgeable in the commodities industry selected by the Arbitration Director. Unless a customer demands or consents to a hearing or the arbitrator calls a hearing, the arbitrator shall decide the controversy solely upon the pleadings and documentary evidence filed by the parties. If a hearing is necessary, such hearing shall be held as soon as practicable at a time and place selected by the Arbitration Director.~~

~~(i) The Arbitration Director may grant extensions of time to file any pleading upon a showing of good cause.~~

~~(j) The arbitrator shall be authorized to require the submission of further documentary evidence as he in his sole discretion deems advisable.~~

~~(k) Upon the request of the arbitrator, the Arbitration Director shall appoint two (2) additional arbitrators to a panel which shall decide the controversy.~~

~~(l) In any controversy submitted for arbitration under this Rule the sole arbitrator, or if there is more than one (1) arbitrator, the majority shall not be members or associated with any member of a contract market or employee thereof, or otherwise associated with a contract market.~~

~~(m) In his discretion, the arbitrator may, at the request of any party, permit such party at any time to submit additional documentation relating to the pleadings.~~

~~(n) Except as otherwise provided herein, the provisions of the Arbitration Rules shall be applicable to proceedings instituted under this Rule.~~

Rule 504, Hearing Requirements—Waiver of Hearing

~~**Rule 504.** (a) Any controversy, except as provided in Rule 503, shall require a hearing unless all parties waive such hearings in writing and request that the matter be resolved solely upon the pleadings and documentary evidence.~~

~~(b) Notwithstanding a written waiver of a hearing by the parties, a majority of the arbitrators may call for and conduct a hearing. In addition, any arbitrator may request the submission of further evidence.~~

Rule 505, Time Limitation upon Submission

~~**Rule 505.** No controversy shall be eligible for submission to arbitration under the provisions of the Arbitration Rules in any case where six (6) years shall have elapsed from the occurrence or event giving rise to the controversy. This provision shall not extend applicable statutes of limitations.~~

Rule 506, Dismissal of Proceedings

~~**Rule 506.** At any time during the course of an arbitration, the arbitrators may, either upon the joint request of the parties, or upon their own initiative in any arbitration not involving a statutory controversy, dismiss the proceedings and refer the parties to the remedies provided by law.~~

Rule 507, Settlements

~~**Rule 507.** All settlements upon any matter submitted shall be at the election of the parties.~~

~~**Rule 508, Tolling of Time Limitations for the Institution of Legal Proceedings**~~

~~**Rule 508.** When permitted by law, any time limitation which would otherwise run or accrue for the institution of legal proceedings, shall be tolled when all the parties shall have filed duly executed Submission Agreements upon the controversy submitted to arbitration. The tolling shall continue for such period as the Exchange shall retain jurisdiction of the matter submitted.~~

~~**Rule 509, Designation of Arbitrators**~~

~~**Rule 509.** (a) Statutory Controversy. (1) Except as otherwise provided in the Arbitration Rules, in any arbitration of a statutory controversy in which the dispute does not involve an amount which exceeds \$100,000 or does not involve or disclose a money claim, the Arbitration Director shall appoint an arbitration panel consisting of no fewer than three (3) nor more than five (5) arbitrators, at least a majority of whom are not members or associated with any member of a contract market or employee thereof, and who are not otherwise associated with a contract market, unless the customer requests a panel consisting of at least a majority of such persons. (2) In any arbitration of a statutory controversy in which the dispute involves an amount which exceeds \$100,000, the Arbitration Director shall appoint an arbitration panel consisting of five (5) arbitrators, at least a majority of whom are not members or associated with any member of a contract market or employee thereof, and who are not otherwise associated with a contract market, unless the customer requests a panel consisting of at least a majority of such persons.~~

~~(b) Other Controversies. In any arbitration of a dispute other than a statutory controversy, the Arbitration Director shall appoint an arbitration panel of disinterested persons to hear the dispute, except that in an arbitration of a dispute between members, the Executive Committee shall appoint an arbitration panel of disinterested persons to hear the dispute. If the dispute does not involve an amount which exceeds \$100,000 or does not involve or disclose a money claim, such arbitration panel shall consist of no fewer than three (3) nor more than five (5) arbitrators, and if the dispute involves an amount which exceeds \$100,000, such arbitration panel shall consist of five (5) arbitrators.~~

~~(c) Composition of Panels. The individuals who shall serve on a particular arbitration panel shall be determined by the Arbitration Director or by the Executive Committee in an arbitration of a dispute between members. No person who is subject to the conditions specified in Commodity Futures Trading Commission Regulation 1.63(b)(1) through (6) shall be eligible to serve on the Arbitration panel. In the event that a panel member becomes ineligible to serve, the Arbitration Director shall remove that panel member and fill the vacancy. Any action taken by the Arbitration panel prior to such removal shall not~~

~~be affected. The Arbitration Director, or in an arbitration of a dispute between members the Executive Committee, may name the Chairman of each panel.~~

~~Rule 510, Notice of Selection of Arbitrators~~

~~**Rule 510.** The Arbitration Director shall inform the parties of the names and business affiliations of the arbitrators at least eight (8) business days prior to the date fixed for the initial hearing session.~~

~~Rule 511, Peremptory Challenge~~

~~**Rule 511.** In an arbitration proceeding being heard by a panel consisting of more than one (1) arbitrator, each party shall have the right to one (1) peremptory challenge. A party wishing to exercise a peremptory challenge must do so by notifying the Arbitration Director in writing within five (5) business days of notification of the identity of the persons named to the panel.~~

~~Rule 512, Disclosures Required of Arbitrators~~

~~**Rule 512.** Each arbitrator shall be required to disclose to the Arbitration Director any circumstances which might preclude such arbitrator from rendering an objective and impartial determination. Prior to the commencement of the first hearing session, the Arbitration Director, or the Executive Committee in an arbitration of a dispute between members, may remove an arbitrator who discloses such information. The Arbitration Director shall also inform the parties of any information disclosed pursuant to this Rule, if the arbitrator who disclosed the information is not removed.~~

~~Rule 513, Disqualification or Other Disability of Arbitrators~~

~~**Rule 513.** In the event that any arbitrator, after the commencement of the first session but prior to the rendition of the award should become disqualified, resign, die, refuse or be unable to perform or discharge his duties, the Arbitration Director or the Executive Committee in an arbitration of a dispute between members, upon such proof of disqualification or other disability as he or it deems satisfactory, shall, when permitted by law, either: (a) appoint a new member to the panel to replace such arbitrator, obtaining the consent of the parties; or, (b) with the consent or waiver of the parties, direct that the arbitration proceed without the substitution of a new arbitrator. If the parties do not consent or waive, the controversy shall be submitted to a new panel of arbitrators selected pursuant to Rule 509.~~

~~Rule 514, Initiation of Proceedings~~

~~**Rule 514.** Except as otherwise provided in the Arbitration Rules, an arbitration proceeding shall be instituted as follows:~~

~~(a) **Statement of Claim.** The claimant shall file with the Arbitration Director three (3) executed copies of the Submission Agreement and three (3) copies of the Statement~~

~~of Claim, together with the documents in support of the claim. The Statement of Claim should specify the relevant facts, the remedies sought and the name and address of the claimant's attorney, if any. The Arbitration Director shall endeavor to serve promptly by mail or otherwise on the respondent(s) one (1) copy of the Submission Agreement and one (1) copy of the Statement of Claim.~~

~~(b) Answer—Defenses, Counterclaims and/or Third Party Claims~~

~~(1) The respondent(s) shall within twenty (20) business days from receipt of service file with the Arbitration Director one (1) executed Submission Agreement and one (1) copy of the respondent(s)' answer. The answer shall designate~~

~~(i) whether or not the claimant's right to demand arbitration is contested and, if so, the basis therefor;~~

~~(ii) all available defenses to the Statement of Claim and all counterclaims and third party claims permitted by Rule 502; and (iii) the name and address of the respondent(s)' attorney, if any.~~

~~(2) Upon the filing of an answer, the Arbitration Director shall, if the right to arbitrate is contested, determine whether or not a right to arbitrate exists hereunder. If the Arbitration Director determines that the claimant is entitled to arbitration, he shall so notify the parties and their attorneys, if any; shall direct the party against whom the claim has been brought to complete and file any documents required hereunder which had been withheld pending such determination; and shall refer the case to the arbitration panel or to the Executive Committee in a dispute between members. If the Arbitration Director determines that the claimant is not entitled to arbitration, he shall so notify the parties and their attorneys in writing, stating the reasons for such denial. There shall be no right of appeal within the Exchange from any determination pursuant to this subparagraph (b)(2).~~

~~(3) If the respondent(s) has interposed a third party claim, the Arbitration Director shall endeavor to serve promptly by mail or otherwise a copy of same, together with a copy of the Submission Agreement executed both by the claimant and the respondent on such third party who shall respond in the manner provided for the response to the claim.~~

~~(4) The Arbitration Director shall endeavor to serve promptly by mail or otherwise on the claimant a copy of the answer, counterclaim, third party claim or other responsive pleading, if any, and on the claimant and respondent any response to the third party claim. The claimant may, within ten (10) business days, file a reply to the counterclaim with the Arbitration Director, who will serve a copy of the reply on the respondent(s).~~

~~(5) The time period to file any pleading, whether denominated as a claim, answer, counterclaim, reply or third party pleading, may be extended for such periods as may be granted by the Arbitration Director upon a showing of good cause.~~

Rule 515, Designation of Time and Place of Hearings

~~**Rule 515.** Unless the law directs otherwise, the time and place for the initial hearing shall be determined by the Arbitration Director and each hearing thereafter by the arbitrators. Notice of the time and place for the initial hearing shall be given at least eight (8) business days prior to the date fixed for the hearing by personal service, registered or certified mail to each of the parties unless the parties shall, by their mutual consent, waive the notice provisions under this Rule. Notice for each hearing thereafter shall be given as the arbitrators may determine. Attendance at a hearing waives any objection to notice thereof.~~

Rule 516, Representation by Counsel

~~**Rule 516.** All parties shall have the right to representation by counsel at any stage of the proceedings.~~

Rule 517, Attendance at Hearings

~~**Rule 517.** The attendance or presence of all persons at hearings including witnesses shall be determined by the arbitrators. However, each party to the arbitration shall be entitled to attend all hearings, to testify and cross-examine any other party or witness and to examine all relevant documentary evidence submitted.~~

Rule 518, Failure to Appear

~~**Rule 518.** If any of the parties, after due notice, fails to appear at a hearing or any adjourned hearing session, the arbitrators may, in their discretion, proceed with the arbitration of the controversy. In such cases, all awards shall be rendered as if each party had entered an appearance in the matter submitted.~~

Rule 519, Adjournments

~~**Rule 519.** The arbitrators may, in their discretion, adjourn any hearing either upon their own initiative or upon the request of any party to the arbitrators.~~

Rule 520, Acknowledgment of Pleadings

~~**Rule 520.** The arbitrators shall acknowledge to all parties present that they have read the pleadings filed by the parties.~~

Rule 521, Subpoena Process

Rule 521. (a) The arbitrators and any counsel of record of the parties to the proceedings shall have the power of the subpoena process as provided by law. However, the parties shall produce witnesses and present proofs to the fullest extent possible without resort to the issuance of the subpoena process.

(b) Prior to the first hearing session, the parties shall cooperate in the voluntary exchange of such documents and information as will serve to expedite the arbitration. If the parties agree, they may also submit additional documents to the Arbitration Director for forwarding to the arbitrators.

Rule 522, Power to Direct Appearances

Rule 522. The arbitrators shall be empowered without resort to the subpoena process to direct the appearance of any person within the jurisdiction of the Exchange, and/or the production of any records in the possession or control of any such person. Unless the arbitrators direct otherwise, the party requesting the appearance of a person or the production of documents under this Rule shall bear all reasonable costs of such appearance and/or production.

Rule 523, Evidence

Rule 523. The arbitrators shall determine the materiality and relevance of any evidence offered and shall not be bound by formal rules governing the admissibility of evidence.

Rule 524, Interpretation of Rules

Rule 524. The arbitrators shall be empowered to interpret and determine the applicability of all provisions of the Arbitration Rules which interpretation shall be final and binding upon the parties.

Rule 525, Determinations of Arbitrators

Rule 525. All rulings and determinations of the panel shall be by a majority of the arbitrators

Rule 526, Record of Proceedings

Rule 526. Unless requested by the arbitrators or a party or parties to a controversy, no record of an arbitration proceeding shall be kept. If a record is kept, it shall be a verbatim record. If a party or parties to a controversy elect to have the record transcribed, the cost of such transcription shall be borne by the party or parties making the request.

Rule 527, Oaths of the Arbitrators and Witnesses

~~**Rule 527.** Prior to the commencement of the first session, an oath or affirmation shall be administered to the arbitrators. All testimony shall be under oath or affirmation.~~

~~**Rule 528, Amendments**~~

~~**Rule 528.** No amendment to the pleadings shall be permitted after receipt of a responsive pleading except upon the consent of the Arbitration Director or, if arbitrators have been appointed, the arbitrators, upon such terms and conditions as they may direct.~~

~~**Rule 529, Reopening of Hearings**~~

~~**Rule 529.** When permitted by law, the hearings may be reopened by the arbitrator on their own motion or, in the discretion of the arbitrators, upon application of a party at any time before the award is rendered.~~

~~**Rule 530, Awards**~~

~~**Rule 530.** (a) All awards shall be rendered promptly and in writing, signed by a majority of the arbitrators or in such manner as is required by law. Such awards may be entered as a judgment in any court of competent jurisdiction.~~

~~(b) Unless the law directs otherwise, all awards rendered pursuant to the provisions of the Arbitration Rules shall be deemed final and not subject to review or appeal. There shall be no right of appeal within the Exchange.~~

~~(c) The Arbitration Director shall endeavor to serve a copy of the award by:~~

~~(1) registered or certified mail upon all parties, or their counsel, at their respective addresses of record; or~~

~~(2) personally serving the award upon the parties; or~~

~~(3) filing or delivering the award in such manner as may be authorized by law.~~

~~**Rule 531, Miscellaneous**~~

~~**Rule 531.** The provisions of the Arbitration Rules shall be deemed a part of and incorporated by reference in every duly executed Submission Agreement and shall be binding on all parties.~~

~~**Rule 532, Schedule of Fees**~~

~~**Rule 532.** (a) At the time of filing a Submission Agreement, a claimant shall deposit with the Exchange the amount indicated below unless such deposit is specifically waived by the Arbitration Director:~~

Amount of Controversy ... Deposit

(Exclusion of interest and expense)

\$2,500 or less (See Rule 503)

Above \$2,500, but less than \$5,000 ... \$100.00

\$5,000 or more, but less than \$10,000 ... \$200.00

\$10,000 or more, but less than \$20,000 ... \$250.00

\$20,000 or more, but less than \$100,000 ... \$350.00

\$100,000 and over ... \$550.00

If the amount of the controversy is less than \$10,000, no additional deposits shall be required despite the number of sessions. If the amount of the controversy is \$10,000 or more and multiple sessions are required, the arbitrators may require any of the parties to make additional deposits for each additional session. In no event shall the aggregate amount deposited per session exceed the amount of the initial deposit.

(b) The arbitrators, in their awards, may determine the amount chargeable to the parties as forum fees ("fees") and shall determine by whom such fees shall be borne. If the amount of the controversy is less than \$10,000, total fees to the parties shall not exceed the amount deposited. If the amount of the controversy is \$10,000 or more but less than \$20,000, the maximum fee shall be \$250 per session. If the amount of the controversy is \$20,000 or more, but less than \$100,000, the maximum fee shall be \$350 per session. If the amount of the controversy is \$100,000 or more, the maximum fee shall be \$550 per session. In no event shall the fees assessed by the arbitrators exceed \$550 per session. Amounts deposited by a party shall be applied against fees, if any. If the fees are not assessed against a party who has made a deposit, the deposit will be refunded.

(c) If the controversy does not involve or disclose a money claim, the amount to be deposited by the claimant shall be \$100 or such amount as the Arbitration Director or the panel of arbitrators may require, but shall not exceed \$550.

(d) If any controversy is submitted and thereafter settled or withdrawn prior to the commencement of the first session, the parties shall be entitled to a refund of all but \$25 of the amount deposited with the Exchange.

(e) If any controversy is submitted and thereafter settled or withdrawn subsequent to the commencement of the first session, the parties shall be entitled to such refund of assessed deposits, if any, as the Arbitration Director may determine.

Rules 533.--1000. Reserved.

Attachment A to SR-PBOT-2003-11

November 14 , 2003

Philadelphia Board of Trade
1900 Market Street
Philadelphia, Pennsylvania 19103

Re: Arbitration Services

Ladies and Gentlemen:

National Futures Association (“NFA”) understands that the Philadelphia Board of Trade (the “Exchange”) is interested in NFA providing arbitration services with respect to disputes involving customers, members or member organizations and related parties (as such terms are defined in the Rules of the Exchange) related to the Exchange business of such parties (the “Disputes”).

In consideration of the foregoing, NFA hereby agrees as follows:

1. NFA will offer at no cost to the Exchange its arbitration forum for any and all Disputes in accordance with the Rules of the Exchange and NFA’s Code of Arbitration or Member Arbitration Rules, as applicable, all as in effect from time to time, as provided for in proposed Exchange Rules 501 and 502. The disputing parties will be required to pay the fees specified in the Code of Arbitration or Member Arbitration Rules. The Exchange will not pay any arbitration fees.
2. Upon request NFA will provide the Exchange with information that will enable the Exchange to follow specific matters or to evaluate NFA’s performance overall.
3. NFA will make a good faith effort to notify the Exchange of any NFA rule changes applicable to NFA’s arbitration program so that the Exchange may in turn notify Exchange members and member organizations.
4. This letter agreement may be terminated by either party hereto, with or without cause, upon not less than six (6) months’ prior written notice to the other party, provided there are no arbitrations then in progress.
5. This letter agreement shall be governed by, and construed in accordance with, the laws of the State of Illinois.

6. This letter agreement may be signed in any number of counterparts, each of which shall be an original, but all of which together shall constitute but one and the same instrument.

If the foregoing is acceptable to you, please indicate your agreement by signing in the space provided below and returning an executed copy hereof to the undersigned, at National Futures Association, 200 West Madison Street, Suite 1600, Chicago, IL 60606.

Sincerely,

NATIONAL FUTURES ASSOCIATION

By: _____
Daniel J. Roth
President and Chief Executive Officer

ACCEPTED AND AGREED,

PHILADELPHIA BOARD OF TRADE

By: _____
William N. Briggs
President

Date: _____