

# NYBOT®

## REGULATORY REQUIREMENTS

### TABLE OF CONTENTS

<b>Rule</b>	<b>Subject</b>
	<b>Emergencies</b>
6.01	Emergency Action
6.02	Physical Emergencies
6.03	Suspension of Trading
6.04	Market Suspension Guidelines
	<b>Conflicts of Interest</b>
6.05	Conflicts of Interest Involving Named Parties in Interest
6.06	Conflicts of Interest Involving Emergency and Other Significant Actions
6.09	Average Price Systems
	<b>Records</b>
6.07	General Requirements
6.08	Order Ticket Requirements
6.09	Average Price Systems
6.10	Trade Type Indicators
	<b>Reportable Positions and Speculative Position Limits</b>
6.11	Emergency Powers Not Limited
6.12	Aggregation of Positions
6.13	Enforcement of Position Limits
6.14	Exchange Access to Position Information
6.15	Reportable Positions and Daily Reports
6.16	Spec-Hedge Report for Cotton No. 2 and FCOJ Contracts
6.17	Position Limits and Position Accountability for Cocoa Contracts
6.18	Position Limits and Position Accountability for Coffee "C" Contracts
6.19	Position Limits for Cotton No. 2 Contracts
6.20	Position Limits for Ethanol Contracts
6.21	Position Limits for FCOJ Contracts
6.22	Position Limits and Position Accountability for Sugar No. 11 Contracts
6.23	Position Limits for Domestic Raw Sugar No. 14 Contract
6.24	Position Limits and Position Accountability for Financial Contracts
6.25	Position Limits for Index Contracts
6.26	Hedge Exemption
6.27	Arbitrage and Straddle Exemption
6.28	Independently Controlled Position Exemption
	<b>Member and Employee Regulatory Requirements</b>
6.40	Service on Exchange Board and Certain Committees
6.41	Broker Associations
6.42	Floor Broker Registration

6.43	Duties of Members with Respect to Option Transactions
6.44	Anti-Money Laundering
6.45	Deliveries in Bankruptcy Situation
6.46	Prohibition of Compensations and Gratuities to Employees
6.47	Exchange Disclosure and Trading Policy
6.48	Conflict with Government Regulations
6.49	Stamp Tax

# REGULATORY REQUIREMENTS

## Emergencies

### Rule 6.01. Emergency Action

#### (a) Definitions

As used in this section:

The term "Emergency" means any occurrence or circumstance which, in the opinion of the Board, 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, Commodity Contracts, or Transactions on the Exchange, including any 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, Commodity Contracts or Transactions traded on the Exchange, including failure of the payment system or the bankruptcy or insolvency of any 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 and any other circumstance which may have a severe, adverse effect upon the functioning of the Exchange.

#### (b) Governing body empowered to take Emergency action

Emergency Action may be taken by the following:

(i) By the Board in the case of any Emergency.

(ii) By the Executive Committee in the case of any Emergency where it is impracticable, in the opinion of the Chairman, the Vice-Chairman or, in their absence, any two members of the Board, to call a meeting of the Board to deal with the Emergency.

(iii) By any committee of the Exchange pursuant to powers conferred on said committee under the Rules of the Exchange.

#### (c) Vote Required

The vote required of the governing body authorized to take any Emergency action hereunder shall be:

(i) In the case of action by the Board, the affirmative vote of not less than two-thirds of the members of the Board present and voting at a meeting at which there is physically in attendance a quorum; or

(ii) In the case of action by a committee, the affirmative vote of two (2) or more persons constituting not less than two-thirds of the members of said committee physically present and voting at a meeting at which there is physically in attendance a quorum; provided, however, that the consent in writing to such action of all members of such governing body shall be sufficient to take such Emergency action without a meeting;

(iii) A member of the Board or of a committee shall be deemed physically present or physically in attendance at a meeting if such a person participates in the meeting by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time.

#### (d) Action which may be taken

(i) In the event of an Emergency, the Exchange may, subject to Part 40 of the Regulations under the Act, place into immediate effect a rule which may provide for, or may authorize the Exchange, or the Board or any committee, to undertake actions which, in the opinion of the

Board are necessary or appropriate to meet the Emergency, including, but not limited to, such actions as:

- (1) Imposing limits or restrictions on position size, limiting trading to liquidation only, in whole or in part, or limiting trading to liquidation only except for new sales or grants of Commodity Contracts by parties who have the Commodity underlying such contracts;
- (2) Extending or shortening the expiration date for trading in Commodity Contracts;
- (3) Extending the time of delivery under or expiration of Commodity Contracts;
- (4) Changing delivery points and/or the means of delivery;
- (5) Ordering the liquidation, or transfer of open Commodity Contracts, the fixing of a Settlement Price or Settlement Premium, or the reduction in positions;
- (6) Ordering the transfer of Commodity Contracts, and the money, securities, and property securing such contracts, held on behalf of Customers by a Member to another Member or other Members, willing to assume such contracts or obligated to do so;
- (7) Extending, limiting or changing hours of trading;
- (8) Modifying price limits or circuit breakers;
- (9) Suspending or curtailing trading;
- (10) Changing the amount of money to be paid, or the quality of merchandise to be received, under Exchange Futures Contracts, whether theretofore or thereafter entered into or otherwise altering delivery terms or conditions;
- (11) Requiring additional Margin to be collected from Customers or Members; and
- (12) Modifying or suspending any provision of the, Rules.

(ii) Whenever any action is taken under this section pursuant to which trading is suspended or other changes in procedure are made, all matters relating to notices, deliveries and other obligations may be suspended or deferred in such manner as the governing body may determine.

#### **Rule 6.02. Physical Emergencies**

(a) In the event the physical functions of the Exchange are, or are threatened to be, severely and adversely affected by a "Physical Emergency", such as fire or other casualty, bomb threat, substantial inclement weather, power failure, communication or transportation breakdown, computer malfunction, screen-based trading system break-down, malfunction of plumbing, heating, ventilation and air conditioning systems, backlog or delay in clearing or in the processing of data related to clearing trades, floor occurrence which threatens an orderly market or other similar events, the President, or in his absence any Senior Vice President or in all of their absences any other officer may take any action which, in the opinion of such officer is necessary or appropriate to deal with the physical emergency, including, but not limited to, suspending trading in any one or more Commodity Contracts, delaying the opening of trading in any one or more Commodity Contracts, extending the Last Trading Day and/or the time of trading.

(b) In the event the President or other officer has ordered suspension of trading, the President, or in his absence any Senior Vice President, or in all of their absences any other officer may order restoration of trading on the Exchange, or may remove other restrictions so imposed, if such officer determines that the "Physical Emergency" has sufficiently abated to permit the physical functions of the Exchange to continue in an orderly manner.

(c) Any action taken hereunder shall be filed with the Commission in accordance with Part 40 of the Regulations under the Act.

### **Rule 6.03. Suspension of Trading**

(a) The Board may, in its discretion, by an affirmative vote of two-thirds of the members of the Board present at a meeting (which, in an Emergency, may be held without previous notice), close the Exchange or suspend trading in any one or more Commodity Contracts on such days or portions of days as will, in its judgment, serve to promote the best interest of the Exchange.

(b) In the event of an Emergency when a quorum of the Board is not available, all trading on the Exchange may be suspended by an affirmative vote of two-thirds of the members of the Board present, or by action of one member of the Board if only one member is present, for such period of time as in their or his judgment is necessary. In the event of an Emergency which prevents normal attendance on the floor of the Exchange, when no member of the Board is present, any officer of the Exchange shall have authority to order suspension of trading on the Exchange for such period of time as in his judgment is necessary. Any action taken under this paragraph shall be subject to review and modification by the Board.

### **Rule 6.04. Market Suspension Guidelines**

When a Physical Emergency is declared in accordance with Rule 5.02, the following Guidelines shall apply:

(a) In the event of a market suspension, a delay of the open or close, an early close or a re-opening, and unless otherwise impossible under the circumstances, an announcement and simultaneous ticker message and wallboard text transmission should be made five (5) minutes prior to the intended suspension, delay, or early close and ten minutes prior to a re-open, as follows:

(i) *Suspensions*: In the event an option/futures market is suspended in midsession, the corresponding futures/options market should be suspended.

(ii) *Opening Delays*: In the event an option/futures market opening will be delayed, the corresponding futures/option market may be delayed.

(iii) *Early Close*: If less than fifteen (15) minutes of free trading remain, the market may not re-open and at the discretion of the officer declaring the emergency, a closing call may be held.

(iv) *Re-openings*: If there is sufficient time to allow free trading prior to a market's close, trading may resume at such time designated and announced by the officer declaring the emergency.

(v) *Special Closing Sessions*: The following conditions should dictate the action to be taken when determining if a special session is warranted:

(1) If the suspension could last until the close, the officer declaring the emergency may designate (i) a specific period of time to be considered the closing period which shall be the basis for determining Settlement Prices and Settlement Premiums or (ii) determine that an early closing call be held.

(2) Generally, no closing call should commence thirty minutes later than the designated closing time for the Commodity Contract. When such circumstances arise that cause an early closing session on the Last Trading Day of a Commodity Contract, trading in such contract shall automatically be extended, and the officer declaring the emergency shall specify the period of time for which trading in that contract shall be extended.

(vi) *Settlement Prices*: If no closing call or closing period is conducted, the Settlement Price and Settlement Premiums should be the last traded price in each month provided that a Transaction occurred within the last minute of trading; otherwise the bid/offer procedure set forth under Floor Trading Rule 4.28 (Settlement) should apply.

(b) If the Physical Emergency is eliminated, thus negating the necessity of a suspension or delay in opening of the corresponding market, an announcement and simultaneous ticker message and wallboard text transmission should be made five (5) minutes prior to the intended suspension or opening delay.

### **Conflicts of Interest**

#### **Rule 6.05. Conflicts of Interest Involving Named Parties in Interest**

(a) *Definitions.* For purposes of this Rule the following definitions shall apply:

(i) The term "Family Relationship" shall mean the person's spouse, former spouse, parent, stepparent, child, stepchild, sibling, stepbrother, stepsister, grandparent, grandchild, uncle, aunt, nephew, niece or in-law.

(ii) The term "Named Party in Interest" shall mean a person or entity that is identified by name as a subject of any matter being considered by the board or a committee.

(b) *Prohibition.* No member of the Board or of any committee which has authority to take action for and in the name of the Exchange (not including any committee which is only authorized to make recommendations for action by the Board or some other committee) shall knowingly participate in such body's deliberations or voting in any matter involving a Named Party in Interest where such member (i) is a Named Party in Interest, (ii) is an employer, employee, fellow employee or guarantor of a Named Party in Interest, (iii) is associated with a Named Party in Interest through a Broker Association, (iv) has a family relationship with a Named Party in Interest or (v) has any other significant, ongoing business relationship with a Named Party in Interest, excluding relationships limited to executing futures or option transactions opposite each other or to clearing futures or options transactions through the same Clearing Member.

(c) *Disclosure.* Prior to consideration of any matter involving a Named Party in Interest, each member of the deliberating body shall disclose to the President, or his designee, whether such member has one of the relationships listed in paragraph (b) of this Rule with a Named Party in Interest.

(d) *Procedure and Determination.* Exchange staff shall determine whether any member of the deliberating body is subject to a conflict restriction under this paragraph (d). Such determination shall be based upon a review of the following information:

- (i) information provided by the member pursuant to paragraph (b), above, and
- (ii) any other source of information that is maintained by and reasonably available to the Exchange.

#### **Rule 6.06. Conflicts of Interest Involving Emergency and Other Significant Actions**

(a) *Definitions.* For purposes of this Rule, the following definitions shall apply;

(i) The term "Emergency" shall have the meaning set forth in Rule 6.01.

(b) Whenever any Emergency or other significant action which, in the judgment of the deliberating body, is likely to have a material effect upon the price of any Commodity Contracts traded on or subject to the rules of the Exchange or might otherwise have a material impact on the market for such Commodity Contracts is being considered by the Board or any committee which has authority to take action for and in the name of the Exchange (not including any committee which is only authorized to make recommendations for action by the Board or some other committee), the following procedures shall apply:

(i) Disclosure. Prior to consideration of the matter, each member of the Board or committee who desires to participate in deliberations or voting on such action shall disclose to the Board or committee position information that is known to such member, with respect to any particular month or months that are under consideration, and any other positions which the Board or committee reasonably expects could be affected by the action under consideration. The size of positions shall be disclosed by reference to ranges as determined by the Board or committee and shall be made with respect to the following categories:

(A) gross positions in Commodity Contracts carried in (1) accounts in which the member's ownership interest is 10% or greater, (2) "controlled accounts" as defined in CFTC Regulation 1.3(j) and (3) accounts of any individual with whom the member has a "Family Relationship" as such term is defined in Rule 6.05;

(B) gross positions in Commodity Contracts carried in proprietary accounts, as defined in CFTC Regulation 1.3(y), at any Affiliated Firm of such member;

(C) net positions in Commodity contracts in "customer" accounts, as defined in CFTC Regulation 1.17(b)(2), at any Affiliated Firm of such member; and

(D) any other types of positions, whether maintained in Commodity Contracts or otherwise, that the Board or committee reasonably expects could be affected by the action being considered.

To the extent that a member desires to make the required disclosures but does not know position information with respect to any of the foregoing categories, the President or his designee shall make the disclosure for such member to the extent that such information can be obtained from data and clearing records readily available to the Exchange under the exigency of the action being contemplated.

(ii) Disqualification. Any member who does not want to make position disclosures must withdraw from the meeting before disclosure by other members begins and may not participate in the discussion of, or voting on, the matter under consideration. Any member who has, or whose Affiliated Firm has, a position required to be disclosed under paragraph (b)(i) (other than a position which the Board or committee has determined to be *de minimus*), shall be disqualified from voting and must withdraw from the room before a vote is taken. If such withdrawal results in the lack of a quorum, the Board or committee shall appoint an *ad hoc* committee comprised of those members who are not disqualified from voting and shall delegate to such *ad hoc* committee all the powers of the Board or relevant committee with respect to the matter under construction. No member shall be disqualified from voting upon the appointment of an *ad hoc* committee solely because of positions held by such member or an Affiliated Firm of such member.

(iii) Documentation. The minutes of any meeting at which Emergency or other significant action is considered shall reflect the following information:

(A) the names of all members who attended the meeting in person or by electronic means;

(B) the name of any member who voluntarily recused himself or was required to abstain from deliberations or voting; and

(C) information on the position disclosures made by each member.

(iv) For purposes of this Rule, a Margin change shall not be deemed to have a material effect upon the price of a NY Contract traded on the Exchange or a material impact on the market, if such Margin change was made in response to a change in the price of any

delivery month of such Commodity Contract which is equal to or less than 15% of the Settlement Price of such delivery month on the previous Business Day.

## **Records**

### **Rule 6.07. General Requirements**

(a) Each Member shall make and file reports and maintain records in accordance with the rules and regulations of, and in such manner and form and at such times as may be prescribed by, the CFTC, showing the details and terms of all Transactions, in Cash Commodities Transactions, involving Future Contracts or Option consummated on the Exchange or subject to the Rules. All such records to be in permanent form, showing the parties to all such Transactions, including the Persons for whom made, any assignments or transfers thereof, with the parties thereto, and the manner in which said transactions are fulfilled, discharged or terminated. Such record shall be kept for a period of five (5) years from the date thereof, or for a longer period if the CFTC shall so direct, and shall at all times be open to the inspection of any representative of the CFTC or the United States Department of Justice.

(b) For the purpose of defining the enforcement duties of the Exchange, subparagraph (d) of this Rule shall be limited to the following items:

- (i) all orders (filled, unfilled and canceled);
- (ii) all journals and ledgers;
- (iii) all copies of confirmations, copies of statements of purchase and sale, and copies of month-end statements;
- (iv) all written records of such customer orders;
- (v) all records of transactions;
- (vi) all other documents necessary to prepare a precise trade register.

(c) Each Member of the Exchange shall make and file reports with the Exchange, and maintain such records for such length of time, in such manner and form and at such times as the Rules or the Board may prescribe. Such records shall at least consist of the following:

- (i) all orders (filled, unfilled and canceled);
- (ii) all journals and ledgers;
- (iii) all copies of confirmations, copies of statements of purchase and sale, and copies of month-end statements;
- (iv) all written records of such customer orders;
- (v) all records of transactions;
- (vi) all other documents necessary to prepare a precise trade register.

(d) Unless otherwise specifically provided, all records listed in this section must be retained in accordance with the Act and the regulations thereunder.

### **Rule 6.08. Order Ticket Requirements**

(a)(i) Each Member receiving on the floor of the Exchange a Customer's or Option Customer's order or an order from another Floor Broker who is present on the floor of the Exchange shall immediately upon receipt thereof prepare a written record of such order in non-erasable ink, including the account identification and order number, and shall record thereon, by time-stamp or other timing device, the date and time, to the nearest minute, the order is received on the floor,



and in addition, the time, to the nearest minute, the report of execution is made from the floor, except that such written record shall not be required if, and to the extent that, such order is in the form of a written record containing all information (except for the time of report of execution) specified herein. Corrections or additions to the information recorded on the written record of the order shall be made in a manner that does not obliterate or otherwise make illegible the originally recorded information.

(ii) Notwithstanding the provisions in subparagraph (a)(i) above, a customer account designation is not required at the time the order is received on the floor, if the order is to be allocated after its execution and meets the requirements of paragraph (c) of this Rule.

(b)(i) Each Member who is a Futures Commission Merchant or an introducing broker receiving a Customer's or Option Customer's order shall immediately upon receipt thereof prepare a written record of such order in non-erasable ink, including the account identification and order number, and shall record thereon, by time-stamp or other timing device, the date and time to the nearest minute, the order is received, and in addition, for Option Customer's orders the time, to the nearest minute, the order is transmitted for execution. When transmitting a Customer's or Option Customer's order to the floor of the Exchange, such Member must transmit the account identification to the Member receiving the order. Corrections or additions to the information recorded on the written record of the order shall be made in a manner that does not obliterate or otherwise make illegible the originally recorded information.

(ii) Notwithstanding the provisions in subparagraph (b)(i) above, a customer account designation is not required at the time the order is received, if the order is to be allocated after its execution and meets the requirements of paragraph (c) of this Rule.

(c) Orders Eligible for Post-Execution Allocation.

(i) An order that is eligible for post-execution allocation must be an order that is placed by an Eligible Account Manager for accounts that are owned by Eligible Customers as defined by CFTC Regulation 1.35(a-1)(5)(i).

(ii) An "Eligible Account Manager" is one of the following Persons who has been granted investment discretion with regard to the account of Eligible Customers:

(A) A commodity trading advisor registered with the CFTC pursuant to the Act or excluded or exempt from registration under the Act or CFTC regulations, except for entities exempt under section 4.14(a)(3) or section 4.14(a)(6) of the CFTC's regulations;

(B) An investment advisor registered with the Securities Exchange and Commission pursuant to the Investment Advisers Act of 1940 or with a state pursuant to applicable state law or excluded or exempt from registration under such Act or applicable state law;

(C) A bank, insurance company, trust company or savings and loan association subject to federal or state regulation; or

(D) A foreign adviser that exercises discretionary trading authority solely over accounts of non-U.S. persons as defined in section 4.7(a)(1)(iv) of the CFTC's regulations.

(iii) Orders eligible for post-execution allocation must be allocated by the Eligible Account Manager in accordance with and subject to the following requirements:

(A) Allocations must be made only to the accounts of Eligible Customers;

(B) Allocations must be made as soon as practicable after the entire transaction is executed, but in any event Eligible Account Managers must provide allocation information to Futures Commission Merchants no later than a time sufficiently before the end of the day the order is executed to ensure that clearing records identify the ultimate Customer for each trade;

(C) Allocations must be fair and equitable, and no account or group of accounts may receive consistently favorable or unfavorable treatment; and

(D) The allocation methodology must be sufficiently objective and specific to permit independent verification of the fairness of the allocations using that methodology by appropriate regulatory and self-regulatory authorities and by outside auditors.

(iv) Eligible Account Managers shall make the following information available to Customers upon request:

(A) The general nature of the allocation methodology the Eligible Account Manager will use;

(B) Whether accounts in which the Eligible Account Manager may have any interest may be included with Customer accounts in bunched orders eligible for post-execution allocation; and

(C) Summary or composite data sufficient for that Customer to compare its results with those of other comparable Customers and, if applicable, any account in which the Eligible Account Manager has an interest.

(v) The following record keeping requirements apply to the post-execution allocation of orders:

(A) Eligible Account Managers shall keep and must make available upon request by the CFTC, Department of Justice, the Exchange's Compliance Department or other appropriate self-regulatory organization the information specified in subparagraph (c)(iv) of this Rule.

(B) Eligible Account Managers shall keep and make available upon request by the CFTC, Department of Justice, the Exchange's Compliance Department or other appropriate self-regulatory organization records sufficient to demonstrate that all allocations meet the standards of subparagraph (c) of this Rule and to permit the reconstruction of the handling of the order from the time of placement by the Eligible Account Manager to the allocation to individual accounts.

(C) Futures Commission Merchants that execute orders or that carry accounts eligible for post-execution allocation, and Members of the Exchange that execute such orders must maintain records that, as applicable, identify each order subject to post-execution allocation and the accounts to which contracts executed for such order are allocated.

(vi) In addition to any other penalties available in accordance with the Exchange's Disciplinary Rules, the Exchange may prohibit the Eligible Account Manager from submitting orders for execution except for liquidation of open positions and may prohibit its

Members from accepting orders for execution from the Eligible Account Manager except for liquidation of open positions, upon receipt by the Exchange of a letter, order or directive from the CFTC directing the Exchange to take such action.

#### **Rule 6.09. Average Price Systems**

A Futures Commission Merchant ("FCM") may calculate and confirm to its Customers average prices for an order or series of orders executed at multiple prices, provided that all requirements promulgated by the CFTC from time to time with respect to such practice are met, including, but not limited to, the following:

- (a) the order or series of orders is for the same account or group of accounts and
  - (i) for the same commodity and delivery month for futures; or
  - (ii) for the same commodity, delivery month, Put or Call and Strike Price for Options;
- (b) the Customer has requested average price reporting;
- (c) each individual trade is submitted to and cleared by the Clearing Organization at the executed price;
- (d) the average price is calculated as the weighted mathematical average price in accordance with CFTC regulations and advisories;
- (e) records are kept and maintained by the FCM to support the calculations and allocations to the Customer accounts and such records are available for inspection by affected Customers on request;
- (f) each trade to which an average price is assigned is identified on each Customer confirmation statement and each Customer monthly statement; and
- (g) the FCM's proprietary trades are not averaged with Customer trades that are subject to average price calculations.

#### **Rule 6.10. Trade Type Indicators**

(a) A Type 1 or CTI 1 Trade is a Trade executed by a Floor Broker for his own account, an account which he controls or an account in which he has a financial interest. It is the only type of trade that does not require a floor order ticket.

(b) A Type 2 or CTI 2 Trade is a Trade executed for the house or proprietary account of the Clearing Member which clears the trade.

(c) A Type 3 or CTI 3 Trade is a Trade executed for the account of another Floor Broker present on the Trading Floor when the Trade is executed. The account of such Floor Broker includes an account which is controlled by such Floor Broker or an account in which such Floor Broker has a financial interest.

(d) A Type 4 or CTI 4 Trade is a trade executed for any other account that does not meet the requirements of a CTI 1, 2, 3, or 5 Trade.

(e) A Type 5 or CTI 5 Trade is a Trade executed for the account of another Floor Broker not present on the Trading Floor when the Trade is executed. The account of such Floor Broker includes an account which is controlled by such Floor Broker or an account in which such Floor Broker has a financial interest.

## **Reportable Positions and Speculative Position Limits**

### **Rule 6.11. Emergency Powers Not Limited**

Nothing contained in the Rules relating to position limits shall in any way be construed to limit the Emergency powers enumerated in the Rules, and, unless the Board in taking an Emergency action shall state otherwise, any such Emergency action shall be effective with respect to all Members, regardless of whether an exemption from the position limits has previously been granted pursuant to these Rules.

### **Rule 6.12. Aggregation of Positions**

(a) The position limits established by these Rules shall apply to all positions held by any Person, including those positions in accounts for which such Person by power of attorney or otherwise directly or indirectly controls trading; and in the case of positions held by two (2) or more Persons acting pursuant to an express or implied agreement or understanding, the same as if all of the positions were held by a single Person.

(b) The positions of spouses, parents, and children living in the same household shall be aggregated for purposes of the foregoing position limits.

### **Rule 6.13. Enforcement of Position Limits**

(a) No Member may for itself or any Customer maintain a combination of Futures Contracts and Futures Equivalent Contracts which is, or which when aggregated in accordance with Rule 6.12 is, in excess of the limits established by this Chapter. For the purpose of the Rules contained in this Chapter:

(i) the futures equivalent of each Option Contract is the delta ratio published daily by the Exchange;

(ii) a long Futures Contract, a long Call Option and a short Put Option are on the same side of the market; similarly, a short Futures Contract, a short Call Option and a long Put Option are on the same side of the market;

(iii) in calculating a Futures Equivalent Contract position, all serial and regular Options for the related Futures Contract shall be combined.

Members are responsible for maintaining their position and their Customers' positions within the limits contained in this Chapter. If, however, a Member's or Customer's position exceeds speculative position limits on any given Business Day due to changes in the deltas of the Options, the Member or Customer shall have one (1) Business Day to bring the position within the limits.

(b) In the event the Exchange learns that a Member or Customer maintains positions in accounts with more than one (1) Member such that the aggregate position in all such accounts exceeds the position limits established by this Chapter, the Exchange may notify all Members maintaining or carrying such accounts of the total positions of such accounts. Such notice may also instruct each such Member to reduce the positions in such accounts twenty-four (24) hours after receipt of the notice, proportionately or otherwise so that the aggregate positions of such accounts at all such Members does not exceed the position limits established by this Chapter, unless as provided by paragraph (c) below, a request for an exemption is made and granted by the Exchange pursuant to this Chapter. Any Member receiving such notice shall immediately take such steps as may be necessary to liquidate such number of Commodity Contracts as shall be determined by the Exchange in order to cause the aggregate positions of such accounts at such Members to comply with the position limits established by this Chapter. Notwithstanding the foregoing, the Members may reduce the positions of such accounts by a different number of Commodity Contracts so long as after all reductions have been accomplished at all Members

carrying such accounts, the positions at all such Members complies with the position limits established by this Chapter.

(c) In the event a Member or Customer exceeds its position limit due to sudden unforeseen increases in its bona fide hedging needs, such Member or Customer shall not be considered in violation of Exchange Rules provided that such Person requests a hedge exemption to carry such increased position within five (5) Business Days for Cocoa, Coffee, Ethanol, Sugar No. 11 and Sugar No. 14, or ten (10) Business Days for Cotton No. 2, FCOJ, and the Financial and Index Contracts, following the day on which the Member's or Customer's position limit was exceeded and provided that such exemption is granted by the Exchange.

**Rule 6.14. Exchange Access to Position Information**

Without limiting any provision of these Rules, the Exchange shall have the authority to obtain from any Member information with respect to positions of such Member or any Customer of such Member. This authority shall include the authority to obtain information concerning positions maintained at other firms, and it shall be the obligation of a Member receiving such an inquiry to obtain such information from its Customer. In the event a Member fails to provide the requested information the Exchange, in addition to any other remedy provided in these Rules, may order that the Member liquidate the positions which are related to the inquiry.

**Rule 6.15. Reportable Positions and Daily Reports**

(a) Members which own, control, or carry for any Customer a reportable position, as such term is defined by the Act and the Regulations thereunder, shall submit daily reports with respect to such positions to the Exchange containing such information as may be prescribed by the CFTC.

(i) Without limiting any provisions of the Rules, Members shall provide such additional information with respect to Futures Contracts and Option positions and the ownership of such positions as may be requested by the Exchange.

**Rule 6.16 Spec-Hedge Report for Cotton No. 2 and FCOJ Contracts**

Each Clearing Member shall file with the Exchange on the first (1<sup>st</sup>) Business Day of each week an accurate report of the gross long and gross short positions in Cotton No. 2 Contracts and FCOJ Contracts held by it as of the close of business on the previous Business Day in such form as may be furnished by the Exchange. The information furnished by the Clearing Members will be utilized by the Exchange to prepare a weekly consolidated report of all open positions ("Spec-Hedge Report") which will be published by the Exchange.

**Rule 6.17. Position Limits and Position Accountability for Cocoa Contracts**

(a) A Person holding or controlling six thousand (6,000) or more Futures Contracts and Futures Equivalent Contracts, net long or net short, in all Cocoa months combined:

(i) automatically consents not to increase further those positions when so ordered by the Exchange acting in its own discretion; and

(ii) shall provide, in a timely manner, information on the nature of that Person's related cash, Futures Contracts and Options positions, trading strategy and/or hedging strategy. Nothing in this Rule limits the authority of the Exchange to take action under Rules 6.11 and 6.12 or to request and collect any information regarding that Person's related cash, Futures Contracts and Options positions.

(b) Subject to the exceptions contained in this Chapter, the maximum net long or net short position which any one (1) Person may own or control in the Cocoa Contract is seven hundred fifty (750) Futures Contracts for any month for which delivery notices have or may be issued.

**Rule 6.18. Position Limits and Position Accountability for Coffee "C" Contracts**

(a) A person holding or controlling five thousand (5,000) or more Futures Contracts and Futures Equivalent Contracts net long or net short in all Coffee "C" months combined:

(i) automatically consents not to increase further those positions when so ordered by the Exchange acting in its own discretion; and

(ii) shall provide, in a timely manner, information on the nature of that Person's related cash, Futures Contracts and Options positions, trading strategy and/or hedging strategy. Nothing in this Rule limits the authority of the Exchange to take action under Rules 6.11 and 6.12 or to request and collect any information regarding that Person's related cash, Futures Contracts and Options positions.

(b) Subject to the exceptions contained in this Chapter, the maximum net long or net short position which any one (1) Person may own or control in the Coffee "C" Contract is five hundred (500) Futures Contracts for any month for which delivery notices have or may be issued.

(c) Subject to the exceptions contained in this Chapter, the maximum net long or net short position in any one (1) month which any one (1) Person may own or control in the Mini Coffee "C" Contract is one thousand (1,000) Futures Contracts and Futures Equivalent Contracts.

**Rule 6.19. Position Limits for Cotton No. 2 Contracts**

Position limits in Cotton No. 2 Futures Contracts and Options (on a futures equivalent basis) will be governed by Part 150 of the CFTC Regulations; provided, however, that the Board may, from time to time, set different position limits subject to the approval of the CFTC.

See CFTC Reg. 1.3(z) and Reg. 1.47 with respect to hedging exemptions.

**Rule 6.20. Position Limits for Ethanol Contracts**

(a) Subject to the exceptions contained in this Chapter, the maximum net long or net short position which any one Person may own or control in the Ethanol Contract is one thousand (1,000) Futures Contracts and Futures Equivalent Contracts in all months combined or in any one (1) month.

(b) Subject to the exceptions contained in this Chapter, as of the opening of trading on the second Business Day following the expiration of the regular Option contract traded on the expiring Exchange Futures Contract, the maximum position which any one Person may own or control in an expiring Ethanol Contract is 1,000 Futures Contracts.

**Rule 6.21. Position Limits for FCOJ Contracts**

(a) Subject to the exceptions contained in this Chapter, the limit on the maximum net long or net short position which any one (1) Person may hold or control under in FCOJ Futures Contracts and Futures Equivalent Contracts is::

(i) one thousand eight hundred (1,800) in any other month; and (ii) three thousand (3,000) in all months combined.

In addition, the maximum gross long and/or short position that any one Person may hold or control is three Hundred (300) Futures Contracts for any month for which delivery notices have been or may be issued.

(b) Subject to the exceptions contained in this Chapter, the maximum net long or net short position which any one Person may own or control in FCOJ Differential Futures Contracts and Futures Equivalent Contracts is:

(i) one thousand eight hundred (1,800) in any other month; and (ii) three thousand (3,000) in all months combined.

**Rule 6.22. Position Limits and Position Accountability for Sugar No. 11 Contracts**

(a) A Person holding or controlling nine thousand (9,000) or more Futures Contracts and Futures Equivalent Contracts net long or net short in all Sugar No. 11 months combined:

(i) automatically consents not to increase further those positions when so ordered by the Exchange acting in its own discretion; and

(ii) shall provide, in a timely manner, information on the nature of that Person's related cash, Futures Contract and Options positions, trading strategy and/or hedging strategy. Nothing in this Rule limits the authority of the Exchange to take action under Rules 6.11 and 6.12 or to request and collect any information regarding that Person's related cash, Futures Contract and Options positions.

(b) Subject to the exceptions contained in this Chapter, as of the opening of trading on the second (2<sup>nd</sup>) Business Day following the expiration of the regular Option traded on the expiring Exchange Futures Contract, the maximum position net long or net short which any one (1) Person may own or control in an expiring Sugar No. 11 Contract is five thousand (5,000) Futures Contracts.

**Rule 6.23. Position Limits for Domestic Raw Sugar No. 14 Contract**

(a) Subject to the exceptions contained in this Chapter, the maximum net long or net short position which any one (1) Person may own or control in the Domestic Raw Sugar No. 14 Contract is one thousand (1,000) Futures Contracts.

(b) Subject to the exceptions contained in this Chapter, the maximum net long or net short position in any one (1) month which any Person may own or control in the Domestic Raw Sugar No. 14 Contract is one thousand (1,000) Futures Contracts.

**Rule 6.24. Position Limits and Position Accountability for Financial Contracts**

(a) Euro Based

(i) A Person holding or controlling five thousand (5,000) or more Futures Contracts and Futures Equivalent Contracts net long or net short in either (1) all of the euro-koruna or (2) all of the euro-forint contract months combined:

(A) automatically consents not to increase further those positions when so ordered by the Exchange acting in its own discretion; and

(B) shall provide, in a timely manner, information on the nature of that Person's related cash, Futures Contract and Options positions, trading strategy and/or hedging strategy. Nothing in this Rule limits the authority of the Exchange to take action under Rules 6.11 and 6.12 or to request and collect any information regarding that Person's related cash, Futures Contract and Options positions.

(ii) Subject to the exceptions contained in this Chapter, during the last five (5) days of trading in an expiring delivery month, the maximum net long or net short euro-koruna position which one Person may own is five thousand (5,000) in the expiring delivery month.

(iii) Subject to the exceptions contained in this Chapter, during the last five (5) days of trading in an expiring delivery month, the maximum net long or net short euro-forint position which one Person may own is two thousand (2,000) in the expiring delivery month.

(b) US Dollar Based

(i) A Person holding or controlling five thousand (5,000) or more Futures Contracts and Futures Equivalent Contracts net long or net short in either (1) all of the dollar-rand, (2) all of the dollar-koruna or (3) all of the dollar-forint contract months combined:

(A) automatically consents not to increase further those positions when so ordered by the Exchange acting in its own discretion; and

(B) shall provide, in a timely manner, information on the nature of that Person's related cash, Futures Contract and Options positions, trading strategy and/or hedging strategy. Nothing in this Rule limits the authority of the Exchange to take action under Rules 6.11 and 6.12 or to request and collect any information regarding that Person's related cash, Futures Contract and Options positions.

(ii) Subject to the exceptions contained in this Chapter, during the last five (5) days of trading in an expiring delivery month, the maximum net long or net short dollar-rand position which one (1) Person may own is three thousand (3,000) in the expiring delivery month.

(iii) Subject to the exceptions contained in this Chapter, during the last five (5) days of trading in an expiring delivery month, the maximum net long or net short dollar-koruna position which one (1) Person may own is five thousand (5,000) in the expiring delivery month.

(iv) Subject to the exceptions contained in this Chapter, during the last five (5) days of trading in an expiring delivery month, the maximum net long or net short dollar-forint position which one (1) Person may own is two thousand (2,000) in the expiring delivery month.

(c) Australian and New Zealand Dollar Based

(i) A person holding or controlling five thousand (5,000) or more Futures Contracts and Futures Equivalent Contracts net long or net short in either (1) all of the kiwi-dollar or (2) all of the Aussie-kiwi months combined:

(A) automatically consents not to increase further those positions when so ordered by the Exchange acting in its own discretion; and

(B) shall provide, in a timely manner, information on the nature of that person's related cash, Futures Contract and Options positions, trading strategy and/or hedging strategy. Nothing in this Rule limits the authority of the Exchange to take action under Rules 6.11 and 6.12 or to request and collect any information regarding that Person's related cash, Futures Contract and Options positions.

**Rule 6.25. Position Limits for Index Contracts**

(a) NYSE Composite Index

(i) Subject to the exceptions contained in this Chapter, the maximum number of Futures Contracts and Futures Equivalent Contracts net long or net short, which any one (1) Person may own or control in the NYSE Composite Index Contract is twenty thousand (20,000) in all months combined or in any one (1) month.

(b) Reuters CRB Futures Price Index

(i) Subject to the exceptions contained in this Chapter, the maximum number of Futures Contracts and Futures Equivalent Contracts net long or net short, which any one (1) Person may own or control in the Reuters CRB Futures Price Index Contract is five thousand (5,000) in all months combined or in any one (1) month.



(c) Russell 1000 Index and Russell 1000 Mini Index

(i) Subject to the exceptions contained in this Chapter, the maximum number of Futures Contracts and Futures Equivalent Contracts, net long or net short, which any one (1) Person may own or control in the Russell 1000 Index and Russell 1000 Mini Index Contracts is fifty thousand (50,000) in all months combined or in any one (1) month.

(ii) In computing net positions for the purposes of this Rule, ten (10) times the net position in the Russell 1000 Index Futures shall be combined with positions in the Russell 1000 Mini Index Futures Contract.

(d) Russell 1000 Growth Index

(i) Subject to the exceptions contained in this Chapter, the maximum number of Futures Contracts and Futures Equivalent Contracts, net long or net short, which any one (1) Person may own or control in the Russell 1000 Growth Index Contract is five thousand (5,000) in all months combined or in any one (1) month.

(e) Russell 1000 Value Index

(i) Subject to the exceptions contained in this Chapter, the maximum number of Futures Contracts and Futures Equivalent Contracts, net long or net short, which any one (1) Person may own or control in the Russell 1000 Value Index Contract is five thousand (5,000) in all months combined or in any one (1) month.

(f) Russell 2000 Index

(i) Subject to the exceptions contained in this Chapter, the maximum number of Futures Contracts and Futures Equivalent Contracts, net long or net short, which any one (1) Person may own or control in the Russell 2000 Index Contract is five thousand (5,000) in all months combined or in any one (1) month.

(g) Russell 3000 Index

(i) Subject to the exceptions contained in this Chapter, the maximum number of Futures Contracts and Futures Equivalent Contracts, net long or net short, which any one (1) Person may own or control in the Russell 3000 Index Contract is five thousand (5,000) in all months combined or in any one (1) month.

**Rule 6.26. Hedge Exemption**

(a) The position limits for Futures Contracts and Options specified in this Chapter shall not apply to bona fide hedging positions as defined in Section 1.3(z)(1) of the Regulations under the Act.

(b) To be eligible for an exemption under this Rule, a Member must submit a written request in the form provided by the Exchange to the Exchange which shall include the following:

(i) a description of the size and nature of the proposed Transactions;

(ii) information which will demonstrate that the proposed Transactions are bona fide hedging transactions;

(iii) a statement indicating whether the Person on whose behalf the request is made (1) maintains positions in the Futures Contract for which the exemption is sought with any other Member; and/or (2) has made a previous or contemporaneous request pursuant to this Rule through another Member, and if so, the relationship of the information set forth in such requests;

- (iv) a statement that the intended Transactions will be bona fide hedges;
- (v) a statement that the applicant will immediately supply the Exchange with any material changes to the information submitted pursuant hereto;
- (vi) such further information as the Exchange may request.

Within five (5) Business Days of the submission of the information set forth above, the Exchange shall notify the Member or whether the exemption has been granted and the limitations placed thereon. An exemption will remain in full force and effect until (1) the Member requests a withdrawal; or (2) the Exchange revokes, modifies or places further limitations thereon.

(c) Written requests for exemptions to notice period limits specified in this Chapter must be received by the Exchange no later than five (5) Business Days prior to the first notice day of the contract month. Failure to file notice period exemption requests on a timely basis shall subject the Member and/or the Carrying Member to disciplinary action pursuant to the Rules.

(d) In the case of Sugar No. 11, written requests for exemptions to the position limit specified in Rule 6.22 for an expiring contract must be received by the Exchange no later than five (5) Business Days prior to the first Business Day such limit is in effect. Failure to file exemption requests on a timely basis shall subject the Member and/or the Carrying Member to disciplinary action pursuant to the Rules.

#### **Rule 6.27. Arbitrage and Straddle Exemption**

(a) The position limits for Futures Contracts and Options specified in this Chapter shall not apply to Arbitrage or Straddle positions.

(b) To be eligible for an exemption under this Rule, a Member must submit to the Exchange a written request in the form provided by the Exchange which shall include the following:

- (i) a description of the size and nature of the proposed Transactions;
- (ii) a statement that the intended positions will be Arbitrage or Straddle positions;
- (iii) a statement that the Person on whose behalf the request is made complies with whatever limitations are imposed by the Exchange with regard to said positions;
- (iv) a statement that the Person on whose behalf the request is made agrees to submit immediately a supplemental statement explaining any change in circumstances affecting the position;
- (v) a statement that the Person on whose behalf the request is made complies with all other Exchange rules and requirements;
- (vi) a statement that such positions will be moved in an orderly manner and will not be initiated or liquidated in a manner calculated to cause unreasonable price fluctuations or unwarranted price changes. The Person on whose behalf the request is made will not use said position in an attempt to violate or avoid Exchange rules, or otherwise impair the good name or dignity of the Exchange; and
- (vii) when applying for a cash and carry exemption, the trader must provide the cost of carrying the physical commodity, the minimum spread differential at which the trader will enter into a straddle position in order to obtain profit, and the quantity of stocks the trader currently owns in Exchange licensed warehouses or tank facilities.

(c) Written requests for exemptions to notice period limits specified in this Chapter must be received by the Exchange no later than five (5) Business Days prior to the first notice day of the

contract month for existing positions. Failure to file notice period exemption requests on a timely basis shall subject the Member and/or the Carrying Member to disciplinary action pursuant to the Rules.

(d) Within five (5) Business Days of the submission of the information set forth above, the Exchange shall notify the Member whether the exemption has been granted and the limitations placed thereon. An exemption will remain in full force and effect until (i) the Member requests a withdrawal; or (ii) the Exchange revokes, modifies or places further limitations thereon.

(e) When granted a cash and carry exemption, the trader shall agree that, (i) before the price of the nearby contract month rises to a premium to the second contract month, the trader will liquidate any long positions in the nearby contract month that are in excess of the notice period speculative position limit for the particular Futures Contract, and (ii) the trader will comply with all other restrictions or limitations placed on the trader as a condition to the grant of the exemption.

#### **Rule 6.28. Independently Controlled Position Exemption**

(a) For the purposes of this Chapter, "Eligible Entity" means a commodity pool operator, an operator of a trading vehicle, which is excluded, or which has qualified for exclusion from the definition of the term "pool" or "commodity pool operator," respectively, under Regulation 4.5 of the Act or a commodity trading advisor which (i) authorizes an independent account controller to control independently all trading decisions for positions it holds directly or indirectly, or on its behalf, but without its day-to-day direction and (ii) maintains only such minimum control over the independent account controller as is consistent with its fiduciary responsibilities and necessary to fulfill its duty to supervise diligently the trading done on its behalf. "Eligible Entity" shall also mean such other person or entity deemed exempt by CFTC Regulations or Guidelines (including Regulation 150.3).

(b) For the purposes of this Chapter, "Independent Account Controller" means a person who (i) is registered with the CFTC as a Futures Commission Merchant, introducing broker, commodity trading advisor, or as an associated person of any such registrant; (ii) is authorized by the Eligible Entity to control independently trading by, and on behalf of, but without the day-to-day direction of the Eligible Entity; (iii) trades independently of the Eligible Entity and of any other Independent Account Controller trading for the Eligible Entity; (iv) is supervised by the Eligible Entity only to the minimal degree necessary to fulfill its fiduciary responsibilities and duty to supervise diligently the trading done on its behalf; and (v) has no knowledge of trading decisions by any other Independent Account Controller.

(c) Except for Cotton No. 2 Futures and Options Contracts, an Eligible Entity may carry positions that exceed speculative position limits if (i) such positions (A) are not for the spot month if there is a position limit which applies to individual trading months during their expiration, and (B) are carried for the Eligible Entity in the separate account or accounts of an Independent Account Controller; provided, however, that the overall positions held or controlled by each such Independent Account Controller may not exceed the speculative positions limits; and (ii) such Eligible Entity provides the Exchange with information respecting the Eligible Entity and the Independent Account Controller.

(d) If an Independent Account Controller is affiliated with the Eligible Entity or another Independent Account Controller, each of the affiliated entities must:

(i) have, and enforce, written procedures to preclude the affiliated entities from having knowledge of, gaining access to, or receiving data about trades of the other. Such procedures must include document routing and other procedures or security arrangements, including separate physical locations, which would maintain the independence of their activities;

provided, however, that such procedures may provide for the disclosure of information which is reasonably necessary for an Eligible Entity to maintain the level of control consistent with its fiduciary responsibilities and necessary to fulfill its duty to supervise diligently the trading done on its behalf;

(ii) trade such accounts pursuant to a separately developed and independent trading systems;

(iii) market such systems separately; and

(iv) solicit funds for such trading by separate Disclosure Documents that meet the standards of CFTC Regulation 4.21 or 4.31, as applicable, where such Disclosure Documents are required under Part Four of the Regulations.

(e) Upon call by Exchange staff, any person claiming an exemption from speculative position limits under this Rule must provide to the Exchange such information as specified in the call relating to the positions owned or controlled by that person; trading done pursuant to the claimed exemption; the Futures, Options or cash market positions which support the claim of exemption; and the relevant business relationships supporting a claim of exemption.

(f) The Exchange may at any time condition an exemption on the Eligible Entity's business needs, financial status and integrity and on the liquidity, depth and volume of the market for which the exemption is sought. The Exchange may at any time modify or revoke the exemption if it is found that the Eligible Entity's status or market conditions have changed.

### **Member and Employee Regulatory Requirements**

#### **Rule 6.40. Service on Exchange Board and Certain Committees**

(a) Definitions. For purposes of the Rule:

(1) "Self-Regulatory Organization" means a "Self-Regulatory Organization" as defined in CFTC regulation 1.3(e), and includes a "Clearing Organization" as defined in CFTC regulation 1.3(d), except as defined in subparagraph (b)(6) of this Rule.

(2) "Disciplinary Committee" means any person or panel empowered by a Self-Regulatory Organization to bring disciplinary proceedings, to impose sanctions or to hear appeals thereof.

(3) "Arbitration Panel" means any person or panel empowered to arbitrate disputes under the Exchange's Arbitration Rules.

(4) "Disciplinary Offense" means:

(i) any violation of the rules of a Self-Regulatory Organization except those rules related to (A) decorum or attire, (B) financial requirements, or (C) reporting or record keeping unless resulting in fines aggregating more than \$5,000 within any calendar year;

(ii) any rule violation described in subparagraphs (a)(4)(i)(A) through (C) of this Rule which involves fraud, deceit or conversion or results in a suspension from membership or expulsion which (a) in the case of violations of Exchange Rules, is imposed pursuant to a Settlement Agreement approved, or Final Decision of the Exchange rendered, by the Business Conduct Committee, the Executive Committee or the Board of Governors, and (b) in the case of violations of the rules of any other Self-Regulatory Organization, is imposed pursuant to a Settlement Agreement approved, or Final Decision rendered, by any Disciplinary Committee thereof;

(iii) any violation of the Act or the regulations promulgated thereunder; or,

(iv) any failure to exercise supervisory responsibility with respect to acts described in subparagraphs (a)(4)(i) through (iii) of this Rule when such failure is itself a violation of either the rules of a Self-Regulatory Organization, the Act or the regulations promulgated thereunder.

(5) "Final Decision" means:

(i) a decision of a Self-Regulatory Organization which cannot be further appealed within the Self-Regulatory Organization, is not subject to the stay of the CFTC or a court of competent jurisdiction, and has not been reversed by the CFTC or any court of competent jurisdiction; or,

(ii) any decision by an administrative law judge, a court of competent jurisdiction or the CFTC which has not been stayed or reversed.

(6) "Settlement Agreement" means any agreement whereby a member consents to the imposition of sanctions by a court of competent jurisdiction, the CFTC, a Self-Regulatory Organization other than the Exchange and, in the case of the Exchange, any such agreement approved by the Business Conduct Committee or the Executive Committee.

(b) A person shall be ineligible to serve on the Board, any Disciplinary Committees, and any Arbitration Panels of the Exchange if such Member:

(1) was found within the prior three (3) years by a Final Decision of a Self-Regulatory Organization, an administrative law judge, a court of competent jurisdiction or the CFTC to have committed a Disciplinary Offense;

(2) entered into a Settlement Agreement within the prior three (3) years in which any of the findings or, in the absence of such findings, any of the acts charged included a Disciplinary Offense;

(3) currently is suspended from trading on any contract market, is suspended or expelled from membership with any Self-Regulatory Organization, is serving any sentence of probation or owes any portion of a fine imposed pursuant to either:

(i) a finding by a Final Decision of a Self-Regulatory Organization, an administrative law judge, a court of competent jurisdiction or the CFTC that such person committed a Disciplinary Offense; or,

(ii) a Settlement Agreement in which any of the findings or, in the absence of such findings, any of the acts charged included a Disciplinary Offense;

(4) currently is subject to an agreement with the CFTC or any Self-Regulatory Organization not to apply for registration with the CFTC or membership in any Self-Regulatory Organization;

(5) currently is subject to, or has had imposed on him within the prior three (3) years, a CFTC registration revocation or suspension in any capacity for any reason, or has been convicted within the prior three (3) years of any of the felonies listed in section 8a(2)(D) (ii) through (iv) of the Commodity Exchange Act; or

(6) currently is subject to a denial, suspension or disqualification from serving on the disciplinary committee, arbitration panel or governing board of any self-regulatory organization as that term is defined in section 3(a)(26) of the Securities Exchange Act of 1934.

(c) Unless otherwise exempted by the Board, a Member of the Exchange shall be ineligible to serve on any Exchange Committee not listed in (b) above, for a period of two (2) years from the

date the Member has been found guilty of rule violations or has settled charges related to, or arising from, transactions on or subject to the rules of the Exchange which have resulted in an expulsion, suspension, or a fine which equals or exceeds the maximum fine which may be imposed by the Business Conduct Committee or \$25,000, whichever is less, except for rule violations related to decorum and attire.

**Rule 6.41. Broker Associations**

(a) The term "Associated Brokers" shall mean two or more Members with floor trading privileges on the Exchange, at least one of whom is handling Customer orders, who in the same market:

- (i) engage in floor brokerage activity on behalf of the same employer;
- (ii) have an employer and employee relationship which relates to floor brokerage activity;
- (iii) share profits and/or losses associated with their brokerage or trading activity; or
- (iv) regularly share a deck of orders.

For purposes of this definition the term "regularly share a deck of orders" shall mean that a Member with floor trading privileges, directly or indirectly discloses, or gives access to, two (2) or more Customer orders to another Member with floor trading privileges during the trading day; provided, however, that in the Financial and Index Contracts, the term "regularly share a deck of orders" shall mean that a Member with floor trading privileges directly or indirectly discloses, or gives access to, five (5) or more Customer orders to another Member with floor trading privileges, during the trading day.

(b) Not later than five (5) Business Days after the establishment of a broker association by formal agreement or otherwise, each broker association shall register with the Office of the Secretary on such form as prescribed by the Exchange. Thereafter, the broker association shall provide the Exchange with all information which supersedes, modifies and/or amends the information in such notice, including the date of cessation of the broker association, as soon as practicable but in no event later than five (5) Business Days after the new information becomes effective. The information to be provided to the Exchange shall include:

- (i) the name of the broker association;
- (ii) the names of each person or entity who is a member or otherwise has any direct beneficial interest in the broker association, whether or not such person is a member of the Exchange;
- (iii) all identifying badge symbols and/or numbers of the members belonging to the broker association;
- (iv) account numbers for all accounts of any member of the broker association, accounts in which any member(s) of the broker association has any financial interest and any proprietary or customer accounts controlled by any member(s) of the broker association;
- (v) identification of all other broker associations with which each member of the broker association is associated;
- (vi) the legal form of the broker association;
- (vii) the name of at least one Exchange member (who shall be a principal of the association) authorized to represent the broker association in connection with its registration requirements; and
- (viii) such other information as the Exchange may require.

(c) A Member may file a request for Interpretation with the Vice-President of Market Regulation or his designee on a form prescribed by the Exchange, no later than five (5) Business Days after the establishment of any arrangement within the meaning of paragraph (a) hereof, for a determination as to whether registration as a broker association under paragraph (c) is required. A written determination shall be issued in response to the request .

(d) No member of a Broker Association may accept or execute an order unless his relationship to the Broker Association is registered with the Exchange in accordance with this Rule.

(e) All transactions executed between members of a Broker Association must be executed pursuant to Rule 4.19, provided, however, only the selling Floor Broker shall be responsible for complying with Rule 4.19(b)(iii).

#### **Rule 6.42. Floor Broker Registration**

(a) No Member shall purchase or sell on the Trading Floor solely for such ~~[person's]~~ Member's own account or for any other Person any Commodity Contract unless such Member is registered as a floor broker or floor trader with the CFTC, or any body to which the CFTC has delegated all or part of its responsibility for such registration~~[ering floor traders and brokers, as a floor trader or broker];~~

(b) Any Member with floor trading privileges registered as a floor broker or floor trader with the CFTC, or any body to which the CFTC has delegated all or part of its responsibility for such registration~~[ registering Floor traders and Brokers,]~~ shall notify the Exchange in writing, signed by the Member, whenever any information on his ~~[the floor trader's or broker's]~~ registration Form 8-R or any supplement thereto becomes inaccurate. ~~[Upon notification by the Member, the Exchange will forward the new information to the CFTC, or the body to which it has delegated part or all of the registration function for floor traders and brokers.]~~

#### **Rule 6.43. Duties of Members With Respect to Option Transactions**

Each Member FCM which engages in the offer and sale of Options Contracts shall:

(a) With respect to all written Option Customer complaints:

(i) retain all such written complaints; and

(ii) make and retain a record of the date the complaint was received, the associated person who serviced, or the introducing broker who introduced, the account, a general description of the matter complained of, and what, if any, action was taken by the member in regard to the complaint.

(b) Adopt and enforce written procedures pursuant to which it will be able to supervise adequately each Option Customer's account, other than an Option Customer which is another FCM, including but not limited to, the solicitation of any such account.

(c) Enforce the disclosure requirements set forth in CFTC regulations.

(d) Not engage in fraudulent or high pressure sales communications relating to the offer or sale of Option Contracts traded on the Exchange.

(e) Establish appropriate criteria which are reasonably designed to secure performance, upon exercise, of the Options.

#### **Rule 6.44. Anti-Money Laundering**

(a) Each Member registered with the CFTC as a Futures Commission Merchant shall develop and implement a written anti-money laundering program approved in writing by senior management reasonably designed to achieve and monitor the Member's compliance with the applicable requirements of the Bank Secrecy Act (31 U.S.C. 5311, *et seq.*), and the implementing regulations promulgated thereunder by the Department of the Treasury and, as applicable, the CFTC. Such anti-money laundering program shall, at a minimum:

- (i) establish and implement policies, procedures and internal controls reasonably designed to assure compliance with the applicable provisions of the Bank Secrecy Act and the implementing regulations thereunder;
- (ii) provide for independent testing for compliance to be conducted by the Member's personnel or by a qualified outside party;
- (iii) designate an individual or individuals responsible for implementing and monitoring the day-to-day operations and internal controls of the program; and
- (iv) provide ongoing training for appropriate personnel.

Members who are registered Futures Commission Merchants must also supervise and ensure that their guaranteed introducing brokers are in compliance with the anti-money laundering provisions contained in this Rule.

#### **Rule 6.45. Deliveries in Bankruptcy Situation**

(a) For purposes of this rule:

(i) The term "Carrying Clearing Member" shall mean a Clearing Member which carries an account for Customers of a debtor on an omnibus basis.

(ii) The term "Customer" shall mean any person for whom a Member carries an Exchange Futures Contract.

(iii) The term "Debtor" shall mean any Member with respect to which an order for relief is entered under the Bankruptcy Code.

(iv) The term "Notice of Delivery" shall include a transferable notice in the case of Cocoa, Coffee, Cotton or FCOJ and a "Memo of Deliverer" in the case of Sugar or Ethanol.

(v) The term "Order for Relief" means the filing of a petition in bankruptcy in a voluntary case and the adjudication of bankruptcy in an involuntary case.

(vi) The term "Tender" with respect to a Notice of Delivery shall mean:

(A) in the case of a Customer who is short, the presentation of such notice by a Clearing Member on behalf of such Customer to the Clearing Organization and the assignment of such notice (or, in the case of Sugar or Ethanol, the issuance of a Multiple Delivery Notice including Sugar or Ethanol covered by such notice) by the Clearing Organization to a long Clearing Member; and

(B) in the case of a Customer who is long, the acceptance by a Debtor of such notice (or, in the case of Sugar or Ethanol, of a Multiple Delivery Notice including Sugar or Ethanol covered by such notice) from the Clearing Organization or a Carrying Clearing Member, unless such notice is transferred within the time permitted under the Rules or the Clearing Organization Rules, and the allocation of such notice to such Customer by the Debtor.



(b) This Rule shall apply only in the event and under the circumstances set forth in paragraph (c) hereof, and only in the event that the opposite Clearing Member referred to in said paragraph (c) is not itself a Debtor.

(c) Any provision of the Rules or the Clearing Organization Rules to the contrary notwithstanding, in the event that any Member becomes a Debtor, and that at that time such Member carries for a Customer any Exchange Futures Contract in the current delivery month with respect to which the underlying physical commodity has not become a part of the Debtor's estate on the date of the entry of the Order for Relief, and with respect to which:

- (i) Trading has ceased on the date of the entry of the Order for Relief; or
- (ii) Notice of Delivery has been tendered on or before the date of the entry of the Order for Relief; or
- (iii) Trading ceases before such Exchange Futures Contract can be liquidated by the trustee of the Debtor's estate;

then, any Customer for whose account such Debtor is holding any such Exchange Futures Contract, and for whom or to whom a Notice of Delivery has been tendered, shall make delivery of and receive payment for, or receive delivery of and make payment for, the physical commodity as required to fulfill such contract as follows:

(A) If the Debtor is a Clearing Member, directly with any opposite Clearing Member that tendered a Notice of Delivery that has been allocated by the Debtor to such Customer, or any opposite Clearing Member to which any Notice of Delivery issued by or on behalf of such Customer has been tendered, and such opposite Clearing Member shall receive delivery of and make payment for, or make delivery of and receive payment for, such commodity in accordance with the Rules and Clearing Organization Rules;

(B) If the Debtor is not a Clearing Member, through the Carrying Clearing Member that carried the Customer's account as part of an omnibus account for the Debtor, in accordance with the provisions of paragraph (d);

provided, however, that in lieu of making and taking delivery any such Customer and any such opposite Clearing Member may settle any such contract in any manner permitted under the Rules and Clearing Organization Rules.

(d) Each Customer of a Debtor that is not a Clearing Member, who seeks to make or take delivery under any Exchange Futures Contract pursuant to this Rule, shall deliver written notification to the Carrying Clearing Member of the Debtor not later than noon on the second Business Day following the date of the entry of the Order for Relief with respect to such Debtor advising such Carrying Clearing Member that such Customer is seeking to make or take delivery pursuant to this Rule. Upon the delivery of such notification, such Customer shall assume all of the obligations of the Debtor to the Carrying Clearing Member and the opposite Clearing Member with respect to such Exchange Futures Contract, and:

(i) if such Customer is seeking to make delivery in fulfillment of such Exchange Futures Contract, such notification shall be accompanied by:

(A) proof (satisfactory to the Carrying Clearing Member in its absolute discretion) that a Notice of Delivery has been tendered on behalf of such Customer; and

(B) such EWRs, warehouse receipts, shipping or other certificates, instruments and documents as are required pursuant to the Rules and the Clearing Organization Rules to make delivery in fulfillment of such Exchange Futures Contract (in the case of Cocoa,

Coffee, Cotton or FCOJ), or proof (satisfactory to the Carrying Clearing Member in its absolute discretion) of the Customer's capability to make delivery in accordance with the Rules and the Clearing Organization Rules (in the case of Sugar or Ethanol).

(ii) if such Customer is seeking to take delivery in fulfillment of such Exchange Futures Contract, such notification shall be accompanied by:

(A) a copy of the Notice of Delivery (in the case of Cocoa, Coffee, Cotton or FCOJ) or Multiple Delivery Notice (in the case of Sugar or Ethanol) which had been accepted by the Debtor and allocated (in whole or in part) by the Debtor to the Customer, together with proof (satisfactory to the Carrying Clearing Member in its absolute discretion) of such allocation; and

(B) the Customer's Official Teller's check issued by a New York bank and made payable to the order of the Carrying Clearing Member in an amount equal to 102% of the full amount payable on the delivery of a commodity in the case of Coffee, Ethanol and Sugar, 101% of the full amount payable on delivery of the commodity in the case of Cocoa and 100% of the full amount payable on delivery of the commodity in the case of Cotton and FCOJ, in each case subject to final adjustment based on the quantity and quality of the commodity actually delivered.

(iii) The Carrying Clearing Member, as a condition to permitting the Customer to make or take delivery pursuant to this Rule, may require such Customer to execute and deliver to the Carrying Clearing Member a customer agreement and such other new account forms as such Carrying Clearing Member normally requires from its customers.

(iv) If a Customer has fully complied with the provisions of this paragraph (d), the Carrying Clearing Member, on behalf of the Customer, shall consummate the delivery.

(v) If, prior to the time when delivery is required to be consummated pursuant to the Rules and the Clearing Organization Rules, the Customer does not notify the Carrying Clearing Member as required in subparagraph (i), or if the Customer fails or refuses timely to comply with the provisions of this paragraph (d), the Carrying Clearing Member shall have no further obligation or liability to such Customer or the Debtor in connection with such delivery.

(e) The making or taking of delivery or payment with respect to any Exchange Futures Contract in accordance with paragraph (c) or (d) shall discharge in full the obligations of such Customer and such opposite Clearing Member to the Debtor with respect thereto, but shall not discharge the Debtor from any of its obligations with respect to such Exchange Futures Contract except to the extent that such delivery or payment is made.

(f) Nothing contained in this Rule shall relieve any Customer of its obligation to make or take delivery under any Exchange Futures Contract for the sole reason that delivery must be made to or taken from a commodity broker which is a Debtor.

#### **Rule 6.46. Prohibition of Compensations and Gratuities to Employees**

(a) No Member, Exchange vendor or any other Person transacting business with the Exchange shall give any compensation or gratuity to any Exchange employee, other than a gift of nominal value.

(b) No employee of the Exchange may accept any compensation or gratuity from any Member, Exchange vendor or any other Person transacting business with the Exchange, other than a gift of nominal value.

(c) Any Exchange employee who receives any compensation or gratuity from any Member, Exchange vendor or any other Person transacting business with the Exchange, shall report such fact to the President of the Exchange as promptly as practicable.

**Rule 6.47. Exchange Disclosure and Trading Policy**

(a) Definitions. For purposes of this Rule:

(1) "Employee" means any person hired or otherwise employed on a salaried or contract basis by a self-regulatory organization.

(2) "Governing Member" means any person serving on the Exchange's Board of Governors.

(3) "Committee Member" means any person serving on any Exchange committee which is provided for in the Rules, appointed by the Board, or elected by the Members of the Exchange.

(4) "Material Information" means information which, if such information were publicly known, would be considered important by a reasonable person in deciding whether to trade a particular commodity interest on a contract market. As used in this section, "Material Information" includes, but is not limited to, information relating to present or anticipated cash, futures, or option positions, trading strategies, the financial condition of members of self-regulatory organizations or members of linked exchanges or their customers or option customers, or the regulatory actions or proposed regulatory actions of a self-regulatory organization or a linked exchange.

(5) "Linked Exchange" means (i) any board of trade, a contract market in the United States, exchange or market outside the United States, its territories or possessions, which has an agreement with which permits positions in a commodity interest which have been established on one of the two markets to be liquidated on the other market; (ii) any board of trade, exchange or market outside the United States, its territories or possessions, the products of which are listed on a United States contract market or a trading facility thereof; (iii) any securities exchange, the products of which are held as margin in a commodity account or cleared by a securities clearing organization pursuant to a cross-margining arrangement with the Clearing Organization; or (iv) any clearing organization which clears the products of any of the foregoing markets.

(6) "Non-Public Information" means information which has not been disseminated in a manner which makes it generally available to the trading public.

(7) "Commodity Interest" means any commodity Futures Contract or commodity Option contract traded on or subject to the rules of a contract market or Linked Exchange or Cash Commodities traded on or subject to the rules of a board of trade which has been designated as a contract market.

(8) "Related Commodity Interest" means any commodity interest which is traded on or subject to the rules of a contract market, Linked Exchange, or other board of trade, exchange or market, other than the Exchange, and with respect to which:

(i) The Exchange has recognized or established intermarket spread margins or other special margin treatment between that other Commodity Interest and a Commodity Interest which is traded on or subject to the rules of the Exchange; or

(ii) The Exchange has recognized or established intermarket spread margins or other special margin treatment with another Commodity Interest as to which the person has access to Material, Non-Public Information.

(9) "Pooled Investment Vehicle" means a trading vehicle organized and operated as a commodity pool within regulation 4.10(d), and whose units of participation have been registered under the Securities Act of 1933, or a trading vehicle for which regulation 4.5 makes available relief from regulation as a commodity pool operator, i.e., registered investment companies, insurance company separate accounts, bank trust funds, and certain pension plans.

(b) Employee Non-Public Information Disclosure Guidelines.

Except in carrying out his official responsibilities, no Exchange Employee may provide any person with data or information obtained directly or indirectly from the Exchange or the Clearing Organization or obtained in his official capacity which discloses Material, Non-Public Information

(c) Employee Trading Guidelines

1. Except as provided in subparagraph 4 below, no Exchange Employee may trade directly or indirectly in any Commodity Interest, or Related Commodity Interest for which a contract is listed for trading on the Exchange.

2. Except as provided in subparagraph 4 below, no Exchange Employee who has or who, in fulfilling his duties, may obtain Material, Non-Public Information may trade directly or indirectly in any Commodity Interest, or other Related Commodity Interest whether or not such Commodity Interest or Related Commodity Interest involve a contract listed for trading on the Exchange. Employees involved in market surveillance, compliance and auditing functions shall, for the purposes of this Guideline, be presumed to have access to such Material, Non-Public Information.

3. No Exchange Employee may hold (i) any account for which the firm carrying such account has granted such Employee authorization to trade futures or commodity options, including such accounts as managed or guided accounts, or (ii) any interest in a Pooled Investment Vehicle, in either case, without the prior written consent of the Exchange and unless such Employee arranges to have a copy of the monthly account statements provided to the Exchange.

4. Subject to the provisions of paragraph (b) hereof, an Exchange Employee may, with prior written consent from the Exchange, participate in investment transactions such as those involving Pooled Investment Vehicles, managed accounts, or guided accounts if such Employee does not, in fact, have direct or indirect control of or participation in the trading decisions made with respect thereto. In addition, (i) spouses, dependent children, and individuals residing with the Employee may be exempted from the provisions of these Guidelines and rules where they would interfere with their employment or business and (ii) Employees who are presumed under this rule to have access to Material, Non-Public Information may be exempted from the provisions of these Guidelines and Rules to trade specific identified futures, commodity options, or other Related Commodity Interests upon a satisfactory showing that they will not acquire Material, Non-Public Information concerning the Commodity Interests they seek to trade.

(A) Requests for exemptions for trading by spouses, dependent children, and individuals residing with the Employee (other than under (B) or (C) below) shall be in writing, shall specify the type of trading activity contemplated, shall state the relationship with the Employee and shall be accompanied by a letter from the employer explaining the employment responsibilities of the family member. In addition, where applicable, the Employee and spouse, dependent child, or individual shall submit a

written acknowledgment that they shall not exchange information acquired in the course of performing their respective employment responsibilities.

(B) Requests for exemptions to permit trading in Pooled Investment Vehicles or managed, or guided accounts shall be in writing and need be accompanied only by a prospectus and other materials provided by the firm with respect to trading in that account.

(C) Requests for exemptions by Employees presumed to have access to Material, Non-Public Information shall be in writing and shall set forth the specific Commodity Interest(s) the Employee wishes to trade and shall include a showing that the Employee does not acquire in the course of his employment at the Exchange Material, Non-Public Information relevant to that Commodity Interest(s).

(D) All such requests shall be reviewed and decided on by the President, who may grant the exemption only after determining that such trading is not contrary to the purposes of CFTC Regulation 1.59, the Commodity Exchange Act, the public interest, or just and equitable principles of trade.

(E) Requests by the President for exemption from the provisions of these Guidelines and Rules shall be determined by the Chairman of the Board of Governors.

5. Nothing in these Rules or Guidelines shall prohibit an Exchange Employee from trading, directly or indirectly, in the stock, or option on the stock, of a Member or non-member firm, unless he acquires Material, Non-Public Information about that firm in the course of fulfilling his duties at the Exchange.

6. For the purposes of these Rules it shall be presumed that, unless specifically demonstrated and documented otherwise to the satisfaction of the Exchange, trading by spouses, dependent children, and other individuals living in the Employee's residence, is in fact trading "directly or indirectly" by the Employee.

(d) Employee Reporting Requirements

1. Prior to or at the time of commencing Exchange employment, each new Exchange Employee must complete a questionnaire in the form provided by the Exchange disclosing (i) any commodity Option or Futures Contract account held by the Employee and (ii) any interest in Pooled Investment Vehicle. Prior to or at the time of commencing Exchange employment, each new Exchange Employee must comply with subparagraph (c)3. Prior to or at the time of commencing Exchange employment, each new Exchange Employee must also acknowledge in writing that he has received, understands and agrees to abide by these Guidelines and Rules.

2. Each Exchange Employee who has been granted an exemption and wishes to extend or expand it or who has acknowledged trading in commodity Options or Futures Contracts must update annually on a form provided by the Exchange, the information provided in paragraph (d)(1) above and in prior applications for exemptions, and re-acknowledge annually in writing that he has received, understands, and agrees to continue to abide by these Guidelines and Rules.

3. The President may, as he deems necessary or appropriate, request any Exchange Employee to submit to the Exchange information or documentation concerning (i) any account held by the Employee, and (ii) any interest in a Pooled Investment Vehicle. An Exchange Employee must submit to the Exchange any document or information so requested which shall be reviewed by the President.

4. An Exchange Employee who violates any of these Guidelines or Rules will be subject to dismissal or such lesser sanction as deemed necessary or appropriate by the President or his designee.

(e) Governing and Committee Member Disclosure and Trading Guidelines

No Governing or Committee Member shall use or disclose, for any purpose other than the performance of his official duties, Material, Non-Public Information obtained as a result of the member's participation on the Board of Governors or any committee of the Exchange; provided, however, that if any such member who effects any Transaction after having received any such Material, Non-Public Information so obtained can show that such Transaction was effected in the ordinary course of such member's business, such member shall not be deemed to have used such information for purposes of this paragraph, unless it can be shown that such member would not have effected such Transaction in the absence of such information.

**Rule 6.48. Conflict With Government Regulations**

Any United States Government regulations, orders or decrees affecting performance of either buyer or seller under the By-Laws or Rules shall take precedence over the By-Laws and Rules and in the event of conflict between the By-Laws and Rules and Government regulations, orders or decrees, the Government regulations, orders or decrees shall prevail. Neither buyer nor seller shall be responsible one to the other for delay or lack of performance hereunder resulting from compliance with such Government regulations, orders or decrees and each shall cooperate fully with the other in endeavoring to comply with such Government regulations, orders or decrees.

**Rule 6.49. Stamp Tax**

If at any time a stamp tax shall be imposed by law upon Transactions on the Exchange, no such Transactions shall be valid unless the applicable laws or regulations relating to stamp taxes shall have been complied with.