



**BY ELECTRONIC TRANSMISSION**

May 23, 2019

Mr. Christopher J. Kirkpatrick  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, NW  
Washington, DC 20581

Re: **Self-Certification Pursuant to Commission Rule 40.6 – Physically Settled Digital Currency Contracts**

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Dear Mr. Kirkpatrick:

ICE Clear US, Inc. (“ICUS” or “ICE Clear US”), a registered derivatives clearing organization under the Commodity Exchange Act, as amended (the “CEA” or “Act”), hereby submits to the Commodity Futures Trading Commission (the “Commission”), pursuant to Commission Rule 40.6 for self-certification, amendments to the ICUS Rules to govern the clearing of digital currency contracts<sup>1</sup> as discussed herein. The amendments are to become effective on the first business day following the tenth business day after submission, or such later date as ICE Clear US may determine.

This certification is limited to daily and monthly physically settled futures contracts that reference bitcoin and are denominated in USD. Although the amended Rules are designed to address contracts that reference digital currencies generally (“Digital Currency Contracts”), ICE Clear US, before seeking approval or certification of Digital Currency Contracts referencing other digital currencies, will coordinate with Commission staff in the Division of Clearing and Risk and Division of Market Oversight, including to ensure that any such digital currency falls within the jurisdiction of the Commission.

***Concise Explanation and Analysis***

**1. Overview**

Pursuant to the amended Rules, Digital Currency Contracts are futures contracts that will be physically settled by delivering the underlying Digital Currency in exchange for cash. These contracts will be listed for trading on ICE Futures U.S., Inc. (“IFUS”).<sup>2</sup> Digital Currency is defined as “[a]ny type of digital unit that is used as a medium of exchange or a form of digitally stored value (including digital units of exchange that (i) have a centralized repository or administrator, (ii) are decentralized and have no

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<sup>1</sup> Capitalized terms used but not defined herein have the meanings specified in the Rules, including the proposed amendments that are the subject of this application.

<sup>2</sup> IFUS has submitted its own rule changes to govern the trading of bitcoin futures. See IFUS Submission Nos. 19-160 and No. 19-161 (May 13, 2019).

centralized repository or administrator, and/or (iii) may be created or obtained by computing or manufacturing effort).”<sup>3</sup>

In general, Digital Currency Contracts will be cleared in a manner similar to other physically settled contracts currently cleared by ICUS, with certain additional features intended to address particular considerations relevant to Digital Currency, as discussed herein.

Additional Default Resources: ICUS will make an additional, pre-funded default resource contribution to support clearing of Digital Currency Contracts (“Additional DC Default Resources”). The Additional DC Default Resources will be in addition to the “skin in the game” contributions that ICUS and Listing Exchanges currently make to support cleared contracts (the “Existing SITG”), and will only support Digital Currency Contracts, and not other cleared contracts (“Standard Contracts”). The Additional DC Default Resources will be applied to losses from Digital Currency Contracts following application of the resources of a defaulting Clearing Member, and prior to the application of the Existing SITG and Guaranty Fund contributions of non-defaulting Clearing Members. All other default resources (including the Existing SITG and Guaranty Fund) will support clearing of both Digital Currency Contracts and Standard Contracts.

Digital Currency Warehouse: Settlement will be effected through Bakkt Trust Company LLC<sup>4</sup> (the “Bakkt Warehouse” or the “Digital Currency Warehouse”), an affiliate of IFUS and ICUS. The Digital Currency Warehouse will hold Digital Currency on behalf of market participants in connection with Digital Currency Contracts and transfer Digital Currency in settlement of those contracts at the instruction of ICUS, in accordance with the ICUS and IFUS Rules.

## **2. Details of Rule Changes**

Exhibit A to this filing contains the Rule amendments.<sup>5</sup> The following is a summary of all of the substantive Rule amendments:

Rule 101: This Rule is being amended in order to add new definitions to facilitate the other Rule changes that govern ICUS’s clearing of Digital Currency Contracts. These are the newly defined terms: “Bakkt Warehouse,” “Digital Currency,” “Digital Currency Contract,” and “Standard Contracts.”

Rule 302(a): This rule, which addresses Monetary Defaults and the management thereof, is being amended in order to establish that outstanding obligations and losses, in the event of a Clearing Member default, will be determined separately for Standard Contracts and Digital Currency Contracts.

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<sup>3</sup> See Amended Rule 101. As noted above, the contracts covered in the instant filing only relate to bitcoin. Accordingly, this request only relates to digital currency that constitutes a “commodity” as defined in the Act and that is not a security as defined in the Securities Exchange Act of 1934, as amended (such that futures contracts on such digital currency are subject to the exclusive jurisdiction of the Commission under the Act).

<sup>4</sup> Bakkt Warehouse has applied to be licensed as a limited purpose limited liability trust company with the New York State Department of Financial Services. Trading and clearing in Digital Currency Contracts will not commence until the Bakkt Warehouse has acquired such license.

<sup>5</sup> There are, in addition, some relatively minor conforming changes and errata, and while those are not discussed here, they are marked in Exhibit A.

Rule 302(b) and (c): These Rules are being amended in order to provide for the use of Additional DC Default Resources to cover losses from Digital Currency Contracts upon a Clearing Member default. Under Rule 302(b) (as under the current Rules), margin, Guaranty Fund and other assets of the defaulting Clearing Member will be applied first to cover losses resulting from both Standard Contracts and Digital Currency Contracts, allocated in accordance with ICUS's procedures.

New Rule 302(c)(iv) provides that following application of the defaulting Clearing Member's assets and other available resources under Rule 302(c)(i)-(iii), the Additional DC Default Resources will be applied to cover outstanding losses from Digital Currency Contracts only. Rule 302(c)(iv) provides that ICUS will contribute \$35 million of its own assets as Additional DC Default Resources to support Digital Currency Contracts. ICUS may, but is not obligated to, replenish this contribution.

Remaining losses with respect to both Digital Currency Contracts and Standard Contracts, after application of assets under Rule 302(c)(iv), will be satisfied using the existing waterfall of assets specified in Rule 302(c)(v)-(viii), including the Existing SITG, Guaranty Fund contributions of non-defaulting Clearing Members, and Assessments, as necessary.

Rule 602: This Rule is being amended to clarify the treatment and use of initial and variation margin collected by ICUS with respect to contracts (including Digital Currency Contracts) that are in a delivery position, consistent with current ICUS practice, including upon completion of physical settlement of the contract and in case of a default in physical settlement of the contract.

Rule 606: This Rule is being added in order to establish the requirements for deliveries related to Digital Currency Contracts. Deliveries of Digital Currency will be made by book-entry transfer through the Digital Currency Warehouse, in accordance with ICUS's and IFUS's rules. For purposes of physical settlement, ICUS will match Clearing Members that have delivered or been deemed to have delivered notices of intention to deliver under an expiring Digital Currency Contract with those that have delivered or been deemed to have delivered notices of intention to receive under such contract. Pursuant to Rule 606 and the Listing Exchange Rules, ICUS will instruct the Digital Currency Warehouse to transfer the Digital Currency from the account(s) designated by the delivering Clearing Member to the account(s) designated by the receiving Clearing Member. As with Standard Contracts, ICUS will not be responsible for deliveries required by Digital Currency Contracts. In addition, this new Rule establishes that ICUS is not responsible for failures or omissions on the part of the Digital Currency Warehouse.

Procedures: ICUS is also amending its Risk Management Framework and Default Management Procedures, with changes that conform them to the Rule changes outlined in this submission.

### **3. Consultation and Other Matters**

In developing Digital Currency Contracts, ICUS and IFUS have consulted extensively with Clearing Members and other market participants in order to get feedback on the features and design of the contracts. In addition, ICUS management has consulted with members of the ICUS Board and Risk Committee, both informally and at scheduled meetings. ICUS has received no substantive opposing views about the proposed Digital Currency Contracts and the related Rule amendments. In summary, there is broad support for ICUS's Digital Currency Contracts among the Clearing Members ICUS consulted with. This support is informed by the conservative nature of

the contracts' design, which operates similarly to other physically settled Standard Contracts cleared by ICUS, and is further supported by the Additional DC Default Resources. Based on feedback from Clearing Members, ICUS has also included in the margin model for Digital Currency Contracts a specific shortfall margin requirement applicable to such contracts. The additional margin resources and Additional DC Default Resources will reduce the risk that default losses from Digital Currency Contracts could adversely affect non-defaulting Clearing Members. In response to market participant feedback, IFUS and ICUS determined to increase the tick size of the proposed bitcoin contracts so that it is consistent with other products in the market. ICUS's Risk Committee and Board have approved the filing of the Rule amendments.

ICUS expects that Clearing Members, their customers and other market participants will benefit from enhanced price discovery as a result of the fact that ICUS's Digital Currency Contracts will be physically settled. The conservative nature of the contracts' features and design should result in a more established and diversified pool of market participants, thereby increasing liquidity. Similarly, the certainty that comes from physical settlement should also result in a larger pool of market participants and greater liquidity. All of this has the potential to reduce the occasionally large price swings that have been a feature of bitcoin and other Digital Currencies.

### ***Compliance with the Act and Commission Regulations***

ICUS reviewed the derivatives clearing organization Core Principles and determined that clearing Digital Currency Contracts is potentially relevant to the following Core Principles and the applicable regulations of the Commission thereunder:<sup>6</sup>

#### **FINANCIAL RESOURCES (Principle B):**

Clearing Digital Currency Contracts has the potential to increase ICUS's financial obligation to its Clearing Members and participants. ICUS will use its ICE Risk Model to determine initial margin requirements for Digital Currency Contracts, and will include a specific shortfall margin requirement for Digital Currency Contracts as appropriate. Digital Currency Contracts will be supported by ICUS's existing Guaranty Fund and Assessment rights, as well as its Existing SITG. In addition, pursuant to the amendments described herein, ICUS will be required to make an additional contribution of Additional DC Default Resources specifically to support clearing of Digital Currency Contracts. ICUS believes that these resources and related arrangements will be sufficient to cover the potential risk of loss to it from Digital Currency Contracts in the event of a Clearing Member default, consistent with the requirements of Core Principle B and Commission Rule 39.11.

#### **PARTICIPANT AND PRODUCT ELIGIBILITY (Principle C):**

ICUS does not contemplate imposing any additional requirements on Clearing Members that will clear Digital Currency Contracts. Market participants with positions in Digital Currency Contracts that go to delivery will need to have accounts with the Bakkt Warehouse to make or take delivery of the underlying Digital Currency. ICUS believes that this approach is appropriate for the clearing of Digital Currency Contracts, in light of the general similarity of the Digital Currency Contracts to physically settled Standard Contracts currently cleared by ICUS, and is therefore consistent with the requirements of Core Principle C and Commission Rule 39.12.

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<sup>6</sup> As part of this review, ICUS also reviewed CFTC Staff Advisory No. 18-14 (May 21, 2018), Advisory with respect to Virtual Currency Derivative Product Listings.

In terms of product eligibility, ICUS believes, for the reasons set forth herein, that the Digital Currency Contracts are appropriate for clearing. ICUS will clear the Digital Currency Contracts in a manner substantially similar to its other physically settled Standard Contracts. The use of the Digital Currency Warehouse, for holding and transferring Digital Currency, will facilitate settlement of such contracts as well as the management of the operational aspects of clearing these contracts. The Additional DC Default Resources will provide additional financial resources to support clearing of the contracts, as discussed above. As a result, ICUS believes that it will be able to manage the risks of clearing Digital Currency Contracts, and accordingly that such contracts are eligible for clearing in accordance with Core Principle C and Commission Rule 39.12.

#### **RISK MANAGEMENT (Principle D):**

Clearing Digital Currency Contracts presents potential risk management issues for ICUS which it has addressed using appropriate tools and procedures. ICUS will require initial and variation margin for Digital Currency Contracts, as it does for Standard Contracts. ICUS will use its ICE Risk Model to determine initial margin requirements for Digital Currency Contracts, with a specific shortfall margin requirement for Digital Currency Contracts where appropriate. The Additional DC Default Resources for Digital Currency Contracts are intended to reduce the potential loss to non-defaulting Clearing Members from a default with respect to such contracts. As a result, ICUS believes that it will be able to appropriately manage the risk of clearing Digital Currency Contracts, consistent with the requirements of Core Principle D and Commission Rule 39.13.

#### **SETTLEMENT PROCEDURES (Principle E):**

The Digital Currency Contracts provide for standard daily initial and variation margin settlement, in a manner similar to Standard Contracts, and for physical settlement of open positions at expiration. Potential physical settlement issues have been addressed through rules that clearly state ICUS's obligations with respect to physically delivery of Digital Currencies. ICUS will apply the same controls to the cash used to settle long positions in Digital Currency Contracts as it does to the cash used to settle long positions in Standard Contracts. In addition, through the Digital Currency Warehouse, ICUS has procured an efficient and effective method for physical delivery of Digital Currency in settlement of Digital Currency Contracts. Like ICUS's existing physically settled contracts, however, ICUS will not be responsible for deliveries required by Digital Currency Contracts. ICUS's settlement approach with respect to Digital Currency Contracts thus complies with Core Principle E and Commission Rule 39.14.

#### **DEFAULT RULES AND PROCEDURES (Principle G):**

Clearing Digital Currency Contracts presents potential issues with respect to the management of a Clearing Member default. ICUS will rely on its existing default management rules and procedures with respect to a default of a Clearing Member with positions in Digital Currency Contracts, although losses will be determined separately for Digital Currency Contracts and Standard Contracts. In ICUS's view, these procedures are an appropriate way to contain losses and liquidity pressures in the case of Clearing Member default, while continuing to meet ICUS's obligations. As noted above, ICUS is also requiring Additional DC Default Resources for Digital Currency Contracts, which will provide additional financial resources to address default losses from such contracts and to reduce the risk that such losses would affect non-defaulting

Clearing Members. In ICUS's view, these default arrangements are consistent with Core Principle G and Commission Rule 39.16.

### **LEGAL FRAMEWORK (Principle R)**

The amendments to the ICUS Rules set out the key aspects of the legal framework for the clearing of Digital Currency Contracts. The contracts, which will be traded on the IFUS exchange, will be submitted and novated for clearing in the same manner as Standard Contracts. ICUS will rely on its existing default management procedures for Digital Currency Contracts, although losses from defaults will be determined separately for such contracts and Standard Contracts. Additional default resources will apply to Digital Currency Contracts.

IFUS and ICUS will enter into arrangements with the Digital Currency Warehouse, which has applied to be a licensed limited purpose limited liability trust company, under which the warehouse will hold Digital Currency deposited by market participants to effect physical settlement of Digital Currency Contracts. The Digital Currency Warehouse will effect transfers of Digital Currency in settlement of the contracts, at the instruction of ICUS.

As a result, the Rule amendments and related arrangements with the Digital Currency Warehouse provide a well-founded, transparent and enforceable legal framework with respect to the clearing of Digital Currency Contracts, within the meaning of Core Principle R and Commission Rule 39.27.

As set forth herein, the amendments consist of changes to the ICUS Rules, a copy of which is attached hereto. In addition, ICUS is submitting amended versions of its Risk Management Framework and Default Management Procedures, reflecting changes that conform them to the rule changes outlined in this submission. ICUS respectfully requests confidential treatment with respect to those documents.

ICUS hereby certifies that the amendments comply with the Act and the rules and regulations promulgated by the Commission thereunder.

ICUS has received no substantive opposing views regarding the amendments.

Concurrent with this filing, ICUS has posted a notice of pending certification and a copy of this submission on ICUS's website, which may be accessed at <https://www.theice.com/clear-us/regulation>.

If you or your staff have any questions or require further information regarding this submission, please do not hesitate to contact the undersigned at [Eamonn.Hahessy@theice.com](mailto:Eamonn.Hahessy@theice.com) or (212) 748-3964.

Very truly yours,

A handwritten signature in black ink, appearing to read "Eamonn Hahessy", with a long horizontal stroke extending from the end of the name.

Eamonn Hahessy  
General Counsel and Chief  
Compliance Officer  
ICE Clear US, Inc.

# EXHIBIT A

ICE Clear US, Inc. Rules

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## ICE CLEAR US, INC. RULES

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May 14, 2019

[Digital Currency Contract Amendments](#)



## Part 1 General Provisions

### Rule 101. Definitions

Unless the context otherwise clearly requires, all terms defined in the By-Laws shall have the same meanings when used in these Rules, and in addition the following terms shall have the following meanings when used in these Rules:

#### **Act**

The Commodity Exchange Act, as in effect from time to time.

#### **Approved Financial Institution**

A bank, trust company or other institution designated as such by the Board pursuant to Rule 106.

#### **Approved Foreign Currency**

Any currency other than the U.S. dollar which is deliverable under any Contract or which is approved by the Board for any purpose under the By-Laws or these Rules.

#### **Assessment Amount**

The meaning set forth in Rule 302.

#### **Bakkt Warehouse**

The digital currency warehouse operated by Bakkt Trust Company LLC (or any successor thereto) in connection with the settlement of Digital Currency Contracts.

#### **Bank Holiday**

Any day when banks in the State of New York generally are closed, as determined by the Corporation.

#### **Business Day**

A day other than a Saturday, Sunday or a Bank Holiday.

#### **By-Laws**

The by-laws of the Corporation, and the interpretations, resolutions, orders and directives of the Board thereunder, as in effect from time to time.

#### **Capital**

“Net capital” computed in accordance with Commission Regulation 1.17, except that unsecured receivables from any bank organized under the laws of the United States or of any state shall be included as current assets, so long as such receivables are outstanding no longer than 30 calendar days from the date they are accrued. For purposes of Rule 301 and Rule 302, the Capital of any Clearing Member shall be computed as of the date of either (a) the most recent financial reports provided by such Clearing Member to the Corporation in accordance with the

By-Laws and these Rules, or (b) such Clearing Member's latest audited financial statements, whichever is as of the more recent date.

**Clearing Day**

A day on which the Corporation is open to accept Contracts for clearance.

**Contract**

A futures contract, option or other contract or instrument for which the Corporation acts as a clearing organization.

**Contribution Return Date**

The meaning specified in Rule 212(b)(vii).

**Corporation Default**

The meaning set forth in Rule 806(b).

**Cross Margining Clearing Organization**

A clearing organization that has entered into a cross-margining agreement with the Corporation.

**Cross Margining Program**

Any program established under a cross margining agreement between the Corporation and one or more Cross Margining Clearing Organizations pursuant to which Clearing Members receive Cross Margining treatment.

**Customer**

The meaning set forth in Commission Regulation 1.3, as in effect from time to time.

**Default Auction**

The meaning set forth in Rule 803.

**Default Auction Priority**

The meaning set forth in Rule 302.

**Default Auction Procedures**

The meaning set forth in Rule 803.

**Defaulted Obligation**

The meaning set forth in Rule 302.

**Defaulting Clearing Member**

The meaning set forth in Rule 302.

**Deliverer**

The Clearing Member, whether acting for itself or for any other Person, that is the seller under any futures contract.

**Designated Enforcement Staff**

The enforcement staff of the Exchange to which the Corporation has referred the investigation or settlement of, or the prosecution of disciplinary proceedings in connection with, any potential violation of the By-Laws and Rules, pursuant to Part 9 of these Rules.

**Director**

A member of the Board of Directors of the Corporation.

**Digital Currency**

Any type of digital unit that is used as a medium of exchange or a form of digitally stored value (including digital units of exchange that (i) have a centralized repository or administrator, (ii) are decentralized and have no centralized repository or administrator, and/or (iii) may be created or obtained by computing or manufacturing effort).

**Digital Currency Contract**

A Contract that is a physically settled futures or option contract relating to a Digital Currency.

**Emergency**

The meaning set forth in Rule 708.

**Event of Default**

The meaning set forth in Rule 801.

**Exchange member**

A member of, and any person enjoying membership privileges on, an Exchange.

**Exchange rules, rules of the Listing Exchange and rules of an Exchange**

The certificate of incorporation, by-laws, rules, regulations, resolutions, orders, directives and procedures of such Exchange, and any interpretations thereof duly adopted by such Exchange, as in effect from time to time.

**Financial Emergency**

With respect to any Clearing Member, any situation in which the financial or operational condition of such Clearing Member is not adequate for such Clearing Member to meet its obligations (including without limitation its obligations to comply with the By-Laws or these Rules) or to engage in business, or is such that it would not be in the best interests of the Corporation or the marketplace for such Clearing Member to continue in business.

**Government Security**

A security which is a direct obligation of the United States government.

**Guarantor**

The meaning set forth in Rule 202.

## **Guaranty Fund**

The meaning set forth in Rule 301.

## **Guaranty Fund Deposit Requirement**

[The meaning set forth in Rule 301.](#)

## **Listing Exchange**

With respect to any Contract, the Exchange on or subject to the rules of which such Contract is traded.

## **~~Guaranty Fund Deposit Requirement~~**

~~The meaning set forth in Rule 301.~~

## **Monetary Default**

The meaning set forth in Rule 302.

## **Order for Relief**

The filing of a petition in bankruptcy in a voluntary case and the adjudication of bankruptcy in an involuntary case.

## **Partial Tear-Up**

The meaning set forth in Rule 808.

## **Partial Tear-Up Notice**

The meaning set forth in Rule 808.

## **Partial Tear-Up Price**

The meaning set forth in Rule 808.

## **Partial Tear-Up Time**

The meaning set forth in Rule 808.

## **Physical Emergency**

The meaning set forth in Rule 708.

## **Post-RGD Payments**

The meaning set forth in Rule 807.

## **Qualified Financial Institution**

A bank, trust company or other institution with access to the Fedwire system operated by the US Federal Reserve Bank that a Clearing Member may designate to the Corporation from time to time for the purposes of transmitting funds to the Corporation.

**Receiver**

The Clearing Member, whether acting for itself or for any other Person, that is the buyer under any futures contract.

**Remaining Defaulted Positions**

The meaning set forth in Rule 808.

**Settlement Premium**

The settlement premium for any option determined in accordance with Rule 502A.

**Settlement Price**

For any trading day for any Contract shall mean the settlement price thereof determined as follows: (i) on such trading day, the relevant Listing Exchange, at such time and in such manner as the Listing Exchange and the Corporation shall agree, shall notify the Corporation of the settlement price as determined by such Listing Exchange (the “**Exchange Settlement Price**”); (ii) the Corporation shall adopt the Exchange Settlement Price as the basis for determining the Settlement Price, except if clause (iii) applies; and (iii) if the Corporation determines that the Exchange Settlement Price is manifestly erroneous or is inconsistent with these Rules or the Rules of the Exchange, or otherwise determines that the Exchange Settlement Price does not reasonably reflect the value or price of the Contract, the Corporation shall determine fair market value or price of the Contract, which shall be the Settlement Price for such day, using its best efforts to consult with the Listing Exchange.

**Standard Contract**

[A Contract other than a Digital Currency Contract.](#)

**Tear-Up Position**

The meaning set forth in Rule 808.

**Termination Price**

The meaning set forth in Rule 806.

**Withdrawal Deposit**

The meaning set forth in Rule 212.

**Withdrawing Clearing Member**

A Clearing Member that has notified the Corporation pursuant to these Rules of its intention to terminate its status as a Clearing Member or who has been notified by the Corporation pursuant to the By-Laws or these Rules of termination of its status as a Clearing Member.

**Rule 102. Extension or Waiver of Rules**

(a) The time fixed by these Rules for the doing of any act or acts may be extended, or the doing of any act or acts required by these Rules may be waived, by the Board whenever, in its judgment, such extension or waiver is necessary or in the best interests of the Corporation.

(b) The time fixed by these Rules for filing any report or other document, for submitting any information or for making deposits or payments of initial margin, variation margin, premiums or

other payments or making deliveries may be extended by the Board or the President whenever, in their respective judgment, such extension is necessary or in the best interests of the Corporation. A written report of any such extension granted by the President, stating the pertinent facts and the reason such extension was deemed necessary or expedient, shall be presented to the Board at its next regular meeting. Any such extension may continue in effect after the event or events giving rise thereto; provided, however, that the time fixed for making deposits or payments of initial margin, variation margin, premiums or other payments or making deliveries shall not be extended beyond three Business Days after the time such deposit or payment is due, and no other extension shall continue in effect for more than sixty calendar days, unless in either case it is approved by the Board within such period.

### **Rule 103. Action by the Corporation**

(a) Except as otherwise specifically provided in the By-Laws or Rules, any action permitted or required by the By-Laws or Rules to be taken by the Corporation may be taken by the Board, the President or any other officer to whom authority has been delegated by the Board or the President following the applicable factors set forth in these Rules.

(b) Any action permitted or required by these Rules to be taken by the President may, in the absence or unavailability of the President, be taken by any other officer to whom authority has been delegated by the Board or the President following the applicable factors set forth in these Rules.

### **Rule 104. Headings**

The headings of the various Rules appear for convenience only and shall not affect the meaning of the language contained in these Rules.

### **Rule 105. Notices to Clearing Members**

The delivery by hand, electronic mail, electronic transmission or telephone of any notice, order or other communication to a Clearing Member at the address, electronic address, or telephone number last designated by it shall be good and sufficient delivery thereof to such Clearing Member, and such delivery shall be effective at the time of delivery (in the case of delivery by hand), at the time the relevant notice is sent (in the case of delivery by electronic mail or other electronic transmission) and at the time of the relevant communication (in the case of delivery by telephone).

### **Rule 106. Approved Financial Institutions**

(a) A bank, trust company or other institution may be designated by the Board as an Approved Financial Institution for any or all of the following purposes: acting as a depository for margins and option premiums on behalf of Clearing Members or acting in such other capacity as the Board may approve. To become designated as an Approved Financial Institution, a bank, trust company or other institution must submit an application in such form and containing such information as the Corporation from time to time may require and must meet such financial and other requirements as the Board may establish from time to time. A bank, trust company or other institution which has been designated by the Board as an Approved Financial Institution for any purpose may act as such until such designation is suspended or terminated in accordance with paragraph (b) of this Rule 106.

(b) If a bank, trust company or other institution does not meet all the requirements established by the Corporation pursuant to this Rule 106, or if the Board determines, based on such facts or considerations as the Board deems relevant or appropriate, that it would be in the best interests of the Corporation or its Clearing Members, the Board may:

(i) deny the application of such bank, trust company or institution for designation as an Approved Financial Institution,

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(ii) suspend or terminate the status of such bank, trust company or institution as an Approved Financial Institution for any or all purposes, or

(iii) approve the application or permit the bank, trust company or other institution to continue as an Approved Financial Institution, subject in either case to such terms, conditions and limitations as the Board, in its judgment, deems appropriate.

(c) All wire transfers or other transfers of funds by Clearing Members to the order of or to make payments to the Corporation must be drawn on or made by an Approved Financial Institution or, if applicable, a Qualified Financial Institution.

### **Rule 107. Listing Exchanges**

(a) Each Listing Exchange for which the Corporation determines to provide clearing services shall enter into a clearing services agreement in the form approved by the Corporation, which shall, among other matters, require the Listing Exchange to comply with the provisions of the By-Laws and Rules applicable to Listing Exchanges. The Corporation shall have no obligation to accept, or to provide clearing services to, any particular exchange or trading facility as a Listing Exchange, subject to any requirements of applicable law.

(b) Each Listing Exchange shall provide to the Corporation, and maintain with the Corporation for so long as it is a Listing Exchange, a cash contribution of default resources to be applied pursuant to Rule 302(c)(~~iv~~v) (each, a “**Listing Exchange Default Contribution**”), plus an additional amount equal to 1% of the Listing Exchange Default Contribution (such additional amount, together with the Listing Exchange Default Contribution, the “**Listing Exchange Contribution**”). The Listing Exchange Default Contribution shall initially be in an amount equal to the greater of (i) \$10 million and (ii) the arithmetic average of the Guaranty Fund Deposit Requirements of all Clearing Members as of the end of the most recent calendar year. The Corporation will recalculate the required Listing Exchange Default Contribution using the formula in the preceding sentence for each Listing Exchange as of the end of each calendar year, provided that the Listing Exchange Default Contribution will not be reduced as a result of any such recalculation. In the event of an increase in its required Listing Exchange Default Contribution as of any calendar year-end, the Listing Exchange shall be required to increase its Listing Exchange Contribution to the required level, within the timeframe and in the manner specified in the policies and procedures of the Corporation as in effect from time to time. The Corporation shall not be obligated to return the Listing Exchange Contribution (or any part thereof), except pursuant to Rule 107(d).

(c) In the event of any application of its Listing Exchange Default Contribution pursuant to Rule 302(c)(~~iv~~v), the Listing Exchange shall restore its contribution to the required level on demand of the Corporation (a “**Listing Exchange Replenishment**”); provided that (i) a Listing Exchange Replenishment required as a result of the application of a Listing Exchange Default Contribution with respect to a particular Monetary Default shall not be applied to further losses from that Monetary Default; (ii) during an Exchange Cooling-off Period, a Listing Exchange shall not be required to provide Listing Exchange Replenishments in the aggregate in excess of 550% of its required Listing Exchange Default Contribution immediately prior to the Monetary Default or Monetary Defaults as a result of which the Exchange Cooling-off Period commenced, regardless of how many Monetary Defaults occur during such period; and (iii) the Listing Exchange shall not be required to restore its Listing Exchange Default Contribution following the return of its Listing Exchange Contribution in accordance with Rule 107(d)).

(d) If an exchange or trading facility ceases to be Listing Exchange in accordance with its clearing services agreement, the Corporation shall return its Listing Exchange Contribution on the date that is 60 days following the expiration or termination of all Contacts resulting from transactions submitted by such Listing Exchange to the Corporation for clearing; provided that

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the Corporation will be entitled to retain and apply such Listing Exchange Contribution in accordance with the Rules with respect to any Monetary Default occurring prior to or upon such expiration or termination; provided that where a Listing Exchange provides notice that it will cease to be a Listing Exchange in accordance with its clearing services agreement during an Exchange Cooling-off Termination Period, the limitations in Rule 107(c)(ii) above shall remain in effect with respect to such Listing Exchange until such expiration or termination.

(e) Listing Exchange Contributions will be held in a bank approved for the purpose by the Corporation. The Corporation shall have the sole right to withdraw cash from such account or accounts. The Corporation may invest any Listing Exchange Contributions in securities which are Government Securities and other securities, and sell or dispose of any such investments, in accordance with the Corporation's investment policies and applicable law, and may engage in repurchase transactions with any cash or securities on deposit. Any interest, capital gain or other income earned on any such investments in securities shall belong and be credited to the Corporation (but without prejudice to any rate of return paid by the Corporation on cash deposited as a Listing Exchange Contribution). Rules 301(j), (l), (m) and (n) shall apply to Listing Exchange Contributions as though they were contributions to the Guaranty Fund (with references therein to Clearing Members being deemed to refer to Listing Exchanges).

(f) As used in this Rule 107:

**"Exchange Cooling-off Period"** means the period commencing on the date of the Exchange Cooling-off Period Trigger Event and terminating 30 Business Days thereafter; provided that an Exchange Cooling-off Period shall be automatically extended if a subsequent Exchange Cooling-off Period Trigger Event occurs 30 or fewer Business Days after the previous Exchange Cooling-off Period Trigger Event, in which case the Exchange Cooling-off Period will be extended until the date falling 30 Business Days after such subsequent Exchange Cooling-off Period Trigger Event.

**"Exchange Cooling-off Period Trigger Event"** means (i) any full utilization of a Listing Exchange Default Contribution pursuant to Rule 302(c)(~~iv~~v) arising from a Monetary Default or Monetary Defaults; or (ii) the occurrence of circumstances in which there have been two or more utilizations of a Listing Exchange Default Contribution pursuant to Rule 302(c)(~~iv~~v) as a result of Monetary Defaults within a period of 30 or fewer Business Days, in which the total amount applied is at least equal to the required Listing Exchange Default Contribution prior to the first such Monetary Default.

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



## Part 2

### Clearing Membership

#### Rule 201. Clearing Membership

(a) Only Clearing Members shall be entitled to clear Contracts with the Corporation, except that, if the Board so determines, the Corporation may clear contracts, options or other instruments for members of any other clearing organization (including in connection with the linkage of an Exchange with another board of trade, exchange or market which is not an Exchange). Each Clearing Member shall have the privilege of clearing with the Corporation all Contracts traded on or subject to the rules of each Exchange of which it is a member or member firm and any other Contracts authorized to be cleared by it by the Corporation, whether for a customer or house account.

(b) Each Clearing Member shall have the privileges, rights and obligations provided for in and pursuant to the By-Laws and these Rules. Such privileges, rights and obligations may be terminated or altered in any respect at any time as provided in the By-Laws or these Rules.

(c) Any power of attorney or other authorization to transact business with the Corporation given by a Clearing Member to any person shall remain in effect until a written notice of change has been received by the Corporation.

#### Rule 202. Eligibility Requirements

To become and remain a Clearing Member and to have the privilege of clearing Contracts effected on or subject to the rules of one or more Exchanges, a Person must:

(a) Be an Entity that is a member firm of such Exchange or Exchanges.

(b) Have one person, satisfactory to the Corporation, who is: (i) a director, general partner, trustee or officer (or person occupying a similar status or performing similar functions); (ii) responsible for the clearing operations of such Person; and (iii) authorized and empowered to act on behalf of such Person in all transactions with or involving the Corporation including but not limited to satisfying margin calls, paying option premiums, issuing and receiving delivery notices and furnishing reports and information, and have a second person who meets the requirements of this subparagraph (b) and who is authorized to act on behalf of such Person in all transactions with or involving the Corporation in the event of unavailability, death, incompetence or other inability of the first person.

(c) Have Capital of at least \$5,000,000.

(d) Have, in the judgment of the Board (and, if applicable, taking into account any guarantee provided by a Guarantor pursuant to Rule 202(e)), such qualities of financial responsibility, creditworthiness, operational capacity, experience, business integrity, reputation and competence as the Board, in its discretion, may consider necessary or appropriate to be a Clearing Member and demonstrate that it has sufficient financial ability to make and maintain anticipated Guaranty Fund contributions and provide initial margin, variation margin and option premiums as required by these Rules.

(e) If an Entity which is subject to Control by any other Person or Persons and if so required by the Corporation at any time in its determination (including in light of the considerations in Rule 202(d)), have on file with the Corporation a guarantee in such form as the Corporation may prescribe from such other Person or from one or more of such other Persons (as the Corporation may specify) (each, a “**Guarantor**”) unconditionally guaranteeing payment of all

amounts owing by such Entity under or in connection with any account carried by the Corporation for such entity.

(f) At all times maintain an office to which all notices, orders and other communications from the Corporation may be transmitted or delivered. Such office shall be: (i) at a location satisfactory to the Corporation; (ii) kept open during normal business hours; (iii) staffed on a full time basis and under the direct supervision and responsibility of a person meeting the qualifications in subparagraph (b) of this Rule, such person need not be physically located at such office.

(g) File with the Corporation such information as the Corporation may require regarding its (i) shareholders, partners, members, officers, directors, management personnel and Affiliated Persons; and (ii) ownership, Control or management.

(h) Monitor its electronic communication facilities during the course of each Clearing Day for receipt of communications from the Corporation. Review every communication, whether electronic or otherwise, delivered by the Corporation and report to the Corporation any error in such communication.

(i) Establish and maintain accounts at an Approved Financial Institution for the deposit of funds (including without limitation Approved Foreign Currencies) and securities required to be transmitted to and from such Clearing Member pursuant to the By-Laws and these Rules, and to enter into arrangements with such Approved Financial Institution, and if applicable such Qualified Financial Institution, satisfactory to the Corporation for the transfer by wire or other means of funds and securities into and out of such accounts (separately for any customer and house accounts) on the order of the Corporation and within timelines established by the Corporation.

(j) Maintain such operational capability, including without limitation having such equipment, facilities and personnel, as in the judgment of the Corporation are necessary and desirable in order to properly perform the function of clearing Contracts with the Corporation and to comply with all of the obligations of the Clearing Member pursuant to the By-Laws and these Rules. In particular, the applicant must have the ability to: (i) process expected volumes and values of transactions within required time frames, including at peak times and on peak days; and (ii) fulfill collateral, payment and delivery obligations of the Corporation.

(k) Maintain as appropriate for the nature of its business, risk management policies, procedures and systems reasonably sufficient in the judgment of the Corporation to monitor and control financial and operational risks from accounts cleared by it. Such written risk management policies, procedures and systems shall be made available to the Corporation upon request.

(l) Maintain Organization (and, if it has a Guarantor that provides a guarantee pursuant to Rule 202(e), such Guarantor maintains Organization) in a jurisdiction whose insolvency laws are acceptable to the Corporation.

(m) Have in place business continuity procedures that satisfy the Corporation's requirements.

(n) Participate in default management simulations, new technology testing and other exercises, as notified by the Corporation from time to time.

(o) If intending to clear customer business, Clearing Members must be registered as a futures commission merchant under the Act and maintain regulatory authorization in its home jurisdiction in order to be able to provide relevant clearing services, as appropriate. Clearing Members organized outside of the U.S. must have in place all necessary regulatory

authorizations, licenses, permissions and approvals in their home jurisdiction and provide evidence of same.

(p) Timely comply with all provisions of any Cross Margining Program.

### **Rule 203. Procedures for Becoming a Clearing Member**

(a) Any Person desiring to become a Clearing Member must file an application with the Corporation in such form as the Corporation may prescribe, shall furnish such documents and information as the Corporation may request and shall pay such application fee as the Corporation may prescribe. The filing of any such application, documents and information, and the action by the Corporation with respect thereto, shall be as provided in these Rules.

(b) The Board shall have final authority to grant or deny an application to become a Clearing Member and shall deny the application of any Person which does not meet the eligibility requirements set forth in Rule 202; provided, however, that if the Board proposes to deny any such application, it shall so notify the applicant in writing, setting forth the grounds upon which the Board proposes to deny such application, and the applicant, upon written request made within ten calendar days after the date of receipt of such notification, 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 fully and fairly to present to the Board the applicant's reasons why the application should be granted.

(c) If the Board grants an application to become a Clearing Member, the Corporation shall promptly give the applicant written notice thereof, specifying each Exchange whose Contracts the applicant is entitled to clear. Such applicant shall become a Clearing Member at such time as the Applicant has (i) deposited such amount in the Guaranty Fund as may be required pursuant to Rule 301; and (ii) filed with the Corporation such agreements, undertakings and documents as the Corporation may require; provided, however, that if such applicant has not complied with the foregoing provisions within 60 calendar days after the applicant was given written notice of approval of its application, the application shall be deemed to have been withdrawn unless the Corporation, in its discretion, decides that the application shall not be deemed to have been withdrawn, subject to such conditions as the Corporation may prescribe.

### **Rule 204. Reporting and Notice Requirements**

(a) Each Clearing Member shall file with the Corporation:

(i) monthly and fiscal year-end financial statements in the form and timeframes prescribed in paragraph (b) of this Rule; and

(ii) a copy of each financial statement, financial report, or notice pursuant to Commission Regulation 1.12, Securities and Exchange Commission Rule 17a-11, FINRA Rule 3070 or similar rules, which it files with the Commission, any Self-Regulatory Organization, any national securities exchange or any clearing organization of which it is a member or member firm, or any other federal regulatory organization having jurisdiction over such Clearing Member, at the same time it files such statement or report with any such body, and if such statement or report is other than a routine periodic statement or report required under the by-laws, rules or regulations of 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.

(b) The financial statements required by subparagraph (a)(i) of this Rule shall be in the form adopted by the Commission for use by futures commission merchants (currently Commission Form 1-FR) or FOCUS Report Part II. Monthly financial statements must be filed within 17 Business Days after the end of each month. Fiscal year-end statements must be filed: (i) within

90 calendar days if submitting Form 1-FR; or (ii) within 60 calendar days if submitting a FOCUS Report Part II.

The financial statement for the fiscal year of a Clearing Member which is an Entity shall be certified by an independent public accountant, and the monthly financial statements shall be certified by the president, the chief financial officer or a general partner of the Clearing Member. The financial statements of a Clearing Member which is an individual shall be certified by such Person or Persons, in such manner, as the Board may prescribe.

A Clearing Member which elects to file a FOCUS Report Part II pursuant to this Rule or in response to a request pursuant to paragraph (d) of this Rule may not thereafter 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 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 in writing:

(i) If not registered with the Securities and Exchange Commission as a Broker-Dealer, when

(A) its Capital declines from that shown on the latest financial statement filed by it with the Corporation for any reason by 20% or more, or by an amount which reduces its Permitted Position Risk. Such notification shall be given not later than two (2) Business Days following the event requiring such notification; and

(B) any payment, loan or distribution to, or redemption of any outstanding shares of stock or other equity interest held by, any shareholder, partner, member, beneficiary or other holder of any equity interest of the Clearing Member will have the effect of reducing the Capital of such Clearing Member by more than 30% from that shown on the latest financial statement filed by it with the Corporation for any reason. Such notification shall be given at least two (2) Business Days prior to any such payment, loan, distribution or redemption and shall include the amount thereof, a balance sheet of the Clearing Member as of the last Business Day of the month prior to the month in which the same is to be made (certified by the president, the chief financial officer or a general partner of the Clearing Member) and a description of the effect that the same will have on the Capital of the Clearing Member.

(ii) If registered with the Securities and Exchange Commission as a Broker-Dealer, when

(A) its tentative net capital (as defined in the rules of the Securities and Exchange Commission) declines from that shown on the latest financial statement filed by it with the Corporation for any reason by 20% or more, or by an amount which reduces its Permitted Position Risk. Such notification shall be given not later than two (2) Business Days following the event requiring such notification.

(B) any payment, loan or distribution to, or redemption of any outstanding shares of stock or other equity interest held by, any shareholder, partner, member, beneficiary or other holder of any equity interest of the Clearing Member will have the effect of reducing the tentative net capital (as defined in the rules of the Securities and Exchange

Commission) of such Clearing Member by more than 30% from that shown on the latest financial statement filed by it with the Corporation for any reason. Such notification shall be given at least two (2) Business Days prior to any such payment, loan, distribution or redemption and shall include the amount thereof, a balance sheet of the Clearing Member as of the last Business Day of the month prior to the month in which the same is to be made (certified by the president, the chief financial officer or a general partner of the Clearing Member) and a description of the effect that the same will have on the Capital of the Clearing Member.

(iii) Upon the occurrence of any financial or business development that could materially affect the ability of the Clearing Member to comply with its obligations as a Clearing Member.

(d) Each Clearing Member shall file with the Corporation such financial or other information, in addition to what is explicitly required by this Rule, as may be requested by the Corporation from time to time.

(e) The qualifications and reports of accountants for Clearing Members must meet the requirements set forth in Commission Regulations and must be satisfactory to the Corporation.

(f) In the event that any Clearing Member (i) fails to meet any obligation to deposit or pay any margin or option premium when and as required by any clearing organization of which it is a member, (ii) fails to be in compliance with any applicable financial requirements of the Commission, any Self-Regulatory Organization, any securities exchange or clearing organization, (iii) becomes the subject of a bankruptcy petition, receivership proceeding or the equivalent, or (iv) becomes subject to statutory disqualification under Section 8a(2) or (3) of the Act or other applicable CFTC regulations or is subject to a fine or other sanction imposed by the Commission or any Self-Regulatory Organization, such Clearing Member shall immediately so advise the Corporation both telephonically and in writing.

(g) Each Clearing Member shall provide the Corporation ample notice in writing prior to any change to the information provided under Rule 202(g).

(h) Each Clearing Member shall notify the Corporation promptly in writing of any change (other than a change subject to paragraph (g)) which would cause a statement furnished pursuant to these Rules to be inaccurate or incomplete.

#### **Rule 205. Documents, Communications and Payments Submitted to the Corporation**

(a) All reports, documents, papers, statements, notices, checks, and other communications or other materials required or permitted by these Rules to be submitted to the Corporation, except as may otherwise be specifically prescribed by these Rules, shall be delivered to the Corporation or its designated agent at such times, in such form and in such manner as the Corporation shall require. Each item delivered to the Corporation shall specify the identity of the Clearing Member making such delivery.

(b) The Corporation shall have the right to instruct each Approved Financial Institution to debit a house margin account maintained by each Clearing Member, and/or any other non-customer account designated by such Clearing Member for purposes of this Rule, for any payment of fees, charges or other amounts (other than fines or penalties) due to the Corporation or due to any Exchange (if and to the extent the Corporation shall be acting as a collection agent for the Exchange).

(c) When a check tendered to the Corporation, by or on behalf of a Clearing Member, has been certified, or is presented by the Corporation to the bank upon which it is drawn for certification, or is deposited, the Clearing Member shall not be released of its obligation to the Corporation thereby, any statute or rule of law to the contrary notwithstanding; and in the event

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that such check 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 continue to be liable for the amount thereof.

(d) If a wire transfer to the Corporation made by or on behalf of a Clearing Member is reversed or revoked, then, any statute or rule of law to the contrary notwithstanding, the Clearing Member which made such transfer or on whose behalf such transfer was made shall continue to be liable for the amount thereof.

(e) No Clearing Member shall furnish any false, inaccurate or misleading information to the Corporation or accept any money or securities on the basis of any report or other information known by the Clearing Member to be incorrect.

#### **Rule 206. Records and Information**

(a) Each Clearing Member shall keep accurate records showing the details of each Contract offered for clearing by or on behalf of such Clearing Member and such other information, in such form, as shall be required by the Corporation from time to time.

(b) All records required under these Rules shall be retained for the time, and in the manner, specified by Commission Regulations with respect to records required to be kept by the Act and Commission Regulations.

(c) Each Clearing Member shall permit representatives of the Corporation to inspect or take temporary possession of such Clearing Member's books and records at any time upon demand, and shall furnish the Corporation with all information requested at any time in respect of the Clearing Member's business and Contracts as the Corporation or its officers may require, including without limitation, information regarding all accounts or any specific account carried by such Clearing Member.

#### **Rule 207. Obligations of Suspended Clearing Member**

A Clearing Member which has been suspended shall, during the term of such suspension and thereafter, remain and continue to be:

(a) subject to and bound by the By-Laws, these Rules and any agreements between such Clearing Member and the Corporation;

(b) obligated to pay all fees, fines, assessments or other charges imposed by the Corporation; and

(c) liable to the Corporation and to all other Clearing Members for all other obligations arising under Contracts cleared and all obligations incurred before, during or after such suspension, including but not limited to obligations to deposit and pay initial margin, variation margin and option premiums.

#### **Rule 208. Position Risk**

(a) The Corporation will be entitled at its discretion to establish, amend or revoke limits on position risk for Clearing Members or in respect of particular accounts. The position risk of any Clearing Member shall mean the amount of initial margin, required from such Clearing Member, exclusive of Option liquidating value, as calculated by the Corporation.

(b) The limit on position risk for each Clearing Member and account will be determined at the Corporation's discretion and may take into account the Corporation's evaluation of the financial and operational capacity of the Clearing Member and such other factors as the Corporation at its discretion deems appropriate.

(c) Breach of Limits on Position Risk

(i) If a Clearing Member exceeds its limits on position risk, the Corporation may, at its discretion: (A) require a Clearing Member to provide information to the Corporation in respect of any of its positions; (B) require a Clearing Member to allocate, transfer or terminate such Contracts or close out its open position in any affected account to the extent necessary to reduce its open position so as to meet its limit on position risk within such time as the Corporation may prescribe; (C) make an additional call for such Margin as the Corporation in its discretion determines; and/or (D) impose such additional Capital requirements on the Clearing Member as the Corporation in its discretion determines.

(ii) If the Clearing Member fails to comply with any requirement imposed on it pursuant to Rule 208(a), the Clearing Member shall be in breach of these Rules and, without limitation, the Corporation may, at its discretion, in respect of the Clearing Member concerned: (A) declare an Event of Default; (B) terminate or suspend membership of the Clearing Member; (C) terminate such Contracts as the Corporation at its discretion selects on behalf of the Clearing Member; (D) instigate an investigation or disciplinary proceeding under Part 9 of these Rules; and/or (E) impose such other requirements on the Clearing Member as it sees fit.

#### **Rule 209. Indemnification by Clearing Members**

(a) If any action or proceeding is brought or threatened against the Corporation or any person entitled to be indemnified by the Corporation pursuant to Section 6.1 or Section 6.2 of the By-Laws (such persons being collectively referred to as "Officials"), 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 Affiliated Person of a Clearing Member, which conduct or lack thereof is alleged to constitute a violation of the Act, any other federal or state law, any Commission Regulation, any rule of any Self-Regulatory Organization, or any Corporation By-Law or Rule, 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.

(b) If any action or proceeding is brought against the Corporation or an Official which could result in indemnification by a Clearing Member pursuant to subsection (a) of this Rule:

(i) Such party shall promptly give such Clearing Member notice thereof in writing.

(ii) Neither the Corporation nor any such Official may settle a claim to the extent it seeks the recovery of money damages without the prior consent of such Clearing Member; provided that if such Clearing Member does not consent to any proposed settlement within ten (10) calendar days following the date it receives written notice of the terms of such settlement, the Corporation or such Official may require such Clearing Member to post such security for the payment of its indemnification obligations to the Corporation or such Official as the Corporation or such Official deems necessary, but not in excess of the money damages claimed plus interest and anticipated expenses.

#### **Rule 210. RESERVED**

#### **Rule 211. RESERVED**

#### **Rule 212. Withdrawal of Clearing Members**

(a) The following terms will have the indicated meanings:

**Withdrawal Close-Out Deadline Date**

(i) Unless clause (ii) applies, in respect of the termination of Clearing Member status of a Clearing Member, the date falling 30 Business Days after the Withdrawal Notice Time (or, if the Corporation has terminated the Clearing Member's status, the date so designated by the Corporation); (ii) in respect of termination of clearing membership during a Cooling-off Termination Period, the date falling 20+x Business Days after the Withdrawal Notice Time where x= the total number of unexpired Business Days in the Cooling-off Termination Period; or (iii) notwithstanding (i) and (ii), in any case, such later date as the Corporation may at its discretion permit and notify in writing to the affected Clearing Member.

**Withdrawal Date**

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

**Withdrawal Notice Time**

The time of service by a Clearing Member of a Withdrawal Notice.

**Withdrawal Notice**

A notice served by the Clearing Member on the Corporation under these Rules indicating that such Clearing Member intends to withdraw from being a Clearing Member (and thereby becomes a Withdrawing Clearing Member).

(b) A Clearing Member that has delivered a Withdrawal Notice (including during a Cooling-off Termination Period) or (if so designated by the Corporation) that is otherwise terminated is subject to the following requirements, obligations and provisions:

(i) it must use all reasonable endeavors, unless and until such time as a Corporation Default occurs, to close out all of its open positions prior to the Withdrawal Close-Out Deadline Date;

(ii) if it provided its Withdrawal Notice during a Cooling-off Termination Period and it closes out all of its open positions prior to the Withdrawal Close-Out Deadline Date and complies with the other requirements of this Rule 212, it shall maintain the benefit of the protections set out in paragraph (c) of Rule 303 following the end of the Cooling-off Period;

(iii) after the Withdrawal Notice Time, it shall only be entitled to submit transactions for clearing which it can demonstrate have the overall effect of reducing open positions in any Contracts or risks to the Corporation associated with the Contracts, whether by hedging, novating, transferring, terminating, liquidating or otherwise closing out such Contracts;

(iv) the Corporation may call for additional initial margin until such time as all of such Clearing Member's open positions have been terminated, and such Clearing Member shall provide such additional initial margin to the Corporation as is requested in a timely manner;

(v) it shall be obligated to participate in Default Auctions (if any) in the same manner as any other Clearing Member that is not a Defaulting Clearing Member and subject to the provisions of these Rules in respect of all Monetary Defaults occurring prior to or during the Cooling-off Period during which it served its Withdrawal Notice (or, if Rule 303(e) does not apply, all Monetary Defaults occurring prior to the Withdrawal Notice Time). For the



avoidance of doubt, failure to participate in such Default Auctions shall have the consequences (if any) set forth in the applicable Default Auction Procedures, and will not otherwise constitute an Event of Default by the Withdrawing Clearing Member or failure to perform its obligations under this Rule 212;

(vi) if it has any open positions with the Corporation (whether customer or house positions) after the Withdrawal Close-Out Deadline Date (and notwithstanding any provision in this Part 2 of these Rules to the contrary), the Clearing Member shall as from the Withdrawal Close-Out Deadline Date until its Withdrawal Date:

(A) become liable to make any Replenishments or Assessments that would have fallen due but has not been paid and become liable to have applied any contribution to the Guaranty Fund that would have been applied but was not so applied, in each case to the extent that the same would have been payable or applied but for its service of a Withdrawal Notice and in each case in respect of any Monetary Default affecting a Clearing Member that has occurred subsequent to the Withdrawal Notice Time;

(B) become liable for further obligations to have any contributions to the Guaranty Fund applied or pay Assessments in the same way as any other Clearing Member in respect of any Monetary Default occurring prior to the Withdrawal Date; and

(C) be subject to the Corporation exercising rights under Part 8 of these Rules to liquidate or transfer the open positions of the Clearing Member and otherwise deal with the Clearing Member's Contracts and property in the same way as if the Clearing Member were a Defaulting Clearing Member.

(vii) following termination of all open positions to which a Withdrawing Clearing Member was party in relation to its house and customer accounts and satisfaction in full by such Withdrawing Clearing Member of all obligations in respect thereof, the Corporation shall return the Withdrawing Clearing Member's unused contributions to the Guaranty Fund and any unused Withdrawal Deposit, as well as any other assets of the Withdrawing Clearing Member not previously returned on the date (the "**Contribution Return Date**") that is 60 calendar days after the Withdrawing Clearing Member's Withdrawal Date, or such earlier date as is determined by the Corporation.

Notwithstanding anything in these Rules or the By-Laws:

(1) the Corporation may at its discretion return amounts due to the Withdrawing Clearing Member in different currencies or by way of transfer or return of non-cash margin to the Withdrawing Clearing Member;

(2) the Corporation may further pay any net amount payable to the Withdrawing Clearing Member in different amounts denominated in different currencies and is not required to pay a single sum in one currency; and

(3) the Corporation may make partial payment of any amounts due excluding the Guaranty Fund contribution prior to the time specified in this Rule 212; and

(c) If:

(i) a Clearing Member has served a Withdrawal Notice during a Cooling-off Termination Period; and

(ii) there is a Monetary Default or are Monetary Defaults before the relevant Withdrawal Date as well as any additional Monetary Default described in Rule 302(i)(iii), then the Clearing Member in question shall remain liable for the application of any then unapplied Guaranty Fund contributions and unapplied Assessments (including those paid or which the Clearing Member is liable to pay) for all such Monetary Defaults (as if all such Monetary

Defaults had been declared by the Corporation prior to the Withdrawal Notice Time), subject to the general limits relating to particular Monetary Defaults and all Monetary Defaults referred to in Rule 302, Rule 303 and Rule 212.

(d) Except as otherwise agreed by the Corporation in its discretion, any Withdrawal Notice issued by a Clearing Member shall be irrevocable by the Clearing Member and membership may only be reinstated pursuant to a new application for membership following the close-out of all its open Contracts.

(e) A Clearing Member whose membership has terminated shall, following the Withdrawal Date, cease to be liable for Replenishments or Assessments under Rule 301 or Rule 302 in respect of Monetary Defaults that occur after the Withdrawal Date. Upon the return of its unused contribution to the Guaranty Fund under Rule 212(b)(vii), a Withdrawing Clearing Member shall have no further obligation to make contributions to the Guaranty Fund (including Assessments).

(f) This Rule 212 shall not apply to a Defaulting Clearing Member.

(g) In the event of a Financial Emergency, or otherwise at the discretion of the Board, a Clearing Member that gives a Withdrawal Notice (other than during a Cooling-off Termination Period) may be required by the Corporation by the opening of business on the Business Day following delivery of the Withdrawal Notice to provide Assessments in an amount not to exceed 550% of its Guaranty Fund Deposit Requirement (as in effect immediately prior to the Withdrawal Notice Time), such amounts to be held by the Corporation until the Withdrawal Date and applied only as permitted in accordance with Part 2 or 3 of these Rules ("**Withdrawal Deposit**"). Any references in these Rules or the By-Laws to Assessments being called or to Guaranty Fund Deposit Requirements to the Guaranty Fund being replenished or applied, in respect of a Clearing Member which has provided such a Withdrawal Deposit, shall be interpreted as a reference to such Withdrawal Deposit being applied in satisfaction of such requirements, and a Clearing Member that has served a Withdrawal Notice and made such Withdrawal Deposit shall not be liable for any further Assessments, regardless of how many Monetary Defaults take place (subject to the proviso to paragraph (c) of Rule 303).

### **Rule 213. Termination of Clearing Membership**

(a) A Clearing Member shall cease to be a Clearing Member:

(i) Upon the termination of its status as a Clearing Member pursuant to Part 9 of these Rules; or

(ii) If it submits a Withdrawal Notice in accordance with Rule 212, upon the satisfaction of its obligations and occurrence of its Withdrawal Date under Rule 212.

(b) Reserved.

(c) Reserved.

(d) A Person which is a Clearing Member of more than one Exchange may, subject to the satisfaction of the conditions set forth in this Rule 213, withdraw as a Clearing Member of one or more such Exchanges while remaining as a Clearing Member of any other Exchange.

(e) A Person which for any reason ceases to be a Clearing Member shall remain and continue to be:

(i) subject to any investigations or proceedings pursuant to Part 9 of these Rules of which the Clearing Member receives notice within six months after ceasing to be a Clearing Member;

(ii) obligated to pay all fees, fines or other charges imposed on such Clearing Member by the Corporation, as a result of Contracts cleared or other obligations entered into or incurred prior to the termination of such membership;

(iii) subject to claims against its Guaranty Fund deposit until the Corporation returns such deposit as provided in paragraph (i) of Rule 301 subject to Rule 303 and Rule 212;

(iv) obligated to pay any assessment for which it is responsible, as provided in Rule 302; and

(v) obligated to the Corporation and other Clearing Members for all Contracts cleared and all obligations entered into or incurred prior to the termination of such membership.

#### **Rule 214. Requirements for Subordinated Loan Agreements**

Each subordinated loan agreement which, when executed, is to be included in determining the Capital of a Clearing Member, shall be in the form of either a cash subordinated loan agreement or a secured demand note and collateral agreement (“**Subordination Agreement**”) and:

(a) shall contain provisions to the effect that:

(i) all obligations of the Clearing Member with respect to the payment of principal and interest under the Subordination Agreement shall be subordinated to the payment in full of all obligations to other present and future creditors of the Clearing Member arising out of any matter occurring prior to the maturity of the Subordination Agreement, other than obligations which are the subject of subordination agreements which rank on the same priority as or junior to the Subordination Agreement;

(ii) the Subordination Agreement has a minimum term of one year, except for temporary subordination agreements permitted by Commission Regulation 1.17(h)(3)(v) as in effect from time to time;

(iii) immediate written notice will be given to the Corporation if the collateral pledged to secure a secured demand note is less than the unpaid principal amount of and interest accrued under the note;

(iv) prior consent of the Corporation is required for prepayment and for any cancellation, revocation, termination or modification of the Subordination 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 to the Corporation a copy of the written consent thereto by the designated self-regulatory organization for such Clearing Member; and

(v) prior written notice will be given to the Corporation no sooner than six (6) months after the effective date of the Subordination Agreement if the maturity of payment (in whole or in part) under the Subordination Agreement is accelerated;

(b) shall be submitted to the Corporation at least ten days prior to the proposed effective date thereof; and

(c) if such Subordination Agreement is for a Clearing Member which is a futures commission merchant, shall have been approved by the designated self-regulatory organization for such Clearing Member as being in compliance with Commission Regulation 1.17 as in effect at the time.

## Rule 215. AML Compliance

(a) As of each Clearing Day, regardless of whether it submits Contracts to be cleared by the Corporation, each Clearing Member that is subject to the Bank Secrecy Act (31 U.S.C. 5311, et seq.), the USA PATRIOT Act, and the regulations promulgated thereunder hereby represents and warrants that it has developed and implemented a written anti-money laundering program, which has been approved in writing by senior management of Clearing Member, and is reasonably designed to promote and monitor Clearing Member's compliance with the applicable requirements of the Bank Secrecy Act (31 U.S.C. 5311, et seq.), the USA PATRIOT Act, and the regulations promulgated thereunder. Such anti-money laundering program shall, at a minimum:

(i) establish and implement policies, procedures and internal controls reasonably designed to promote compliance with the applicable provisions of the Bank Secrecy Act and the implementing regulations thereunder;

(ii) establish policies, procedures and internal controls reasonably designed to detect and report circumstances where Clearing Member may be used as a vehicle for money laundering, including the monitoring of Clearing Member's customers for suspicious activity;

(iii) require Clearing Member to take appropriate action once suspicious activity is detected and make reports to government authorities in accordance with applicable laws;

(iv) require the performance of due diligence on Clearing Member's customers and, where appropriate, performance of enhanced due diligence on customers using a risk-based approach;

(v) require screening of customers for compliance with U.S. sanctions administered by the U.S. Treasury's Office of Foreign Assets Control ("**OFAC**"), including screening customer names against OFAC's List of Specially Designated Nationals and Blocked Persons ("**SDN List**");

(vi) designate an anti-money-laundering compliance officer;

(vii) provide for independent testing for compliance to be conducted by the Clearing Member's personnel or by a qualified outside party; and

(viii) provide periodic training for appropriate personnel.

(b) If a Clearing Member becomes aware that its customer and/or the beneficial owner of a Contract is prohibited pursuant to an economic or trade sanctions program administered and enforced by OFAC or is listed on the SDN List, such Clearing Member will notify the Corporation's legal and/or compliance department as soon as is reasonably practicable or as may otherwise be required by law.

## Part 3

### Guaranty Fund

#### Rule 301. Guaranty Fund

The Corporation shall establish and maintain a Guaranty Fund.

(a) For the purposes of this Rule 301, the following terms shall have the following meanings:

(i) “Base Guaranty Fund Amount” shall mean the base amount as established by the Board from time to time for the calculation of the Guaranty Fund Deposit Requirements of the Clearing Members.

(ii) “Base Margin Amount” shall mean that portion of each Clearing Member’s Guaranty Fund Deposit Requirement which is based upon its margin requirement, as determined pursuant to the Corporation’s risk policies.

(iii) “Base Volume Amount” shall mean that portion of each Clearing Member’s Guaranty Fund Deposit Requirement which is based upon the volume of Contracts cleared by it, as determined pursuant to the Corporation’s risk policies.

(b) Each Clearing Member, shall deposit and maintain in the Guaranty Fund an amount (the “**Guaranty Fund Deposit Requirement**”) equal to the sum of the Clearing Member’s Base Margin Amount and Base Volume Amount as established by the Corporation in light of the Base Guaranty Fund Amount, provided that:

(i) Reserved.

(ii) each Clearing Member shall be required to deposit and maintain in the Guaranty Fund at least two million dollars (\$2,000,000), or such other amount as the Board may fix from time to time;

(iii) Reserved.

(iv) each new Clearing Member shall be required to deposit such amount as determined by the Corporation provided, however, that in no event shall the amount of the deposit be less than the amount set forth in or determined by the Board pursuant to subsection (b)(ii) of this Rule 301. Each new Clearing Member must be a Clearing Member for one calendar month before its Guaranty Fund requirement is calculated as described in this Rule 301(b) (exclusive of this clause (iv)).

Subject to Rule 303 and Rule 212, the Board shall have the authority to cause the Base Margin Amount and Base Volume Amount of all Clearing Members to be recalculated at any time, and to require the Clearing Members to immediately deposit in the Guaranty Fund any amounts required to meet the recalculated Guaranty Fund Deposit Requirements, taking into account the minimum deposit requirements set forth in subsection (b)(ii) of this Rule 301. The Corporation shall establish the Base Guaranty Fund Amount such that at a minimum the Corporation will maintain pre-funded financial resources sufficient to enable it to meet its financial obligations to Clearing Members notwithstanding a default by the two Clearing Members (including any of their affiliated Clearing Members) creating the largest combined loss to the Corporation in extreme but plausible market conditions, consistent with the requirements of CFTC Rules 39.11 and 39.33.

(c) Except as provided in paragraph (b) of this Rule 301, deposits in the Guaranty Fund may be made by any Clearing Member in the form of cash or securities approved by the Board for this purpose and subject to the limitations and minimum cash deposits, if any, adopted by the Board, in each case as published by the Corporation in its website from time to time. Any permitted securities shall be valued in accordance with such methodology as may be adopted by the Board. The Board may place limits on the portion of any Clearing Member's deposit that may be satisfied by the use of any category of permitted securities. Deposits of securities shall be made by such means and subject to such agreements and undertakings as may be prescribed by the Corporation. To the extent that any Clearing Member deposits any securities in the Guaranty Fund, such Clearing Member thereby represents and warrants that such securities are owned by it free and clear of any security interests, liens, encumbrances, charges or adverse claims of any kind.

(d) Guaranty Fund deposits shall be held in a bank approved for the purpose by the Corporation. The Corporation shall have the sole right to withdraw cash or securities from, or to authorize the sale or other disposition of any securities held in, such account or accounts subject to the rights of any assignee, pledgee or holder of a security interest in the Guaranty Fund or any cash or securities therein.

(e) So long as any Person is a Clearing Member and thereafter for the period until the Corporation returns such person's Guaranty Fund deposits as provided in paragraph (i) of this Rule 301, the Guaranty Fund deposits of such person may be applied by the Corporation:

(i) against any amounts that become due from such Person to the Corporation for any reason (including but not limited to initial margin, variation margin, option premiums, dues, assessment, fines and reimbursement of any amounts paid by the Corporation to a Cross Margining Clearing Organization under any Cross Margining Program) at any time it was a Clearing Member and for the period until the Corporation returns such Person's Guaranty Fund deposits as provided in paragraph (i) of this Rule 301;

(ii) against any amounts that are charged as provided in or pursuant to Rule 302 against the Guaranty Fund deposits of all Clearing Members at any time that such Person was a Clearing Member and for the period until the Corporation returns such Person's Guaranty Fund deposits as provided in paragraph (i) of this Rule 301; and

(iii) to provide such funds, on such terms and conditions, as the Board in its discretion, acting by a vote of not less than three-fourths of all Directors eligible to vote, may deem necessary or appropriate to facilitate the transfer of customer accounts from a Clearing Member experiencing financial difficulty to another Clearing Member, if the Board shall determine by such vote that to do so is in the best interests of the Corporation.

(f) The Corporation may at any time and from time to time assign, transfer, pledge, repledge or otherwise create a lien on or security interest in, the Guaranty Fund and/or the cash, securities and other property held in the Guaranty Fund to secure the repayment of funds borrowed by the Corporation (plus interest, fees and other amounts payable in connection therewith) or pursuant to a repurchase agreement or similar transaction. Any such borrowing or repurchase agreement or similar transaction shall be on terms and conditions deemed necessary or advisable by the Corporation (including the collateralization thereof) in its sole discretion, and may be in amounts greater, and extend for periods of time longer, than the obligations, if any, of any Clearing Member to the Corporation for which such cash, securities or other property was pledged to or deposited with the Corporation. Any funds so borrowed or obtained in repurchase agreements or similar transactions shall be used and applied by the Corporation solely for the purposes for which cash, securities and other property held in the Guaranty Fund are authorized to be used pursuant to the By-Laws and these Rules; provided

that the failure of the Corporation to use such funds in accordance with this subsection shall not impair any of the rights or remedies of any assignee, pledgee or holder of any such lien or security interest or repurchase transaction counterparty. Cash, securities and other property held in the Guaranty Fund, subject to the rights and powers of the Corporation with respect thereto as set forth in the By-Laws, these Rules and any agreements between any Clearing Member and the Corporation, and subject to the rights and powers of any person to which the Guaranty Fund or any cash, securities or other property held therein shall have been assigned, transferred, pledged, repledged or otherwise subjected to a lien or security interest, shall remain the property of the respective Clearing Members depositing such cash securities and other property.

(g) Subject to the rights of any assignee, transferee, pledgee or holder of a lien or security interest as provided in subsection (f) of this Section Rule 301, if at any time the amount of any cash, plus the value of any securities, on deposit in the Guaranty Fund for any Clearing Member

(i) shall exceed the amount required to be on deposit for such Clearing Member by more than such amount as the Board may prescribe, the Corporation will return the excess to such Clearing Member upon its written request.

(ii) shall be less than the amount required to be on deposit for such Clearing Member, such Clearing Member shall restore the deficiency (including, without limitation, a deficiency caused by the application of such Clearing Member's deposits in the Guaranty Fund as described in paragraph (e) of this Rule 301) on demand ("**Replenishment**"); provided, however, that a Clearing Member that has withdrawn as a Clearing Member shall not be required to restore a deficiency occurring after its Withdrawal Date, subject to any limitations in Rule 303 and Rule 212.

(h) Any interest earned on any securities deposited in the Guaranty Fund by a Clearing Member shall belong and be credited to such Clearing Member, subject to any fees or charges in respect thereof owed by the Clearing Member in accordance with the Corporation's policies and procedures. The Corporation may invest any cash deposited in the Guaranty Fund in securities which are Government Securities and other securities in accordance with the Corporation's investment policies and applicable law, and may engage in repurchase transactions with any cash or securities on deposit. Any interest, capital gain or other income earned on any such investments in securities shall belong and be credited to the Corporation (but without prejudice to any rate of return paid by the Corporation on cash deposited in the Guaranty Fund).

(i) Subject to the rights of any assignee, transferee, pledgee or holder of a lien or security interest as provided in subsection (f) of this Rule 301, whenever a Person ceases to be a Clearing Member, the Corporation shall return to such Person the amount of cash and securities on deposit in the Guaranty Fund for such Person, to the extent not charged to or applied against pursuant to this Section or otherwise under the By-Laws and these Rules, in accordance with Rule 212.

(j) If the Guaranty Fund or any part thereof is lost as a result of the insolvency of any bank or other depository, embezzlement, defalcation or any reason other than use pursuant to Rule 302, such loss may, in the discretion of the Board, be restored by application of the following sources of funds in the order listed (each such source to be fully utilized before the next following source is applied):

(i) such portion, if any, of the surplus of the Corporation as the Board determines to be available for such purpose; and

(ii) assessments levied by the Corporation upon the Clearing Members, which assessments shall be paid to the Corporation at such time and in such manner as the Board may specify, which shall be no later than the normal end of day settlement time for the Business Day on which such assessment is levied. The amount of a Clearing Member's assessment shall be the amount derived by multiplying the loss by a fraction, the numerator of which shall be such Clearing Member's Guaranty Fund Deposit Requirement on the day preceding the loss and the denominator of which shall be the total amount of the Guaranty Fund Deposit Requirements on such day of all Clearing Members other than Defaulting Clearing Members.

(k) In the event that the Corporation accepts a transfer of cash or securities from a guaranty fund of any other clearing organization of which a Clearing Member is or was a member to satisfy in whole or in part the obligations of such Clearing Member to deposit and maintain funds in the Guaranty Fund, the Corporation shall (to the extent of the amount of the cash and the value of the securities so transferred) guaranty payment by such Clearing Member to such clearing organization of any amount, the payment of which would have been secured by such Clearing Member's deposit in the guaranty fund of such other clearing organization. If the Corporation is required to make any payment pursuant to such guaranty as to any Clearing Member, the Corporation may withdraw the amount thereof out of the Guaranty Fund, and such Clearing Member will restore the amount so withdrawn on demand.

(l) In the event that the Guaranty Fund or any part thereof shall have been applied as described in paragraph (e) of this Rule 301 or shall have been lost as described in paragraph (j) of this Rule 301, and the Corporation shall thereafter recover any amount so applied or lost from any Person liable therefor, the amount of such recovery (after deducting any expenses (including without limitation legal fees and expenses incurred in connection therewith) shall be credited to the Guaranty Fund deposits of each Clearing Member in that proportion which the amount required to be on deposit by such Clearing Member bears to the amount required to be on deposit by all Clearing Members as of the date upon which such application took place or such loss was incurred.

(m) Any expense (including without limitation legal fees and expenses) incurred by the Corporation in connection with the deposit by a Clearing Member of assets into the Guaranty Fund, or the return thereof to such Clearing Member, may at the option of the Corporation be charged to such Clearing Member.

(n) Notwithstanding anything to the contrary herein (but subject to subsection (j)(i) of this Rule 301 above), the Corporation shall not be liable if (1) the Guaranty Fund or any part thereof and/or (2) any margin (whether for the house or customer account) or other assets provided by or held for the account of a Clearing Member are lost or decrease in value as a result of the (A) insolvency or failure of any bank or other depository or third party settlement system, (B) embezzlement, defalcation or theft by any person (other than the Corporation or its Directors, officers, employees or representatives) or (C) any other reason other than use pursuant to the By-Laws or Rules.

Nothing in this paragraph (n) of Rule 301 will limit any liability of the Corporation for its own gross negligence or willful misconduct.

### **Rule 302. Monetary Defaults; Use of Guaranty Fund; Assessments**

(a) If any Clearing Member fails to deposit with, or pay to, the Corporation in full any initial margin, variation margin, option premium, ~~guaranty fund~~ Guaranty Fund contribution, Assessment or other sum (not including any dues or fines) under or in connection with any Contract, or fails to satisfy any reimbursement obligation to the Corporation in full under or in connection with any Cross Margining Program, when and as required by or pursuant to the



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rules of the Listing Exchange, the Rules of the Corporation or the terms of any Cross Margining Program, the Corporation may determine that such failure shall constitute a “**Monetary Default**.” All amounts owing by the Defaulting Clearing Member (as defined below), as well as any amounts owing by the Corporation arising out of or in any way relating to the Defaulting Clearing Member’s Monetary Default shall constitute the “**Defaulted Obligation**” in respect of such Clearing Member. The Defaulted Obligation of a Clearing Member shall be determined separately in respect of Digital Currency Contracts and Standard Contracts. If and at such times as the Corporation has in effect a procedure whereby deposits or payments of sums with or to the Corporation are effected by having the Corporation instruct the Clearing Members’ banks to wire transfer funds from their accounts with such banks directly to the accounts of the Corporation, a Clearing Member shall be deemed to have failed to deposit or pay any sum when and as required if such Clearing Member’s bank fails so to wire transfer funds when and as instructed by the Corporation. For the avoidance of doubt, failure by a Clearing Member to perform a physical settlement obligation in respect of a combined contract pursuant to Rule 602(c) will not itself constitute a Monetary Default, and the Defaulted Obligation does not include obligations owing by the Defaulting Clearing Member in respect of a physical settlement for which the Corporation is not responsible under Rule 602.

(b) In the event that at any time a Monetary Default occurs on the part of any Clearing Member (the “**Defaulting Clearing Member**”), then the following assets shall be applied to the Defaulted Obligation in respect of Standard Contracts and Digital Currency Contracts, in the following order of priority:

(i) If and to the extent a Monetary Default relates to a Contract carried in any customer account carried by the Corporation for a Defaulting Clearing Member, the Guaranty Fund deposit, margin and other assets held by the Corporation for all house accounts of the Defaulting Clearing Member shall be applied, and if the President, with the concurrence of the Chairman, or, in the absence of the Chairman, three (3) Directors, at least one (1) of whom is not an employee of the Corporation or an employee of any Affiliated Person of the Corporation, so determines, the margin held by the Corporation for all customer accounts of the Defaulting Clearing Member may be applied, to pay the Defaulted Obligation.

(ii) If and to the extent a Monetary Default relates to a Contract carried in any house account carried by the Corporation for a Defaulting Clearing Member, the Guaranty Fund deposit, margin and such other assets as are held for the same or any other house account of the Defaulting Clearing Member, shall be applied to pay the Defaulted Obligation.

(iii) The Defaulting Clearing Member shall immediately restore any deficiencies in its margin and Guaranty Fund deposits resulting from any such application pursuant to paragraph (i) or (ii).

Where there are Defaulted Obligations in respect of both Standard Contracts and Digital Currency Contracts, the resources of the Defaulting Clearing Member described in this clause (b) shall be applied to such obligations in accordance with the Corporation’s procedures.

(c) If, after the application of funds in accordance with paragraph (b) of this Rule 302, the Defaulted Obligation in respect of Standard Contracts and/or Digital Currency Contracts has not been satisfied, and if the Defaulting Clearing Member fails to pay the Corporation the amount of the deficiency on demand, such Defaulting Clearing Member shall continue to be liable therefor, but the amount of the deficiency, until collected from the Defaulting Clearing Member, shall be met from the following sources of funds, provided, however, that the sources identified in subparagraphs (i), (ii), (iii), ~~and (iv)~~ and (v) shall be fully utilized before the sources identified in subparagraphs ~~(v), (vi), (vii) and (viii)~~ (vii) and ~~(viii)~~ may be utilized, and, provided further that the sources

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identified in subparagraphs ~~(v)~~, ~~(vi)~~, (vii) and ~~(viii)~~ must be applied in the order listed (each such source to be fully utilized before the next following source is applied):

(i) such portion, if any, of the surplus of the Corporation as the Board determines to be available for such purpose;

(ii) if the President, with the concurrence of the Chairman, or, in the absence of the Chairman, any Director, so determines, a loan or repurchase agreement or similar transaction on such terms and conditions as they may determine to be necessary or appropriate (including without limitation granting an assignment, pledge or other lien on or security interest in the Guaranty Fund or the cash, securities and other property held in the Guaranty Fund or transferring such cash, securities or other property as provided in paragraph (f) of Rule 301);

(iii) if, and to the extent that, a Monetary Default relates to any Contract carried in any customer account carried by the Corporation for the Defaulting Clearing Member, the initial margin on deposit with the Corporation in all such customer accounts of the Defaulting Clearing Member to the extent that such deposits have not been applied pursuant to paragraph (b) ~~hereof~~ (i) hereof (which margin shall be allocated between the Defaulted Obligation in respect of Standard Contracts and Digital Currency Contract in accordance with the Corporation's procedures);

(iv) only if, after the application of assets available for such purpose in accordance with subparagraphs (i)-(iii), the Defaulted Obligation in respect of Digital Currency Contracts has not been satisfied, the DC ICUS Contribution (but only to the extent of the unsatisfied Defaulted Obligation in respect of Digital Currency Contracts).

As used in this clause (iv), the "DC ICUS Contribution" shall be a commitment of the Corporation to provide \$35 million in the aggregate as resources to be applied in respect of the Defaulted Obligation for Digital Currency Contracts pursuant to Rule 302(c)(iv). If the DC ICUS Contribution is so applied, the Corporation may in its discretion replenish the DC ICUS Contribution (but will have no obligation to do so).

~~(iv)~~ on a pro rata basis, the Corporation Priority Contribution and all Listing Exchange Default Contributions.

As used ~~herein~~ in this clause (v), the "**Corporation Priority Contribution**" shall be a commitment of the Corporation to provide \$50 million in the aggregate as resources to be applied pursuant to this subsection (c) ~~(iv)~~ of Rule 302. If the Corporation Priority Contribution is applied, the Corporation will have no obligation to provide additional funds to replenish such contribution or otherwise provide additional funds in respect thereof;

~~(vi)~~ subject to subsection (g)(ii) of Rule 301, paragraph (d) of Rule 302 and any applicable default auction priority set forth in any Default Auction Procedures adopted under these Rules ("**Default Auction Priority**"), the Guaranty Fund;

~~(vii)~~ insurance proceeds, if any, received by the Corporation in connection with the Monetary Default giving rise to the Defaulted Obligation; and

~~(viii)~~ assessments levied by the Corporation upon all the Clearing Members (other than the Defaulting Clearing Member) as hereafter provided in this Rule 302 ("**Assessments**"), subject to any applicable Default Auction Priority.

The total amount to be assessed at any one time pursuant to clause ~~(viii)~~ of this paragraph (c) is hereinafter called an "**Assessment Amount.**" For the avoidance of doubt, the Corporation may at any time following the occurrence of a Monetary Default and in anticipation of any

charge against the Guaranty Fund make Assessments upon Clearing Members to post Assessments, subject to the limitations set forth in these Rules in respect of such Assessments.

For the avoidance of doubt, the resources described in the above subparagraphs of this Rule 302(c) (other than subparagraph (iv)) will be applied to the Defaulted Obligation in respect of both Standard Contracts and Digital Currency Contracts.

(d) The amount of a Replenishment that each Clearing Member must deposit in the Guaranty Fund to satisfy its obligation, pursuant to subsection (g)(ii) of Rule 301, to restore the Guaranty Fund deficiency in the event of the application of some part or all of the Guaranty Fund pursuant to subsection (c)(~~v~~vi) of this Rule 302 (the total Guaranty Fund amount so applied referred to herein as the “**Aggregate Guaranty Fund Deficiency**”), shall be determined by multiplying the Aggregate Guaranty Fund Deficiency by a fraction, the numerator of which shall be the amount of the Clearing Member’s Guaranty Fund Deposit Requirement as of the time immediately prior to the Monetary Default that resulted in the Replenishment, and the denominator of which shall be the total of the Guaranty Fund Deposit Requirements as of such time for all Clearing Members (other than defaulting Clearing Members). The resulting product shall constitute the amount of the Replenishment that each Clearing Member must restore to the Guaranty Fund pursuant to paragraph (g) of Rule 301 as a result of the application of the Guaranty Fund pursuant to subsection (c)(~~v~~vi) of this Rule 302.

(e) The amount of any Assessment pursuant to Rule 302 shall be computed by multiplying the Assessment Amount by a fraction, the numerator of which shall be the amount of the Clearing Member’s Guaranty Fund Deposit Requirement as of the time immediately prior to the Monetary Default that resulted in the Assessment, and the denominator of which shall be the total of the Guaranty Fund Deposit Requirements as of such time for all Clearing Members (other than Defaulting Clearing Members) being assessed. The resulting product shall constitute the amount of the Assessment to be levied on such Clearing Member pursuant to this paragraph (e).

(f) If the Assessment as determined pursuant to paragraph (e) of this Rule 302 would exceed the maximum set forth in paragraph (g) of this Rule 302, or if the amount assessed against any Clearing Member shall exceed the amount paid by such Clearing Member, the excess shall be assessed against the other Clearing Members (other than the Defaulting Clearing Member and any Clearing Member that shall have been assessed the maximum permitted by paragraph (g)) in accordance with such subparagraph (e), as if the excess were the Assessment Amount. Assessments pursuant to this paragraph (f) shall be repeated until the entire Assessment Amount shall have been assessed, subject to the maximum limitations on Assessments set forth herein.

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

(h) If in any case, because of the limitations contained in paragraph (g) of this Rule 302 or Rule 303, the maximum permitted Assessments are less than the Assessment Amount, the Board shall determine what if any further action to take, provided that under no circumstances may the Board levy Assessments on any Clearing Member that would exceed such limitations.

(i) Subject to the conditions set forth in Rule 303, a Person which withdraws as a Clearing Member shall be subject only to assessments imposed to meet:

(i) Monetary Defaults occurring prior to the Clearing Member’s Withdrawal Date, subject to the limitations contained in paragraph (g) of this Rule 302;

(ii) assessments levied under paragraph (j) of Rule 301 prior to the Clearing Member's Withdrawal Date; and

(iii) the first Monetary Default, if any, occurring during the period from and after the Clearing Member's Withdrawal Date and prior to the Contribution Return Date, subject to the limitations contained in paragraph (g) of this Rule 302.

(j) All Assessments shall be due and payable within such time as the Corporation may prescribe, which shall be no later than the normal end of day settlement time for the Business Day on which such assessment is levied. If any Person shall not pay any Assessment when due, such Person shall continue to be liable therefor, but the Corporation may assess the Clearing Members (other than such Person, the Defaulting Clearing Member and any Clearing Member that shall have been assessed the maximum amount permitted by paragraph (g)) for the unpaid amount in accordance with paragraphs (e) and (f) of this Rule 302, subject to the limitations set forth herein.

(k) If, after applying any amounts pursuant to paragraph (c) to meet any Defaulted Obligation in respect of a Defaulting Clearing Member as referred to in paragraph (c), or applying any Assessments to meet any Assessment not paid as referred to in paragraph (j), the Corporation collects the amount of such Defaulted Obligation or such unpaid Assessment in whole or in part from the Person or Persons liable therefor, the Corporation shall apply the amount so collected (net of any expenses, including without limitation any legal fees incurred in connection therewith) to reimburse the Clearing Members and/or the Corporation whose resources were so applied, in each case in the reverse order from the order in which such resources were applied under paragraph (c) or (j), as applicable, and in proportion to the amount applied. To the extent necessary for this purpose, each Clearing Member authorizes and appoints the Corporation to pursue any collections or recoveries on its own behalf and on behalf of the Clearing Members.

(l) The Corporation shall exercise the same degree of care in the administration, enforcement and collection of any claims against a Defaulting Clearing Member, any related guarantor, or its or their insolvency estate with respect to any Defaulted Obligation, unpaid Assessment or other deficiency of the Defaulting Clearing Member to the Corporation (such claims, "**Defaulting Clearing Member Claims**") as it exercises with respect to its own assets that are not subject to allocation pursuant to paragraph (k) above. In furtherance of the foregoing, the Corporation may determine, in its reasonable discretion, whether or not to commence, continue, maintain, sell, dispose of or settle or compromise any litigation, arbitration or other action with respect to any Defaulting Clearing Member Claim, without the consent of any Clearing Member or other person. The Corporation shall not be liable for losses arising from any error in judgment or for any action taken or omitted to be taken by it with respect to Defaulting Clearing Member Claims, except for such losses that result from the Corporation's gross negligence or willful misconduct. The Corporation may, in its discretion, assign to Clearing Members any Defaulting Clearing Member Claim, in whole or in part, and such assignment shall satisfy in full the Corporation's obligations under Rule 302(k) and (l) with respect to any such claim (or portion thereof) or recoveries therefrom.

### **Rule 303. Cooling-off Periods**

(a) The following terms shall have the following meanings:

#### **Cooling-off Period**

The period commencing on the date of the Cooling-off Period Trigger Event and terminating 30 Business Days thereafter. A Cooling-off Period shall be automatically extended if a subsequent Cooling-off Period Trigger Event occurs 30 or fewer Business Days after the previous Cooling-off Period Trigger Event, in which case the Cooling-off

Period will be extended until the date falling 30 Business Days after such subsequent Cooling-off Period Trigger Event.

### **Cooling-off Period Trigger Event**

(i) Any call for an Assessment to be made pursuant to paragraph (e) of Rule 302 arising from a Monetary Default or Monetary Defaults; or (ii) the occurrence of a Sequential Guaranty Fund Depletion.

### **Cooling-off Termination Period**

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

### **Sequential Guaranty Fund Depletion**

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

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

(c) From the commencement of, and solely for the duration of, the Cooling-off Period:

(i) The obligation to provide Replenishments under subsection (g)(ii) of Rule 301 and paragraph (d) of Rule 302 shall continue to apply to a Clearing Member during the Cooling-off Period, subject to Rule 303(c)(ii);

(ii) The aggregate of all Assessments due under paragraph (e) of Rule 302 from a Clearing Member for all Monetary Defaults occurring or declared during the Cooling-off Period (or resulting in the Cooling-off Period) and all Replenishments due under subsection (g)(ii) of Rule 301 and paragraph (d) of Rule 302 shall not exceed 550% of the amount of the Clearing Member's Guaranty Fund Deposit Requirement immediately prior to the occurrence of the Monetary Default or Monetary Defaults as a result of which the Cooling-off Period commenced (with any Assessments or Replenishments levied in respect of the Monetary Default or Monetary Defaults as a result of which the Cooling-off Period commenced being counted towards such maximum amount) (the "**Maximum Aggregate Cooling-off Period Contribution**"). A Clearing Member that has provided Assessments and/or Replenishments in such maximum amount in respect of a Cooling-off Period shall not be liable for any further Replenishments of its contributions to the Guaranty Fund or Assessments in respect of any Monetary Default or Monetary Defaults occurring or declared during such Cooling-off Period, regardless of how many additional Monetary Defaults take place in such period;

(iii) For the avoidance of doubt, the per Monetary Default cap on Assessments set forth in paragraph (g) of Rule 302 shall apply in respect of each Monetary Default occurring or declared during the Cooling-off Period; and

(iv) During the Cooling-off Period, the Corporation may rebalance, re-set or recalculate Guaranty Fund Deposit Requirements to the Guaranty Fund or the total required contribution amount for purposes of determining liability for Replenishments or Assessments during the Cooling-off Period; provided that such adjustments will not affect the Maximum Aggregate Cooling-off Period Contribution or the other limitations provided in Rule 303(c)(ii);

provided, further, that the limits set out in this paragraph (c) of Rule 303 shall only apply with respect to a Clearing Member if such Clearing Member continues during the Cooling-off Period to pay the Corporation all other amounts when owed by it in all material respects (subject to the limitations set out in this paragraph (c) of Rule 303).

(d) Intentionally omitted.

(e) At the end of the Cooling-off Period (but subject to Rule 212 for Clearing Members that have served a Withdrawal Notice during or prior to the Cooling-off Termination Period), the restrictions and requirements of paragraph (c) of this Rule 303 shall cease to apply (other than the limitation on Assessments for Monetary Defaults occurring or declared during the Cooling-off Period).

(f) (i) Nothing in this Rule 303 shall alter the Corporation's right to call for margin from any Clearing Member.

(ii) In addition to any margin otherwise required by the Corporation under the Rules, if during the Cooling-off Period a Clearing Member has provided Replenishments and/or Assessments in the aggregate equal to its Maximum Aggregate Cooling-off Period Contribution, then if such Clearing Member would, but for the provisions of Rule 303(c), at any time be required to provide a Replenishment, such Clearing Member shall provide to the Corporation, by the open of business on the Business Day following request by the Corporation and maintain with the Corporation during the remainder of the Cooling-off Period, additional initial margin (in addition to the initial margin otherwise required with respect to its open positions) in an amount determined by the Corporation based on the amount of additional initial margin needed for the Corporation to maintain compliance with applicable minimum regulatory financial resources requirements during the remainder of the Cooling-off Period. Such additional initial margin shall be calculated separately with respect to each of the house account and the customer account, on a net basis in each case, but in both cases shall be charged to the house account.

## Part 4

### Clearing Mechanism

#### Rule 401. Acceptance for Clearance

(a) The Corporation, by accepting a Contract offered to it for clearance by or on behalf of a Clearing Member, shall assume, in the place of each Clearing Member that is a party to such Contract, all liabilities and obligations imposed thereby to the Clearing Member that is the other party thereto, to the extent provided in Rule 401(b), and shall succeed to and become vested with all rights and benefits accruing therefrom. Such assumption by the Corporation shall terminate all liabilities and obligations of the Clearing Member whose Contract is so accepted to the other Clearing Member which was a party to such Contract.

(b) THE LIABILITIES AND OBLIGATIONS OF THE CORPORATION ARISING PURSUANT TO RULE 401(a) SHALL BE SUBJECT TO THE FOLLOWING LIMITATIONS:

(i) SUCH LIABILITIES AND OBLIGATIONS SHALL EXTEND ONLY TO CLEARING MEMBERS. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, THE CORPORATION SHALL NOT HAVE ANY LIABILITY OR OBLIGATION ARISING OUT OF OR WITH RESPECT TO ANY CONTRACT TO ANY CUSTOMER OF A CLEARING MEMBER OR ANY EXCHANGE MEMBER WHICH ACTED AS A BROKER FOR A CUSTOMER OR A CLEARING MEMBER; AND

(ii) THE OBLIGATIONS OF THE CORPORATION IN RESPECT OF DELIVERY OR RECEIPT OF ANY COMMODITY SHALL BE LIMITED TO THOSE SET FORTH IN CHAPTER 6 OF THESE RULES.

(c) For the avoidance of doubt, where a Clearing Member clears a Contract for a customer, such Clearing Member becomes liable to the Corporation and the Corporation liable to such Clearing Member as if the Contract were for the house account of the Clearing member, subject in all cases to the provisions of these Rules applicable to customer positions.

#### Rule 402. Trade Data Submission

(a) The Corporation shall accept for clearance any Contract which has been matched by the Listing Exchange and has been submitted for clearance by or for such Exchange on behalf of the Clearing Members that are the parties thereto. The Corporation shall not accept for clearance any Contract or any transaction submitted to it by any person other than the Listing Exchange or its designated agent, except for transfers of Contracts and mechanical adjustments effected in accordance with any rules of the Listing Exchange, these Rules or the procedures of the Corporation permitting the submission thereof by persons other than the Listing Exchange.

(b) A Contract which has been matched by the Listing Exchange and has been submitted for clearance by or on behalf of any Clearing Member shall be deemed accepted by the Corporation for clearance when both Clearing Members have accepted the Contract for clearing. The Corporation shall have no liability or obligation to any Clearing Member or other person with respect to any Contract which has not been accepted by it for clearance. Notwithstanding the foregoing, the Corporation shall not be deemed to have accepted a Contract that is the subject of an exchange of futures for related position or block trace (as permitted under the rules of the Listing Exchange), mechanical adjustment or a transfer unless and until each Clearing Member shall have met the initial and variation margin obligations applicable to such Contract.

(c) The Corporation shall be entitled to rely conclusively on the accuracy and authenticity of any information regarding any Contract submitted to the Corporation by the Listing Exchange on behalf of any Clearing Member, whether or not the Clearing Member in fact authorized the submission of such Contract for clearance.

(d) All Contracts accepted for clearance by the Corporation shall be subject in all respects to the By-Laws and these Rules.

(e) Except as otherwise provided in the rules or procedures of the Corporation, any trade in a Contract which, on any day, is matched by the Listing Exchange but not accepted for clearance by the Clearing Member designated to clear such Contract, shall be automatically cleared to the account of the Clearing Member which has guaranteed the Listing Exchange member or electronic user with direct access who executed such trade on the day the trade was matched, provided that such guarantee has not been terminated in accordance with the rules of such Listing Exchange.

#### **Rule 403. Daily Reporting of Open Contracts**

(a) Each Clearing Member shall report its open interest to the Corporation as follows:

(i) By 7:30 p.m. (or by such other time as may be prescribed by the President) of each Clearing Day, it shall report to the Corporation its open interest in all Contracts, except that during the notice period for any delivery month under any futures contract, any Clearing Member carrying futures contracts for delivery in that delivery month shall report its open interest in such futures contracts at such time on each Business Day as may be prescribed by the President; and

(ii) By 9:00 a.m. (or at such other time as the President may prescribe) of each Clearing Day, it shall report to the Corporation any adjustments to be made in the open interest reported on the previous Clearing Day.

(iii) The Corporation shall use the open interest reported pursuant to subparagraph (i) for all purposes, and shall use the adjustments reported pursuant to subparagraph (ii) solely for the purpose of enabling the Listing Exchange to publish the open interest in all outstanding Contracts.

(b) If the account of any customer carried by any Clearing Member (other than on an omnibus basis) has a long and short position in the same delivery month, the Clearing Member must determine, in accordance with applicable law, whether such positions should be reported on a net or gross basis. If the account of any customer carried by any Clearing Member (other than on an omnibus basis) or if any house account of any Clearing Member has a long and short position in the same delivery month in Contracts which are identical except for the size of the unit of trading and which are identified by the Corporation as fungible, the Clearing Member may cause the positions to be offset and report as open interest only the net position of such customer or house account for the contract in which a position remains. Positions which have been reported on a net basis may not be re-opened other than by trading, unless authorized by the Corporation in writing.

(c) If a Clearing Member discovers an error in any report made pursuant to this Rule 403, such Clearing Member shall as soon as practicable submit to the Corporation and the Listing Exchange a correction and a written statement as to how the error occurred.

#### **Rule 404. Reporting of Exchange Positions Carried by Other Firms**

(a) Upon request of the Corporation, if a Clearing Member has customer or house positions in any Contract carried for it by another Clearing Member or by a futures commission merchant which is not a Clearing Member, the Clearing Member first referred to shall:



(i) Give written notice to the Corporation of the name of such other Clearing Member or futures commission merchant not later than the close of business on the first day any such position is carried by such other Clearing Member or futures commission merchant; and

(ii) If any such position is being carried or maintained by a futures commission merchant which is not a Clearing Member, provide to the Corporation, on each Clearing Day, by the time specified by the Corporation for the purpose, the information specified in Rule 404(b) concerning any such position.

(b) Upon request of the Corporation, each Clearing Member shall report to the Corporation, on each Clearing Day, by the time specified by the Corporation for the purpose, in such manner as may be prescribed by the Corporation, the number of long and short open positions in each Contract for each expiration month which such Clearing Member is carrying for any other Clearing Member as of the close of business on the preceding Clearing Day. Each such report shall separately specify positions carried for such other Clearing Member's house account and customer account.

#### **Rule 405. Transfers of Open Positions**

Any transfer of a Contract shall be subject to the following:

(a) if the transferor shall have been declared to be in default, transfers may only be effected at the current day's settlement price unless the Corporation in its discretion determines that, because of excess margin on deposit or for other sufficient reason, accepting the transfer at other prices permitted by Exchange rules would not jeopardize the Corporation;

(b) if, in any case, the Corporation in its discretion determines that it would be contrary to the best interests of the Corporation to accept a transfer at a price other than the current day's settlement price, it may, notwithstanding any provision to the contrary in the Exchange rules, require such transfer to be effected at such settlement price; and

(c) subject to the limitations of Exchange Rule 4.37, after receipt of a valid instruction from a Clearing Member issued at the request of a customer that is not currently in default to it (the "**Carrying Clearing Member**") to transfer all or a portion of the customer's account to another Clearing Member (the "**Receiving Clearing Member**"), and provided that such instruction contains such information as is required by the Corporation concerning the customer and the Contracts to be transferred, the Corporation shall effect such transfer without requiring the prior close-out and re-booking of the Contracts so long as (i) the Receiving Clearing Member agrees to accept the transfer, (ii) the transferred Contracts will have appropriate margin at the Receiving Clearing Member and (iii) any remaining Contracts in the customer's account at the Carrying Clearing Member will have appropriate margin.

#### **Rule 406. RESERVED**

#### **Rule 407. Exercise of Options**

(a) Any exercise of any option which is a Contract shall be made in accordance with these Rules and the rules of the Listing Exchange for such option.

(b) Any Clearing Member which has, or carries an account which has, an open long option position may issue an exercise notice with respect to each open long option in such form and by such time as the Corporation may prescribe.

(c) 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) the Settlement Price of the underlying futures contract or spread as determined by the Listing Exchange (without regard to whether the Corporation may

use any other Settlement Price for any other purpose) on that day by an amount which equals or exceeds the minimum price increment permitted under the rules of the Listing Exchange for such option or such other differential as may from time to time be established by the Corporation for such option, unless, by such time as may be specified by the Corporation, the Clearing Member carrying any such option gives the Corporation instructions by electronic communication that any such option is to expire unexercised.

(d) The Corporation will assign exercise notices among Clearing Members which have, or carry accounts which have, open short positions in the option series being exercised, in such manner as the Corporation shall prescribe in proportion to their gross short positions in such options, separately for customer and house accounts.

(e) Upon exercise of any option on a futures contract, the Corporation shall make the entries on its books to convert each such exercised option into the underlying futures contract or futures contracts, or to effect cash settlement of such exercised option, as may be provided herein or by the Listing Exchange for such option.

(f) Any Clearing Member that is assigned an exercise notice pursuant to any option on a futures contract must deposit and pay any initial margin and variation margin required for the underlying futures contract on the next Business Day at or before the time prescribed by the Corporation.

(g) EXCEPT AS PROVIDED IN THIS RULE 407, THE CORPORATION SHALL NOT HAVE ANY OBLIGATIONS WITH RESPECT TO ANY EXCHANGE OPTION THAT IS EXERCISED.

## Part 5

### Margins and Premiums

#### Rule 501. RESERVED

#### Rule 502. Margin and Premium Requirement; Additional Margin

(a) Each Clearing Member shall deposit with or pay to the Corporation initial margin, variation margin and option premiums for each cleared Contract in such amounts, in such forms, at such times and in accordance with such systems as may be prescribed by or pursuant to these Rules or the Corporation's policies in respect thereof.

(b) Initial margin requirements shall be as determined by the staff of the Corporation from time to time. Clearing Members shall collect initial margin from their customers, for non-hedge positions, at a level that exceeds the initial margin rate determined by the Corporation by such amount as the Corporation shall specify from time to time. Unless otherwise determined by the Board at any time, initial margin shall be determined in accordance with the applicable margin policies of the Corporation as implemented from time to time.

(c) Whenever the President concludes that unstable conditions relating to one or more Contracts exist, or that the maintenance of an orderly market or the preservation of the fiscal integrity of the Corporation requires additional initial margin, or that any Clearing Member is carrying Contracts or incurring risks in its house, customer and/or cross-margining account(s) that are larger than is justified by the financial and/or operational condition of the Clearing Member, the President may require additional initial margin to be deposited with the Corporation within such time as may be specified by the President, or limit withdrawals of excess initial margin on deposit from such Clearing Member for such time as may be specified by the President. Such additional margin may be for one or more Contracts from one or more Clearing Members and for long, short or both positions.

(d) The Corporation shall retain the amount of initial margin deposited with respect to any Contract for which a delivery notice has been issued until such time as provided for in the applicable Exchange Rules or Part 6 of these Rules (or if not so provided, until all delivery and payment obligations in respect of such contract have been satisfied in full).

(e) The methodology for determining initial margin shall incorporate, among other relevant factors, and as more fully specified by the Corporation from time to time:

- (i) a minimum 2-day time horizon for the liquidation period with respect to the house account of each Clearing Member, calculated on a net basis, and
- (ii) one or more measures designed to limit procyclicality, including by mitigating when possible disruptive or big step changes in margin requirements and by establishing procedures for computing margin requirements that include measures designed to limit procyclicality, as more fully specified by the Corporation from time to time. These will include measures that are equivalent to at least one of the following: (A) measures applying a margin buffer at least equal to 25% of the calculated margins, which the Corporation allows to be temporarily exhausted in periods where calculated margin requirements are rising significantly; (B) measures assigning at least 25% weight to stressed observations in the look-back period; or (C) measures ensuring that margin requirements are not lower than those that would be calculated using volatility estimated over a 10-year historical look-back period. Further, the Corporation's procyclicality measures shall be designed to deliver forward looking,

stable and prudent margin requirements that limit procyclicality to the extent that the soundness and financial security of the Corporation is not negatively affected.

This Rule 502(e) shall not apply to initial margin with respect to Contracts that are qualifying futures contracts (or options) on agricultural commodities as designated by the Corporation from time to time.

(f) The amount of variation margin on any Business Day for each account of a Clearing Member for any day shall be the net gain or loss, as the case may be, on all futures contracts in such account, represented by the difference between (i) the Settlement Price on such day of each futures contract in the account and (ii) the price at which each such futures contract was bought or sold on such day or the Settlement Price for each such futures contract in the account on the previous Business Day, as the case may be; provided, however, that in the case of any futures contract on an index, the amount of the final variation margin payment shall be determined as specified in the rules of the Listing Exchange (if so specified).

(g) Without limitation of the Corporation's other rights to use or apply a Clearing Member's initial margin as permitted in these Rules, under applicable law or otherwise, the Corporation (i) may invest initial margin in the form of cash in accordance with the Corporation's investment policies and applicable law and (ii) may use a Clearing Member's cash, securities or other property constituting initial margin in its house account from time to time to meet temporary liquidity needs of the Corporation (whether or not such Clearing Member is in default), in a manner consistent with the Corporation's liquidity policies and applicable law, including by way of assignment, transfer, pledge, repledge or creation of a lien on or security interest in such initial margin in connection with borrowing, repurchase transactions or other liquidity arrangements to support payment obligations of the Corporation in respect of Contracts. The Corporation will restore any such initial margin so used as soon as practicable following the conclusion of the event requiring the use of a Clearing Member's initial margin for liquidity purposes. Prior to the occurrence of a Default with respect to a Clearing Member, the Corporation may use, invest or apply the initial margin of such Clearing Member only as set forth in this Rule 502(g). This Rule 502(g) shall not be deemed to limit the Corporation's rights to use or apply a Clearing Member's initial margin as permitted in the Rules, under applicable law or otherwise following the occurrence of a default of that Clearing Member.

#### **Rule 502A. Settlement Premium**

(a) With respect to such Options as the President may from time to time determine, the amount of initial margin required to be on deposit by each Clearing Member with the Corporation shall be calculated with reference to the settlement premium for such Options established as hereinafter provided (the "**Settlement Premium**"). Promptly after the close of trading in such Options, the Corporation staff shall establish a Settlement Premium for each Strike Price of each Option Month of each Option that has open interest, and may establish a Settlement Premium for any Strike Price of any Option Month of any Option that has no open interest. The Settlement Premium for each Option shall be established by the Corporation staff in accordance with such procedures as the Board may approve from time to time.

(b) Any capitalized term used in this Rule 502A which is not defined in the By-Laws or Rules of the Corporation shall have the meaning set forth in the definitions contained in the rules of the Listing Exchange.

#### **Rule 502B. Cross Margining**

(a) The Corporation may establish Cross Margining Programs with one or more Cross Margining 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 cross margin agreement between the Corporation and one or more Cross

Margining Clearing Organizations. The Corporation shall determine which Contracts are eligible for cross margining. In order to participate in any such Cross Margining Program, a Clearing Member must execute and deliver such instruments and documents as the Board may prescribe and take such other actions as the Corporation may require in connection therewith. The provisions of such instruments and documents shall be deemed to constitute Rules.

(b) Each Clearing Member shall be entitled to participate in the Cross Margining Program and, unless the Corporation determines otherwise, no Clearing Member shall be required to establish a separate cross margining account in order to receive cross margining treatment.

### **Rule 503. Cash Margin Deposits**

Each Clearing Member shall establish and maintain initial margin accounts (which shall include separate house and customer accounts) at an Approved Financial Institution of its choice with which the Corporation has entered into a cash settlement agreement containing bank holiday settlement procedures. A Clearing Member may use such accounts for the payment of variation margin, initial margin and option premiums. The Corporation shall have the right to instruct each Approved Financial Institution to debit each margin account maintained by a Clearing Member for any deposits of initial margin or payments of variation margin or option premiums due to the Corporation pursuant to these Rules.

### **Rule 504. Mechanics for Margins and Premium Payments**

(a) The Corporation shall advise each Clearing Member of the amount of initial margin, variation margin and option premiums owing to or from such Clearing Member after the close of trading on each Business Day, Transfer of initial margin, variation margin and option premiums shall be made between a Clearing Member (through its Approved Financial Institution or Qualified Financial Institution) and the Corporation in accordance with the Corporation's policies and procedures as in effect from time to time.

Variation margin under any Contract shall be paid in the currency in which such Contract is settled under its contract terms.

(b) Notwithstanding any other provision of the By-Laws or Rules, if the President determines (i) that unstable conditions relating to one or more Contracts exist, or that the maintenance of an orderly market or the preservation of the fiscal integrity of the Corporation so requires, or (ii) that any Clearing Member is carrying Contracts or incurring risks in its house, customer and/or cross-margining account(s) that are larger than is justified by the financial and/or operational condition of the Clearing Member, the Corporation may issue an intra-day call requiring the advance deposit of initial margin, variation margin and/or option premiums with the Corporation by such time as the Corporation shall specify. An intra-day call based on a determination as to the conditions specified in clause (i) above may be issued to any or all Clearing Members; an intra-day call based on a determination as to the conditions specified in clause (ii) above may be issued to any Clearing Member with respect to which such determination is made. If the Corporation determines to make an intra-day call for either initial margin, variation margin and/or option premiums, the Corporation shall:

(i) Give notice to each Clearing Member which is required to make payment to the Corporation of the amount payable by such Clearing Member; and

(ii) Immediately after giving or making reasonable efforts to give the notice described in subparagraph (i), the Corporation shall instruct the Approved Financial Institution at which each such Clearing Member maintains margin accounts or the Clearing Member may instruct its Qualified Financial Institution to wire transfer funds from the appropriate account of each such Clearing Member into the appropriate account of the Corporation in the amount due to the Corporation as determined by the Corporation.

(c) Initial margin shall initially be deposited in cash by each Clearing Member with the Corporation as provided in Rule 504(a). Thereafter, a Clearing Member may substitute for cash on deposit as initial margin securities, Approved Foreign Currencies and such other instruments as may be permitted by the Board. Such substitution shall be subject to Rule 505 in all respects effected by delivering to the Corporation, by the time specified by the Corporation on the day on which the Clearing Member wishes to make the substitution:

(i) the securities, Approved Foreign Currencies and/or other instruments; and

(ii) a request for the release of the cash initial margin for which the securities, Approved Foreign Currencies or other instruments will be substituted.

(d) Subject to Rule 504(e), the Corporation shall return to a Clearing Member the amount of any excess initial margin on deposit from such Clearing Member, provided that the Corporation receives a request for such a release from such Clearing Member by such time as may be specified by the Corporation on the day such release is to be made.

(e) (i) Excess initial margins shall not be released pursuant to Rule 504(d) on any day if the excess margin is due to any house account of Clearing Member unless the Clearing Member has deposited and paid all margins, premiums and other amounts required from such Clearing Member for all its house accounts and customer accounts or otherwise pursuant to these Rules; or, if the excess margin is due to any customer account of the Clearing Member, unless the Clearing Member has deposited and paid all margins and premiums required from all of its customer accounts pursuant to these Rules for such accounts. Notwithstanding any provision to the contrary in these Rules, the Corporation may refuse to release the amount of excess initial margin on deposit in the house account of a Clearing Member which has requested such release if the President concludes that the financial or operational condition of the Clearing Member is such that the release of excess initial margin would be contrary to the fiscal integrity of the Corporation; and may refuse to release the amount of excess initial margin on deposit in the customer account of a Clearing Member as to which the President has made such a conclusion, unless the Clearing Member substantiates to the satisfaction of the Corporation that the amount to be released will be returned to one or more customers in accordance with applicable law.

(ii) A Clearing Member shall not permit any withdrawal from the account of a customer that would cause the net liquidating value plus the margin deposits that would remain in such account following the withdrawal to be less than the then prevailing initial margin requirement.

(f) Upon notice from the Corporation that a transfer of funds from a Clearing Member's account pursuant to Rule 504(a) was not effected as instructed by the Corporation for any reason, the Clearing Member shall deliver to the Corporation the amount required at such time and in such form as the Corporation may prescribe.

(g) Net income, if any, generated by any securities, Approved Foreign Currencies or other instruments held by the Corporation as initial margin for any Clearing Member shall belong and be credited to such Clearing Member, subject to any fees or charges in respect thereof owed by the Clearing Member in accordance with the Corporation's policies and procedures.

(h) Each transfer of funds or securities in respect of initial margin, variation margin or option premiums shall constitute a settlement (within the meaning of CFTC Rule 39.14) and shall be final as of the time the Corporation's accounts are debited or credited with the relevant payment.

**Rule 505. Deposit of Securities and Approved Foreign Currencies as Initial Margin**

(a) A Clearing Member may substitute securities for all or part of the cash it has on deposit with the Corporation as initial margin, in accordance with Rule 504(c) and this Rule 505(a), provided, however, that the Board may prescribe limitations regarding the extent to which interests in any category of permitted securities may be substituted for cash initial margin.

(i) The only Securities eligible for deposit as initial margin are those securities approved by the Board for this purpose (subject to the limitations and minimum cash deposits, if any, as are adopted by the Board), in each case as published on the Corporation's website from time to time.

(ii) Securities shall be valued in accordance with such methodology as may be adopted by the Board.

(iii) Every deposit of securities shall be made by transfer to an account of the Corporation pursuant to such procedures and requirements as may be prescribed by the Corporation.

(iv) Any securities deposited as initial margin may be sold or redeemed at any time by the Corporation, with or without notice to the Clearing Member depositing the same, at public or private sale, without demand of any kind, or in accordance with any applicable provisions of law or of the governing documents relevant to such securities, all as the Corporation may in its discretion determine.

(v) Deposits of securities shall be made by such means and subject to such agreements and undertakings as may be prescribed by the Corporation.

(b) Reserved.

(c) A Clearing Member may substitute Approved Foreign Currencies for all or part of the cash it has on deposit with the Corporation as initial margin, in accordance with Rule 504(c) and this Rule 505(c).

(i) The Approved Foreign Currencies must be deposited in an initial margin account of the Corporation either in a United States bank in the United States that is an Approved Financial Institution, or in a branch (not separately incorporated) of a United States bank that is an Approved Financial Institution located in a country which has been approved for the purpose by the Commission.

(ii) If the Approved Foreign Currencies are being substituted for cash that is customer funds, such customer funds shall remain subject to all provisions of the Commodity Exchange Act (as amended) and Commission Regulations governing the accounting for and segregation of customer funds.

(iii) The Corporation may convert any Approved Foreign Currencies deposited as initial margin by any Clearing Member into U.S. Dollars at any time and at such exchange rate as the Corporation in its discretion may determine.

(d) If any securities deposited by any Clearing Member pursuant to this Rule 505 are sold by the Corporation, or if any Approved Foreign Currencies deposited by any Clearing Member pursuant to this Rule 505 are converted into US Dollars, the net proceeds thereof shall be deposited into one or more initial margin accounts maintained by the Corporation and shall be credited to the appropriate customer account or house account of such Clearing Member, as the case may be.

**Rule 506. RESERVED****Rule 507. Bank Holidays**

If an Exchange is open for trading on any Bank Holiday, the following procedures will apply:

(a) On the Business Day preceding such Bank Holiday, each Clearing Member shall deposit or pay such initial margin, variation margin and option premium as may be required by the Corporation. Such deposit or payment shall be made without offset or reduction by reason of excess initial margin held by the Corporation for the account of any Clearing Member.

(b) On the Business Day following such Bank Holiday, deposits and payments of initial margin, variation margin and option premiums shall be made to and by the Corporation in accordance with these Rules, except that such deposits and payments shall be made with respect to transactions made both on such Bank Holiday and the Business Day preceding such Bank Holiday.

**Rule 508. Segregation of Customer Funds**

All customer funds received by the Corporation from a Clearing Member to purchase, margin, guarantee, secure or settle the trades, contracts or commodity options of the Clearing Member's commodity or option customers, and all money accruing to such commodity or option customers as a result of such trades, contracts or commodity options so carried, shall be segregated as customer funds in accordance with all relevant provisions of the Commodity Exchange Act and the rules and orders promulgated thereunder. This Rule satisfies the requirement in CFTC Regulation 1.20 that a Clearing Member must obtain a written acknowledgement from the Corporation that such customer funds are being held in accordance with such provisions.

**Rule 509. Foreign Currency Exchange for Variation Settlement**

(a) Notwithstanding anything to the contrary in the By-Laws or Rules, if a Clearing Member fails to make a variation margin settlement, in whole or in part, on any date (the "**Variation Settlement Date**") that is denominated in a currency other than U.S. dollars (the "**Foreign Currency**"), the Corporation shall evaluate whether same-day liquidity sufficient to cover any corresponding variation margin payment(s) owed by the Corporation on such date in such currency to one or more other Clearing Members is available to the Corporation from FX market transactions and other resources. If the President determines, in his or her sole discretion, that sufficient such resources may not be readily available, the Corporation will be entitled to enter into an FX Variation Settlement Transaction with each such other Clearing Member to the extent of the insufficiency (and each such other Clearing Member hereby agrees that it will be deemed to enter into such transaction upon such determination by the Corporation without further action by either party). The Corporation's variation margin settlement obligation in the Foreign Currency to a Clearing Member shall be netted against the Foreign Currency payment obligation of the Clearing Member pursuant to the FX Variation Settlement Transaction.

An "**FX Variation Settlement Transaction**" shall be a foreign exchange spot transaction pursuant to which, on the Variation Settlement Date, the Clearing Member shall be obligated to pay to the Corporation the amount of the insufficiency in the Foreign Currency (the "**Foreign Currency Payment**") and the Corporation shall be obligated to pay to the Clearing Member an equivalent amount in U.S. dollars (or in U.S. treasury securities), calculated by reference to exchange rates in the relevant market as determined by the Corporation (the "**USD Equivalent Payment**").



(b) Unless otherwise elected by the Clearing Member by written notice to the Corporation no later than the close of business on the Business Day following the Variation Settlement Date, the Corporation and the Clearing Member shall enter into a reversing foreign exchange spot transaction (the “**Reversing FX Transaction**”) pursuant to which the Corporation shall pay to the Clearing Member an amount in the Foreign Currency equal to the Foreign Currency Payment and the Clearing Member shall pay to the Corporation an amount in U.S. dollars equal to the USD Equivalent Payment, adjusted appropriately by the Corporation to reflect relevant interest rates in the two currencies for the period between the FX Variation Settlement Transaction and the Reversing FX Transaction. Settlement of the Reversing FX Transaction (if entered into) shall occur on the third Business Day following Variation Settlement Date; provided that if there is a Currency Market Disruption on such date, settlement will be delayed until the Currency Market Disruption has ceased; provided, further, that if the Currency Market Disruption is still continuing after 10 Business Days, either party may cancel the Reversing FX Transaction, in which case neither party shall have any further obligation in respect thereof.

“**Currency Market Disruption**” means the occurrence or existence on any date, as determined by the Corporation, of (i) any event or circumstance that makes it unlawful or infeasible for the Corporation or its Clearing Members to convert U.S. dollars into the Foreign Currency or vice versa through customary foreign exchange market transactions or to transfer the Foreign Currency through customary payment systems and channels; (ii) any event or circumstance as a result of which firm quotations for a spot FX transaction between USD and the Foreign Currency are unavailable on customary market terms; (iii) the actual or anticipated imposition by any relevant governmental authority of any sanctions, prohibition, transaction block, asset freeze, moratorium, standstill, repudiation, expropriation, requisition, nationalization or similar action applying to transactions in the relevant Foreign Currency or the relevant foreign exchange market, or (iv) any event or circumstance with similar effect to any of the foregoing.

(c) The Corporation’s liability for any shortfall, loss, cost, liability, damage or expense incurred or suffered by any Clearing Member or any other person in converting any USD Equivalent Payment into another currency or otherwise resulting from the settlement of the Corporation’s variation margin obligation through an FX Variation Settlement Transaction shall be limited to entering into a Reversing FX Transaction on the terms provided in this Rule 509, and the Corporation shall not otherwise be responsible for any such shortfall, loss, cost, liability, damage or expense.

(d) The Corporation’s exercise of any powers under this Rule 509 shall be without prejudice to the exercise of any other rights or remedies of the Corporation with respect to the Clearing Member that failed to make a variation margin settlement.

#### **Rule 510. Currency Market Disruption**

If a Currency Market Disruption occurs, the Corporation, in its discretion, may require all variation margin, delivery, final settlement, and any other obligations denominated in the applicable Foreign Currency (“**Impacted Obligations**”) to be settled, by the Corporation and each Clearing Member, in U.S. dollars. The foregoing requirement to settle Impacted Obligations in U.S. dollars shall be effective, and terminate, upon notice from the Corporation. Settlement in U.S. dollars pursuant to this Rule 510 shall fully discharge the applicable Impacted Obligation. The U.S. dollar equivalent settlement amount for an Impacted Obligation shall be calculated by reference to exchange rates in the relevant market, as determined by the Corporation. The exchange rate shall be published on the Corporation’s website. Nothing in this Rule 510 shall in any way limit Rule 708.

For the purposes of this Rule 510, the terms “**Currency Market Disruption**” and “**Foreign Currency**” shall have the meanings provided in Rule 509.

## Part 6 Deliveries

### Rule 601. Delivery Rules

Any delivery of commodities under any Contract shall be made in accordance with these Rules and the rules of the Listing Exchange for such Contract. Each Clearing Member which is, or which carries an account which is required to make or accept physical delivery of a commodity pursuant to a futures contract shall notify the Corporation if and when delivery or payment has been made, as applicable, at such time and as otherwise required by the rules of the Listing Exchange.

### Rule 602. Responsibility for Delivery; Margin.

(a) NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THESE RULES OR THE BY-LAWS OR THE RULES OF ANY LISTING EXCHANGE, EXCEPT AS EXPRESSLY SET FORTH IN THIS CHAPTER 6 OF THESE RULES, THE CORPORATION SHALL HAVE NO OBLIGATION TO MAKE OR ACCEPT DELIVERY OF ANY COMMODITY IN FULFILLMENT OF A CONTRACT, AND SHALL HAVE NO LIABILITY ARISING OUT OF A FAILURE OF A CLEARING MEMBER OR ANY OTHER PERSON TO MAKE OR ACCEPT SUCH DELIVERY.

(b) Each Clearing Member which issues or receives a delivery notice for a commodity under any Contract (i) shall maintain initial margin on each such Contract and (ii) deposit with the Corporation variation margin for each such Contract in accordance with Rule 602(c).

(c) When a delivery notice or multiple delivery notices with respect to a futures contract of a Deliverer to sell a commodity are issued by the Corporation to a Receiver holding a futures contract to buy such commodity:

(i) such futures contracts shall be combined into a single contract between the Deliverer and the Receiver, whereby the Deliverer agrees to sell such commodity to the Receiver and the Receiver agrees to buy such commodity from the Deliverer, all on the terms and conditions specified in the futures contract being combined in the applicable rules of the Listing Exchange; and

(ii) the Corporation shall have no further rights or obligations under any such contracts.

Notwithstanding the foregoing, the Corporation shall, as a convenience to the parties, (1) continue to collect and pay variation margin from and to the Receiver and the Deliverer with respect to the combined contract in the same manner as it collects and pays variation margin on open futures contracts, ~~and the Corporation shall~~ in accordance with the Corporation's procedures, and (2) continue to hold initial margin with respect to such combined contract, ~~all until settlement under the combined contract is completed, in the case of both (1) and (2)~~ subject to and as provided in these Rules and, if specified therein, the rules of the Listing Exchange. In the event that either the Deliverer or the Receiver shall default in paying any such variation margin when and as due with respect to such combined contract:

(A) the Corporation may apply the amount of initial margin on deposit with the Corporation from such Clearing Member with respect to such contract against such payment, it being expressly understood that the Corporation shall have no obligation to collect and pay variation margin in such circumstances to the extent that the amount of initial margin on deposit with the Corporation is insufficient for such purpose;

(B) the Corporation shall thereafter have no further obligation to collect or pay variation margin with respect to such contract; and

(C) the Corporation shall not have any other obligation or liability with respect to such default, including, without limitation, any obligation to make any payments from the Guaranty Funds or any other asset it holds on behalf of the defaulting party, or to make any assessments on Clearing Members with respect to such default.

Upon completion of settlement under the combined contract, (1) the Corporation will release initial margin held by the Corporation with respect to such contract, and (2) the net amount of any variation margin that has been paid to the Deliverer or Receiver in respect of such combined contract pursuant to this Rule 602(c) shall be collected from such party by the Corporation and paid to the other party, in each case as and when provided in the Corporation's procedures, and subject to any applicable rules of the Listing Exchange.

Any default by the Deliverer or Receiver with respect to such combined contract shall be subject to any applicable rules of the Listing Exchange, but shall not be the responsibility of the Corporation. Determinations as to whether delivery has been properly and timely made (including as to the adequacy or conformance of any delivered commodities) will be made in accordance with the rules of the Listing Exchange, and will not be the responsibility of the Corporation. Without prejudice to the foregoing, in the case of any such default by the Deliverer or Receiver with respect to such combined contract, the Corporation may (but will not be obligated to) apply the amount of initial margin on deposit with the Corporation from such party with respect to the combined contract against any unsatisfied liability of such party to the other with respect to such combined contract, as determined in accordance with the rules of the Listing Exchange. Subject to the rules of the Listing Exchange, any initial margin provided by the non-defaulting party in respect of such combined contract will be released, as and when provided in the Corporation's procedures.

(d) If any Clearing Member shall not have deposited or paid any initial margin, variation margin or option premiums due from it at the time it tenders a delivery notice to the Corporation, the Corporation may decline to accept such delivery notice.

### **Rule 603. Deliveries in Bankruptcy Situations**

(a) For the purposes of this Rule 603:

(i) Notwithstanding Rule 101, the term "**Customer**" shall mean any person for whom a Clearing Member carries a Contract, except a non-public customer as that term is defined in Commission Regulation 190.01(b).

(ii) The term "**Debtor**" shall mean any Clearing Member with respect to which an Order for Relief is entered.

(b) This Rule 603 shall apply if a Clearing Member carrying a Contract traded on or subject to the rules of any Exchange for any Customer becomes a Debtor, and if the rules of any such Exchange provide for physical delivery of a commodity to be made directly between such a Customer and an opposite Clearing Member which either issued a delivery notice that was assigned to such Customer or received a delivery notice that was issued by or on behalf of such Customer.

(c) By not later than 12:00 Noon 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 rules of the Listing Exchange for any Contract, whichever is sooner, each Customer of the Debtor shall notify the Corporation in writing if such Customer is seeking to make or take delivery pursuant to the applicable rules of such Exchange, giving the name and address of such Customer. Upon the giving of such notice, such Customer shall assume all the obligations of the Debtor to the Corporation and the opposite Clearing Member with respect to

such Contract (but not including the obligation to deposit with or pay to the Corporation any initial margin or variation margin with respect thereto, unless required by the rules of such Exchange). If, pursuant to the preceding sentence, any such Customer is not obligated to make payments of variation margin with respect to such Contract, the opposite Clearing Member and the Corporation shall likewise not be obligated to make payments of variation margin with respect thereto.

- (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 delivery notice to the Corporation on behalf of the customer;
  - (B) a document of title as required by the rules of such Exchange for delivery of the commodity which is the subject of the delivery notice, duly endorsed, for such commodity; and
  - (C) such other documents as are required pursuant to these Rules and the rules of such Exchange to make delivery in fulfillment of a Contract for such commodity.

(ii) If the Customer is seeking to take delivery, such notice shall be accompanied by

- (A) the delivery notice which had been assigned by the Corporation to the Debtor and allocated by the Debtor to the Customer; and
- (B) a certified, cashier's or official bank check, drawn on or issued by an Approved Financial Institution and payable to the order of the Clearing Member which presented the delivery notice, in an amount equal to such percentage of the full amount payable on delivery of the commodity as may be prescribed in or pursuant to the rules of the Listing Exchange, subject to final adjustment based on the quantity and quality of the commodity actually delivered.

(d) A Customer who gives notice pursuant to Rule 603(c) shall be deemed to agree:

(i) To perform all obligations of the Debtor under these Rules and under the rules of the Listing Exchange with respect to each Contract described in said notice (other than the obligation to deposit with or pay to the Corporation any initial margin or variation margin with respect thereto, except as may be provided under the rules of such Exchange);

(ii) To be sued in any federal or state court located in the City and State of New York in any action or proceeding on or in connection with such Contract, the provisions of these Rules or of the rules of the Listing Exchange applicable thereto or performance thereunder;

(iii) To accept service of process in any such action or proceeding by United States certified mail directed to such Customer at the address set forth in such notice or by such other means provided for by law or by the rules of the court in which such action or proceeding is brought; and

(iv) That the Corporation and the opposite Clearing Member shall be discharged from their obligations and liabilities as provided in paragraph (h) of this Rule 603.

The Corporation, as a condition to permitting the Customer to make or take delivery pursuant to this Rule 603, may require such Customer to execute and deliver to the Corporation a written agreement, in form and substance satisfactory to the Corporation, embodying the substance of the preceding provisions of this Rule 603(d).

(e) If a Customer fully complies with paragraphs (c) and (d) of this Rule 603, the Corporation shall deliver to the opposite Clearing Member the documents and/or checks received by it pursuant to paragraph (c), upon receipt from such opposite Clearing Member of such documents and/or checks as may be necessary to effect delivery or payment, and shall

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transmit the same to the Customer, whereupon the Corporation shall be relieved of any and all liability to the Customer, to such opposite Clearing Member and to the Debtor with respect to such Contract.

(f) THE CORPORATION SHALL HAVE NO RESPONSIBILITY TO ANY PERSON TO INVESTIGATE OR OTHERWISE VERIFY THE ACCURACY, GENUINENESS OR COMPLETENESS OF ANY DOCUMENT OR CHECK DELIVERED TO OR BY THE CORPORATION PURSUANT TO THIS RULE 603, AND SHALL HAVE NO LIABILITY TO ANY PERSON FOR THE QUANTITY OR QUALITY OF THE COMMODITY DELIVERED.

(g) 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 603.

(h) The making or taking of delivery or payment or other settlement with respect to any Contract in accordance with this Rule 603, shall discharge in full the obligations and liabilities of the Customer, the opposite Clearing Member and the Corporation with respect thereto; provided, however, that nothing contained in this Rule 603 shall relieve or discharge a Debtor from any obligation or liability it may have to the Corporation, any Clearing Member or any Customer.

#### **Rule 604. Deliveries Involving Electronic Warehouse Receipts or Foreign Exchange**

WHEN, UNDER THE RULES OF THE LISTING EXCHANGE, THE CORPORATION BECOMES THE TITLE HOLDER OF AN ELECTRONIC WAREHOUSE RECEIPT (“EWR”) OR HOLDER OF CURRENCIES IN THE CORPORATION’S BANK ACCOUNT IN CONNECTION WITH THE DELIVERY OF COMMODITIES OR CURRENCIES UNDER A CONTRACT, THE CORPORATION SHALL HOLD TITLE TO SUCH EWR OR CURRENCIES SOLELY AS AN ESCROW AGENT ON BEHALF OF THE CLEARING MEMBER WHICH ISSUED THE DELIVERY NOTICE OR DEPOSITED THE CURRENCIES INTO THE CORPORATION’S BANK ACCOUNT WITH RESPECT TO THE COMMODITIES OR CURRENCIES. AS ESCROW AGENT, THE CORPORATION SHALL ACT SOLELY AS A STAKEHOLDER FOR THE CONVENIENCE OF THE CLEARING MEMBER. NEITHER THE CORPORATION, NOR ANY DIRECTOR, COMMITTEE MEMBER, OFFICER, AGENT OR EMPLOYEE OF THE CORPORATION (“**OFFICIALS**”) SHALL BE LIABLE TO ANY PARTY FOR ANY DAMAGES ARISING OUT OF OR IN CONNECTION WITH ANY ACT OR OMISSION WITH RESPECT TO THE EWR OR CURRENCIES DURING THE PERIOD THE CORPORATION IS THE TITLE HOLDER, EXCEPT TO THE EXTENT THE DAMAGE IS THE RESULT OF WILLFUL OR WANTON CONDUCT OR BAD FAITH. THE CLEARING MEMBER ON BEHALF OF WHICH THE CORPORATION IS HOLDING TITLE TO THE EWR OR CURRENCIES AS ESCROW AGENT SHALL INDEMNIFY AND HOLD HARMLESS THE CORPORATION AND ITS OFFICIALS AGAINST ANY CLAIMS, DAMAGES, LOSSES, COSTS, FEES, TAXES, OR EXPENSES RELATING IN ANY WAY TO THE EWR, THE CURRENCIES OR THE DISPOSITION THEREOF (INCLUDING WITHOUT LIMITATION, ATTORNEYS’ FEES, EXPENSES OF INVESTIGATION, JUDGMENTS AND AMOUNTS PAID IN SETTLEMENT), EXCEPT TO THE EXTENT OF CLAIMS, DAMAGES OR LOSSES ARISING SOLELY FROM THE CORPORATION’S WILLFUL OR WANTON CONDUCT OR BAD FAITH.

#### **Rule 605. Deliveries Involving Gold and Silver Daily Futures Contracts**

(a) In connection with the ICE Futures U.S. Gold and Silver Daily Futures Contracts, delivery of gold or silver, as applicable will be made by transfer of ownership of the right to receive the relevant amount of unallocated gold or silver in LBMA Vaults satisfying the LBMA Good Delivery Rules (as such terms are defined in the relevant Exchange Rules) (“Gold or Silver Vault Interests”), through the AURUM electronic clearing system (or successor system)

operated by London Precious Metals Clearing Limited (or its successor). Neither the Corporation nor the Listing Exchange will have any responsibility or liability to any person for the use of, or any failure, error, action or omission of, such system or any LBMA Vault. Settlement will occur in accordance with the procedures and timetables specified in the Exchange Rules, subject to the provisions of this Rule.

(b) For purposes of Rule 602(c), the Corporation shall issue Notices of Intention to Deliver involving the ICE Futures U.S. Gold and Silver Daily Futures Contracts received from Clearing Members (each, a “Gold or Silver Delivering Clearing Member”) to specific Clearing Members that have delivered a Notice of Intention to Receive in accordance with its procedures.

(c) Each Gold or Silver Delivering Clearing Member shall provide to the Corporation, in the form and by the deadline specified by the Corporation, confirmation from the relevant LBMA Vault that its account contains sufficient Gold or Silver Vault Interests to satisfy its delivery obligation in full.

(d) Rule 604 shall apply to the transfer of Gold or Silver Vault Interests to the Corporation or its account under the Exchange Rules as though such Gold or Silver Vault Interests were EWRs.

(e) A failure by a Clearing Member to timely deliver or pay for Gold or Silver Vault Interests in whole or in part as required by the rules of the Corporation or Listing Exchange may be reported to the Vice President of Market Regulation of the Listing Exchange by a Clearing Member who has failed to receive full performance of its contract, which Clearing Member may also make formal application for arbitration of the matter pursuant to the Arbitration Rules of the Listing Exchange as then in effect. A Clearing Member that failed to receive full performance of its contract because of a failure by another Clearing Member to timely deliver or pay for Gold or Silver Vault Interests in whole or in part will not have any claim against the Corporation with respect thereto.

(f) The Corporation may, in its discretion, provide a service to Clearing Members (the “Gold or Silver Facility”) pursuant to which the Corporation may, upon request or upon its own initiative, obtain, procure or otherwise make gold or silver available to or on behalf of a Clearing Member which has issued a Notice of Intention to Deliver, in order to settle such Clearing Member’s obligation to deliver Gold or Silver Vault Interests. A Clearing Member which seeks to use the Gold or Silver Facility shall make a written request to the Corporation in the form and by the deadline specified by the Corporation. The Corporation (i) shall have no obligation to provide the Gold or Silver Facility, whether in full or partial settlement of a Clearing Member’s delivery obligation, in response to a request from a Clearing Member or otherwise at any time, (ii) may determine to withdraw the Gold or Silver Facility at any time, and (iii) shall not have any liability to any Clearing Member or any other Person as a result of any unavailability of, or any decision not to make available, the Gold or Silver Facility.

(g) A Clearing Member to which the Corporation provides the Gold or Silver Facility shall on demand reimburse and indemnify the Corporation and the Listing Exchange for any and all losses, costs, liabilities or expenses incurred in connection therewith. Without limiting the foregoing, the Clearing Member shall, on demand by the Corporation, (i) deliver to the Corporation the gold or silver that was the subject of the delivery obligation covered by the Gold or Silver Facility or, at the election of the Corporation, pay to the Corporation the value thereof as determined by the Corporation, and (ii) pay any costs and expenses incurred by the Corporation in connection with any borrowing or overdraft of gold or silver by the Corporation in connection therewith. Failure by the Clearing Member to satisfy any obligation under this Rule 605(g) shall constitute a “Monetary Default” as such term is defined in these Rules.

(h) In the event that the Corporation, upon the request of a Clearing Member or upon its own determination, utilizes its Gold or Silver Facility to procure gold with respect to a Gold or Silver Daily Futures Contract for which a Clearing Member has issued a Notice of Intention to Deliver, the Clearing Member shall not be deemed in default with respect to its delivery obligations under Rule 801 or under the Exchange Rules on the basis of the Gold or Silver Facility having been utilized to satisfy the Clearing Member's gold or silver delivery obligation.

**Rule 606. Deliveries Involving Digital Currency Contracts**

(a) In connection with any Digital Currency Contracts, delivery of the underlying Digital Currency will be made by book-entry transfer from the account(s) designated by the Deliverer to the account(s) designated by the Receiver through the facilities of the Bakkt Warehouse. Neither the Corporation nor the Listing Exchange will have any responsibility or liability to any person for the use of, or any failure, error, action or omission of, the Bakkt Warehouse. Settlement will occur in accordance with the procedures and timetables specified in the Exchange Rules, subject to the provisions of this Rule. The Corporation shall be entitled to rely on confirmations of settlement and other information provided by the Bakkt Warehouse relating to Digital Currency held at the Bakkt Warehouse.

(b) For purposes of Rule 602(c) for Digital Currency Contracts, the Corporation shall issue Notices of Intention to Deliver that are received or deemed received from Clearing Members under Exchange Rules to specific Clearing Members that have been delivered or been deemed to deliver a Notice of Intention to Receive under Exchange Rules, in accordance with the Corporation's procedures.

(c) Each Deliverer shall authorize the Bakkt Warehouse to provide to the Corporation, in the form and by the deadline specified by the Corporation, confirmation from the Bakkt Warehouse that the relevant account(s) designated by the Deliverer for delivery under the Exchange Rules contain sufficient Digital Currency to satisfy its delivery obligation in full.

(d) As provided in the Exchange Rules, the Corporation shall instruct the Bakkt Warehouse to transfer the appropriate quantity of Digital Currency by book entry from the account(s) designated by the Deliverer to the account(s) designated by the Receiver in settlement of the Deliverer's obligations under the combined contract between the Deliverer and the Receiver.



## Part 7 Miscellaneous

### Rule 701. Confidential Treatment of Information and Personal Data

(a) All information received by the Corporation concerning past or current positions carried by the Corporation or any other clearing organization for a Clearing Member or an Affiliated Person of such Clearing Member, or concerning margin payments between the Corporation or any other clearing organization and a Clearing Member or an Affiliated Person of such Clearing Member, or concerning deliveries made by or to a Clearing Member or an Affiliated Person of such Clearing Member, and any financial statements filed with the Corporation by any Clearing Member (collectively, "**Member Trade Information**"), shall be held in confidence by the Corporation and shall not be made known to any other person except as follows:

- (i) With the written consent of the Clearing Member involved;
- (ii) To the Commission or the United States Department of Justice pursuant to the requirements of the Act or any Commission Regulation;
- (iii) Pursuant to a subpoena issued by or on behalf of any person, or in the Corporation's discretion, pursuant to a written request from the Congress of the United States, any committee or subcommittee thereof, the General Accounting Office, or any department or agency of the United States, the State of New York or the City of New York;
- (iv) Pursuant to an order issued by a court having jurisdiction over the Corporation;
- (v) To an Exchange of which such Clearing Member is a member for audit, compliance or market surveillance purposes; provided that the information so furnished to any Exchange shall be limited to positions, margin payments and deliveries relating to Contracts on that Exchange; and provided further that the furnishing of any such information shall be subject to such terms and conditions as the Board, from time to time, may deem appropriate;
- (vi) To another clearing organization, exchange or other trading facility or trade repository with which the Corporation has an information sharing agreement which provides restrictions on the use and disclosure of the information, as deemed appropriate by the Corporation;
- (vii) To any person in the business of providing data processing or similar services for the purpose of performing computations or analysis, or of preparing reports or records, for the Corporation, subject to such terms and conditions as the Board, from time to time, may deem appropriate;
- (viii) To counsel for the Corporation;
- (ix) To the regulatory authority of any foreign jurisdiction in which the Corporation has been approved to conduct business, to the extent that the consent of the Corporation to make such disclosure was a condition of such approval;
- (x) To any other person, if, to the extent and 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 or an Affiliated Person of such Clearing Member is requested pursuant to subparagraphs (iii) or (iv) above, the Corporation shall so notify each such Clearing Member prior to furnishing such information, unless in the judgment of the Corporation it would be contrary to the best interests of the Corporation to do so.

The Corporation may, to the extent permitted by law, require reimbursement from the person seeking such information for any out-of-pocket expenses incurred by the Corporation (including, but not limited to, compensation of Corporation personnel) in obtaining and making available information pursuant to this Rule 701.

(b) With respect to any Confidential Information, such information shall be held in confidence by the applicable Recipient, and the Recipient agrees that such Confidential Information will be used solely for its business purposes and may not be disclosed to any other person or used for any other purpose except as set forth in this paragraph (b). As used herein, “**Confidential Information**” means all business, financial, strategic and technical information and materials (including, without limitation, transaction data, position data, the identity of actual or potential business partners or investors, e-business opportunities and each party's potential interest therein, designs, analyses, reports, business methods and processes, business models and plans, customer and market information, and computer hardware and software systems, applications, program listings, licenses, manuals and documentation) owned by or in possession of a Clearing Member (or an Affiliated Person of a Clearing Member) or the Corporation, as applicable, on the one hand (the “**Disclosing Party**”), and communicated or delivered to the Corporation or a Clearing Member (or an Affiliated Person of a Clearing Member), respectively, on the other hand (the “**Recipient**”). Notwithstanding the foregoing, “Confidential Information” does not include information which (i) was or becomes generally available to the public other than as a result of a disclosure by the Recipient, (ii) was or becomes available to the Recipient on a non-confidential basis from a source that (to the best of the Recipient’s knowledge) is not and was not prohibited from disclosing such information to the Recipient by a contractual, legal or fiduciary obligation, (iii) was known to the Recipient on a non-confidential basis prior to its disclosure by the Disclosing Party, or (iv) is developed by the Recipient or on its behalf without reliance on information furnished to the Recipient by the Disclosing Party. In addition, this paragraph (b) shall not apply to Member Trade Information, which shall instead be subject to paragraph (a) above. Where an Affiliated Person of a Clearing Member is the Recipient, such Clearing Member shall cause such Affiliated Person to comply with the obligations applicable to such Affiliated Person as Recipient under this Rule 701(b).

Notwithstanding the foregoing, a Recipient may disclose Confidential Information that is subject to this paragraph (b) as follows:

- (i) With the written consent of the Disclosing Party;
- (ii) To the Commission or the United States Department of Justice pursuant to the requirements of the Act or any Commission Regulation, or as otherwise required by law;
- (iii) Pursuant to a subpoena issued by or on behalf of any person, or as otherwise required by or pursuant to a written request from the Congress of the United States, any committee or subcommittee thereof, the General Accounting Office, or any department or agency of the United States, the State of New York or the City of New York, or any other U.S. federal or state or foreign regulatory authority having jurisdiction over the Disclosing Party or the Recipient;
- (iv) Pursuant to an order issued by a court having jurisdiction over the Disclosing Party or the Recipient;
- (v) To counsel and professional advisers for the Recipient.

(c) Treatment of Personal Data relating to Individuals in the European Union

(i) For the purpose of this Rule 701(c), the terms "Process" (and derivations thereof), "Personal Data" and "Controller" shall have the meaning given to such terms in the General Data Protection Regulation (EU) 2016/679 (including any relevant implementing measure or successor legislation thereto) and the term "Member" includes market participants, whether or not they have become Clearing Members.

(ii) The Corporation is a Controller with respect to Personal Data provided to it by Members, their clients and representatives and may collect and use Personal Data for the purposes of fulfilling contractual obligations and operating in accordance with these Rules, CFTC regulations and the Act.

(iii) Each Member shall ensure that in respect of any Personal Data that it provides to the Corporation it has a lawful basis for processing the relevant Personal Data in this manner.

(iv) Each Member and the Corporation:

(A) acknowledges that the recording of conversations between the trading, clearing and other relevant personnel of the Member and/or its affiliates and the Corporation in connection with the Rules and any Contract, potential Contract, or transaction will take place to the extent permitted or required under applicable laws;

(B) agrees, to the extent permitted by applicable law, that recordings may be submitted as evidence in any dispute;

(C) acknowledges that the other provisions of this Rule 701(c) shall apply to any such recordings made by the Corporation; and

(D) consents to such disclosures being made in accordance with these Rules and as required under applicable laws including, without limitation, CFTC regulations and the Act.

**Rule 702. RESERVED**

**Rule 703. RESERVED**

**Rule 704. RESERVED**

**Rule 705. Consent to Disclosure of Certain Information**

A person, by becoming a member of the Board or a member of a committee established by the Board, shall be deemed irrevocably to authorize and direct each futures commission merchant at which such person maintains an account to furnish the Corporation with such documents and information relating to such person's trading in futures contracts, securities or options as the Corporation may from time to time request for the purpose of monitoring compliance with the Rules and the Corporation's conflict of interest and other policies, and to agree to furnish the Corporation with such information relating to any such trading as the Corporation may from time to time request.

**Rule 706. RESERVED****Rule 707. Exculpation and Reimbursement of Corporation**

(a) NEITHER THE CORPORATION, ICE FUTURES U.S., NOR ANY DIRECTOR, COMMITTEE MEMBER, OFFICER, AGENT OR EMPLOYEE OF THE CORPORATION OR ICE FUTURES U.S. SHALL BE LIABLE TO ANY CLEARING MEMBER FOR ANY DAMAGES ARISING OUT OF OR IN CONNECTION WITH ANY ERROR, ACT OR OMISSION ON THE PART OF THE CORPORATION, OR ON THE PART OF ANY PERSON IN THE CAPACITY OF DIRECTOR, COMMITTEE MEMBER, OFFICER, AGENT OR EMPLOYEE OF THE CORPORATION, WHETHER OR NOT SUCH DAMAGES ARE DUE TO NEGLIGENCE, UNLESS SUCH ERROR, ACT OR OMISSION WAS THE RESULT OF WILLFUL OR WANTON CONDUCT OR WAS IN BAD FAITH.

(b) EXCEPT IN INSTANCES WHERE THERE HAS BEEN A FINDING OF WILLFUL MISCONDUCT OR BAD FAITH, IN WHICH CASE THE PARTY FOUND TO HAVE ENGAGED IN SUCH CONDUCT CANNOT AVAIL ITSELF OF THE PROTECTIONS IN THIS PARAGRAPH (b), NEITHER THE CORPORATION, ICE FUTURES U.S., NOR ANY DIRECTOR, COMMITTEE MEMBER, OFFICER, AGENT OR EMPLOYEE OF THE CORPORATION OR ICE FUTURES U.S. SHALL BE LIABLE TO ANY PERSON, INCLUDING BUT NOT LIMITED TO A CUSTOMER, FOR ANY LOSSES, DAMAGES, COSTS OR EXPENSES (INCLUDING, BUT NOT LIMITED TO, LOSS OF PROFITS, LOSS OF USE, DIRECT, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES), ARISING FROM (i) ANY FAILURE OR MALFUNCTION OF ANY SYSTEM UTILIZED BY THE CORPORATION OR ANY OF THE CORPORATION'S SERVICES OR FACILITIES USED TO SUPPORT ANY SUCH SYSTEM, OR (ii) ANY FAULT IN DELIVERY, DELAY, OMISSION, SUSPENSION, INACCURACY OR TERMINATION, OR ANY OTHER CAUSE, IN CONNECTION WITH THE FURNISHING, PERFORMANCE, MAINTENANCE, USE OF OR INABILITY TO USE ALL OR ANY PART OF ANY SYSTEM UTILIZED BY THE CORPORATION OR ANY OF THE CORPORATION'S SERVICES OR FACILITIES USED TO SUPPORT ANY SUCH SYSTEM.

(c) THERE ARE NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS PROVIDED BY THE CORPORATION OR ICE FUTURES U.S. TO ANY PERSON RELATING TO ANY SYSTEM, INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY AND WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE OR USE.

(d) ANY ACTIONS, SUITS OR PROCEEDINGS AGAINST THE CORPORATION, ICE FUTURES U.S., OR ANY OF THEIR RESPECTIVE OFFICERS, DIRECTORS OR EMPLOYEES MUST BE BROUGHT WITHIN TWO (2) YEARS FROM THE TIME THAT A CAUSE OF ACTION, SUIT OR PROCEEDING HAS ACCRUED. ANY PARTY BRINGING ANY SUCH ACTION, SUIT OR PROCEEDING CONSENTS TO JURISDICTION IN THE U.S. DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND THE SUPREME COURT OF NEW YORK COUNTY, NEW YORK, AND WAIVES ANY OBJECTION TO VENUE THEREIN. THIS PROVISION SHALL IN NO WAY CREATE A CAUSE OF ACTION AND SHALL NOT AUTHORIZE AN ACTION THAT WOULD OTHERWISE BE PROHIBITED BY THIS PROVISION OR THE RULES OF THE CORPORATION OR ICE FUTURES U.S.

(e) IN ANY ACTION, SUIT OR PROCEEDING AGAINST THE CORPORATION, ICE FUTURES U.S. OR ANY OF THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES OR AGENTS, EACH PARTY WAIVES ANY RIGHT IT MIGHT HAVE TO A TRIAL BY JURY.

(f) Any Clearing Member which institutes an action or proceeding against the Corporation, or any of the officers, directors, committee members, agents or employees of the Corporation, and which fails to prevail in such action or proceeding, shall reimburse the Corporation and such

officer, director, committee member, agent or employee, for any and all costs or expenses (including but not limited to attorneys' fees, expenses of investigation and amounts paid by way of indemnifying any officers, directors, employees or other persons by the Corporation) incurred in connection with the defense of such action or proceeding.

(g) For purposes of this Rule 707, the terms: (i) "the Corporation" shall include any legal successor to the Corporation, including any corporation or other entity which acquires all or substantially all of the assets of the Corporation in one or more transactions; and (ii) "person" shall include the personal representative of an individual described in this Rule 707 who is deceased or under a disability.

### **Rule 708. Emergencies**

(a) If the Exchange determines that there is an Emergency, the Corporation shall take such action as may be ordered by, or as may be necessary or appropriate to implement emergency action ordered by, that Exchange with respect to (i) Contracts traded on or subject to the rules of the Exchange and cleared by the Corporation, and (ii) Clearing Members of the Exchange.

(b) If the Board, by a two-thirds vote of the members of the Board present and voting at any meeting, at which there is a quorum, determines that there is an Emergency, it may place into immediate effect a rule, or authorize other action to be taken by the Corporation as it deems necessary or appropriate to meet the Emergency. In the extraordinary event that the Board cannot be convened under the circumstances then existing, the President may determine whether there is an Emergency and may place into effect a rule, or order such other actions to be taken, as the President deems necessary or appropriate to meet the Emergency. Any such determination and action ordered by the President shall be reported to, and reviewed by, the Board as soon as practicable thereafter. Any actions taken pursuant to this Rule 708(b) shall be subject to the Corporation's conflict of interest policies and shall be reported to the Commission no later than twenty-four (24) hours after the action is taken.

(c) In the event of an inconsistency between a determination made by an Exchange as referred to in Section 708(a) and a determination made by the Corporation pursuant to Section 708(b), the determination so made by the Exchange shall govern.

(d) If, in the judgment of the persons specified below, the physical functioning of the Corporation is, or is threatened to be, severely and adversely affected by a Physical Emergency, such persons are authorized to take such action as they deem necessary or appropriate to deal with such Physical Emergency. The persons authorized to take action pursuant to this Section 708(d) are any one of the following, in the order of their availability to take such action: (i) the President; (ii) any Vice President; (iii) the Chairman; and (iv) any other officer of the Corporation.

(e) For purposes of this Rule 708, the following terms shall have the following meanings:

(i) The term "**Emergency**" means (A) any occurrence or circumstance which the Exchange determines constitutes an emergency or physical emergency in accordance with the by-laws or rules of the Exchange, (B) any Physical Emergency, or (C) any occurrence or circumstance which the Board or President, pursuant to this Rule 708, determines requires immediate action and threatens or may threaten such things as the fair and orderly trading in, or the liquidation of, or delivery pursuant to, any agreements, contracts or transactions cleared by the Corporation, including manipulative or attempted manipulative activity; any actual, attempted or threatened corner, squeeze, congestion or undue concentration of Positions; any circumstances which may materially affect the performance of agreements, contracts or transactions cleared by the Corporation, including failure of the payment system, any banking moratorium declared by applicable governmental authorities, or the bankruptcy or insolvency of any Clearing Member; any action taken by any governmental

body or any other board of trade, market or facility which may have a direct impact on trading on the Exchange or clearing by the Corporation; any outbreak or escalation of hostilities, declaration of a national emergency or war, cyberattack or similar systems intrusion or disruption, or other calamity or crisis, national or international, the effect of which on financial markets makes it impractical, in the judgment of the Board or President for the Corporation to continue normal operations, and any other circumstances which may have a severe, adverse effect upon the functioning of the Corporation.

(ii) The term “**Physical Emergency**” means any circumstance which has, or threatens to have, a severe, adverse effect upon the physical functions of the Corporation including, but not limited to, fire or other casualty, flood, bomb threats, substantial inclement weather, power failures, communication breakdowns, transportation breakdowns and computer malfunctions, backlog or delay in clearing or in the processing of data related to clearing, trading system breakdown or any other similar events.

#### **Rule 709. Force Majeure**

Notwithstanding any other provision of these Rules, the Corporation shall not be obligated to perform its obligations under these Rules or any agreement with a Clearing Member, or to compensate any person for losses occasioned by any delay or failure of performance, to the extent such delay or failure is the result of acts of God, lightning, earthquake, fire, epidemic, landslide, drought, hurricane, tornado, storm, explosion, flood, nuclear radiation, act of a public enemy or blockade, insurrection, riot or civil disturbance, strike or labor disturbance, cyberattack or similar systems intrusion or disruption, or any other cause beyond the Corporation’s reasonable control (whether or not similar to any of the foregoing).

If the Corporation shall, as a result of any of the above-described events, fail to perform any of its obligations, such failure shall be excused for a period equal to the period of delay caused by such event. In such an event, the Corporation shall give written notice thereof to the affected market or such Clearing Member, as the case may be, as soon as it is reasonably practicable and attempt diligently to remove such condition.

## Part 8 Defaults

### Rule 801. Defaults

If any of the following events shall occur with respect to any Clearing Member (regardless of whether any such event is cured by any guarantor or other third party on behalf of such Clearing Member or otherwise):

(a) If such Clearing Member fails to meet any of its obligations under its Contracts with the Corporation;

(b) If such Clearing Member fails to pay any assessments levied upon it by the Corporation when and as provided in these Rules;

(c) If any Monetary Default occurs with respect to such Clearing Member;

(d) If such Clearing Member fails to make any required deposit in the Guaranty Fund when and as required pursuant to these Rules;

(e) If the Corporation shall determine that such Clearing Member is not in compliance with the provisions of Rule 202 or Rule 203;

(f) If such Clearing Member commences a voluntary or a joint case in bankruptcy or files a voluntary petition or an answer seeking liquidation, reorganization, arrangement, readjustment of its debts or any other relief for the benefit of creditors under any bankruptcy or insolvency act or law of any jurisdiction, now or hereafter existing, or if such Clearing Member applies for or consents to the appointment of a custodian, liquidator, conservator, receiver or trustee (or other similar official) for all or a substantial part of its property; or if such Clearing Member makes an assignment for the benefit of creditors; or if such Clearing Member becomes or admits that it is insolvent;

(g) If an involuntary case is commenced against such Clearing Member in bankruptcy or an involuntary petition is filed seeking liquidation, reorganization, arrangement, readjustment of its debts or any relief for the benefit of creditors under any bankruptcy or insolvency act or law of any jurisdiction, now or hereafter existing; or if a custodian, liquidator, receiver or trustee (or other similar official) is appointed of the Clearing Member for all or a substantial part of its property;

(h) If a warrant of attachment, execution or similar process is issued against any substantial part of the property of the Clearing Member;

(i) If the Securities Investor Protection Corporation files an application for a protective decree with respect to such Clearing Member;

(j) If such Clearing Member holds a short futures contract position and does not tender a delivery notice on or before the time specified by the rules of the Listing Exchange on the last day on which such notices are permitted to be tendered, or fails to make delivery by the time specified in the rules of the Listing Exchange; or

(k) If such Clearing Member holds a long futures contract position and does not accept delivery or does not make full payment when due as specified in the rules of the Listing Exchange;

then, and in any such event, the Corporation may declare that an “**Event of Default**” has occurred and may determine that such Clearing Member shall be suspended as a Clearing Member.

**Rule 802. Liquidation on Termination or Suspension of Clearing Member**

(a) When a Person ceases to be a Clearing Member of the Exchange or is suspended as a Clearing Member of the Exchange, all open Contracts carried by the Corporation for such Clearing Member shall be liquidated in the manner set forth in Rule 803 as expeditiously as is practicable unless and to the extent that:

(i) Such open Contracts are transferred by the Clearing Member and accepted by one or more other Clearing Members, with the prior consent of the Corporation, or transferred by the Corporation to one or more other Clearing Members pursuant to an auction of the Contracts or other procedure instituted by the Corporation;

(ii) The President and the Chairman, or in the absence of the Chairman, any Director, determine that, in their opinion, the protection of the financial integrity of the Corporation does not require such a liquidation; or

(iii) Such liquidation is delayed because of the cessation or curtailment of trading on the Exchange for such Contracts.

(b) If it is determined pursuant to paragraph (a)(ii) of this Rule 802 not to liquidate any open Contracts of a Person, or if the Corporation is unable for any reason to liquidate such open Contracts in a prompt and orderly fashion, if the Corporation determines to delay such liquidation, or if the Corporation otherwise determines it is appropriate to do so for the protection of the Corporation or its Clearing Members, the President or the President's designee may authorize the execution from time to time for the account of the Corporation, solely for the purpose of reducing the risk to the Corporation resulting from the continued maintenance of such open Contracts, hedging transactions, including, without limitation, the purchase, grant or sale of Contracts or other agreements or instruments (and the modification or termination of such transactions from time to time). Such officers may delegate to one or more persons the authority to determine, within such guidelines as such officers shall prescribe, the nature and timing of such hedging transactions. Any costs or expenses, including losses, sustained by the Corporation in connection with transactions effected for its account pursuant to this paragraph shall be charged to such Person (which amounts, if such Person is a Defaulting Clearing Member, shall constitute part of the Defaulted Obligation), and any gains, net of any costs and expenses, shall be credited to such Person.

**Rule 803. Method of Closing Out**

(a) The open Contracts of any Person which, pursuant to Rule 802, are required to be liquidated pursuant to this Rule 803, shall be liquidated in such manner as the Corporation, in its discretion, may direct. Without limiting the generality of the foregoing:

(i) Any such liquidation may be effected by placing, with one or more Exchange members chosen at the discretion of the President by directly entering to the Exchange's trading platform, orders for the purchase, grant, exercise, or sale of Contracts. The President may designate and authorize an individual, and may hire a third party, to be responsible for the placement of such orders.

(ii) Contracts on opposite sides of the market, having different expiration months, may be liquidated by spread or straddle transactions (regardless of whether they are held for different accounts or different beneficial owners).

(iii) Options may be liquidated by closing transactions or by exercise, in the discretion of the President, and in any case where an option is exercised, the Corporation may liquidate the underlying futures contract, if any, resulting from such exercise in accordance with this Rule.



(iv) The Person whose Contracts are liquidated shall be liable to the Corporation for any commissions or other expenses incurred in liquidating such Contracts.

(v) Notwithstanding any other provisions of this Rule 803(a), any such liquidation may be effected without placing orders for execution, by making appropriate book entries on the records of the Corporation (including, without limitation, by pairing and canceling offsetting long and short positions in the same delivery months of a futures contract or in the same option series carried by a Clearing Member) at a price equal to the settlement price or settlement premium on the day such liquidation is ordered or at such other price as the Board may establish; provided, however, if an Order for Relief has been entered with respect to such Person, the Corporation will not affect any such liquidation by book entry except as may be permitted by Commission Regulations.

(b) If, as a result of the rules of the Listing Exchange limiting fluctuations in price or other circumstances, it is not possible to liquidate all net open Contracts pursuant to Rule 803(a)(i), the Corporation may liquidate such Contracts by taking opposite positions in a different expiration month and liquidating the resultant offset positions by a spread or straddle.

(c) If the Corporation determines that it is not practicable or advisable under the circumstances in light of liquidity, open interest, market conditions and other relevant factors to liquidate or attempt to liquidate some or all net open Contracts pursuant to Rule 803(a), the Corporation may determine to liquidate such net open Contracts pursuant to one or more default auctions (each a “**Default Auction**”) to be conducted by the Corporation pursuant to the default auction procedures of the Corporation as in effect at the relevant time (“**Default Auction Procedures**”). In connection with a Default Auction, the Corporation may require that each Clearing Member (or specified categories of Clearing Members) participate in such auction in a minimum amount, and may provide in the Default Auction Procedures for consequences of a failure to so participate or for uncompetitive participation (as defined therein) and for a Default Auction Priority for the application of Guaranty Fund contributions and Assessments in payment of liquidation costs incurred through such Default Auction(s). The Default Auction Procedures may also specify the terms on which customers of Clearing Members may participate (directly or indirectly) in a Default Auction.

(d) The Corporation may also determine to liquidate some or all net open Contracts pursuant to one or more auctions not conducted under Default Auction Procedures in which participation by Clearing Members or others will be voluntary and without using a Default Auction Priority (“**Alternative Auctions**”), on such other terms and conditions consistent with these Rules as are determined by the Corporation with the goal of facilitating a successful auction in light of the particular Contracts and positions to be auctioned, the prevailing market conditions for such Contracts and positions (including the depth, scope and nature of participation in such markets), and such other factors as the Corporation determines appropriate. The Corporation shall provide reasonable advance notice to Clearing Members of an Alternative Auction and the terms and conditions on which it is to be conducted.

(e) All liquidations made pursuant to this Rule 803 shall be for the account and risk of the Person which ceases to be a Clearing Member or which is suspended as a Clearing Member (and all amounts owed by the Corporation in respect thereof shall, if such Person is a Defaulting Clearing Member, constitute part of the Defaulted Obligation). NEITHER SUCH PERSON NOR ANY OTHER PERSON SHALL HAVE ANY CLAIM OR RIGHT AGAINST THE CORPORATION REGARDING THE TIMING OF LIQUIDATION OR THE MANNER IN WHICH OR THE PRICE AT WHICH CONTRACTS HAVE BEEN LIQUIDATED PURSUANT TO THIS RULE 803.

(f) References in this Rule 803 to the liquidation of Contracts shall include liquidation, termination or adjustment of any related hedging transactions entered into pursuant to Rule 802(b).

#### **Rule 804. Amounts Payable to the Corporation**

Upon completion of the liquidation or transfer of the positions of a Person pursuant to Rule 803, the Corporation shall be entitled on demand to recover from such Person all amounts due to the Corporation for all losses, liabilities and expenses (including without limitation legal fees and disbursements and costs and expenses incurred by the Corporation in liquidity, borrowing or similar arrangements under Rules 301(f) or 502(g)) incurred by the Corporation in connection with such liquidation or transfer.

#### **Rule 805. Reinstatement of Suspended Member**

Any Clearing Member suspended pursuant to Rule 801 may apply for reinstatement as provided in Rule 903.

#### **Rule 806. Close-Out Netting**

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

(b) Default of the Corporation. If at any time the Corporation fails to comply with an undisputed obligation to pay money or deliver property to a Clearing Member that is due and owing in connection with a transaction cleared by the Corporation, for a period of thirty calendar days from the date that the Corporation receives notice from the Clearing Member of the past due obligation (any such event or a Bankruptcy Event, a "**Corporation Default**"), all open positions of the Corporation shall be closed promptly in accordance with subsection (d).

(c) Wind-Up of Contracts. If at any time the Board determines, by virtue of the number of Withdrawing Clearing Members or otherwise, that a winding up (offset) of all outstanding positions at the Corporation is prudent or desirable or that the Corporation's clearing service should be terminated, then all open positions at the Corporation shall be closed promptly in accordance with subsection (d).

(d) Close-Out Time. (i) In the event of the close-out of open positions pursuant to this Rule 806, the Corporation shall issue a notice (a "**Termination Notice**") specifying the applicable paragraph of this Rule under which close-out will occur, the Termination Time (as defined below) and such other matters as the Corporation determines appropriate.

(ii) The date and time of close out under this Rule (the "**Termination Time**") shall be as follows:

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

(B) in the case of close-out as a result of a Corporation Default under subsection (b), at 5 p.m., New York time, on the second Business Day following the 30<sup>th</sup> day after the

date the Corporation received notice of the relevant past due obligation under such subsection;

(C) in the case of close-out pursuant to Rule 806(c), the time specified in the Termination Notice, which shall be within one Business Day after issuance of such notice (and if no time is specified, 5 p.m. New York time on the Business Day following issuance of such notice).

(iii) Upon and with effect immediately as from the Termination Time, each open position subject to termination under this rule shall be automatically terminated at the Termination Price (as defined below), without the need for any further step by any party to such position. All positions open immediately prior to the close-out shall be valued in accordance with the procedures of subparagraphs (e) and (f) of this Rule 806.

(e) Netting and Close-Out. At such time as a Clearing Member's positions are closed pursuant to this Rule 806, the obligations of the Corporation to a Clearing Member in respect of all of its house positions, accounts, collateral and deposits to the Guaranty Fund shall be netted, in accordance with the Bankruptcy Code, the Act and the regulations adopted thereunder in each case, against the obligations of that Clearing Member in respect of both its house and its customers' positions, accounts, collateral and its obligations to the Corporation. All obligations of the Corporation to a Clearing Member in respect of its customer positions, accounts, and collateral shall be separately netted against the positions, accounts and collateral of its customers in accordance with the requirements of the Bankruptcy Code, the Act and the regulations adopted thereunder in each case. As of the Termination Time for a Clearing Member's positions, the authority of the Corporation, pursuant to Rule 302, to make new assessments and/or require a Clearing Member to cure a deficiency in its Guaranty Fund deposit shall terminate, but without limiting the obligations of Clearing Members to make such contributions or assessments for which the obligation arose prior to the Termination Time.

(f) Valuation. As of the Termination Time, the Corporation shall fix a U.S. dollar amount (the "**Close-Out Amount**") to be paid to or received from the Corporation by each Clearing Member, after taking into account all applicable netting and offsetting pursuant to paragraph (e) of this Rule. The Corporation shall value open positions subject to close-out at a price (the "**Termination Price**") that is the market price for the relevant market (including without limitation any over-the-counter markets) at the Termination Time, assuming the relevant markets were operating normally at such time. If the relevant markets were not operating normally at such moment, the Corporation shall determine the Termination Price by exercising its discretion, acting in good faith and in a commercially reasonable manner, in adopting methods of valuation expected to produce reasonably accurate substitutes for the values that would have been obtained from the relevant market if it were operating normally. In determining a Close-Out Amount, the Corporation may consider any information that it deems relevant, including, but not limited to, any of the following:

(i) prices for underlying interests in recent transactions, as reported by the market or markets for such interests;

(ii) quotations from leading dealers in the underlying interest, setting forth the price (which may be a dealing price or an indicative price) that the quoting dealer would charge or pay for a specified quantity of the underlying interest;

(iii) relevant historical and current market data for the relevant market, provided by reputable outside sources or generated internally; and

(iv) values derived from theoretical pricing models using available prices for the underlying interest or a related interest and other relevant data.

Amounts stated in a currency other than U.S. dollars shall be converted to U.S. dollars at the prevailing market rate of exchange, as reasonably determined by the Corporation (using a third party source, if practicable). If a Clearing Member owes the Close-Out Amount, it shall promptly pay that amount to the Corporation upon demand.

(g) Interpretation in Relation to FDICIA. The Corporation intends that certain provisions of this Rule be interpreted in relation to certain terms (identified by quotation marks) that are defined in the Federal Deposit Insurance Corporation Improvement Act of 1991 (“**FDICIA**”), as amended, as follows:

(i) The Corporation is a “clearing organization.”

(ii) An obligation of a Clearing Member to make a payment to the Corporation, or of the Corporation to make a payment to a Clearing Member, subject to a netting agreement, is a “covered clearing obligation” and a “covered contractual payment obligation.”

(iii) An entitlement of a Clearing Member to receive a payment from the Corporation, or of the Corporation to receive a payment from a Clearing Member, subject to a netting contract, is a “covered contractual payment entitlement.”

(iv) The Corporation is a “member,” and each Clearing Member is a “member.”

(v) The amount by which the covered contractual payment entitlements of a Clearing Member or the Corporation exceed the covered contractual payment obligations of such Clearing Member or the Corporation after netting under a netting contract is its “net entitlement.”

(vi) The amount by which the covered contractual payment obligations of a Clearing Member or the Corporation exceed the covered contractual payment entitlements of such Clearing Member or the Corporation after netting under a netting contract is its “net obligation.”

(vii) The By-Laws and Rules of the Corporation, including this Rule 806, are a “netting contract.”

(h) Cross-Margining Agreement. If a Termination Notice is issued under this Rule 806, the Corporation shall immediately seek to exercise its authority under the Cross-Margining Program to cause the immediate liquidation of all assets and liabilities in all cross-margining accounts of Clearing Members and to reduce all such accounts to a single net obligation to or from the Clearing Member to be settled in accordance with the terms of the cross-margining agreement.

#### **Rule 807. Reduced Gains Distribution**

(a) Definitions. The following terms shall have the indicated meanings:

##### **Account**

The house account or customer account, as applicable.

##### **Aggregate Cash Gains or ACG**

In respect of any Business Day, the sum of the Cash Gain in respect of all Cash Gainers on such Business Day.

**Cash Gain**

In respect of any Cash Gainer and any Loss Distribution Day, the amount of Pre-Haircut Gains, Losses and Realized Cash Flows for such Account in respect of such Cash Gainer in respect of such Loss Distribution Day, if positive.

**Cash Gainer**

In respect of each Contributing Clearing Member and any Loss Distribution Day, each Account in respect of which the Pre-Haircut Gains, Losses and Realized Cash Flows for such Account in respect of such Loss Distribution Day is greater than zero.

**Cash Gainer Adjustment**

The meaning set out in Rule 807(f).

**Cash Loser**

In respect of each Contributing Clearing Member and any Loss Distribution Day, each Account in respect of which the Pre-Haircut Gains, Losses and Realized Cash Flows for such Account in respect of such Loss Distribution Day is equal to or less than zero.

**Contractual Payments**

In respect of each Account and any Business Day, any settlement or other payments (other than VM) owed with respect to a Contract in such Account on such Business Day. Notwithstanding the foregoing, amounts payable in respect of a delivery under a contract in accordance with Part 6 of these Rules will not constitute Contractual Payments.

**Contributing Clearing Member**

A Clearing Member (other than a Defaulting Clearing Member).

**Distribution Haircut or DH**

On each Loss Distribution Day, the fraction determined by the Corporation in accordance with the following formula:

$$DH(t) = UL(t) / ACG(t)$$

where:

UL means the Uncovered Loss for that day; and

ACG means the Aggregate Cash Gains for that day.

**Last Successful Call**

The most recent Business Day in respect of which all Outward VM Payments and Contractual Payments owed by the Corporation to Clearing Members were paid in full under the Rules (and, for the avoidance of doubt, prior to implementation of Reduced Gains Distributions under this Rule 807).

**Loss Distribution Day**

A Business Day in the Loss Distribution Period. For the avoidance of doubt, the Loss Distribution Day shall be the date in respect of which a Cash Gainer Adjustment is

determined, even though settlement of the related payments occurs on the following Business Day.

### **Loss Distribution Period**

The period commencing from and including the date specified by the Corporation in a notice following an RGD Determination and ending as determined in Rule 807(d).

### **Outward VM Payments**

On any Business Day, amounts in respect of VM that the Corporation has calculated which would, but for this Rule 807, be payable in full by the Corporation to Contributing Clearing Members (whether relating to their House Account or Client Origin Account) following the determination of Settlement Prices for Contracts.

### **Post Default Period**

The period starting at the time of declaration of a Default of a Clearing Member and ending at the time the Corporation completes the default management process in respect of each Account of the Defaulting Clearing Member.

### **Pre-Haircut Gains, Losses and Realized Cash Flows**

In respect of each Account of each Contributing Clearing Member and any Business Day, the net amount which would be payable by the Corporation to such Clearing Member (expressed as a positive number) or by such Clearing Member to the Corporation (expressed as a negative number) by way of Contractual Payments or VM in respect of such Account on such Business Day in the absence of the application of the Distribution Haircut.

### **Received VM**

On a particular Business Day following a Default, the amount (expressed as a positive number) that the Corporation has actually received in immediately available funds from Clearing Members who are party to Contracts in respect of VM and Contractual Payments for such day.

### **Reduced Gains Distributions**

The implementation of reduced gains distributions through the adjustments provided in this Rule 807.

### **RGD Continuation Conditions**

The meaning set out in Rule 807(d).

### **RGD Determination**

The meaning set out in Rule 807(b).

**t**

In respect of any determination made in relation to a Business Day, such Business Day.

**t-1**

In respect of any determination made in relation to a Business Day, the Business Day immediately prior to such Business Day.

**Total Outbound Pre-Haircut Amount or TPHA**

In respect of any Business Day, the sum of all positive Pre-Haircut Gains, Losses and Realized Cash Flows in respect of all Accounts of all Contributing Clearing Members on such Business Day (without offset for any negative Pre-Haircut Gains, Losses and Realized Cash Flows).

**Uncovered Loss or UL**

In respect of the Corporation on any Loss Distribution Day, an amount calculated in accordance with the following formula:

$$\text{Uncovered Loss}(t) = \text{TPHA}(t) - \text{RM}(t)$$

where:

TPHA means the Total Outbound Pre-Haircut Amount; and

RM means the Received VM;

provided that (i) the Uncovered Loss as at the Last Successful Call shall be zero, and (ii) if the Uncovered Loss would be less than zero, it shall be deemed to be equal to zero;

provided, further, that, where there is more than one Default with overlapping Post Default Periods, the Uncovered Loss may be calculated with regard to Received VM for all relevant Defaulting Clearing Members and Defaults at that time.

**VM**

Variation margin as provided in Rule 502. References in this Rule 807 to the payment of VM shall be construed as including obligations to transfer cash or other eligible margin as a result of changes in Settlement Prices (as the difference between Settlement Prices on different Business Days) following a recalculation of the Settlement Price and not to the total amount of VM that may have been paid by any Clearing Member or the Corporation at any time. VM shall not include variation margin in respect of a contract subject to a delivery notice under Rule 602.

(b) *RGD Determination*. This Rule 807 shall only apply if so determined by the Board, (any such determination, an “**RGD Determination**”), where the following conditions are all satisfied:

- (i) a Monetary Default or Monetary Defaults have occurred or been declared;
- (ii) the Corporation has exhausted all available default resources under Rule 302 in respect of such Monetary Default or Monetary Defaults;
- (iii) the Corporation determines that Reduced Gains Distribution under this Rule 807 is appropriate in connection with a Default Auction or Partial Tear-Up under Rule 808;
- (iv) no Termination Notice has been issued; and
- (v) there has been no Corporation Default.

(c) *Notice*. If there is an RGD Determination, the Corporation shall issue a notice to Clearing Members to that effect specifying:

- (i) the date of commencement of any Loss Distribution Period; and

- (ii) such other matters as the Corporation considers are relevant.

The Corporation shall issue such notice in accordance with its customary procedure for distribution of notices to Clearing Members by 7:30 p.m., New York time, on the date the RGD Determination is made (or as soon thereafter as is practicable under the circumstances). The Corporation will notify the staff of the Commission of an RGD Determination.

(d) *RGD Continuation*. Following the close of business on the Business Day following a Loss Distribution Day (a “**Potential Loss Distribution Day**”), the Corporation shall determine whether the RGD Continuation Conditions are satisfied and if so, whether such day should constitute an additional Loss Distribution Day. Notwithstanding anything to the contrary herein, the Loss Distribution Period for any Default (or series of Defaults subject to a Cooling-off Period) shall not extend more than five consecutive Business Days (such fifth Business Day, the “**Final Possible Loss Distribution Day**”).

The “**RGD Continuation Conditions**” shall be satisfied on any Potential Loss Distribution Day if the Corporation determines that favorable conditions for conducting a successful Default Auction of all remaining open positions of the Defaulting Clearing Member at a cost within any remaining default resources of the Corporation under Rule 302 are likely to be realized by the end of the maximum Loss Distribution Period.

(e) *Termination of RGD*. If, as of the close of business on a Potential Loss Distribution Day, the Corporation does not determine that the RGD Continuation Conditions are satisfied, or otherwise determines to terminate the Loss Distribution Period, then the Corporation may determine that either (i) that day shall not be a Loss Distribution Day and the Loss Distribution Period shall have terminated as of the last Loss Distribution Day or (ii) that day shall be the final Loss Distribution Day. In addition, a Loss Distribution Period shall end with immediate effect and without the need for any action on the part of any Clearing Member or the Corporation upon any Corporation Default or other determination to terminate all Contracts under Rule 806. If the Corporation conducts a successful Default Auction on any Potential Loss Distribution Day, that day (or, if the Corporation so determines, the preceding Business Day) shall be the final Loss Distribution Day. If the Corporation has not conducted a successful Default Auction on the Final Possible Loss Distribution Day, the Corporation will conduct a Partial Tear-Up as of the close of business on such day in accordance with Rule 808.

(f) *Adjustment of VM payments for Cash Gainers*. For each Loss Distribution Day for each Account of each Contributing Clearing Member that is deemed to be a Cash Gainer, the amount payable by the Corporation in respect of the Pre-Haircut Gains, Losses and Realized Cash Flows for such Account for such day shall be reduced by an amount equal to any positive amount determined in accordance with the following formula separately for such Account (in each case, such amount the “**Cash Gainer Adjustment**”):

Cash Gainer Adjustment (t) = DH(t) x PHG(t) where:

PHG means the Pre-Haircut Gains, Losses and Realized Cash Flows; and

DH means the Distribution Haircut, expressed as a decimal provided that it shall be no greater than 1.

(g) *No Adjustment for Cash Losers*. Nothing in this Rule 807 shall reduce or offset the obligation of a Cash Loser to pay any VM or Contractual Payments owed by it in respect of a Loss Distribution Day.



(h) *Application of Cash Gainer Adjustments.* For each Loss Distribution Day, the Corporation shall apply any Cash Gainer Adjustment as set forth above as an offset against any payments receivable by the relevant Clearing Member or aggregate it with any required payment to the Corporation for the relevant Account. VM obligations and related adjustments pursuant to this Rule 807 of Contributing Clearing Members shall then be paid and collected following such netting with other payment obligations.

(i) Notwithstanding the effects of this Rule 807 during a Loss Distribution Period:

(i) Clearing Members shall remain liable to pay, and shall continue to make timely payment of, all amounts falling due to, and shall remain liable to deliver, and shall continue to make timely delivery of, all property falling due for delivery to, the Corporation in accordance with the Rules and Procedures, including obligations to pay initial margin, variation margin, Guaranty Fund contributions and Assessments (subject always to the relevant limits set out in the Rules), Contractual Payments and amounts owed in respect of deliveries.

(ii) the Corporation will remain liable to pay or release initial margin to Clearing Members in the usual way, subject to netting to take account of any applicable Cash Gainer Adjustment with respect to variation margin and Contractual Payments. For the avoidance of doubt, the Corporation's obligation to pay or release initial margin shall not be subject to reduction under this Rule 807 as a result of any Distribution Haircut.

(iii) All such other Clearing Members' payments shall be made without regard to whether any payment which would have fallen due (were it not for the RGD Determination) has been made and without any offsetting or withholding of amounts under any other right of or to netting, set-off, lien, recouping, property, combination of accounts or other basis.

(j) Intentionally omitted.

(k) Action by the Corporation under and in accordance with this Rule 807 shall not constitute a Corporation Default.

(l) Implementation of Reduced Gains Distributions shall not affect the determination of the Settlement Price on any Business Day. After the end of the Loss Distribution Period, the Corporation shall not determine further Cash Gainer Adjustments with respect to VM or Contractual Payments and shall calculate, collect and pay VM payments and Contractual Payments in the ordinary course, without adjustment to take into account any Cash Gainer Adjustments during the Loss Distribution Period except as provided in Rule 807(m) below.

(m) The Corporation shall pay to each Contributing Clearing Member an amount equal to the aggregate of Cash Gainer Adjustments made with respect to such Contributing Clearing Member during the Loss Distribution Period ("**Post-RGD Payments**"), on a pro rata basis to the extent of available funds remaining under Rule 302(b) or (c) (including any such funds obtained from recoveries pursuant to Rule 302(k), promptly after settlement of all obligations with respect to the relevant Monetary Default (including any Default Auction or Partial Tear-Up). For such purpose, Post-RGD Payments will constitute a Defaulted Obligation for purposes of Rule 302.

(n) Except as expressly provided in this Rule 807, this Rule is without prejudice to the Corporation's rights to set off or net any sum owed by a Clearing Member to the Corporation against any sum payable by the Corporation to a Clearing Member or to any other powers of the Corporation under the Rules.

(o) In carrying out any calculations or making any determinations pursuant to this Rule 807, the Corporation may convert any amounts denominated in one currency into another currency chosen by the Corporation in its discretion and at a prevailing market rate of exchange reasonably determined by the Corporation (using a third party source, if practicable).

(p) For the avoidance of doubt, all calculations under this Rule 807 in respect of the customer account shall be determined separately in respect of the house account and customer account. All calculations under this Rule 807 in respect of the customer account shall be made on a net basis across all positions in such account. All calculation under this Rule 807 in respect of the house account shall be determined a net basis for all positions within such account (regardless of any desk or other subaccounts maintained thereunder for administrative purposes).

(q) For the avoidance of doubt, this Rule 807 shall not affect the obligations of Clearing Members to make or receive delivery, or to pay or receive amounts in respect thereof, in respect of any Contract in accordance with Part 6 of these Rules.

### **Rule 808. Partial Tear-Up**

(a) The provisions of this Rule 808 shall apply only if partial tear-up of open positions ("**Partial Tear-Up**") is to occur, as determined by the Board. Notwithstanding anything to the contrary herein, Partial Tear-Up will not apply unless the Corporation has previously attempted one or more Default Auctions with respect to the open positions of the Defaulting Clearing Member. The Corporation will notify the staff of the Commission of a determination that Partial Tear-Up will apply.

(b) If Partial Tear-Up applies, the Corporation will issue a notice (a "**Partial Tear-Up Notice**") stating:

(i) the remaining open positions of the Defaulting Clearing Member that have not otherwise been replaced or terminated through the default management process (the "**Remaining Defaulted Positions**");

(ii) with respect to each other Clearing Member, the open positions of such Clearing Member that will be subject to Partial Tear-Up (the "**Tear-Up Positions**");

(iii) the termination price (the "**Partial Tear-Up Price**") for each Tear-Up Position; and

(iv) the date and time as of which Partial Tear-Up will occur, which will be 5 p.m. New York time on the Final Possible Loss Distribution Day (or 5 p.m. New York time on any earlier Business Day as of which the Corporation has determined that the final Default Auction has failed and/or that a Loss Distribution Period will not continue) (the "**Partial Tear-Up Time**").

(c) The Corporation will determine and designate the Tear-Up Positions of Clearing Members pursuant to the following methodology: the Corporation will only designate Tear-Up Positions in the identical Contracts (on the opposite side of the market) and in an aggregate amount equal to that of the Remaining Defaulted Positions. The Corporation will designate Tear-Up Positions in a particular Contract only for Clearing Members that have an open position in such Contract, whether for their house account and/or customer account, as follows: the Corporation shall designate Tear-Up Positions in the house and customer accounts of all Clearing Members with open positions in the relevant Contracts in such accounts, on a pro rata basis (provided that solely to the extent such pro rata determination would result in creation of a Tear-Up Position with a fractional contract, the Corporation will round positions to whole contracts to avoid such result). With respect to a Tear-Up Position designated in a customer

account of a Clearing Member, the Tear-Up Position shall be allocated by the Clearing Member on a pro rata basis across any customers that have open positions in such Contract in such account. Where the Corporation has in effect one or more hedging transactions related to the Remaining Default Positions which hedging transactions will not themselves be subject to Partial Tear-Up, the Corporation may offer to assign or transfer such hedging transactions to Clearing Members with related Tear-Up Positions, on such basis as the Corporation may reasonably determine.

(d) Upon and with effect from the Partial Tear-Up Time, every Tear-Up Position shall be automatically terminated at the Partial Tear-Up Price, without the need for any further step by any party to such Contract. Upon such termination, either the Corporation or the relevant Clearing Member, as the case may be, shall be obligated to pay to the other the applicable Partial Tear-Up Price (which, in either case, shall be satisfied only through applicable variation margin for such Tear-Up Position, determined for this purpose as though all variation margin payments had been made in any relevant Loss Distribution Period without regard to any Cash Gainer Adjustments). Upon the termination of a Tear-Up Position, the corresponding Remaining Defaulted Position of the Defaulting Clearing Member shall be deemed terminated at the Partial Tear-Up Price.

(e) The Partial Tear-Up Price for each Tear-Up Position shall equal the Settlement Price established for such position as of the Partial Tear-Up Time. Such Partial Tear-Up Price shall be determined without regard to any Adjustment Amounts applied pursuant to Reduced Gains Distributions under Rule 807.

(f) No action or omission by the Corporation pursuant to and in accordance with this Rule 808 shall constitute a Corporation Default.

#### **Rule 809. Certain Decisions Concerning Default Matters**

Notwithstanding anything to the contrary herein, any decision by the Corporation (A) that a Default Auction has failed because of insufficient resources; (B) to make an RGD Determination or continue a Loss Distribution Period, (C) to implement a Partial Tear-Up or (D) to issue a Termination Notice in respect of all outstanding Contracts shall be made by the Board and shall not be delegable to any officer or any other Person.

## Part 9

### Disciplinary Proceedings

#### Rule 901. Rule Violations

(a) Except as provided in paragraph (b) of this Rule 901, the Corporation shall refer any suspected violation of the By-Laws or these Rules by any Clearing Member to the enforcement staff of ICE Futures U.S. for appropriate action, in accordance with the rules of ICE Futures U.S.

(b) The President may summarily impose a fine against any Clearing Member:

(i) for failing to make timely payments to the Corporation of initial or variation margin, option premiums, dues, fees, fines, assessments or other charges, and

(ii) for failing to make timely and accurate submissions to the Corporation of notices, reports, or other information required under any provision of the By-Laws or these Rules; and

(iii) for failing to timely make or accept delivery of any commodity or currency in settlement of any Contact.

The amounts of the fines for any category of violations which may be summarily imposed pursuant to this Rule 901(b) shall not exceed \$10,000. The imposition of a fine pursuant to this Rule 901(b) shall be the final action of the Corporation.

Nothing contained in this Rule 901(b) shall preclude any other action against a Clearing Member pursuant to Rule 901(a) or otherwise with respect to conduct described in this Rule 901(b).

#### Rule 902. Clearing Member Financial Emergencies

(a) If at any time the Board, in its sole discretion, determines that a Financial Emergency exists, or there is a substantial question as to whether a Financial Emergency exists, with respect to any Clearing Member, the Board may suspend, or take any other action against, involving or with respect to such Clearing Member and/or any Affiliated Person of such Clearing Member which is also a Clearing Member as the Board may deem necessary or appropriate including, but not limited to, order the Clearing Member to deposit such additional margin with the Corporation as deemed appropriate; prescribe such additional capital requirements as deemed appropriate; order special or advance variation margin payments to be made by such Clearing Member; prescribe such limitations on Position Risk as deemed appropriate; or transfer Contracts to another Clearing Member through an auction of such Contracts or otherwise.

(b) Any action taken against, involving or with respect to any Clearing Member pursuant to this Rule shall be taken after notice and an opportunity to be heard, unless (i) such Clearing Member shall have waived the right to such notice and opportunity, or (ii) the President in his or her sole discretion shall determine that (A) giving such notice or opportunity to be heard before taking such action is not practicable under the circumstances, and (B) there is reason to believe that immediate action is necessary to protect the best interests of the marketplace. Any such notice shall be given not later than one hour before the hearing.

(c) In any case in which action is taken against, involving or with respect to a Clearing Member without prior notice and opportunity to be heard, the Corporation shall give such member notice and an opportunity to be heard promptly thereafter. Every such notice shall (i)

state the action taken, (ii) briefly state the reasons for the action and (iii) state the effective time, date and duration of the action.

(d) In any hearing pursuant to this Rule the Board shall not be bound by formal rules of evidence or by technical considerations and shall follow such procedures as it deems best calculated to ascertain material information and otherwise to insure a fair and impartial hearing.

(e) At the hearing, the President shall present such evidence and considerations as may tend to show that a Financial Emergency exists or that there is a substantial question as to whether a Financial Emergency exists with respect to such Clearing Member, and the Clearing Member may present such evidence and considerations as may tend to show that no such Financial Emergency or substantial question exists. The Clearing Member may be represented by legal counsel or any other representative of its choosing at such hearing. A substantially verbatim record of the hearing shall be made, but need not be transcribed unless the Clearing Member so requests or the Corporation so determines.

(f) The Board shall issue a written decision and shall provide a copy of such decision to the President and the Clearing Member, together with a copy of any transcript that may have been made of the hearing and copies of any documents that may have been presented at the hearing. The decision shall include a statement of the Board's determination as to whether a Financial Emergency exists or there is a substantial question as to whether a Financial Emergency exists with respect to such Clearing Member and, if so, a description of any action taken, including the affirmance, modification or reversal of any action theretofore taken, and the effective date and duration of the action. Such decision shall be the final action of the Corporation and shall not be subject to appeal within the Corporation.

#### **Rule 903. Reinstatement of Suspended Member; Revocation or Modification of Other Actions; Termination of Status**

A Clearing Member which has been suspended pursuant to Rule 801 or 902, or which has been the subject of any other action pursuant to Rule 902, may seek reinstatement or revocation or modification of such action by submitting an application therefore in such form and accompanied by such information as the Corporation may prescribe. Such application may be rejected or granted in whole or in part by the Board in its discretion. If a Clearing Member which has been so suspended does not so apply for reinstatement within thirty (30) calendar days after the commencement of such suspension, or if such Clearing Member shall have so applied and the Board shall have rejected the application, the Board may terminate such Clearing Member's status as a Clearing Member after giving such Clearing Member notice and an opportunity to be heard in accordance with the procedures set forth in paragraph (b) of Rule 203 for denying an application to become a Clearing Member.

#### **Rule 904. Conflicts of Interest**

A member of the Board may not participate in any proceedings conducted pursuant to this Part 9 if such member is precluded from participating in deliberations or voting on the matter pursuant to the conflict of interest principles set forth in Rule 706(b).

#### **Rule 905. Liability for Expenses**

Any Clearing Member which, after notice and opportunity for hearing pursuant to these Rules, has been found by final action of the Corporation to have violated any By-Law or Rule, or has been the subject of action taken pursuant to Rule 902, may, in the discretion of the Corporation, be required to pay to the Corporation an amount equal to any and all expenses incurred by the Corporation (including without limitation legal and accounting fees and expenses and the costs of liquidating or transferring Contracts) incurred in investigating the matter, preparing the matter for referral to the Exchange or for submission to the Board, or

otherwise in connection with such violation or action, as the case may be, in addition to any fine or other penalty which may be imposed on such Clearing Member.

<b>Summary report:</b>	
<b>Litera® Change-Pro for Word 10.7.0.7 Document comparison done on 5/22/2019 5:04:03 PM</b>	
<b>Style name:</b> Shearman & Sterling	
<b>Intelligent Table Comparison:</b> Active	
<b>Original DMS:</b> dm://NYDOCS01/1753594/1	
<b>Modified DMS:</b> dm://NYDOCS01/1746082/10	
<b>Changes:</b>	
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Move To	0
Table Insert	0
Table Delete	0
Table moves to	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
<b>Total Changes:</b>	<b>85</b>