

NYBOT[®]
MEMBERSHIP RULES

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MEMBERSHIP RULES

Requirements

Rule 2.01. Qualifications

To be eligible to become and remain an Equity Member, Permit Holder or Lessee, a person must be a natural person at least twenty-one (21) years of age, of good character, reputation and business integrity with adequate financial resources and credit to assume the responsibilities and privileges of Membership.

Rule 2.02. RESERVED

Application Procedures

Rule 2.03. Application

(a) A person applying for Membership must file with the Exchange an application for Membership in the form supplied by the Exchange, a non-refundable application fee in the amount specified by the Board, a confidential statement or report from two (2) different business references acceptable to the Membership Committee and such other documents as the Exchange may deem necessary or appropriate.

(b) Incomplete applications shall be kept on file for two (2) months; thereafter, the application shall be deemed withdrawn and an applicant must submit a new application for Membership.

Rule 2.04. Notice of Application

The name of each applicant shall be posted on the Member Page of the Exchange's Website or otherwise sent to all Members of the Exchange at least ten (10) days prior to the Membership Committee Meeting at which such application is to be reviewed.

Rule 2.05. Appearance of Applicant, Failure to Appear

The Membership Committee may, in its discretion, require the applicant to personally appear before it. Failure to appear, when so requested, shall constitute a withdrawal by the applicant of his application.

Rule 2.06. Review of Application

(a) The Membership Committee may direct the applicant to supplement, or the Exchange to investigate, any information supplied by the applicant, or which the Committee believes is appropriate.

(b) The Membership Committee shall review the application and may ask for and review any additional information it deems relevant; provided however, that review of all the requirements for

and the granting of floor trading privileges shall be the exclusive responsibility of the Floor Trading Privileges Committee.

Rule 2.07. Election to Membership by the Board; Reinstatement; Rejection

(a) The Membership Committee shall, when it deems the application to be complete, either approve the application or refer the application to the Board for action with a recommendation either to approve or disapprove the same, provided that the Committee shall refer the application to the Board whenever (i) an application contains, or the Committee learns of, information of the type specified in the Rules as constituting a condition for denial, (ii) an application is filed by a suspended Member seeking reinstatement, (iii) an application is filed by an expelled Member or (iv) a member of the Committee requests that such application be referred to the Board, provided that such request is made prior to the time at which the vote is taken.

(b) The Board shall consider each application referred to it by the Membership Committee and shall vote for or against election of the applicant to Membership. An applicant receiving affirmative votes of a majority of those Board members present at a duly convened meeting shall be elected to Membership; provided, however, that a suspended Member's application for reinstatement shall be treated in accordance with the Rules of the Exchange concerning the reinstatement of suspended Members, and an expelled Member's application for readmission:

(i) shall only be considered if notice thereof shall have been included in written notice of the meeting, which shall have been given at least three (3) days in advance thereof; and

(ii) shall require the affirmative votes of three-fourths of the Board members present to effect a readmission.

(c) In the event that the Membership Committee recommends to the Board denial of an application or the Board intends to deny such an applicant, the applicant shall be given notice thereof and an opportunity to be heard by the Board, or a Special Committee designated for this purpose by the Board, to present evidence as to why the application should not be denied, provided that the Secretary of the Exchange receives a written request from the applicant for such a hearing within ten (10) days after the receipt of such notice by the applicant. If a hearing is held before a Special Committee designated by the Board pursuant to this paragraph (c), such Special Committee shall report its findings and conclusions to the Board.

(d) Any application rejected by the Board shall not be reconsidered for one (1) year.

(e) Any application approved for Membership shall be deemed an approval for all types of Membership; provided however, that a Member seeking to change his type of Membership shall file an application for change in Membership type in the form supplied by the Exchange and file such other documents as the Exchange may deem necessary or appropriate.

Rule 2.08. Conditions for Denial

The Exchange may deny Membership or reinstatement to any applicant who:

(a) does not meet any of the qualifications for Membership, or does not follow the procedures for application, set forth in these Rules;

(b) has been denied registration or whose registration has been revoked or is currently suspended by the CFTC or by the Securities and Exchange Commission;

(c) has been convicted of any felony or misdemeanor;

(d) has been enjoined by order, judgment or decree of any court of competent jurisdiction or of the CFTC or the Securities and Exchange Commission or of any state securities authority or agency from engaging in or continuing any conduct or practice in connection with the purchase or sale of any Commodity, security, option or similar instrument;

(e) is or has been subject to an order of the CFTC denying trading privileges on any contract market to the applicant, or suspending or expelling the applicant from membership on any contract market;

(f) has ever been or is suspended or expelled from any commodity or securities exchange, related clearing organization, the National Futures Association, the National Association of Securities Dealers, Inc., or any other self-regulatory organization or other business or professional association for violation of any rule of such organization;

(g) has accumulated a disciplinary or arbitration record at any exchange, association or similar tribunal which record is judged by the Membership Committee or the Board to be such that membership for the applicant would not be in the best interests of the Exchange;

(h) is subject to any material unsatisfied liens or judgments;

(i) has made any false statement in or in connection with any application filed with the Exchange;

(j) has been individually, or as a Principal of a Firm that has been, subject to any liquidation, arrangement, reorganization, receivership, assignment for the benefit of creditors or other bankruptcy or insolvency proceeding, under state or federal law, within the past ten (10) years;

(k) has engaged in an established pattern of failure to pay just debts; or

(l) fails to meet such other qualifications as the Board may from time to time determine are in the best interests of the Exchange.

Member Firms

Rule 2.09. Eligibility for Member Firm Privileges

(a) Any Firm shall be eligible to receive Member Firm privileges provided that at least one (1) of its general partners, directors, officers, members, executive employees or managers (a "Conferring Member") (i) is a full-time employee of such Firm or an Affiliated Firm thereof and is not employed by any other Person; (ii) is a Member in good standing and (iii) has and exercises authority over the affairs of the Firm directly related to the Firm's activities on the Exchange, satisfactory to the Membership Committee.

(b) A Member who is a special or limited partner in a Firm may not confer any of the privileges of the Exchange on such Firm.

(c) A Member cannot confer Membership privileges upon more than one (1) Firm at any one time.

Rule 2.10. Application for Member Firm Privileges

(a) To obtain Member Firm privileges, a Firm shall file with the Exchange an application for Member Firm privileges in a form approved by the Board, accompanied by a non-refundable application fee in the amount specified by the Board, and such other documents as the Exchange may deem necessary or appropriate, which documents shall include, but shall not be limited to:

(1) an agreement whereby the Firm shall agree to abide by and be subject to the Rules;

(2) an agreement in a form prescribed by the Exchange, signed by the Conferring Member, making the proceeds from the sale of his Membership available for settlement of Exchange, Clearing Organization and Members' Claims against such Firm and against such Member as prescribed in such agreement;

(3) in the case of a partnership, a copy of the partnership agreement together with any amendments thereto, certified by a general partner;

(4) in the case of a corporation, a copy of the certificate of incorporation, including all amendments thereto, the by-laws, and a resolution of the board of directors thereof authorizing the application for Member Firm privileges, duly certified by the secretary of the corporation;

(5) in the case of a limited liability company ("LLC"), a copy of the articles of organization and operating agreement, and all amendments thereto, duly certified by an authorized member or manager thereof; and

(6) in the case of a sole proprietorship, a copy of a certificate of doing business as a sole proprietor (d/b/a) which has been filed with the Clerk of New York County, City of New York, at least five days prior to conferring membership privileges upon such sole proprietorship.

(b) The Membership Committee shall, when it deems the application to be complete, either approve the application or refer the application to the Board for action with a recommendation either to approve or disapprove the same.

Rule 2.11. Member Firm Annual Fees

Each Member Firm shall pay to the Exchange an annual fee in the amount specified by the Board, which shall be due and payable on the first day of January of each year.

Rule 2.12. Cancellation of Member Firm Privileges

(a) Member Firm privileges may be canceled by the Conferring Member or the Firm at any time provided that:

(1) A Notice of Intention to Cancel such privileges, signed by the Firm or by the Conferring Member, shall be given to the Exchange at least ten (10) calendar days prior to the intended termination date of such privileges; and

(2) The Firm and the Conferring Member shall have filed with the Exchange a written statement that all Claims arising out of Commodity Contracts executed on the Exchange have been settled.

(b) Cancellation of privileges shall be effective on such date as specified by the canceling party in subparagraph (a)(1), provided, however, that the Exchange shall hold the Conferring Member responsible for all Claims against the Firm until the requirements specified in paragraph (a) of this section have been satisfied.

Rule 2.13. Termination of Member Firm Privileges

In the event the Conferring Member ceases to comply with the eligibility requirements specified in the Rules, the Member Firm shall continue to enjoy Member Firm privileges for ninety (90) days following the occurrence of such event. Thereafter, Member Firm privileges shall be terminated unless, within such ninety (90) day period another Member confers privileges to the Firm.

Clearing Members and Guarantors

Rule 2.14. Application and Qualification of Clearing Members

(a) Any Firm desiring to become a Clearing Member shall submit an application in the form prescribed by the Exchange. The Membership Committee shall, when it deems the application to be complete, either approve the application or refer the application to the Board for action with a recommendation either to approve or disapprove the application.

(b)(i) In order to be eligible to be a Clearing Member of Commodity Contracts other than Index Contracts, a Firm must (A) have Member Firm privileges and (B) file with the Exchange duly executed

Conferring Agreements applicable to four (4) Equity Memberships, provided, however, that the requirement in this clause (B) shall not apply to any Firm if and for so long as it clears only Commodity Contracts previously traded on either (but not both) of the Coffee, Sugar & Cocoa Exchange and the New York Cotton Exchange and has filed with the Exchange duly executed Conferring Agreements applicable to two (2) Equity Memberships.

(ii) In order to be eligible to be a Clearing Member of Index Contracts, a Firm must, in addition to the requirements set forth in subparagraph (b)(i), above, file with the Exchange duly executed Conferring Agreements applicable to two (2) FINEX Trading Permits.

(c) If an application is approved by the Exchange, the Firm desiring to become a Clearing Member shall file an application with the Clearing Organization in such form as the Clearing Organization may prescribe to demonstrate compliance with the conditions set by the Clearing Organization for a Person to become a member of the Clearing Organization.

(d) In the event that a Clearing Member ceases to comply with the applicable eligibility requirements specified in paragraph (b) of this Rule, its status as a Clearing Member shall be automatically suspended unless, within 90 days following occurrence of such event, the Clearing Member satisfies the Exchange that it has brought itself into compliance with such requirements.

(e) Notwithstanding the provisions of paragraphs (b) and (c), any individual holding self-clearing privileges in accordance with the Rules and the Clearing Organization Rules may retain such privileges as and so long as permitted by the Rules and the Clearing Organization Rules.

Rule 2.15. RESERVED

Rule 2.16. Qualification for Guarantors, Procedure and Guarantee Termination

(a) A Clearing Member in good standing may become a guarantor of any Member upon approval by the Exchange. To be so approved, a Clearing Member must file with the Exchange an application in a form supplied by the Exchange, accompanied by a non-refundable application fee in the amount specified by the Board, and such other documents as the Exchange may deem necessary or appropriate, including but not limited to a copy of its financial statements as of the Clearing Member's most recent fiscal year end, certified by an independent public accountant and an agreement, in the form provided by the Exchange, whereby the guarantor agrees:

(i) to accept for clearance any transaction effected by the guaranteed Member on or subject to the Rules, when and as provided in the Rules or the Clearing Organization Rules;

(ii) to duly and timely pay:

(A) any Claim by any present or future Member against the guaranteed Member arising from any order or Transaction for the purchase, sale, exercise or expiration of a Commodity Contract executed, or to be executed, on the Exchange or subject to the Rules, or arising from cash market transactions which are part of, or directly connected with, any transaction executed on the Exchange or subject to the Rules; and

(B) any Claim by the Exchange or the Clearing Organization against the guaranteed Member (other than for assessments, dues or fines imposed pursuant to the Exchange's Disciplinary Rules), arising under the Rules or Clearing Organization Rules; and

(iii) to timely comply with the provisions of the Rules of the Exchange applicable to guarantors and to furnish such information as the Exchange may from time to time request.

(b) The Membership Committee shall (when it deems the application to be complete) either approve the application or refer the application to the Board for action with a recommendation either to approve or disapprove the same. The Membership Committee and the Board may consider any factors which they

deem in the best interests of the Exchange, including the number of Persons guaranteed by the applicant on other exchanges and any other factors set forth in the Rules which may be conditions for denial of an application for Membership.

(c) A guarantor may terminate its guarantee of a Member by serving upon the Exchange and the guaranteed Member written notice of such termination. Such notice shall indicate the effective time and date of termination provided, however, that in no event may a guarantee be terminated prior to the Exchange's receipt of such notice and communication of such termination to the Membership in accordance with this Rule. Except as provided in subparagraph (d) hereof, a guarantee shall remain in full force and effect until the effective time and date indicated in such notice. At the effective time and date of termination, the affected Member's floor trading privileges shall be suspended immediately and shall be reinstated upon approval of a new guarantor.

(d) Without limiting any other provisions of the Rules, if at any time the Member Firm privileges of a guarantor on the Exchange are suspended, terminated or canceled, or if a guarantor shall cease to be or shall be suspended as a Clearing Member of the Exchange, or if a guarantor shall be restricted by either the Exchange or the Clearing Organization to trading for liquidation only, all guarantees submitted to the Exchange by such guarantor shall automatically terminate.

(e) When a Member requests to change guarantors, the President or his designee (when he deems the application to be complete) may approve a new guarantor of such Member. Any such approval shall only be effective until the next meeting of the Membership Committee, at which time the Committee shall either ratify and approve the application or refer the application to the Board for action with a recommendation either to approve or disapprove the new guarantor of such member. If for any reason the President or his designee does not approve the new guarantor, the Membership Committee shall review the request and either approve the application or refer it to the Board for action with a recommendation either to approve or disapprove the new guarantor. The Exchange shall notify the existing guarantor, if any, of requests to change guarantor by its guaranteed Member at least five (5) Business Days prior to the effective date of such request.

(f) The Exchange shall promptly give notice to the Members of any termination of guarantee.

Rule 2.17. Member Claims Not Recoverable Against Guarantor

A Clearing Member guarantor shall not be obligated to pay any Claim based on any failure by the guaranteed Member to perform, pay and discharge any of his obligations or liabilities, unless the Claimant had given the Clearing Member guarantor or the Exchange written notice of such Claim within four (4) Business Days after such Claim arose. The Exchange shall notify the Clearing Member guarantor promptly upon receipt of any such notice of Claim. For purposes of this Rule, a Claim shall be deemed to arise on the first date that the Claimant has the right to receive payment (without regard to any extensions of time granted by the Claimant) from the guaranteed Member, whether or not any demand for such payment is made.

Floor Trading Privileges

Rule 2.18. Qualifications and Requirements for Floor Trading Privileges

(a) To be eligible to receive and hold floor trading privileges a person must:

(i) Be an individual Member in good standing, and guaranteed by a Clearing Member in accordance with Rule 2.16; and

(ii) Comply with the application and approval procedures for the granting of floor trading privileges; and

(iii) Be sponsored by two (2) Members of the Exchange who have been granted floor trading privileges and have been Members of the Exchange for at least six (6) months preceding the date of the applicant's application for floor trading privileges;

(iv) Attend an ethics course as required by CFTC or National Futures Association regulations; and

(v) Attend a sexual harassment awareness course sponsored by or acceptable to the Exchange as may be determined by the President, in his sole discretion, within three (3) months of admission to Membership; and

(vi) Prior to being granted floor trading privileges, successfully complete the Exchange's Floor Trading course; provided, however, that the Floor Trading Privileges Committee may, in its sole discretion, waive any part, or all, of such training course for a particular Member.

(b) The floor trading privileges of any Member who fails to attend the sexual harassment awareness course as prescribed in paragraph (a)(v) of this Rule shall be automatically suspended until compliance with such requirement has been satisfied; provided, however, that the President in his sole discretion may extend the period of time to satisfy such requirement.

Rule 2.19. Application

(a) A person applying for floor trading privileges must file with the Exchange an application for floor trading privileges in the form supplied by the Exchange, accompanied by an unconditional guarantee by a Clearing Member and a sponsor statement from two (2) Members who have been granted floor trading privileges and have been Members for at least six (6) months preceding the date of the applicant's application for floor trading privileges.

(b) Incomplete applications shall be kept on file for two (2) months; thereafter, such applications shall be deemed withdrawn and an applicant must submit a new application.

Rule 2.20. Notice of Application

The name of each applicant for floor trading privileges shall be posted on the Member Page of the Exchange's website or otherwise sent to all Members at least five (5) days prior to the Floor Trading Privileges Committee meeting at which such application is to be acted upon.

Rule 2.21. Granting of Floor Trading Privileges

(a) The Floor Trading Privileges Committee will review the information contained in the application to determine, in its discretion, whether the applicant has adequate experience to warrant floor privileges. In so doing, the Committee will consider the following factors:

(i) The extent and nature of prior experience on the Exchange's trading floor as either a Floor Broker or a Clerk.

(ii) The extent and nature of prior experience at other commodities or securities exchanges as a floor broker or a clerk.

(iii) The extent and nature of business experience in dealing in the physical commodities traded on the Exchange.

(iv) Compliance with such additional requirements, if any, as the Board may prescribe for trading Exchange Options.

(b) If in any case the Floor Trading Privileges Committee concludes that, in order for an applicant to be eligible for floor privileges, such applicant should spend some period of time as an observer on the floor of the Exchange, the Floor Trading Privileges Committee may specify such period and so advise the applicant.

(c) In order for an applicant to gain access to the trading floor, the applicant must have one (1) of his sponsors sign the applicant onto and off the trading floor and sign an agreement with the Exchange in which such sponsor agrees to supervise the applicant and be fully responsible for any and all actions of the applicant while the applicant is on the trading floor.

(d) If in any case the Floor Trading Privileges Committee concludes that, in order for an applicant to be eligible for floor trading privileges, such applicant should spend some period of time receiving individual instruction, the applicant's sponsors shall be responsible for providing such instruction and reporting back to the Committee.

(e) The Floor Trading Privileges Committee will decide whether or not to grant the application, based upon the information contained in the application and such other matters as the Committee may consider relevant. The Committee decision shall be the final action of the Exchange.

(f) The Floor Trading Privileges Committee will report to the Board its decision regarding the applicant's application.

(g) In the event the Committee grants the application, the (six) 6 month period following the effective date of said grant shall be deemed a probationary period. During said probationary period, the Executive Floor Committee may, extend said probationary period, or revoke or suspend such applicant's floor trading privileges.

(h) None of the provisions of this Rule 2.21 shall apply to temporary floor traders' identification badges issued solely to authorize the effectuation of an "AA" or "EFP" transaction.

(h) A Member who has been granted floor trading privileges and is changing his type of Membership shall not be required to re-apply for floor trading privileges, but, if the Member's floor trading privileges are restricted or extended by virtue of the change in type of Membership, the Exchange will announce to the trading floor the change in floor trading privileges.

Rule 2.22. Termination of Floor Trading Privileges

(a) An individual Member who has been granted floor trading privileges may voluntarily terminate such privileges. Such termination shall be effective upon receipt by the Exchange of a written notice of termination and floor trader's identification badge.

(b) The floor trading privileges of a suspended Member shall terminate at the time of his suspension.

Membership Leasing and Transfers

Rule 2.23. Membership Leasing

(a) A Membership may be leased to an individual in accordance with this Rule. A leased Membership may be utilized for the limited purpose of trading in the Commodity Contracts the membership being leased would permit the Lessor to trade and in such other Commodity Contracts as may be specified by the Board from time to time. The Rules governing qualification for and maintenance of Membership shall apply in the case of any such Lessee.

(b) An application for approval of a lease must be accompanied by a nonrefundable application fee in the amount specified by the Board.

(c) The following provisions shall apply:

(i) All Rules shall continue to apply to the Lessor of the Membership.

(ii) The Lessor shall continue to be entitled to:

(1) exercise all Membership voting rights,

(2) serve on the Board of Managers;

(3) receive any life insurance and/or disability insurance benefits bestowed upon Members;
and

(4) share in any distribution of (A) the revenues, assets and proceeds of the Exchange and (B) the assets of the Exchange in the event of any liquidation, dissolution or winding up of the affairs of the Exchange;

provided, however, that the Lessor shall exercise the rights and privileges enumerated in clauses (1) through (4) hereof only to the extent that the Lessor's Membership entitles him thereto under the Rules and/or applicable law.

(iii) A Lessor shall be ineligible for floor trading privileges, or to confer Member Firm privileges, based upon the leased Membership.

(iv) Leases must be in the standard form provided by the Exchange.

(v) Membership dues shall be paid by the Lessor, and a Lessee shall not be required to pay dues.

(vi) A lease shall not become effective until it has been approved by the Exchange.

(vii) The Lessor shall not be permitted to sell or transfer the leased Membership unless otherwise specifically provided in the lease.

(viii) The Lessee shall not be entitled to exercise the rights or receive the benefits described in clauses (1) through (6) below on the basis of the leased Membership:

(1) confer Member Firm privileges based upon the leased membership;

(2) serve on the Board of Managers;

(3) receive any life insurance and/or disability insurance benefits bestowed upon Members;

(4) exercise any Membership voting rights;

(5) solicit, or accept an order from or execute a transaction for any other Person unless the Lessee is a partner, shareholder or employee of a Member Firm; or

(6) receive any share of any distribution of (A) the revenues, assets and proceeds of the Exchange and (B) the assets of the Exchange in the event of any liquidation, dissolution or winding up of the affairs of the Exchange.

(ix) A Lessor and a Lessee shall be entitled to Member rates of Exchange fees for any Trades executed and to Member rates of Margin.

(x) Lessors and Lessees may serve on Exchange committees to the extent allowed by the Rules.

(d) Termination of Lease

(i) If a lease provides that it may be terminated prior to expiration, a party to the lease shall provide written notice of termination to the Exchange and the other party at least thirty (30) days in advance of the intended effective date of termination unless the lease agreement provides for a shorter notice period, provided, however, that in no event may a lease be terminated on less than fifteen (15) calendar days' notice to the Exchange and the other party.

(ii) A Lessee's floor trading privileges shall automatically be suspended ten (10) calendar days prior to the effective date of termination of a lease. If a Lessee enters into a new lease for the same type of Membership that has been approved by the Exchange, or the same type of Membership is transferred to the Lessee within thirty (30) calendar days following receipt of notice of termination by the Exchange, the Lessee's floor trading privileges shall be reinstated on the effective date of the new lease or of the transfer of such Membership to the Lessee. A Lessee who has had floor trading

privileges suspended hereunder shall incur a change of Membership type fee which must be paid to the Exchange prior to the reinstatement of such privileges.

(iii) A lease shall automatically terminate upon the suspension or expulsion of the Lessor or the suspension, expulsion or death of the Lessee.

(e) *Renewal of Lease*

An agreement to renew an existing lease shall be submitted to the Exchange at least fifteen (15) calendar days prior to the expiration date of the existing lease. Failure of the parties to submit such renewal agreement shall cause the automatic suspension of the Lessee's floor trading privileges ten (10) calendar days prior to such lease expiration date unless a new lease agreement for the same type of Membership with another Lessor has been approved by the Exchange, or the same type of Membership has been transferred to such Lessee, prior to commencement of the ten (10) day period preceding the expiration of the lease. If the Lessee's floor trading privileges are suspended pursuant to the previous sentence, and if the Lessee receives Exchange approval of the renewal of an existing lease or of the lease of the same type of Membership to him or has the same type of Membership transferred to him during the ten-day period prior to expiration of an existing lease, the Lessee's floor trading privileges shall automatically be reinstated.

Membership Sales and Transfers

Rule 2.24 Disposition of Proceeds from Sale of a Membership

(a) The distribution by the Exchange of the proceeds from the sale of a Membership or of funds deposited with the Exchange pursuant to Rule 2.23(h) or 2.26(b) shall be made as follows:

(i) First, in satisfaction *pro rata* of any amounts which have been determined to be payable out of such proceeds or funds to the Clearing Member guarantor of the Member whose Membership has been sold and, if such Membership shall have been subject to a lease, to the Clearing Member guarantor of the Lessee of such Membership, for claims arising directly from (A) any payment by either such guarantor pursuant to the Clearing Member guarantee, or (B) the clearance by such guarantor of any Transaction executed by such Member or Lessee on the Exchange or subject to the Rules.

(ii) Second, in satisfaction *pro rata* of any amounts which have been determined to be payable out of such proceeds or funds to other Members pursuant to paragraph (b) of this Rule with respect to Allowable Claims against the Member whose Membership has been sold and, if such Membership shall have been subject to a lease, against the Lessee of such Membership; provided however, that no partner shall share in the proceeds from the sale of a membership of one of his partners or in funds deposited by such partner with the Exchange pursuant to Rules 2.23(h) or 2.26(b), and no member of a limited liability company shall share in the proceeds of the sale of a Membership of one of the members of such limited liability company or in funds deposited by such member with the Exchange pursuant to Rule 2.26(b), until all Allowable Claims filed by other Members of the Exchange and amounts owing to the Exchange and the Clearing Organization as provided in subparagraph (iii) have been satisfied in full;

(iii) Third, in satisfaction *pro rata* of any amounts that may be due to the Clearing Organization and the Exchange for dues, assessments, fees or fines (not including fines imposed against the Lessee, if any, of such Membership pursuant to the Exchange's Disciplinary Rules); and

(iv) Fourth, to the person whose Membership was sold, or to his legal representatives or assigns, upon the execution and delivery to the Exchange of a release or releases in form and substance satisfactory to the Exchange.

(b) Any Claimant holding an Allowable Claim against a Member whose Membership is sold or against the Lessee of any Membership which is sold shall be entitled to participate in the proceeds of sale of such Membership or in the distribution of funds deposited with the Exchange by the transferor or Lessor of such Membership pursuant to Rule 2.26(b) provided that:

(i) The Claimant shall have filed a Notice of Claim with the Exchange within ten (10) days after the Exchange sent notification to the Members of receipt of the Notice of Intention to Transfer such Membership or of the expiration or termination of the lease of such Membership, or shall have timely filed with the Exchange the Claim Notice required by Rule 26.34 (if applicable); and

(ii) The Arbitration Committee shall have determined that such Claim is valid, in whole or in part, pursuant to this Rule.

(c) In the event any Claim is disputed, the Arbitration Committee shall proceed as though the disputing party had demanded arbitration; provided, however, that the disputing party shall pay the fee prescribed in the Arbitration Rules. The Arbitration Rules of the Exchange shall apply to such proceedings, except to the extent the Arbitration Committee may decide otherwise.

Rule 2.25. General Transfer Procedure, Beneficial Interest

(a) A Member may transfer his Membership only to another Member or to a Member-Elect. Such transfer shall become effective upon execution by the Exchange of a proper notation of the assignment of his Membership on the records of the Exchange.

(b) The Exchange shall be entitled to treat the person in whose name any Membership is registered on the books of the Exchange as the sole owner thereof, for all purposes, and shall not be bound to recognize any claim to, or interest in, such Membership, except as provided in the Rules, on the part of any other Person, whether or not the Exchange shall have notice thereof.

(c) Notwithstanding the above, a Membership may be considered an asset of a Member Firm by the Member Firm provided (i) such Member Firm enters into an A-B-C Agreement with an individual Member who is an officer, general partner or employee of such Member Firm or an Affiliated Firm and (ii) such A-B-C Agreement has been approved by the Exchange prior to becoming effective.

(d) A Membership subject to the provisions of an A-B-C Agreement in accordance with this Rule may not be transferred unless and until the Member Firm that is party to such agreement submits written notice to the Exchange acknowledging notification of such transfer.

Rule 2.26. Sole Membership Transfer Procedure

(a) If a Member wishes to transfer a Membership and such Membership is the only Membership owned by such Member, such Membership shall not be transferred unless and until:

(i) a "Notice of Intention to Transfer" signed by the Member or his legal representative shall be given to the Exchange at least fifteen (15) days prior to the intended effective date of the proposed transfer. Such notice shall include the date on which the Membership rights and privileges of the transferor shall cease and the date on which the transfer is to become effective. A Membership subject to the provisions of an A-B-C Agreement may not be transferred unless and until the Member Firm that is party to such agreement submits written notice to the Exchange acknowledging notification of such transfer. The Exchange shall notify the Members of the receipt of such Notification of Intention to Transfer no less than ten (10) days prior to the intended effective date of such transfer;

(ii) Any investigation commenced by the Compliance Department with respect to such Member has been concluded and any resulting disciplinary actions have been completed;

(iii) All Claims of the Clearing Member guarantor of such Member, if any, arising directly from (A) any payment by such guarantor pursuant to the guarantee, or (B) the clearance by such Clearing

Member guarantor of any transaction executed by such Member on the Exchange or subject to the Rules, which in either case are filed with the Exchange within ten (10) days after the Exchange sent notification to the Members of the receipt of the Notice of Intention to Transfer, have been paid or resolved in accordance with the Rules;

(iv) All Allowable Claims of Members against such Member filed with the Exchange within ten (10) days after the Exchange sent notification to the Members of the receipt of the Notice of Intention to Transfer, have been paid or resolved in accordance with the Rules; and

(v) All dues and assessments levied by the Clearing Organization or the Exchange with respect to the Membership sought to be transferred have been paid and all fines and fees imposed or charges assessed by the Clearing Organization or the Exchange against the Member whose Membership is to be transferred have been paid in accordance with the Rules.

(b) Notwithstanding the fifteen-day requirement in paragraph (a)(i) of this Rule, subject to the approval of the President, a Notice of Intention to Transfer a Membership may be given to the Exchange less than fifteen (15) days prior to the intended effective date of the transfer and the conditions set forth in paragraphs (a)(ii)-(v) need not be complied with, if the transferor deposits with the Exchange an Official Teller's check or similar instrument issued by a bank or such other financial institution as is acceptable to the Exchange payable to the order of the Exchange in an amount equal to the price of the last sale of a Membership of the same type as the Membership sought to be transferred or the last bid for such a Membership, whichever is higher. Upon receipt by the Exchange of such deposit the Membership may be transferred. The Exchange shall retain such deposit in its custody either for fifteen (15) days, or until such time as the provisions of paragraph (a)[~~(i)-(v)~~] have been satisfied, whichever is longer. Such deposit shall be paid and applied in accordance with the provisions of Rule 2.24.

Duties of Members

Rule 2.27. Duties of Member-Elect

(a) A Member-Elect shall within thirty (30) days after his election or such longer period of time as the President shall determine:

(i) sign an agreement in the form supplied by the Exchange to abide by the Rules of the Exchange and all amendments that may be made thereto; and

(ii) pay the Exchange such initiation fee as the Board may determine from time to time; and either

(iii) secure a transfer or lease of a Membership to himself from another Member; or

(iv) obtain from the Exchange an original Membership at such a price as the Board may determine from time to time.

(b) Failure by a Member-Elect to secure to himself a Membership or a lease of a Membership within the period of time specified in or under paragraph (a) shall void the Member's election.

(c) Upon compliance with the provisions of paragraph (a) of this Rule within the period of time specified therefor, the Member-Elect shall automatically and without any further act become a Member in the category in which he was elected.

Rule 2.28. Duties of All Members

(a) Each Member shall immediately notify the Exchange in writing at such time as he becomes aware of the occurrence of any of the following events:

(i) Election to or acquisition of membership in any other commodity or security exchange, or the acquisition of trading privileges thereon, or election to membership in any other self-regulatory organization;

(ii) Any material adverse change in financial condition;

(iii) Any material change in the Member's relationship with a guarantor;

(iv) Any refusal of admission to, withdrawal of any application for membership in, any suspension, expulsion, bar, fine, censure, denial of membership, registration or license, withdrawal of any application for registration, cease and desist order, temporary or permanent injunction, denial of trading privileges, or any other sanction or discipline through an adverse determination, voluntary settlement or otherwise, by a commodity or securities exchange, related clearing organization, registered the National Futures Association, the National Association of Securities Dealers, Inc., or any other self-regulatory organization or other business or professional association;

(v) Any refusal of admission to, withdrawal of any application for membership in, any suspension, expulsion, bar, fine, censure, denial of membership, registration or license, withdrawal of any application for registration, cease and desist order, temporary or permanent injunction, denial of trading privileges or any other sanction or discipline through an adverse determination, voluntary settlement or otherwise by:

(1) the Securities and Exchange Commission, the CFTC or the securities commission or equivalent authority of any state, territory, the District of Columbia or foreign country or;

(2) any federal court, state court, or regulatory agency not mentioned above, quasi-governmental body;

(vi) Any conviction, finding of guilt, confession of guilt, plea of guilty or nolo contendere to a felony or misdemeanor charging misrepresentation, fraud, deceit, theft, embezzlement, gambling, conversion, abuse of a fiduciary relationship or other such act;

(vii) The issuance of a bar by any agency of the United States from contracting with the United States;

(viii) The issuance of a formal order of investigation (or its equivalent) or the commencement, by the issuance or service of a written complaint (or its equivalent), of any judicial, administrative or self-regulatory proceeding, as the case may be, against such member by the CFTC, the Securities and Exchange Commission, the securities commission or equivalent authority of any state, territory, the District of Columbia or foreign country, or any commodity or securities exchange or related clearing organization, the National Futures Association, the National Association of Securities Dealers, or any self-regulatory organization or other business or professional association.

(ix) Any change in the office where papers may be served upon the Member or any change in the Exchange liaison designated pursuant to subparagraph (b) hereof;

(x) If an individual Member is employed by another Member who is the guarantor of such individual Member or upon whom such individual Member confers Membership privileges, any material change in the status of such individual Member's employment, including without limitation any termination, voluntary or otherwise, of his employment by such other Member; or

(xi) The existence of any interest of any other Person, in his Membership.

(b) Each Member shall file with the Exchange (i) a written notice designating an office within the County of New York where papers may be served upon such Member; and (ii) if a partnership, corporation, limited liability company or other entity, a written notice designating an officer, employee, partner or member as the Exchange liaison, whom the Exchange may contact in order to obtain additional information or documentation in connection with any matter whatsoever provided in the Rules.

(c) Each Member shall promptly notify the Exchange's Membership Department in writing of any change in address of the Member. The most recent address of a Member as is on file in the records of the Membership Department shall be deemed to be said Member's current address for all purposes, including service of notices or other documents.

Rule 2.29. Member Violations

It shall be a violation of the Rules for any Member to:

(a) Submit for clearance to a Clearing Member Transactions which were executed after an announcement was made on the floor of the Exchange that such Clearing Member was in default, (as that term is defined in Clearing Organization Rules).

(b) Disseminate any false, misleading or knowingly inaccurate information, including reports concerning crop or market information or conditions that affect or tend to affect the price of any Commodity traded on the Exchange;

(c) Manipulate, or attempt to manipulate, the price of any Commodity traded on the Exchange;

(d) Furnish false information, or fail to furnish information when requested, to the Board or to any committee, subcommittee, officer or employee of the Exchange in the course of its, their, or his duties;

(e) Violate, or fail to conform to, the Rules or the procedures of the Exchange or the Clearing Organization, or to engage in conduct or practices inconsistent with just and equitable principles of trade or conduct detrimental to the best interests of the Exchange;

(f) Trade or accept Margins after insolvency;

(g) Corner, or attempt to corner, any Commodity traded on the Exchange;

(h) Violate, or fail to comply with, the terms of any agreement with the Exchange or any order or decision of or any suspension imposed by the Exchange, the Board or any committee or subcommittee of the Exchange, including, without limitation, any Hearing or Appeals Panel;

(i) Receive and execute an order if such Member is an associated broker who has not registered with the Exchange in accordance with the Rules;

(j) Commit fraudulent action on the Exchange;

(k) Execute a wash sale, accommodation trade, fictitious sale or prearranged trade;

(l) Accept a Commodity Contract account for (i) a Clerk of a Member registered with the Exchange, (ii) an employee of the Exchange, the Clearing Organization, or another Member, without the written consent of the employer in each case, or (iii) a non-member market participant who has been denied access to the Exchange's markets;

(m) Unless otherwise provided, gain access to the minutes of meetings of the Board or any committee except under such regulations as the Board may prescribe; provided, however, that notwithstanding any other provision in the Rules, all books, records, minutes and journals of proceedings of the Exchange, the Board and the committees of the Exchange, shall be subject to inspection by any authorized representatives of the CFTC or the United States Department of Justice;

(n) Fail continuously to meet the criteria for eligibility for Membership;

(o) (i) Make fictitious or trifling bids or offers, (ii) offer to buy or sell any Contract at variations less than the minimum price fluctuation permitted for such contract under the Rules, or (iii) knowingly make any bid or offer for the purpose of making a market price which does not reflect the true state of the market.

(p) clear Commodity Contracts on the Exchange or subject to the Rules for a Member or non-member Futures Commission Merchant, foreign broker or other such entity which does not disclose the identity of the ultimate Customer for whom the Contracts are cleared, unless the Clearing Member has the authority and ability to provide the Exchange, promptly upon request by the Exchange, with:

(i) the name, address and telephone number of any ultimate Customer(s);

(ii) the name, address and telephone number of any intermediary Person through whom that ultimate Customer placed orders for the execution of such contracts; and

(iii) such other information concerning the account as the Exchange may request; including, but not limited to, the positions held by each ultimate Customer in the account.

(q) register or conduct business as a Clerk on the floor of the Exchange at any time during which the Member's registration under the Act as a Floor Broker is suspended by the CFTC.

Rule 2.30. RESERVED

Rule 2.31. Duties of Guaranteed Member

Each guaranteed Member shall notify his guarantor in writing of every commodity account which he maintains and the name of the Futures Commission Merchant maintaining that account, whether such account is maintained with a Member or non-member.

Rule 2.32. Duties of all Members to Clearing Member Guarantors

(a) No Member shall open or accept Trades for an account for any Member whose Membership is guaranteed without first obtaining the written authorization from such Member's guarantor authorizing such Member to open and accept Trades for such guaranteed Member. Any Trades accepted for a guaranteed Member without such authorization as specified hereunder shall release such guaranteed Member's guarantor from any responsibility or liability for such accepted Trades.

(b) To facilitate compliance with this rule, the Exchange shall publish from time to time a list of all Members whose Memberships are then guaranteed.

Rule 2.33. Duty to Supervise

(a) Every Member shall diligently supervise the Exchange-related activities of such Member's employees and shall be responsible for the acts and omissions of such employees.

(b) Every Member Firm shall diligently supervise the Exchange-related activities of its employees and of any Lessee who is a Principal of such Member Firm and shall be responsible for the acts and omissions of such employees and Lessees.

Rule 2.34. Member Firm Reporting Requirements

(a) A Member Firm which is registered as a Futures Commission Merchant or which is a Clearing Member must submit to the Exchange, within ninety (90) days of the close of its fiscal year, a copy of its financial statement certified by an independent Certified Public Accountant.

(b) A Member Firm which is registered as a Futures Commission Merchant shall submit to the Exchange, as of the close of business each month, a statement of the computation of its net capital. Such statement shall be filed with the Exchange no later than forty-five (45) days of the statement date.

Rule 2.35. Service of Papers

- (a) The service of papers upon a Member, or any written notification to the Exchange from a Member in accordance with the Rules may be made as follows:
- (i) By personal delivery to the Member or an officer of the Member or, in the case of a notification to the Exchange, by personal delivery to the Secretary or such other officer of the Exchange as may be specified in the Rules;
 - (ii) By first class mail, postage prepaid, to the office or address on file with the Exchange or, in the case of a notification to the Exchange, to the principal office of the Exchange addressed to the Secretary or such other officer of the Exchange as may be specified in the Rules; or
 - (iii) By facsimile message ("FAX") to a FAX number on file with the Exchange or, in the case of notification to the Exchange, to the FAX number from time to time published by the Exchange for the purpose.
- (b) Service of papers and written notification in accordance with paragraph (a) of this Rule shall be complete upon delivery, in the case of personal service, or two (2) days after depositing in the [U.S. mail or, in the case of a FAX, upon receipt of confirmation of successful transmission from the transmission device.

Rule 2.36. Reserved

Rule 2.37. Expenses of Lawsuits Brought Against the Exchange by Members

Any Member who institutes a lawsuit or other similar proceeding against the Exchange, or any of its officers, Board of Governors or committee members, agents or employees in any court [of law] or otherwise and who fails to prevail in such lawsuit or proceeding shall pay to the Exchange and any such officer, member, agent or employee any and all reasonable expenses and disbursements, including attorney's fees and any statutory costs, incurred thereby in the defense of such lawsuit or proceeding.

Rule 2.38. Trading Permits

(1) Authorization

- (a) The Board of Governors may issue the following Trading Permits:
- (i) FINEX® Trading Permits, which authorize the Permit Holder to trade Financial Contracts and Index Contracts;
 - (ii) Option Trading Permits, which authorize the Permit Holder to trade all Exchange Options; and
 - (iii) FINEX- Europe Trading Permits, which authorize the Permit Holder to trade only those Commodity Contracts that are listed by the Exchange for trading in Dublin, Ireland.

(2) Trading Limitations

- (a) A Trading Permit issued hereunder authorizes the Permit Holder to execute on the floor of the Exchange only those Commodity Contracts which are authorized by the particular type of Permit held, for the account of the Permit Holder and for the account of other Persons.
- (b) A Permit Holder shall not execute or attempt to execute, or participate in any manner in any activity on the floor of the Exchange involving Commodity Contracts other than those Commodity Contracts that are authorized by the Trading Permit held by him.

(c) A Permit Holder shall not represent by word or conduct that he is an Equity Member of the Exchange.

(3) Committee Membership

A Permit Holder may be elected or appointed to any Exchange committee as permitted by the Rules.

(4) Qualification for Trading Permit and Application Procedure

(a) Every applicant for a Trading Permit hereunder shall satisfy the qualifications specified in Rule 2.01.

(b) An applicant for a Trading Permit shall follow the application procedures specified in Membership Rules 2.03 through 2.08.

(5) Number of Authorized Trading Permits

(a) The number of FINEX Trading Permits authorized hereunder is 483.

(b) The number of Option Trading Permits authorized hereunder is 139.

(c) The number of European permits authorized hereunder is 125.

(6) Transfer of Trading Permit

Trading Permits may be transferred in accordance with the Rules regarding the transfer of Memberships.

RULE 2.39. Market Specialists

From time to time, the Exchange may adopt one or more Market Specialist Programs pursuant to which Market Specialists may be appointed and authorized to maintain two-sided markets for Commodity Contracts designated by the Board. To the extent that the terms of any such Market Specialist program may be in conflict with any Rules, such terms shall supersede such Rules; provided, however, that nothing in this Rule shall alter or waive a Member's responsibility to comply with provisions of the Act or the rules and regulations of the CFTC.

Rule 2.40. NYMEX/COMEX Trading Permit

The Exchange may grant floor trading privileges to qualified individual nonmembers who are members of either the New York Mercantile Exchange ("NYMEX") or the Commodity Exchange Inc. ("COMEX") and have floor trading privileges on either Exchange ("NYMEX/COMEX Trader") for the sole purpose of trading the Exchange's [futures and options] Commodity Contracts in the Russell Complex and the NYSE Composite Index ("Stock Index Contracts") and provided each such NYMEX/COMEX Trader is unconditionally guaranteed by an Exchange Clearing Member. The terms and conditions of the rights, privileges and obligations of such NYMEX/COMEX Trader shall be as set forth in this Rule.

(a) Duration of Authority. This authorization shall be for a term of six (6) months commencing on the effective date determined by the Exchange.

(b) Applicability of Exchange Rules. Each NYMEX/COMEX Trader shall be (and shall agree to be) subject to the obligations of all Members having floor trading privileges under the Rules and under the jurisdiction of the Exchange during the term of the authorization and thereafter until all investigations or proceedings relating to his activities as a NYMEX/COMEX Trader have been concluded. Except as otherwise provided in this Rule or specifically provided elsewhere, a NYMEX/COMEX Trader shall be subject to all duties and obligations imposed upon Members by the Rules of the Exchange.

(c) Dues and Assessments. NYMEX/COMEX Traders shall not be responsible for dues or assessments.

(d) Transferability. NYMEX/COMEX Trading Privileges shall not be transferable.

(e) NYMEX/COMEX Trading Rights. NYMEX/COMEX Traders shall have the right to trade, solely for their own proprietary account, the Stock Index Contracts. NYMEX/COMEX Traders will be charged Exchange fees at the member rate with respect to trades executed by them or by a NYCE member for their account.

(f) Application Procedures for NYMEX/COMEX Trading Privileges. Each application to receive NYMEX/COMEX Trading Privileges shall include a guarantee duly executed by a Clearing member in a form prescribed by the Exchange and an agreement to be subject to the jurisdiction of the Exchange and authorizing NYMEX and/or COMEX to release any information concerning such applicant in the form prescribed by the Exchange. Once the application has been deemed complete, the Vice President of the Membership Department may approve the application. Any such approval shall only be effective until the next regular meeting of the Membership Committee, at which time the Committee shall either ratify and approve the application or refer it to the Board for action with a recommendation either to approve or disapprove the application. If for any reason the Vice President does not approve the application, the Membership Committee shall review the request and either approve the application or refer it to the Board for action with a recommendation either to approve or disapprove the application.

(g) Access to the Trading Floor. For the purposes of this Rule, any person who has been granted NYMEX/COMEX Trading Privileges shall have access to the trading floor to execute transactions on the Floor in any Commodity Contract as determined by the Exchange, provided that such person wears in a prominent position a NYBOT floor broker identification badge that has been issued in accordance with the Exchange's procedures.

(h) Basis for Disciplinary Proceedings. Without limiting any other provisions of the Rules, a NYMEX/COMEX Trader shall be subject to disciplinary proceedings and the imposition of sanctions, including revocation of his rights and privileges as a NYMEX/COMEX Trader, if such NYMEX/COMEX Trader:

(i) Executes, or attempts to execute, a trade in any Commodity Contract other than a prescribed Commodity Contract ; or

(ii) Executes, or attempts to execute, a trade for an account other than his sole proprietary account; or

(iii) Engages in words or conduct which represent, or appear to represent, that such NYMEX/COMEX Trader is the holder of a Membership in the Exchange; or

(iv) Otherwise exhibits behavior not deemed in the best interests of the Exchange as may be determined by the Board.

(i) Termination of NYMEX/COMEX Trading Privileges. A NYMEX/COMEX Trader may terminate his privileges prior to the expiration date thereof by filing with the Vice President of the Membership Department written notice of such termination at least fifteen (15) days prior to the effective date thereof and surrendering his identification badge to the Exchange. Receipt of intention to terminate these privileges shall be noticed to the membership ten (10) days prior to the intended day of termination for the purpose of filing Claims against such Trader, except as herein provided or as the Board may determine.

Rule 2.41. Exchange Broker Fee Payment Policy

(a) Whenever a Floor Broker provides written notice to a Clearing Member of the rate such Floor Broker charges for Trade execution services for a particular Customer, such Clearing Member shall thereafter pay such rate for any Trades which the Floor Broker gives up to, and which are accepted by, the Clearing Member for such Customer. In connection with all Transactions executed on the Exchange, any Member who provides Trade execution services and any Clearing Member for which such services are performed must utilize ATOM® ("Automatic Transfer of Money" System) to effect payment of brokerage fees. To comply with this Rule, a Member must file with the Membership Department an application in a form supplied by the Exchange.

(b) No Clearing Member may implement a rate change in ATOM® with respect to a Customer described in paragraph (a), above, unless a minimum thirty-day (30) written notice of rate change ("Notice Period") has been given to each and every Member affected by such change. No such rate change may become effective prior to the first of the month following the month in which expiration of the Notice Period occurs, unless agreed to in writing by the Floor Broker. Within fifteen (15) days following receipt of a notice of rate change a Floor Broker may notify the Clearing Member in writing that such rate change is rejected. In the event that a Floor Broker provides such notice of rejection to a Clearing Member, the Clearing Member shall continue to pay the last rate specified in writing by the Floor Broker to the Clearing Member for any orders thereafter executed by the Floor Broker for each Customer in dispute.

(c) A Floor Broker may not change the rate charged to a particular Customer unless a minimum thirty-day (30) written notice of rate change has been given to the Clearing Member affected by such change. No such rate change may become effective prior to the first of the month following the month in which expiration of the Notice Period occurs, unless agreed to in writing by the Clearing Member.

(d) No rate change in ATOM® implemented by a Clearing Member may be imposed retroactively.

Resolutions

No. 1 - Statement of Policy Concerning Conduct

The Board of Governors has been apprised of a growing incidence of Members acting in a discourteous manner towards Exchange officials—both staff and Members alike. In some extreme cases Members have engaged in verbal abuse and overtly threatening behavior towards Exchange officials.

By the order of the Board of Governors, the Membership is hereby advised that such conduct is unacceptable and will be addressed by appropriate action, including possible disciplinary action under Exchange Rules. Any Member who is dissatisfied with the way an employee or committee official is performing his or her function should bring the matter to the attention of the employee's supervisor or the relevant committee chairman.