



Nodal Exchange Rulebook

BY ACCESSING, OR ENTERING ANY ORDER INTO, THE EXCHANGE, AND WITHOUT ANY NEED FOR ANY FURTHER ACTION, UNDERTAKING OR AGREEMENT, A PARTICIPANT, AUTHORIZED USER OR AUTHORIZED BROKER AGREES (I) TO BE BOUND BY, AND COMPLY WITH, THE RULES AND APPLICABLE LAW, IN EACH CASE TO THE EXTENT APPLICABLE TO IT, HIM OR HER, AND (II) TO BECOME SUBJECT TO THE JURISDICTION OF THE EXCHANGE WITH RESPECT TO ANY AND ALL MATTERS ARISING FROM, RELATED TO, OR IN CONNECTION WITH, THE STATUS, ACTIONS OR OMISSIONS OF SUCH PARTICIPANT OR AUTHORIZED USER.

SECTION I DEFINITIONS

- 1.1 **Account Administrator.** Either or both of a Level 1 Account Administrator and/or a Level 2 Account Administrator, as the context may require.
- 1.2 **Affiliate.** A Person who directly or indirectly, controls, is controlled by, or is under common control with another Person.
- 1.3 **Allowance** has the meaning set forth in the Nodal Clear Rulebook.
- 1.4 **Appeals Committee.** A panel comprised of a chair and two individuals appointed by the Board to consider appeals under Section VII.
- 1.5 **Applicable Law.** With respect to any Person, any statute, law, regulation, rule or ordinance of any governmental or self-regulatory authority applicable to such Person, including the CEA and CFTC Regulations.
- 1.6 **Audit Trail** has the meaning set forth in Rule 4.11.1.
- 1.7 **Authorized Broker.** A regulated intermediary approved by the Exchange to submit Block Trades accepted on behalf of Participants to clear through specific accounts set up by Clearing Members.
- 1.8 **Authorized User.** A natural person who is either employed by or is an agent of a Clearing Member, a Participant or Authorized Broker and who is authorized by the Exchange as an Authorized User in accordance with Rule 3.76.
- 1.9 **Block Trade.** A privately-negotiated transaction in a Nodal Contract that meets certain quantity thresholds and that is permitted to be executed off Exchange and reported in accordance with Rule 4.6.
- 1.10 **Board.** The Board of Directors of Nodal Exchange, LLC.
- 1.11 **Business Day.** Any day on which the Exchange is open for trading.
- 1.12 **CEA.** The Commodity Exchange Act, as it may be amended from time to time.
- 1.13 **Central Limit Order Book** or **CLOB.** The trading facilities operated by Nodal Exchange to provide Participants with the ability to execute Transactions from the interaction of bids and offers within a predetermined, nondiscretionary automated trade matching execution algorithm. Nodal Exchange operates two CLOBs, Nodal LiveTrade and Nodal T7.
- 1.14 **CFTC** or **Commission.** The Commodity Futures Trading Commission.
- 1.15 **CFTC Regulations.** The regulations of the CFTC, as they may be amended from time to time.

benefit of its creditors, or the admission by the Person in writing of its inability to pay its debts generally as they become due, or the taking of corporate or similar action by the Person in furtherance of the foregoing.

- 1.59 ***Intra-day Settlement Price*** has the meaning set forth in Rule 4.10.1(a) of these Rules.
- 1.60 ***IOC***. For Orders entered on Nodal T7 as “Immediate-or-Cancel” (IOC), either the entire or partial quantity that is not executed as a Transaction immediately upon Order entry, shall be deleted from the Trading Platform.
- 1.61 ***Last Trading Day*** is the last day an Expiry may be traded and is defined in the Contract Specifications.
- 1.62 ***Level 1 Account Administrator***. An officer or employee of a Participant appointed pursuant to Rule ~~3.12.13.1112.1~~.
- 1.63 ***Level 2 Account Administrator***. An officer or employee of a Participant appointed pursuant to Rule ~~3.12.23.1112.2~~.
- 1.64 ***LLC Agreement***. The Limited Liability Company Agreement of the Exchange as amended or restated from time to time.
- 1.65 ***NFA***. National Futures Association.
- 1.66 ***Nodal Contract***. Any contract available on Nodal Exchange for the sale or purchase of a Commodity Type for future delivery that is settled either financially or physically in accordance with the Contract Specifications, and any Option thereof. Settlement is defined in terms of a specific Contract Location, Contract Term and Contract Class.
- 1.67 ***Nodal Exchange or Exchange***. Nodal Exchange, LLC, a Delaware limited liability company designated by the CFTC as a contract market.
- 1.68 ***Node***. A physical location or group of locations on the power network, as defined by the applicable ISO. As used in these Rules, “Node” means and includes (depending on the context), hubs, zones and similar concepts and terms as used by the relevant ISO.
- 1.69 ***NYMEX Henry Hub Natural Gas Futures (NG)***. Futures contract offered by CME for trading natural gas that is widely used as a national benchmark price for trading natural gas.
- 1.70 ***Officer*** has the meaning given to it in Rule 2.2.1.

the minimum \$ requirement specified in each alternative, equals 100% (e.g., \$1 million in securities owned and \$100,000 in futures margin and premiums).

A Participant must immediately notify the Exchange or the Regulatory Service Provider, if any, if it no longer meets the financial requirements of 3.4.1 (a), (b) or (c) above.

3.4.2 Each Participant that is registered with the CFTC as an FCM and each FCM Clearing Member must:

- (a) comply with the minimum financial and related reporting requirements of Commission Regulations, including Commission Regulations 1.10, 1.12, 1.17 and 1.18;
- (b) comply with the customer funds segregation requirements of Commission Regulations 1.20 through 1.30, 1.32 and 1.49; and
- (c) file with the Exchange and the Regulatory Services Provider, if any, a copy of any notice or written report that it is required to file with the Commission pursuant to Commission Regulations 1.10 or 1.12.

3.4.3 A Participant that is registered with or authorized or supervised by a Governmental Authority shall comply with the rules and regulation of such Governmental Authority relating to minimum financial and related reporting and recordkeeping requirements and shall provide to the Exchange and to the Regulatory Services Provider, if any, a copy of such Participant’s regulatory capital report, reasonably contemporaneously with the filing of such report and substantially in the form such report was filed with such Governmental Authority. A Participant that is not subject to such filing requirements shall provide the Exchange with such financial information as the Exchange may require from time to time.

3.4.4 A Participant that is not registered with the CFTC, or registered with or authorized or supervised by a Governmental Authority other than the CFTC, shall submit to the Exchange upon its request annual audited financial statements for the Participant or, if applicable, its parent company certified by a certified independent public accountant (or by a Person having similar qualifications if the Participant’s books of account are kept outside the United States) within ninety calendar days of the Participant’s fiscal year-end.

3.5 Requirements for Participants engaging in the physical delivery of California Low Carbon Fuel Standard (“LCFS”) futures contracts

3.5.1 The Exchange may establish such requirements and conditions for approval of eligible deliverers as it deems necessary. To engage in physical delivery of IncubEx California Low Carbon Fuel Standard (“LCFS”) futures contracts, Participants must meet the eligibility criteria set forth below as well as provided in the Participant Application to Physically Deliver California LCFS Futures.

Eligible Participants (i.e. Participant buyers and Participant sellers) must meet each criterion under items (a), through (d) and deliverers (i.e. Participants sellers) must meet the additional criteria provided under item (e).

- (a) Must be a Participant of Nodal Exchange in good standing, and;
- (b) Must have an active California LCFS Reporting Tool and Credit Bank & Transfer System (LRT) account. LRT account information must be on file with the Exchange, and;
- (c) Must not be subject to ongoing California Air Resources Board (CARB) enforcement activities related to the generation or trade of LCFS credits, and;
- (d) Must agree to the California LCFS futures contracts post-delivery invalidation procedures as set forth in the Participant Application to Physically Deliver California LCFS Futures.
- (e) To participate in delivery, Participant sellers must meet the Exchange’s eligibility criteria as set forth in the Participant Application to Physically Deliver California LCFS Futures.

3.5.2 In addition to the Participant criteria set forth in Rules 3.3 and 3.4, each Participant who engages in the physical delivery of California LCFS futures contracts must maintain the requirements set by the Exchange.

3.5.3 Each Participant who engages in physical delivery of California LCFS futures contracts must complete the Participant Application to Physically Deliver California LCFS Futures and subsequently be approved by the Exchange.

3.5.4 Each Participant who meets the qualifications to engage in the physical delivery of LCFS credits as a Participant seller consents that the Exchange may name the Participant on an eligible deliverer list, which may be made available to Participants in California LCFS futures contracts upon request. The Exchange reserves the right to remove Participants from the eligible deliverer list at any time. Eligible deliverers will be reviewed as needed and at minimum at a frequency commensurate with delivery. Any Participant wishing to become an eligible deliverer may apply at any time.

No additional eligible deliverers will be added to the list within the contract expiration month.

3.5.5 A Participant seller who does not meet the requirements of Rule 3.5 will not be eligible to engage in physical delivery of California LCFS futures contracts. A Participant seller not eligible to deliver LCFS futures contracts must ensure all of its expiration month positions in LCFS futures contracts have been closed at the latest on the fifth business day before the first delivery day of the expiring contract.

3.5.6 If a Participant fails to comply with Rule 3.5.5, Nodal Exchange may use any and all measures to close the positions, which are ineligible for delivery. This would occur without prior notification and at the expense of the Participant.

3.5.3.6 Duties and Responsibilities of Participants

3.5.13.6.1 Each Participant shall, and shall cause its Authorized Users to:

- (a) access the Exchange in a responsible manner and not for any improper purpose;
- (b) access the Exchange only to conduct business that is subject to the Rules and the Exchange Requirements and in a manner consistent with the Rules and the Exchange Requirements;
- (c) comply with the Rules and the Exchange Requirements and act in a manner consistent with the Rules and the Exchange Requirements;
- (d) comply with the rules of the Clearing House that accepts for clearing a Nodal Contract traded by the Participant on the Exchange, to the extent applicable to such Participant and such Nodal Contract;
- (e) observe high standards of integrity, market conduct, commercial honor, fair dealing, and just and equitable principles of trade while conducting or seeking to conduct any business connected with or concerning the Exchange;
- (f) not knowingly mislead or conceal any material fact or matter in any dealings or filings with the Exchange or in connection with a Disciplinary Action;
- (g) cooperate promptly and fully with the Exchange in any investigation, inquiry, audit, examination or proceeding regarding compliance with the Rules or any Disciplinary Action or arbitration;
- (h) comply with any order issued by the Exchange;

- (i) keep all User IDs, account numbers and passwords related to the Exchange confidential; and
- (j) keep, or cause to be kept, complete and accurate books and records, including, without limitation, all books and records required to be maintained pursuant to the Applicable Law, for at least five (5) years, and make such books and records available for inspection by a representative of the Exchange, the CFTC or the U.S. Department of Justice.

3.5.23.6.2 In addition to the requirements of Rule ~~3.65~~.1, each Participant shall employ practices to monitor and enforce compliance with its internal risk limits and shall be responsible for all Orders and Transactions effected on the Exchange by or for the account of such Participant, its Authorized Users or by any Person using its or their User IDs.

3.63.7 Authorized Users

3.6.13.7.1 Each Participant and Authorized Broker that is not a natural Person must designate at least one of its employees as an Authorized User.

3.6.23.7.2 By agreeing to become an Authorized User, an individual agrees to be bound by the duties and responsibilities of an Authorized User set out in Rule ~~3.87~~ and to be subject to, and comply with Applicable Law and the Rules.

3.6.33.7.3 To designate an Authorized User, a Participant must follow the procedures established by the Exchange. The Exchange may establish criteria that individuals must fulfill to become an Authorized User. Without limiting the generality of the foregoing, each Participant will ensure on an ongoing basis that (i) none of its Authorized Users is subject to a disqualification pursuant to any Applicable Law (unless an appropriate exemption has been obtained with respect thereto) and (ii) each of its Authorized Users is technically proficient and conducts its business in a fair and equitable manner.

3.6.43.7.4 The Exchange will promptly notify a Participant in writing of the approval of designated Authorized User(s) or if the Exchange declines to approve the nomination of an Authorized User.

3.6.53.7.5 The Exchange will maintain a list of all designated Authorized Users for each Participant.

3.6.63.7.6 The Exchange may, in its sole discretion revoke or suspend the designation of an individual as an Authorized User and shall promptly notify the Participant and its Clearing Member of such action.

3.6.73.7.7 To request the termination of the designation of an individual as an Authorized User, the Participant must follow the procedures established by the Exchange. The Exchange may, in its sole discretion, refuse to accept a request to terminate the registration of an Authorized User or may postpone the effective date of the termination of registration if the Exchange considers it necessary for the protection of the Participant or in the Exchange’s best interest. Based on the information provided to, and other information gathered by, the Exchange regarding the request to terminate the registration of an Authorized User, the Exchange will determine whether to:

- (a) accept the request to terminate such registration;
- (b) postpone the effective date of termination of the registration; and/or
- (c) impose any terms or conditions before or after the effective date of termination of the registration.

3.73.8 Duties and Responsibilities of Authorized Users

3.7.13.8.1 By agreeing to act as an Authorized User, such Person agrees to be bound by the duties and responsibilities of and Authorized User and to be subject to, and comply with, the Rules.

3.7.23.8.2 An Authorized User must:

- (a) ensure that activity conducted under the User IDs assigned to it and any of its personnel complies with Applicable Law and the Rules;
- (b) have the authority, at the Exchange’s request, to adjust or withdraw any Order submitted under such User IDs;
- (c) have and maintain during all necessary regulatory approvals and/or licenses to operate as an Authorized User;
- (d) cooperate promptly and fully with the Exchange in any investigation, inquiry, audit, examination or proceeding regarding compliance with the Rules or any Disciplinary Action or arbitration proceeding;
- (e) comply with any order issued by the Exchange; and
- (f) agree to such other terms and conditions as may be established by the Exchange from time to time.

3.83.9 Clearing Members Accessing the Exchange

3.8.13.9.1 A Clearing Member may trade an account on behalf of a Participant hereunder solely for the purpose of liquidating Nodal Contracts and any resulting positions previously submitted to the Clearing House for the account of such Clearing Member on behalf of a Participant that has failed to perform its obligations to the Exchange or such Clearing Member (to the extent applicable).

3.93.10 Independent Software Vendors

3.9.13.10.1 A Person seeking to act as an ISV must satisfy the Exchange’s technological integrity requirements and not adversely affect the Exchange’s ability to comply with the CEA and CFTC Regulations.

3.103.11 Required Notices

3.10.13.11.1 Each Participant and ISV shall immediately notify the Exchange upon becoming aware of any of the following events:

- (a) any material changes to the information provided to the Exchange by the Participant or ISV;
- (b) any damage to, or failure or material inadequacy of, the systems, facilities or equipment of the Participant or ISV used to effect Transactions on the Exchange;
- (c) any refusal of admission to, or withdrawal by the Participant or ISV of any application for membership in, any Self-Regulatory Organization;
- (d) any denial or withdrawal of an application for registration or license by or from any governmental agency, and any revocation, suspension or conditioning of a registration or license granted by any Governmental Authority;
- (e) the commencement of any judicial or administrative proceeding against the Participant or ISV by a Governmental Authority or the imposition of any fine, cease and desist order, denial of trading privileges, censure or other sanction or remedy (whether through an adverse determination, voluntary settlement or otherwise) imposed by any Governmental Authority;
- (f) the indictment or conviction of, or any confession of guilt or plea of guilty or nolo contendere by, the Participant or ISV or any of its officers for any felony or misdemeanor involving, arising from, or related to, the purchase or sale of any commodity, security, futures

contract, option or other financial instrument, or involving or arising from fraud or moral turpitude; and

(g) the Insolvency of the Participant or ISV or any of its Affiliates.

~~3.10.23.11.2~~ Each Participant or ISV that is not a natural person shall notify the Exchange at least ten business days prior to any merger, acquisition, consolidation, combination, sale or other material change of ownership.

~~3.10.33.11.3~~ Nothing in this Rule 3.109 is intended to substitute for or limit any other reporting obligations that a Participant or ISV may have to the Exchange or any regulatory agency or Self-Regulatory Organization.

~~3.113.12~~ **Account Administrators**

~~3.11.13.12.1~~ Each Participant shall appoint at least one Level 1 Account Administrator, who shall be responsible for monitoring the Participant's access to the Exchange.

~~3.11.23.12.2~~ Each Participant may appoint one or more Level 2 Account Administrators, who shall be entitled to access the Exchange for risk management, audit or other back-office purposes as specified by the Exchange from time to time. Level 2 Account Administrators shall not have trading privileges on the Exchange.

~~3.11.33.12.3~~ A Participant shall promptly notify the Exchange of a change in the identity of any of its Account Administrators.

~~3.123.13~~ **Access Requirements and Terms**

~~3.12.13.13.1~~ Participant accounts will be issued authenticated login credentials for secure access. The Participant is responsible for the security of these items, and any misuse is the responsibility of the Participant.

~~3.12.23.13.2~~ Login information is for the Participant's use only and shall not be shared with other parties.

~~3.12.33.13.3~~ A Participant must notify the Exchange immediately upon any suspicion of theft of login information, or any unauthorized access.

~~3.12.43.13.4~~ The Exchange may modify or suspend a Participant's access to the Exchange if the Exchange reasonably believes that such Participant's positions, when considered in light of other positions maintained by such Participant and any other factors that the Exchange reasonably deems relevant (including, as applicable, financial information provided by such Participant and the margin required for all such positions), could jeopardize the financial safety of other Participants.

3.13.14 Dues and Fees

~~3.13.13.14.1~~ Exchange dues and fees are posted at www.nodalexchange.com and updated from time to time.

3.14.15 Inspections by the Exchange

~~3.14.13.15.1~~ The Exchange and the Regulatory Services Provider, if any, shall have the right, in connection with determining whether the Rules are being, will be, or have been complied with by the Participant, to:

- (a) inspect systems, equipment and software operated by the Participant in connection with business that is or may be subject to the Rules, wherever located;
- (b) access the systems, equipment, software, and the premises on which the systems, equipment, and software are located, any data stored in any of the systems or equipment, during the regular business hours of the Exchange, without prior notice to the Participant; and/or
- (c) copy and/or reproduce any data to which the Exchange has access under this Rule.

~~3.14.23.15.2~~ Each Participant shall provide the Regulatory Services Provider with the same access as it would be required to provide to the Exchange.

~~3.14.33.15.3~~ The Exchange may require a Participant to furnish such information concerning the Participant’s business that is subject to the Rules of the Exchange as the Exchange deems necessary to enable the Exchange to perform its obligations under Applicable Law, including information relating to (i) Nodal Contracts executed on the Exchange and in related derivatives markets, including in the products underlying those Nodal Contracts, and (ii) information requested by a government agency relating to the Exchange’s business as a designated contract market and/or the Exchange’s compliance with Applicable Law that the Exchange believes is maintained by, or otherwise in the possession of, a Participant.

3.15.16 Liquidity Provider Program

~~3.15.13.16.1~~ At its discretion, Nodal Exchange may offer a liquidity provider program that provides incentives to Participants willing to supply substantial numbers of bids and offers or traded volume in the market. The liquidity provider program may offer reduced fees, amongst other incentives, for qualified liquidity providers as determined by the Exchange.

3.16.17 Authorized Brokers

~~3.16.13.17.1~~ Participants may submit Block Trades to the Exchange through an Authorized Broker acting on their behalf.

~~3.16.23.17.2~~ An Authorized Broker:

- (a) must be registered with the CFTC as an FCM or an introducing broker;
- (b) must enter into the applicable Authorized Broker Agreement with the Exchange and agree to be subject to and to comply with the Rules applicable to Authorized Brokers;
- (c) must agree to effect Block Trades on behalf of a Participant only in accordance with these Rules and procedures established by the Exchange;
- (d) must, if registered as an FCM, maintain adequate financial resources in accordance with Rule 3.4;
- (e) must file with the Exchange and the Regulatory Services Provider, if any, a copy of any notice or written report that it is required to file with the Commission pursuant to Commission Regulations 1.12; and
- (f) must agree to such other terms and conditions as may be established by the Exchange from time to time.

~~3.16.33.17.3~~ An Authorized Broker shall be responsible to the Exchange for any failure by such Authorized Broker (or its employees or agents) to comply with the Rules.

~~3.16.43.17.4~~ The Exchange will maintain a list of all designated Authorized Brokers for each Participant. The Exchange may, in its sole discretion revoke or suspend the designation of an individual as an Authorized Broker and shall promptly notify the appropriate Participants and its Clearing Member of such action.