



NYPC NEW YORK
PORTFOLIO
CLEARING

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April 20, 2012

By E-Mail (submissions@cftc.gov)

Office of the Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
Washington, D.C. 20581

Re: New York Portfolio Clearing, LLC
Rule Certification – NYPC Rules 101, 303, 306, 308, 313 (new), 410, 601

Ladies and Gentlemen:

New York Portfolio Clearing, LLC (“NYPC”) hereby submits amendments to NYPC Rules 101, 303, 306, 308, 410, 601 and establishes a new Rule 313 in connection with the implementation of certain regulations of the Commodity Futures Trading Commission (“Commission”) effective May 7, 2012 pursuant to the self-certification provisions of Commission Regulation 40.6.

Participant Eligibility: NYPC proposes to amend to NYPC Rules 306, 308 and 601. Pursuant to Commission Regulations 39.12(a)(5) and 39.17(a)(2), the amended Rules would require clearing members to make financial reports, such as the FOCUS Report or Form 1-FR, available to the Commission; require clearing members to notify NYPC if there exists a financial or business development that may materially affect the clearing member’s ability to continue to comply with the Rules; and authorize NYPC to suspend a clearing member that is not in compliance with the Rules.

Customer Minimum Margin Requirements: NYPC is required under Commission Regulation 39.13(g)(8)(ii) to establish minimum initial margin requirements for customer positions as of May 7, 2012. Commission Regulation 39.13(g)(8)(iii) additionally requires that, as of May 7, 2012, NYPC adopt rules that prohibit a clearing member from permitting a customer to withdraw margin from its account if doing so would result in the net liquidating equity and initial margin in the customer’s account being less than the customer’s initial margin requirement. NYPC proposes amendments to Rules 101 and 410 to comply with these requirements.

Clearing Member Risk Monitoring: In connection with its responsibility under Commission Regulation 39.13(h)(2) to review large trader reports with respect to positions cleared by NYPC, NYPC proposes an amendment to Rule 308 that would require clearing members to submit to NYPC copies of all Forms 102 that the clearing member files with the Commission pursuant to Part 17 of Commission Regulations.

Clearing Member Risk Management: Commission Regulation 39.13(h)(5) requires that NYPC adopt a rule that, in general, requires each clearing member to adopt and maintain in effect written risk management policies and procedures that address the risk such clearing member may pose to NYPC and make those policies and procedures available to NYPC and the Commission upon request. NYPC proposes new Rule 313 to address this requirement.



NYPC hereby certifies that the amended Rules comply with the Commodity Exchange Act and Commission Regulations thereunder. There were no substantive opposing views expressed by any member of the Board of Directors of NYPC, any Committee of the Board, any clearing member or market participant in respect of the proposed Rule amendments. The amended Rules will become effective May 7, 2012.

NYPC hereby certifies that a notice of pending certification with the Commission of the proposed Rule amendments and a copy of this submission have been posted on NYPC's website at <http://www.nypclear.com/rule-amendments>.

The text of the proposed Rule amendments, marked to show all deletions and additions, is enclosed as Annex A, together with the submission cover sheet required by Commission Regulation 40.6(b)(7)(i).

Any questions should be directed to the attention of the undersigned at 212-855-5230 or laura.klimpel@nypclear.com.

Very truly yours,

A handwritten signature in cursive script that reads "Laura C. Klimpel".

Laura C. Klimpel
General Counsel

Encl.

ANNEX A

Effective January 4, 2012

RULES OF

NEW YORK PORTFOLIO CLEARING, LLC

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RULES OF NEW YORK PORTFOLIO CLEARING, LLC

CHAPTER 1. DEFINED TERMS

Rule 101. Definitions [*Amended 04/01/2011*]

Unless the context otherwise requires, the terms defined in this Rule have the meanings specified below for all purposes under the Rules:

“Appeal Panel” means a panel comprised of a chairman and two individuals appointed by the Board to consider appeals under Chapter 6 of the Rules.

“Authorized Representative” means an individual designated by a Clearing Member and registered with the Clearinghouse with authority to act on behalf of the Clearing Member.

“Board” means the Board of Directors of the Clearinghouse, as set forth in the Operating Agreement.

“Broker-Dealer” means a broker or dealer as such terms are defined in the Exchange Act and includes a government securities broker and government securities dealer as such terms are defined in the Exchange Act.

“Business Day” means any day on which the Clearinghouse is open for business.

“CEA” means the Commodity Exchange Act.

“CFTC” means the Commodity Futures Trading Commission.

“Chief Executive Officer” means the individual appointed by the Board as the chief executive officer of the Clearinghouse.

“Chairman” means the chairman of the Board.

“Class A Member” means any Person that is admitted as a Class A member of the Clearinghouse as provided in Rule 301. The membership of a Class A Member in the Clearinghouse is referred to as a “Class A Membership.”

“Class B Member” means any Person that is admitted as a Class B member of the Clearinghouse as provided in Rule 301. The membership of a Class B Member in the Clearinghouse is referred to as a “Class B Membership.”

“Clearinghouse” means New York Portfolio Clearing, LLC.

“Clearing Bank” means a bank, trust company or other institution designated by the Clearinghouse as a Clearing Bank that acts as a depository for Original Margin and in such other capacities as the Clearinghouse may approve.

“Clearing Member” means any Class A Member or any Class B Member. Class A Members and Class B Members are collectively referred to as “Clearing Members.”

“Clearing System” means systems, software, hardware and other technology of any kind used by or on behalf of the Clearinghouse to perform its clearing functions.

“Committee” means a committee established by the Board.

“Contract” means any contract, agreement or transaction approved by the Clearinghouse for clearing under the Rules. Where the Clearinghouse provides clearing services for, or is party to a Cross-Margining Agreement with, more than one Exchange or market, the term “Contract” shall be construed to apply separately to each such Exchange or market.

“Cross-Guaranty Agreement” means an agreement between the Clearinghouse and one or more DCOs and/or one or more clearing agencies (as such term is defined in the Exchange Act) related to the cross-guaranty by the Clearinghouse and the other party or parties of certain obligations of a suspended Clearing Member to the parties to such agreement.

“Cross-Guaranty Defaulting Member” means a Clearing Member in Default on account of which the Clearinghouse has made or received a Cross-Guaranty Payment.

“Cross-Guaranty Party” means a party (other than the Clearinghouse) to a Cross-Guaranty Agreement.

“Cross-Margining Affiliate” means an affiliate of a Clearing Member that is a member of FICC and that has agreed to have its positions and margin at FICC margined together with Eligible Positions and Margin of the Clearing Member at the Clearinghouse, and to be bound by the Cross-Margining Agreement and by the Rules and the Rules of FICC that are applicable to cross-margining arrangements, all in accordance with the Cross-Margining Participant Agreement.

“Cross-Margining Agreement” means the NYPC Cross-Margining Agreement, dated March 4, 2011 and entered into between the Clearinghouse and FICC providing for participation by the Clearinghouse, FICC, Joint Clearing Members and Cross-Margining Affiliates in an arrangement providing for the cross-margining of Contracts cleared by the Clearinghouse with interest rate instruments cleared by FICC.

“Cross-Margining Participant Agreement” means an agreement among (i) the Clearinghouse, (ii) FICC and (iii) either (A) a Joint Clearing Member or (B) a Clearing Member and its Cross-Margining Affiliate relating to the cross-margining accounts established by the Clearinghouse and FICC for such Joint Clearing Member or such Clearing Member and its Cross-Margining Affiliate.

“Customer” means any Person that has a beneficial ownership interest in a Customer Account.

“Customer Account” means an account established by a Clearing Member with the Clearinghouse in which the Clearing Member maintains trades, positions and Margin solely for “customers” of the Clearing Member, as such term is defined in CFTC Regulation 1.3(k).

“DCO” means derivatives clearing organization, as such term is defined in the CEA.

“Default” means, with respect to a Clearing Member, if such Clearing Member or, as applicable, its Cross-Margining Affiliate: (i) fails to satisfy any of its Obligations to the Clearinghouse; (ii) fails to deliver funds or securities within the time established therefor by the Clearinghouse or, as applicable, FICC, and in such case, FICC ceases to act on behalf of the Clearing Member, or, as applicable, its Cross-Margining Affiliate; (iii) is expelled or suspended from any Self-Regulatory Organization; (iv) fails to meet the minimum capital or other financial requirements of the Clearinghouse or, as applicable, FICC; (v) is Insolvent; (vi) holds a short position in a futures Contract and does not tender a delivery notice on or before the time

specified by the rules of the Exchange on the last day on which such notices are permitted to be tendered or fails to make delivery by the time specified in the rules of the Exchange; or (vii) holds a long position in a futures Contract and does not accept delivery or does not make full payment when due as specified in the rules of the Exchange.

“Disciplinary Panel” means a panel comprised of a chairman and two individuals appointed by the Board to conduct disciplinary proceedings under Rule 604.

“DTC” means The Depository Trust Company.

“Eligible Position” means a position in certain Contracts or in certain securities, repurchase agreements or reverse repurchase agreements cleared by FICC, as identified in a Cross-Margining Agreement as eligible for cross-margining treatment.

“Eligible Securities” means, in each case subject to such criteria and requirements as may be established by the Clearinghouse from time to time: (i) direct obligations of the United States government; (ii) direct obligations of agencies of the United States and government-sponsored enterprises as the Clearinghouse may designate from time to time; and (iii) mortgage-backed pass-through obligations issued by agencies of the United States and government-sponsored enterprises as the Clearinghouse may designate from time to time.

“Exchange” means NYSE Liffe US and any other exchange or market for which the Clearinghouse acts as DCO.

“Exchange Act” means the Securities Exchange Act of 1934.

“FCM” means a futures commission merchant, as such term is defined in the CEA.

“FICC” means the Fixed Income Clearing Corporation.

“FINRA” means Financial Industry Regulatory Authority, Inc.

“Government Agency” means the CFTC and/or any other governmental agency or department regulating the activities of the Clearinghouse or a Clearing Member.

“Guaranty Fund” means the fund comprising the monies, securities, and instruments deposited by the Clearing Members pursuant to Rule 504 and the NYSE Guaranty.

“Initial Margin” means the minimum amount, as specified by the Clearinghouse from time to time, of money, securities or other property required to be paid by a Customer to its Clearing Member as security for the performance of Contracts that are to be cleared by the Clearing Member for such Customer.

“Insolvent” and “Insolvency” means the occurrence of any of the following events with respect to a Clearing Member:

(1) the Clearing Member is determined to be insolvent by a Government Agency or Self-Regulatory Organization;

(2) if the Clearing Member is a member of the Securities Investor Protection Corporation, a court of competent jurisdiction finds that the Clearing Member meets any one of the conditions set forth in clauses (A), (B), (C), or (D) of Section 5(b)(1) of the Securities Investor Protection Act of 1970;

(3) in the event of the entry or the making of a decree or order by a court, Government Agency or other supervisory authority of competent jurisdiction (i) adjudging the Clearing

Member as bankrupt or insolvent, (ii) approving as properly filed a petition seeking reorganization, arrangement, liquidation, dissolution, adjustment or composition of or in respect of the Clearing Member under the Bankruptcy Code or any other applicable federal, state or other U.S. or non-U.S. law, including any bankruptcy, insolvency, reorganization, liquidation, dissolution, or similar law, (iii) appointing a receiver, custodian, liquidator, provisional liquidator, administrator, provisional administrator, assignee, trustee, sequestrator or other similar official for the Clearing Member or for any substantial part of its property, (iv) ordering the winding up or liquidation of the Clearing Member's affairs, or (v) consenting to the institution by the Clearing Member of proceedings to be adjudicated as a bankrupt or insolvent;

(4) the filing by the Clearing Member of a petition, or any case or proceeding, seeking reorganization or relief under the Bankruptcy Code or any other applicable federal, state or other U.S. or non-U.S. law, including any bankruptcy, insolvency, reorganization, liquidation, dissolution, or similar law, or the consent by the Clearing Member to the filing of any such petition, case or proceeding or to the appointment of a receiver, custodian, liquidator, provisional liquidator, administrator, provisional administrator, assignee, trustee, sequestrator or other similar official for the Clearing Member or for any substantial part of its property, or the making by the Clearing Member of an assignment for the benefit of its creditors, or the admission by the Clearing Member in writing of its inability to pay its debts generally as they become due, or the taking of corporate or similar action by the Clearing Member in furtherance of the foregoing; or

(5) if a Settlement Bank of a Clearing Member fails timely to make Margin payments on behalf of such Clearing Member.

As used in paragraphs (1) through (5) above, the term "Clearing Member" includes a Cross-Margining Affiliate or 5% Owner of such Clearing Member. Notwithstanding the foregoing, a Clearing Member shall not be deemed to be Insolvent in the event such Clearing Member (without being deemed to have admitted its liability thereunder) provides or posts a bond, indemnity, or guaranty from a third party that the Clearinghouse deems satisfactory to ensure the performance of the Clearing Member's Obligations.

"Joint Clearing Member" means a Class A Member that has agreed to have its positions and margin at FICC margined together with Eligible Positions and Margin at the Clearinghouse, and to be bound by the Cross-Margining Agreement and by the Rules and the Rules of FICC that are applicable to cross-margining arrangements, all in accordance with the Cross-Margining Participant Agreement.

"Margin" means any Original Margin and Variation Margin paid or payable by or to a Clearing Member to or by the Clearinghouse.

"Net Settlement Amount" means (i) as to a Settlement Bank, the net Variation Margin payments and collections made by or to such Settlement Bank on behalf of the Clearing Members for which such Settlement Bank is acting and (ii) as to a Clearing Member, the net Variation Margin payments and collections made by or to such Clearing Member effected through such Clearing Member's Settlement Bank.

"NSS" means the National Settlement Service, a multilateral funds settlement service owned and operated by the Federal Reserve Banks.

“NYSE Guaranty” means the guaranty of payment by NYSE Euronext of Clearing Member Deficiencies in accordance with Rule 503(b), in an amount not to exceed \$50 million in the aggregate, and includes any cash collateral arrangement that secures such guaranty.

“Obligations” means all financial obligations of a Clearing Member arising under the Rules or such Clearing Member’s agreements with the Clearinghouse, however created, arising or evidenced, whether direct or indirect, absolute or contingent, existing, due or to become due.

“Operating Agreement” means the Amended and Restated Limited Liability Company Agreement of the Clearinghouse, as it may be further amended or restated from time to time.

“Original Margin” means, as with respect to a Clearing Member, the minimum deposit required from such Clearing Member, in accordance with the Rules, in respect of Contracts in the accounts of such Clearing Member.

“Person” means an individual, sole proprietorship, partnership, limited liability company, association, firm, trust, corporation or other entity, as the context may require.

References to a “Rule” or “Rules” are references to the rules, interpretations, orders and other directives of the Clearinghouse, all as in effect from time to time.

“Retained Earnings” means the net cash income of the Clearinghouse that has been retained by the Clearinghouse from prior years, plus any cash operating surplus of the Clearinghouse for the current year, in excess of amounts necessary for normal operations.

“Risk Committee” means the Risk Committee of the Board established pursuant to the Operating Agreement.

“SEC” means the Securities and Exchange Commission.

“Self-Regulatory Organization” shall mean any futures or securities exchange, derivatives clearing organization, securities clearing agency, the National Futures Association and FINRA.

“Settlement Bank” means an entity that has been approved to act as a Settlement Bank in accordance with Rule 403.

“Termination Event” means the occurrence of any of the following:

(1) the termination of the clearing member agreement between the Clearing Member and the Clearinghouse;

(2) with respect to a Joint Clearing Member, the expiration or termination of the clearing member agreement between the Joint Clearing Member and FICC.

(3) a representation or warranty made by the Clearing Member to the Clearinghouse under or in connection with any agreement between the Clearinghouse and the Clearing Member shall be false or misleading in any material respect as of the date on which made or repeated;

(4) the Clearing Member does not meet the qualifications for Clearing Members set forth in Rule 302; or

(5) the breach by the Clearing Member of the Rules or any of the terms or provisions of any agreement between the Clearinghouse and the Clearing Member.

“Treasury” means the United States Department of the Treasury.

“Variation Margin” means:

(1) with respect to futures contracts: (i) on the Business Day a Contract has been accepted for clearing by the Clearinghouse, the difference between the price at which such Contract was bought or sold and the Settlement Price for such Contract established by the Clearinghouse; and (ii) thereafter, the difference, as applicable, between (x) the Settlement Price on a given Business Day and the preceding Settlement Price for such Contract, or (y) the price at which such Contract was closed on the books of the Clearinghouse and the preceding Settlement Price for such Contract; and

(2) with respect to option contracts, on the Business Day a Contract has been accepted for clearing by the Clearinghouse, the agreed premium at which such Contract was bought or sold.

“Vice Chairman” means the vice chairman of the Board.

Rule 102. Other Defined Terms [Amended 04/01/2011]

Set forth below are certain other terms defined in the Rules and the place in the Rules where such terms are defined:

<u>Defined Term</u>	<u>Rule</u>
“Appropriate Regulatory Agency”	Rule 306(d)(1)
“Bankruptcy Event”	Rule 506(a)
“Call Report”	Rule 306(d)(2)
“Clearing Member Deficiency”	Rule 503(b)
“Clearinghouse Proceeding”	Rule 205(a)
“Close-out Amount”	Rule 506(d)
“Cross-Guaranty Beneficiary Member”	Rule 505(c)(1)
“Cross-Guaranty Payment”	Rule 505(f)
“Cross-Guaranty Repayment”	Rule 505(f)
“Cross-Guaranty Repayment Deposit”	Rule 505(d)
“Cross-Margin Beneficiary Member”	Rule 411(d)(2)(i)
“Cross-Margin Payment”	Rule 411(g)(1)
“Cross-Margin Repayment”	Rule 411(g)(2)
“Cross-Margin Repayment Deposit”	Rule 411(e)
“Emergency”	Rule 207(c)
“Emergency Rules”	Rule 207(a)
“FDICIA”	Rule 506(e)
“5% Owner”	Rule 307(a)
“Interested Person”	Rule 205(a)
“Reimbursement Obligation”	Rule 411(d)
“Respondent”	Rule 604(a)
“Settlement Price”	Rule 404

Rule 103. Rules of Construction

In the Rules, unless the context otherwise requires, (i) words in the singular include the plural and words in the plural include the singular; (ii) references to statutory provisions include those provisions, and any rules or regulations promulgated thereunder, as amended; (iii) any

reference to a time means the time in New York, New York; and (iv) all uses of the word “including” should be construed to mean “including, but not limited to.”

CHAPTER 2. GOVERNANCE

Rule 201. Purpose, Powers and Authority

(a) The Clearinghouse operates to clear Contracts for its Clearing Members.

(b) The Clearinghouse has the power and authority to operate and regulate its clearance and settlement facilities to ensure that such facilities are not used for any improper purpose and to establish and enforce rules and procedures to reduce systemic risk and facilitate the orderly clearing of Contracts through the Clearinghouse by Clearing Members.

(c) These Rules specify the process by which a Person may become a Clearing Member and the terms and conditions on which the Clearinghouse will clear Contracts. These Rules are binding on all Clearing Members.

Rule 202. Board of Directors

The Board shall have control and management of the affairs and business of the Clearinghouse and shall have the powers and duties set forth in the Operating Agreement. Without limiting the generality of the foregoing, the Board shall have the power to: (a) adopt, amend, implement and repeal such Rules, not contrary to the Operating Agreement or applicable law, as will in its judgment best promote and safeguard the interests of the Clearinghouse; and (b) render interpretations of the Rules, which shall be binding on all persons having dealings with the Clearinghouse, directly or through Clearing Members.

Rule 203. Committees

(a) The Board may create, appoint Board members or other individuals to serve on, and delegate powers to, one or more Committees.

(b) A Committee shall operate in accordance with its charter and shall take such actions as may be required by the Rules or as otherwise delegated to it by the Board.

(c) All information and documents provided to a Committee and all deliberations and documents related thereto shall be treated as non-public and confidential and shall not be disclosed, except as necessary to further the business and affairs of the Clearinghouse or as required by law.

Rule 204. Officers

The Board shall appoint officers of the Clearinghouse and delegate to the officers, subject to its oversight, the power and authority to manage the business and affairs of the Clearinghouse and to establish and enforce rules and procedures for the conduct of business by the Clearinghouse.

Rule 205. Conflicts of Interest

(a) A Board member or an officer of the Clearinghouse, a member of a Committee or panel or other Person authorized to exercise the Clearinghouse's authority concerning any inquiry, investigation, disciplinary proceeding or any appeal from a disciplinary proceeding, summary suspension or other summary action, other than action that is taken or contemplated in response to an Emergency pursuant to Rule 207 (any such action, a "Clearinghouse Proceeding") who knows

that he or she has a material conflict of interest with respect to such Clearinghouse Proceeding (an "Interested Person"), shall not participate in any deliberations or votes of the Board, a Committee or panel of the Clearinghouse involved in such Clearinghouse Proceeding.

(b) For purposes of paragraph (a), a "material conflict of interest" shall mean, with respect to a member of the Board or an officer of the Clearinghouse, a Clearing Member or other Person:

(1) being named as a respondent or potential respondent in a Clearinghouse Proceeding;

(2) being an employer, employee, fellow employee or an affiliate of a respondent or potential respondent in a Clearinghouse Proceeding;

(3) having any significant, ongoing business relationship with a respondent or potential respondent in a Clearinghouse Proceeding;

(4) having a family relationship with a respondent or potential respondent in a Clearinghouse Proceeding (including the Person's spouse, co-habitator, parent, step-parent, child, step-child, sibling, step-brother, step-sister, father-in-law, mother-in-law, brother-in-law or sister-in-law); and/or

(5) having a direct and substantial financial interest in the result of the vote, other than based on a direct or indirect equity or other interest in the Clearinghouse, that could reasonably be expected to be affected by the Clearinghouse Proceeding. For purposes of this paragraph (5), a "direct and substantial financial interest" includes (but is not limited to) positions held in Contracts in the accounts of, controlled by, or affiliated with the Interested Person or any other types of direct and substantial financial positions of the Interested Person that are reasonably expected to be affected by the vote.

(c) Prior to consideration of any Clearinghouse Proceeding, each Board member, officer of the Clearinghouse, member of a Committee or panel or other Person authorized to exercise the Clearinghouse's authority in connection with such Proceeding shall disclose in writing to the Board, Committee or panel, as applicable, whether such person has a material conflict of interest.

(d) Any Interested Person who would be required otherwise to abstain from deliberations and voting pursuant to paragraph (a) as a result of having a direct and substantial financial interest in the result of the vote may participate in deliberations, prior to a vote on the matter, if:

(1) the material facts about the Interested Person's interest in the matter are disclosed or known to the Board or Committee, as applicable;

(2) the Board, Committee or panel, as applicable, determines that the participation by the Interested Person would be consistent with the public interest; and

(3) a majority of the members of the Board, Committee or panel, as applicable, that are not Interested Persons with respect to the matter vote to allow the Interested Person to participate in deliberations on the matter.

(e) If a determination is made pursuant to paragraph (d) that an Interested Person may participate in deliberations prior to a vote, then the minutes of the meeting of the Board, Committee or panel will reflect the determination and the reasons for the determination.

(f) If all of the members of the Board, Committee or panel, as applicable, are Interested Persons with respect to a matter subject to a vote by the Board, Committee or panel, as applicable,

the Chief Executive Officer will appoint a panel of individuals who are not Interested Persons with respect to such matter, which will have the same authority and powers over such matter that the Board, Committee or panel would have if the members thereof were not Interested Persons with respect to such matter.

(g) No member of the Board or any Committee or panel shall use or disclose for any purpose other than the performance of his or her official duties and responsibilities as a member of the Board, a Committee or a panel any material, non-public information obtained as a result of the Person's duties and responsibilities as a member of the Board or a Committee. No member of the Board, a Committee or a panel shall, directly or indirectly, disclose or use at any time, either during his or her association with the Clearinghouse or thereafter, any confidential information of which the member of the Board, a Committee or a panel becomes aware except when reporting to or at the direction of the Board, when requested by a Government Agency or when compelled to testify in any judicial or administrative proceeding. Each member of the Board, a Committee or a panel in possession of confidential information shall take all appropriate steps to safeguard the information and to protect it against disclosure, misuse, espionage, loss and theft. For purposes of this paragraph (g), the terms "material" and "non-public information" have the meaning set forth in CFTC Regulation 1.59(a).

(h) Notwithstanding paragraph (g), a member of the Board, a Committee or a panel may disclose confidential information if required by law or a court order to be revealed to the United States Department of Justice or a Government Agency with regulatory or oversight authority over the Clearinghouse or member of the Board or any Committee or panel.

Rule 206. Board, Committee, Disciplinary and Appeal Panel Positions

(a) A Person may not serve as a Board member or an officer of the Clearinghouse or on a Committee, a Disciplinary Panel or an Appeal Panel, if the Person:

(1) within the prior three years has been found, by a final decision in any action or proceeding brought in a court of competent jurisdiction, any Government Agency or any Self-Regulatory Organization, to have committed a disciplinary offense;

(2) within the prior three years has entered into a settlement agreement concerning allegations of a disciplinary offense charged (but not withdrawn), whether or not findings were made;

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

(i) a finding of a disciplinary offense by a final decision in any action or proceeding brought in a court of competent jurisdiction, Government Agency or Self-Regulatory Organization; or

(ii) a settlement agreement concerning allegations of a disciplinary offense charged (but not withdrawn);

(4) is currently subject to an agreement with a Government Agency or Self-Regulatory Organization not to apply for registration with such Government Agency or for membership in such Self-Regulatory Organization;

(5) is currently, or within the past three years has been, subject to a revocation or suspension of registration by the CFTC or has been convicted of a felony listed in Section 8a(2)(D)(ii) through (iv) of the CEA; or

(6) is currently subject to a denial, suspension or disqualification from serving on a disciplinary committee, arbitration panel or governing board of any Self-Regulatory Organization.

The Board may for good cause specifically exempt a Person from the provisions of paragraphs (1)-(5) above.

(b) Any Board member, officer of the Clearinghouse, member of a Committee, member of a Disciplinary Panel or Appeal Panel or Person nominated to serve in any such role shall immediately notify the Chief Executive Officer if he or she meets one or more of the criteria in paragraph (a).

(c) For purposes of paragraph (a), the terms “disciplinary offense,” “final decision” and “settlement agreement” have the meanings set forth in CFTC Regulation 1.63(a).

Rule 207. Emergencies

(a) During an Emergency, the Board may implement temporary emergency procedures and rules (“Emergency Rules”), subject to applicable provisions of the CEA and CFTC regulations. If the Chief Executive Officer (or, in the event that the Chief Executive Officer is unavailable, the Chairman or the Chief Risk Officer) determines that Emergency Rules must be implemented with respect to an Emergency before a meeting of the Board can reasonably be convened, then the Chief Executive Officer (or, if applicable, the Chairman or the Chief Risk Officer) shall have the authority, without Board action, to implement any Emergency Rules with respect to such Emergency that he or she deems necessary or appropriate to respond to such Emergency. Without limiting the foregoing, the Clearinghouse shall use good faith efforts to consult with an appropriate representative of the Exchange prior to implementing any such Emergency Rules.

(b) Pursuant to this Rule, Emergency Rules may require or authorize the Clearinghouse, the Board, any Committee, the Chief Executive Officer (or, if the Chief Executive Officer is unavailable, the Chairman or Chief Risk Officer) or any other officer of the Clearinghouse to take actions necessary or appropriate to respond to the Emergency, including, but not limited to, the following:

- (1) suspending or curtailing clearing or limiting clearing to liquidation only (in whole or in part);
- (2) extending or shortening the expiration date and/or the last settlement date for Contracts;
- (3) providing alternative settlement mechanisms;
- (4) ordering the liquidation of Contracts, the fixing of a Settlement Price, or the reduction of positions;
- (5) extending, limiting or changing the hours of operation of the Clearinghouse;
- (6) temporarily modifying or suspending any provision of the Rules;

(7) changing the amount of money to be paid in connection with a Contract, whether previously or thereafter delivered;

(8) requiring Clearing Members to meet special Margin requirements;

(9) imposing or modifying price limits; and/or

(10) imposing or modifying position limits.

(c) For the purposes of this Rule, "Emergency" is defined as any occurrence or circumstances which, in the opinion of the Board, the Chief Executive Officer, Chairman or Chief Risk Officer (as provided in paragraphs (a) and (b)), requires immediate action, and that threatens, or may threaten, the fair and orderly settlement or integrity of, any Contract, including, without limitation, the following:

(1) any circumstance that may materially affect the performance of a Contract;

(2) any action taken by the United States government, a foreign government, Government Agency, Self-Regulatory Organization, state or local governmental body, or market or exchange (foreign or domestic) that may have a material adverse effect on the clearing of Contracts through the Clearinghouse or the settlement, legality or enforceability of any Contract;

(3) any actual, attempted or threatened corner, squeeze, congestion, manipulative activity or undue concentration of positions in a Contract;

(4) any circumstance that may have a severe, adverse effect upon the functions and facilities of the Clearinghouse, including, but not limited to, acts of God, pandemics, fire or other natural disasters, bomb threats, acts of terrorism or war, severely inclement weather, or failure or malfunction of all or a portion of the Clearing System, or other system breakdowns or interruptions such as power, computer, communication or transportation systems or the Internet;

(5) the Insolvency of any Clearing Member or the imposition of any injunction or other restraint by any Government Agency, court or arbitrator upon a Clearing Member which may affect the ability of a Clearing Member to satisfy its Obligations;

(6) any circumstance in which it appears to the Board that a Clearing Member:

(i) has failed to perform on a Contract;

(ii) is Insolvent;

(iii) is otherwise in Default;

(iv) is in such financial or operational condition or is conducting business such that the Clearing Member cannot be permitted to continue in business without jeopardizing the safety of funds of Customers, Clearing Members or the Clearinghouse; or

(7) any other unusual, unforeseeable or adverse circumstance as determined by the Board or the Chief Executive Officer (or, as applicable, the Chairman or Chief Risk Officer).

When the Clearinghouse determines that the Emergency has been reduced sufficiently to allow the Clearinghouse to resume normal functioning, any such actions will be terminated.

(d) Whenever the Clearinghouse takes action to respond to an Emergency (including, without limitation, the actions set forth in paragraph (b) above), it will, where possible, ensure that notice is timely given to Clearing Members.

(e) The Clearinghouse will use reasonable efforts to notify the CFTC prior to implementing, modifying or terminating an Emergency Rule. If such prior notification is not possible or practicable, the Clearinghouse will notify the CFTC as soon as reasonably practicable, but in all circumstances within twelve hours of the implementation, modification or termination of such Emergency Rule.

Upon taking any action in response to an Emergency, the Clearinghouse will document the decisions and deliberations related to such action. Such documentation will be kept for at least five years following the date on which the Emergency ceases to exist or to affect the Clearinghouse, and all such documentation will be provided to the CFTC upon request.

CHAPTER 3. CLEARING MEMBERS

Rule 301. Clearing Membership Generally

(a) An applicant for Class A membership shall be subject to Rule 302(a), Rule 302(b), and, if applicable, Rule 302(d) during the pendency of its application and during its tenure as a Class A Member.

(b) An applicant for Class B membership shall be subject to Rule 302(a), Rule 302(c) and, if applicable, Rule 302(d) prior during the pendency of its application and during its tenure as a Class B Member.

(c) Only Persons found by the Clearinghouse to be appropriately qualified shall be permitted to be Clearing Members. For the purpose of determining whether an applicant is appropriately qualified, an applicant shall submit an application in such form as shall be prescribed by the Clearinghouse, which form shall include a certification that the applicant has reviewed and agrees to abide by the Rules and perform the duties and responsibilities of a Clearing Member. An applicant for Clearing Member status shall be conclusively deemed to have agreed to have no recourse against the Clearinghouse in the event that its application to become a Clearing Member is rejected.

(d) The Clearinghouse may establish minimum capital and other requirements for Clearing Members, examine the books and records of any applicant or Clearing Member, and take such other steps as it may deem necessary to ascertain the facts bearing upon the question of qualification.

Rule 302. Clearing Member Qualifications

(a) Qualification of Clearing Members. Each applicant for qualification as a Clearing Member shall satisfy the following requirements:

(1) it shall be a corporation, limited liability company, partnership or other entity approved by the Clearinghouse, in each case, in good standing in its jurisdiction of formation;

(2) it shall be qualified to conduct business in the State of New York or have an agency agreement in place with an entity qualified in the State of New York that provides an agent for service of process and other communications from the Clearinghouse in connection with the business of the Clearing Member;

(3) it shall demonstrate such fiscal integrity as would justify the Clearinghouse's assumption of the risks inherent in clearing its Contracts;

(4) it shall be engaged in or demonstrate its capacity to engage in the conduct of the business of a Clearing Member;

(5) it shall have received all necessary approvals and consents from all applicable regulatory authorities and Government Agencies to permit it to conduct the business of a Clearing Member;

(6) if it is clearing Contracts on behalf of Customers, it shall be registered with the CFTC as an FCM;

(7) it shall have established satisfactory relationships with, and have designated to the Clearinghouse, a Clearing Bank and a Settlement Bank for payment of Margin to the Clearinghouse; and

(8) it shall maintain back-office facilities staffed with experienced and competent personnel or have entered into a facilities management agreement in form and substance acceptable to the Clearinghouse.

(b) Class A Members. In addition to the requirements set forth above, each applicant for qualification as a Class A Member shall be (i) a member of the netting system of the Government Securities Division of FICC or (ii) upon implementation of central counterparty services by the Mortgage-Backed Securities Division of FICC, a clearing member of the Mortgage-Backed Securities Division. Notwithstanding the foregoing, none of (x) an Inter-Dealer Broker Netting Member, (y) a Dealer Netting Member with respect to its segregated brokered accounts, or (z) a Sponsored Member (as each such term is defined in FICC's rules) shall be eligible to become a Class A Member. In addition, a Bank Netting Member (as such term is defined in FICC's rules) shall not be eligible to become a Class A Member unless it can demonstrate, to the satisfaction of FICC and NYPC that, as a Class A Member, it would be in compliance with regulatory requirements applicable to it.

(c) Class B Members. In addition to the requirements set forth above, each applicant for qualification as a Class B Member shall enter into securities settlement arrangements with one or more FICC members in form and substance acceptable to the Clearinghouse. A Person that is qualified for Class A Membership shall not be admitted as a Class B Member.

(d) Foreign Clearing Members. In addition to the requirements set forth above, an applicant for qualification as a Clearing Member that is organized or established under the laws of a country other than the United States must:

(1) maintain a presence in the United States, either directly or through a suitable agent, that both has available individuals fluent in English who are knowledgeable about the applicant's business and can assist representatives of the Clearinghouse as necessary, and ensure that the applicant will be able to meet its data submission, settlement, and other obligations to the Clearinghouse as a Clearing Member in a timely manner;

(2) represent and certify to the Clearinghouse that it is in compliance with the financial reporting and responsibility standards of its home country and that it is regulated in its home country by a financial regulatory authority in the areas of maintenance of relevant books and records, regular inspections and examinations, and minimum capital standards, and make such other representations as the Clearinghouse deems necessary; and

(3) upon request by the Clearinghouse, submit an opinion of outside counsel on home country law and, if applicable, other relevant non-domestic law, in form and substance acceptable to the Clearinghouse.

Rule 303. Duties and Responsibilities of Clearing Members

Each Clearing Member shall, and, as applicable, shall cause its Authorized Representatives and employees to:

(a) comply with and act in a manner consistent with the Rules;

(b) guarantee and assume responsibility for all Contracts submitted by it or for which it authorizes another Person to submit in its name for clearing;

(c) immediately inform the Clearinghouse of any changes to the account information provided by the Clearing Member;

(d) keep the Clearing Member's Clearing System User IDs and passwords confidential;

(e) at all times have a Settlement Bank validly appointed and acting on its behalf to pay and receive Variation Margin payments in accordance with Rule 403;

(f) promptly review and, if necessary, respond to all communications sent by the Clearinghouse;

(g) be responsible for violations of the Rules committed by it, its Authorized Representative or employees;

(h) keep, or cause to be kept, complete and accurate books and records, including, without limitation, all books and records required to be maintained ~~with~~by the Clearinghouse or pursuant to the CEA or ~~the~~ CFTC Regulations, for at least five years, and make such books and records available for inspection by the Clearinghouse, the CFTC or other Government Agency;

(i) not knowingly mislead or conceal any material fact or matter in any dealings or filings with the Clearinghouse or in response to any Clearinghouse Proceeding;

(j) cooperate with the Clearinghouse and any Government Agency in any inquiry, investigation, audit, examination or proceeding;

(k) provide appropriate staff in their offices during specified hours, on Business Days and otherwise, when such is deemed necessary by the Clearinghouse to ensure the integrity of its systems or as otherwise deemed necessary for the protection of the Clearinghouse; and

(l) observe high standards of integrity, commercial honor, fair dealing, and just and equitable principles of trade in relation to any aspect of its business connected with or concerning the Clearinghouse.

Rule 304. Authorized Representatives

(a) Each Clearing Member shall designate one or more Authorized Representatives to sign all instruments, correct errors, perform such other duties as may be required under the Rules and transact all business in connection with the operations of the Clearinghouse. Each Clearing Member must provide the Clearinghouse with current contact and other requested information for each of its Authorized Representatives.

(b) To designate an Authorized Representative, a Clearing Member must provide the information requested and conform to the procedures and requirements established by the Clearinghouse. By agreeing to become an Authorized Representative, an individual agrees to be bound by the duties and responsibilities of an Authorized Representative and to be subject to, and comply with, the Rules and Obligations to the extent applicable.

(c) The Clearinghouse will promptly notify a Clearing Member of the approval of nominated Authorized Representatives and will maintain a list of all approved Authorized Representatives for each Clearing Member. The Clearinghouse shall promptly notify the Clearing

Member if the Clearinghouse (i) declines to approve the designation, (ii) revokes the designation, or (iii) suspends the designation of an Authorized Representative.

(d) An Authorized Representative who is suspended remains subject to the Rules and the Clearinghouse's jurisdiction throughout the period of suspension.

(e) To request the termination of the designation of an Authorized Representative, the Clearing Member or the Authorized Representative must notify the Clearinghouse providing the information and complying with the procedures and requirements established by the Clearinghouse.

(f) An Authorized Representative remains subject to the Rules and the jurisdiction of the Clearinghouse for acts done and omissions made while registered as such, and a Clearinghouse Proceeding relating to an individual whose designation as an Authorized Representative has been terminated or suspended shall occur as if the Authorized Representative were still registered as such.

Rule 305. Capital Requirements

Clearing Members must at all times maintain minimum regulatory capital in excess of the greater of (i) \$5,000,000, and (ii) the capital requirements imposed by any Government Agency, Self-Regulatory Organization or other examining authority or regulator to which it is subject by statute, regulation or agreement. The Clearinghouse may prescribe additional capital requirements with respect to any Clearing Member.

Rule 306. Financial Reporting Requirements [Amended 04/01/2011]

Each Clearing Member shall submit the following statements of its financial condition:

(a) Each Clearing Member shall submit to the Clearinghouse:

(1) a Form 1-FR-FCM, FOCUS Report or Form G-405 as submitted to the CFTC, SEC or FINRA; provided, that if the Clearing Member is a domestic bank (as such term is defined in section 3(a)(6) of the Exchange Act) or trust company, the Clearing Member shall submit to the Clearinghouse a copy of the Clearing Member's Call Report as submitted to its Appropriate Regulatory Agency and, to the extent not contained within such Call Report (or to the extent that a Call Report is not required to be filed), information containing the Clearing Member's capital levels and ratios, as such levels and ratios are required to be provided to the Clearing Member's Appropriate Regulatory Agency (or, if such Clearing Member's Appropriate Regulatory Agency does not require such information, as would be required to be provided, if such Clearing Member's Appropriate Regulatory Agency were the Board of Governors of the Federal Reserve System); provided further, that if the Clearing Member is not required to submit such reports to the CFTC, the SEC, FINRA or an Appropriate Regulatory Agency, the Clearing Member shall submit its financial information to the Clearinghouse on Form 1-FR-FCM and calculate its adjusted net capital in accordance with the requirements applicable thereto;

(2) information relating to capital scheduled to be withdrawn within 6 months;

(3) information relating to subordinated debt maturing within 6 months; and

(4) with respect to Clearing Members that are registered as Broker-Dealers, information relating to additional capital requirements for excess margin on reverse repurchase agreements.

A Clearing Member that has filed a FOCUS Report with FINRA shall be deemed to have authorized FINRA to provide such FOCUS Report and the data and other information contained therein to the Clearinghouse, and such Clearing Member shall not otherwise be required to submit a FOCUS Report to the Clearinghouse other than in response to a request therefor by the Clearinghouse.

(b) Each Clearing Member shall submit annual financial statements to the Clearinghouse that have been certified by an independent public accountant as submitted to the CFTC, SEC, FINRA or the Appropriate Regulatory Authority. A Clearing Member that is not a domestic bank (as such term is defined in section 3(a)(6) of the Exchange Act) or trust company and is not registered as a Broker-Dealer or FCM shall submit a Form 1-FR-FCM that has been certified by an independent public accountant in accordance with CFTC Regulation 1.10.

(c) All reports or other information required to be submitted to the Clearinghouse pursuant to paragraphs (a) or (b) shall be submitted at such times as specified by the Clearinghouse from time to time and Clearing Members shall make such reports and information available to the CFTC upon its request. A Clearing Member may be required to provide additional reports in such form and at such times as the Clearinghouse may require, including without limitation, submission of daily or weekly capital computations and segregated funds statements.

(d) As used in this Rule 306:

(1) "Appropriate Regulatory Agency" means, with respect to a Clearing Member that is a bank (as such term is defined in section 3(a)(6) of the Exchange Act) or a trust company:

(i) the Comptroller of the Currency, in the case of a national bank, the deposits of which are insured by the Federal Deposit Insurance Corporation;

(ii) the Board of Governors of the Federal Reserve System, in the case of a bank (other than a national bank) that is a member of the Federal Reserve System or a trust company that is a member of the Federal Reserve System; and

(iii) the Federal Deposit Insurance Corporation, in the case of a bank insured by the Federal Deposit Insurance Corporation (other than a member of the Federal Reserve System), the deposits of which are insured by the Federal Deposit Insurance Corporation.

(2) "Call Report" means, as applicable, Federal Financial Institutions Examination Council Form FFIEC 031 or FFIEC 041.

Rule 307. Parent Company, Cross-Ownership Guarantees

(a) Parent Guaranty Requirement

(1) Subject to the last sentence of this subparagraph (1), each Clearing Member shall provide and maintain with the Clearinghouse a roster of every Person (including natural persons) that directly or indirectly is the beneficial owner (determined in accordance with Rule 13d-3 under the Exchange Act) of 5% or more of any class of equity security of the Clearing Member (a "5% Owner"). For purposes of this Rule, the term "equity security"

shall include any stock, partnership interest, membership interest or similar security, or any security convertible into such a security, or any option, warrant or right to subscribe to or purchase such a security, or any other instrument or right that the Clearinghouse deems to be of similar nature and considers necessary or appropriate to treat as an equity security. If the intermediary's shareholders, partners or members are not natural persons or public reporting companies subject to Sections 12 or 15(d) of the Exchange Act, the Clearing Member shall continue the chain of ownership of 5% Owners until natural persons or public reporting companies subject to Sections 12 or 15(d) of the Exchange Act are listed.

(2) Each Clearing Member shall submit to the Clearinghouse a written guarantee, on a form provided by the Clearinghouse, from each 5% Owner pursuant to which such 5% Owner shall guarantee all Obligations arising out of accounts cleared by the Clearing Member that are:

(i) non-Customer Accounts, including proprietary accounts as defined in CFTC Regulation 1.3(y), of the Clearing Member; and

(ii) accounts carried by another FCM if such accounts would be considered non-Customer Accounts, including proprietary accounts as defined in CFTC Regulation 1.3(y), of the Clearing Member, if carried directly by the Clearing Member.

Notwithstanding anything herein to the contrary, the guarantee required by this paragraph (2) shall not apply to (A) any Obligations of the Clearing Member to pay an assessment to the Clearinghouse pursuant to Rule 504(b) or (B) any Obligations of the Clearing Member to the Clearinghouse arising under Rule 503(c)(2) resulting from a remaining deficiency in a Customer Account after the setoffs referred to in Rule 503(c)(1). In addition, each 5% Owner shall only be required to guarantee his, her or its share of the Clearing Member's Obligations pursuant to this paragraph (2) in proportion to his, her or its ownership interest in the Clearing Member (but not in duplication of amounts paid by another 5% Owner that controls, is controlled by or under common control with such 5% Owner); provided, however, that any 5% Owner owning 50% or more of the Clearing Member shall guarantee the full amount of the Clearing Member's Obligations pursuant to this paragraph (2).

(b) Cross-Ownership Guaranty

If any Person directly or indirectly controls, owns 10% or more of, or has the right to 10% or more of the profits of two or more Clearing Members, then each such Clearing Member shall submit to the Clearinghouse a written guarantee, on a form provided by the Clearinghouse, of the Obligations of the other such Clearing Member(s) to the Clearinghouse.

Rule 308. Notices Required of Clearing Members [Amended 04/01/2011]

(a) Financial and Other Notices

(1) A Clearing Member shall provide immediate notice to the Clearinghouse, orally and in writing, if the Clearing Member or, if applicable, its Cross-Margining Affiliate:

(i) is in Default or otherwise unable to meet its Obligations to the Clearinghouse;

(ii) fails to remain in compliance with the minimum capital or "early warning" requirements of any Government Agency or Self-Regulatory Organization;

(iii) if an FCM, fails to maintain funds in any Customer Account sufficient to comply with applicable CFTC requirements;

(iv) fails to maintain current books and records;

(v) determines the existence of a material inadequacy as provided in CFTC Regulation 1.16(d)(2) or SEC Rule 17a-5(g)(3), in each case as applicable to such Clearing Member; ~~or~~

(vi) fails to comply with additional accounting, reporting, financial and/or operational requirements prescribed by the Clearinghouse; or

(vii) there exists any financial or business development that may materially affect the Clearing Member's ability to continue to comply with the Rules.

(2) A Clearing Member shall provide prompt written notice to the Clearinghouse if:

(i) it experiences a reduction in adjusted net capital as reported on its Form 1-FR-FCM, net capital as reported on its FOCUS Report or liquid capital as reported on its Form G-405, as applicable, of 20% or more, from the most recent filing of such report or it has a planned reduction in equity capital that would cause a reduction in excess adjusted net capital, excess net capital or excess liquid capital of 30% or more, provided that no such notice shall be required in the case of a reduction in capital resulting from (a) the repayment or prepayment of subordinated liabilities for which notice has been given pursuant to applicable CFTC, SEC or Treasury requirements, or (b) any futures or securities transaction in the ordinary course of business between a Clearing Member and any affiliate where the Clearing Member makes payment to or on behalf of such affiliate for such transaction and then receives payment from such affiliate for such transaction within two Business Days from the date of the transaction;

(ii) Initial Margin calls in one or more Customers' accounts exceed the Clearing Member's excess net capital and one or more of such Margin calls remains unsatisfied by the close of business on the Business Day following the issuance of the calls; or

(iii) it changes its fiscal year or its public accountants.

(b) Operational Notices

(1) A Clearing Member shall provide immediate notice to the Clearinghouse, orally and in writing, of:

(i) any damage to, or failure or inadequacy of, the systems, facilities or equipment of the Clearing Member used to perform the Clearing Member's Obligations under or in connection with Contracts that is not promptly remedied;

(ii) any suspension, expulsion, bar (including any refusal or denial of admission to or withdrawal of any application for membership, registration or license), cease-and-desist order, temporary or permanent injunction, denial of trading privileges or any other sanction or discipline (but excluding censures and fines or monetary penalties of \$25,000 or less), through an adverse determination, voluntary settlement or otherwise, by any Government Agency or Self-Regulatory Organization;

(iii) the imposition of any restriction or limitation on the business conducted by the Clearing Member, or by any Cross-Margining Affiliate or 5% Owner of such Clearing

Member, on or with any securities or futures clearing organization or exchange other than restrictions or limitations imposed generally on all members of or participants in such clearing organization or exchange;

(iv) any failure by the Clearing Member, or by any Cross-Margining Affiliate or guarantor (including any 5% Owner) of the Clearing Member, to perform any of its Obligations or any other material contract, guarantee, or agreement;

(v) any determination that the Clearing Member, any Cross-Margining Affiliate or guarantor (including any 5% Owner) of the Clearing Member, will be unable to perform any of its Obligations or any other material contract, guarantee, or agreement;

(vi) the institution of an Insolvency proceeding by or against the Clearing Member, any affiliate of the Clearing Member, or any guarantor (including any 5% Owner) of the Clearing Member;

(vii) the receipt by the Clearing Member, or a filing by the Clearing Member with a Self-Regulatory Organization, of a notice of material inadequacy pursuant to applicable CFTC, SEC or Treasury regulations; or

(viii) the receipt by the Clearing Member from its independent auditors of an audit opinion that is qualified.

(2) A Clearing Member shall provide prompt written notice to the Clearinghouse if:

(i) it changes its name, business address, telephone or facsimile number, electronic mail address or any number or access code for any electronic communication device used by it to communicate with the Clearinghouse;

(ii) any Person directly or indirectly becomes a 5% Owner.

(3) A Clearing Member shall, unless it is impractical to do so (in which case it shall provide written notice to the Clearinghouse as promptly as possible), provide at least ninety days prior written notice to the Clearinghouse of:

(i) any proposed change in the organizational or ownership structure or management of a Clearing Member, including any merger, combination or consolidation between the Clearing Member and another Person;

(ii) the assumption or guaranty by the Clearing Member of all or substantially all of the liabilities of another Person in connection with a direct or indirect acquisition of all or substantially all of that Person's assets;

(iii) the sale of all or a significant portion of the Clearing Member's business or assets to another Person;

(iv) a change in the direct or indirect beneficial ownership of 20% or more of the Clearing Member; or

(v) any change in the Clearing Member's systems provider or facilities manager used by the Clearing Member to process transactions in Contracts.

(c) Large Trader Reports

(1) A Clearing Member shall provide the Clearinghouse copies of all Forms 102 that the Clearing Member files with the CFTC pursuant to Part 17 of the CFTC Regulations. The

Clearing Member shall provide such reports to the Clearinghouse no later than the time that it provides such reports to the CFTC.

Rule 309. Adequate Assurances

If the Clearinghouse has reason to believe that a Clearing Member may fail to comply with any of the Rules, it may require the Clearing Member to provide it, within such timeframe, in such detail, and in such manner as the Clearinghouse shall determine, with adequate assurances that the Clearing Member shall not violate any of the Rules.

Rule 310. Restrictions on Activity

(a) If (i) a Clearing Member is in Default, (ii) a Termination Event occurs with respect to such Clearing Member, or (iii) the Clearinghouse determines that the financial or operational condition of a Clearing Member or one of its affiliates is such that to allow that Clearing Member to continue its operation would adversely affect the Clearinghouse or adversely affect the financial markets (whether or not the Clearing Member continues to meet the required minimum financial requirements), the Clearinghouse may:

- (1) allow such Clearing Member to submit Contracts solely for its proprietary account;
- (2) limit or restrict the type of Contracts that may be cleared by such Clearing Member in any of its accounts with the Clearinghouse; or
- (3) limit or restrict the number of Contracts that are permitted to be maintained by such Clearing Member in any of its accounts with the Clearinghouse
- (4) decline to accept new trades or positions in Contracts for the accounts of the Clearing Member;
- (5) increase such Clearing Member's Margin and Guaranty Fund requirements and/or require such Clearing Member to deposit the same in cash or Eligible Securities in proportions different than those that are applicable to Clearing Members generally;
- (6) allow such Clearing Member to submit Contracts for liquidation only;
- (7) prohibit such Clearing Member from withdrawing excess Original Margin;
- (8) cause open Contracts in the proprietary accounts or Customer Account of the Clearing Member to be transferred to another Clearing Member;
- (9) cause open Contracts to be settled in cash or liquidated;
- (10) impose such additional capital, Margin, financial reporting or other requirements as the Clearinghouse shall deem appropriate for the protection of the Clearinghouse and its Clearing Members; and
- (11) terminate the Clearing Member's membership in the Clearinghouse.

(b) In addition to the powers conferred by this Rule, the Clearinghouse shall have the authority conferred by Rule 503 when a Clearing Member is in Default.

Rule 311. Withdrawal of Clearing Membership

(a) When a Clearing Member withdraws from membership or its membership is terminated, all Obligations of the Clearing Member to the Clearinghouse, of whatever nature or kind, shall be accelerated and become due and payable upon the effective date of such withdrawal or termination. The Clearing Member's Guaranty Fund deposit, and any other deposits required by the Clearinghouse will not be released until the Clearinghouse determines that all such Clearing Member's Obligations have been settled and all sums owing to the Clearinghouse have been paid.

(b) A Clearing Member may withdraw from membership upon approval of the Clearinghouse, which approval shall be granted not later than thirty days after (1) the liquidation or, with the approval of the Clearinghouse, transfer to another Clearing Member of all open positions in the Clearing Member's accounts at the Clearinghouse; (2) the satisfaction of all Obligations of the withdrawing Clearing Member, including any assessment under Rule 504(b); and (3) if applicable, the payment of all amounts owing to FICC pursuant to a Cross-Margining Participant Agreement.

Rule 312. Fees

The Clearinghouse shall have the right to instruct a Settlement Bank to debit the proprietary Margin account maintained by a Clearing Member, and/or any other account designated by such Clearing Member for purposes of this Rule, for any payment of fees, charges or other amounts (other than fines or penalties) due to the Clearinghouse or due to the Exchange (if and to the extent the Clearinghouse shall be acting as a collection agent for the Exchange).

Rule 313. Risk Management Policies

Each Clearing Member shall adopt and maintain in effect written risk management policies and procedures that address the risk such Clearing Member may pose to the Clearinghouse. Each Clearing Member shall make available, upon request by the Clearinghouse or the CFTC, information and documents regarding the Clearing Member's risk management policies, procedures and practices, including information and documents relating to the liquidity of such Clearing Member's financial resources and settlement procedures.

CHAPTER 4. CLEARANCE AND SETTLEMENT

Rule 401. Submission of Contracts

(a) The submission of a Contract to the Clearinghouse by or on behalf of the buying and selling Clearing Members shall constitute a request, by such Clearing Members, for the clearing of such Contract by the Clearinghouse. Upon the acceptance thereof by the Clearinghouse, which shall be deemed to occur upon the receipt of matched trade data from the Exchange, the Contract shall be novated and the Clearinghouse shall be substituted as, and assume the position of, seller to the Clearing Member buying such Contract and buyer from the Clearing Member selling such Contract. Upon such substitution, such buying and selling Clearing Members shall be released from their obligations to each other, and the Clearinghouse shall be deemed to have succeeded to all the rights, and to have assumed all the Obligations, of the Clearing Members that were party to such Contracts, in each case as provided in the Rules.

(b) Notwithstanding the provisions of paragraph (a), the Clearinghouse shall be substituted at the time payment of the Original Margin and Variation Margin due for transfers of Contracts made pursuant to Rule 409 and trades made pursuant to exchanges of futures for physicals, exchanges of futures for swaps or similar transactions is made by or for both Clearing Members.

(c) Upon the written request of an Exchange, the Clearinghouse may, in its sole discretion, terminate the novation and substitution described above with respect to one or more Contracts upon notice thereof by the Clearinghouse to the relevant Clearing Members. The Clearinghouse shall have no further obligations to such Clearing Members with respect to such Contracts thereafter.

(d) The Rules shall constitute part of the terms of each Contract submitted to the Clearinghouse.

Rule 402. Original Margin

(a) The Clearinghouse shall, from time to time, calculate the amount of Original Margin which shall be deposited by Clearing Members to protect the Clearinghouse on Contracts accepted for clearing. Original Margin calls shall ordinarily be uniform, but where particular risks are deemed hazardous, the Clearinghouse may call for additional Margin from a particular Clearing Member.

(b) Clearing Members shall transfer Original Margin to a Clearing Bank for deposit in an account designated by the Clearinghouse. The Clearinghouse shall retain control over such Original Margin, which shall be and shall remain unencumbered by the lien or security interest of any party other than the Clearinghouse or, if applicable, FICC as provided in the Cross-Margining Agreement.

(c) One or more times on each Business Day, the Clearinghouse shall make available to each Clearing Member the amount of its Original Margin Obligations for all open Contracts. The Clearing Member shall transfer Original Margin to a Clearinghouse account at a Clearing Bank by no later than the time specified therefor by the Clearinghouse. Original Margin may be in the form of cash and securities of such types and in such amounts as may be determined by the Clearinghouse.

(d) Original Margin deposits may be withdrawn by the Clearing Member with authorization from the Clearinghouse upon the performance or closing out of Contracts thus secured. In the event it shall become necessary to apply all or part of a Clearing Member's Original Margin to meet Obligations of the Clearinghouse pursuant to Rule 503, such Clearing Member shall immediately restore any such deficiency in Original Margin.

(e) If a Clearing Member is in Default, the Clearinghouse may foreclose on and sell any of the Margin deposited by such Clearing Member without notice. In such an event, Margin that has been deposited for the Clearing Member's Customer Account and any proceeds thereof shall be applied against the Margin requirements for the Customer Account, and Margin deposited for the Clearing Member's proprietary accounts and any proceeds thereof shall be applied first to any Margin deficiency in the Customer Account and, thereafter, against the requirements for the Clearing Member's proprietary accounts.

Rule 403. Variation Margin

(a) Where Contracts are accepted for clearance in accordance with Rule 401 and the price of such Contracts is less than the Settlement Price therefor, the selling Clearing Member shall be obligated to pay Variation Margin to, and the buying Clearing Member shall be entitled to receive Variation Margin from, the Clearinghouse as set forth below and in the policies and procedures of the Clearinghouse. Where Contracts are accepted for clearance in accordance with Rule 401 and the price of such Contracts is greater than the Settlement Price, the buying Clearing Member shall be obligated to pay Variation Margin to, and the selling Clearing Member shall be entitled to receive Variation Margin from, the Clearinghouse in accordance with the process set forth below and any other policies and procedures of the Clearinghouse. Thereafter, Clearing Members shall be obligated to pay or entitled to receive Variation Margin on all open Contracts and on all Contracts that have been closed on the books of the Clearinghouse. All Variation Margin payments to the Clearinghouse shall be made in cash.

(b) All payments of Variation Margin by a Clearing Member to the Clearinghouse, and all collections of Variation Margin by a Clearing Member from the Clearinghouse, shall be effected through a Settlement Bank as follows:

(1) One or more times on each Business Day, the Clearinghouse shall make available (i) to each Clearing Member, its Net Settlement Amount, and (ii) to each Settlement Bank, the Net Settlement Amounts of all Clearing Members for which such Settlement Bank is acting and the Net Settlement Amount due from or owed to such Settlement Bank. If the Settlement Bank's net amount is a debit, it shall pay such amount to the Clearinghouse in Federal funds by no later than the time specified therefor by the Clearinghouse. If the Settlement Bank's net amount is a credit, it shall receive such amount from the Clearinghouse in Federal funds by no later than the time specified therefor by the Clearinghouse.

(2) By the deadline established by the Clearinghouse and in accordance with procedures as announced in notices issued by the Clearinghouse, a Settlement Bank must acknowledge to the Clearinghouse its Net Settlement Amount and (i) its intention to settle with the Clearinghouse its Net Settlement Amount by the applicable deadline, or (ii) its refusal to settle for one or more Clearing Members. A refusal to settle by a Settlement Bank for a particular Clearing Member is a refusal to settle all accounts of the Clearing Member.

Notwithstanding the foregoing, a Settlement Bank that is a Clearing Member and settles solely for its own account is not required to acknowledge its Variation Margin settlement obligation.

(3) If a Settlement Bank sends a refusal message in respect of one or more Clearing Members and its new Net Settlement Amount is a credit, it shall immediately acknowledge that amount. If its new Net Settlement Amount is a debit, it shall immediately acknowledge its intention to settle the new Net Settlement Amount with the Clearinghouse by the payment deadline.

(4) A Settlement Bank that is unable to transmit an acknowledgment or refusal message to the Clearinghouse because of operational difficulties may telephone its instructions to the Clearinghouse, using the number specified therefor by the Clearinghouse.

(5) DTC provides the Clearinghouse with services with respect to the Clearinghouse's settlement process as described herein. DTC acts as Settlement Agent (as that term is used in Federal Reserve Bank Operating Circular 12) for the Clearinghouse and for the Settlement Banks with respect to NSS, as the means of effecting settlement.

(6) Settlement Banks must settle their Net Settlement Amounts via NSS. The Settlement Agent will send a pre-advice to each Settlement Bank, notifying it that the Settlement Agent is about to send its NSS transmission to the relevant Federal Reserve Bank that will instruct such Federal Reserve Bank to debit or credit, as applicable, the Settlement Bank's account at the Federal Reserve Bank by the requisite amount.

(7) If a Settlement Bank is experiencing extenuating circumstances and, as a result, must opt out of NSS for one Business Day, the Settlement Bank must notify the Clearinghouse prior to the acknowledgment deadline. A Clearing Member that has appointed such Settlement Bank to act on its behalf shall in such circumstances remain obligated, pursuant to the Rules, to satisfy its Variation Margin obligations by the payment deadline and shall do so by causing such payment to be made to the depository institution designated by the Clearinghouse from time to time to receive such payment.

(8) No improper or unauthorized action, or failure to act, by a Settlement Bank or other depository institution on behalf of a Clearing Member shall excuse or otherwise affect such Clearing Member's obligations to the Clearinghouse pursuant to this Rule. Without limiting the generality of the foregoing:

(i) Each Settlement Bank shall monitor its Federal Reserve Bank account to ensure accuracy of debits and credits made through the NSS process. If the Settlement Bank's account at the Federal Reserve Bank has insufficient funds, DTC will receive notification from the Federal Reserve Bank that the account was not debited. The Clearinghouse will in such circumstances notify affected Clearing Members, who shall pay the required amounts by wire transfer of immediately available funds to the depository institution designated by the Clearinghouse for this purpose by the payment deadline.

(ii) In the event a Settlement Bank fails to make Variation Margin payments in the manner and at the time prescribed by the Clearinghouse, each Clearing Member represented by such Settlement Bank shall remain obligated to the Clearinghouse for such Clearing Member's Variation Margin payment. Such payment shall be made by

the payment deadline. If the Clearinghouse has made payment to a failed Settlement Bank, the Clearinghouse shall have no obligation to a Clearing Member that has appointed such Settlement Bank to act on its behalf for Variation Margin payments that were made by the Clearinghouse to the Settlement Bank for the account of such Clearing Member.

(iii) Pursuant to Federal Reserve Bank Operating Circular No. 12, an indemnity claim made by a Federal Reserve Bank as a result of processing Variation Margin payments and collections via NSS shall be apportioned by the Clearinghouse to the Clearing Members for whom the Settlement Bank to which the indemnity claim relates was acting. Such liability for each applicable Clearing Member shall be in proportion to the amount of all such Clearing Members' Net Settlement Amounts on the Business Day in question. If for any reason such allocation is not sufficient to fully satisfy the Federal Reserve Bank indemnity claim, the remaining loss shall be charged against the Guaranty Fund.

(9) Notwithstanding anything to the contrary in the Rules, on any Business Day on which a Clearing Member is notified by the Clearinghouse that it must deposit Original Margin or increase the amount of its Guaranty Fund deposit and the Clearing Member has Variation Margin due to it from the Clearinghouse, in lieu of paying Variation Margin to the Clearing Member, the Clearinghouse may retain the lesser of (x) the increase in the Original Margin and/or Guaranty Fund deposit or (y) such Variation Margin and apply such amount against the Clearing Member's Original Margin and/or Guaranty Fund obligations.

(c) The following entities shall be eligible to become Settlement Banks: (i) a bank or trust company that is a DTC Settling Bank as defined in FICC Government Securities Division Rule 1; (ii) a Clearing Member that is a bank, trust company or other entity and that has direct access to a relevant Federal Reserve Bank and the NSS; and (iii) any other bank or trust company that has direct access to a relevant Federal Reserve Bank and the NSS. Upon submission of such documentation as the Clearinghouse shall require, the Clearinghouse will determine whether to approve an entity as a Settlement Bank. An entity described in clause (i), (ii) or (iii) that desires to become a Settlement Bank shall sign and deliver to the Clearinghouse: (x) a Settlement Bank Agreement, in the form provided by the Clearinghouse, in which it shall agree to abide by the Rules applicable to Settlement Banks, agree to be bound by the provisions thereof (including any amendment thereto with respect to any transaction occurring subsequent to such time such amendment takes effect as fully as though such amendment were now a part of the Rules), and agree that the Clearinghouse shall have all the rights and remedies contemplated by the Rules; (y) an Appointment of Settlement Bank, in the form provided by the Clearinghouse, for each Clearing Member for which such Settlement Bank agrees to act as Settlement Bank; and (z) an agreement, in the form provided by the Clearinghouse, authorizing DTC to utilize NSS for funds-only settlement as the relevant Federal Reserve Bank may require.

(d) The following shall apply to all Settlement Banks:

(1) In addition to paragraph (b) of this Rule, this paragraph (d) and applicable provisions of Rule 101, the following Rules shall apply to Settlement Banks in the same manner as they apply to Clearing Members: Rule 207, Rule 303 (other than paragraph (b) thereof), Rule 304, Rule 501, Rule 601 through Rule 604, Rule 704, Rule 706, Rule 708, Rule 709 and Rule 712.

(2) A Settlement Bank that is a DTC Settling Bank or Clearing Member must maintain its status as such. A Settlement Bank that is not a DTC Settling Bank or Clearing Member must comply with such financial responsibility and operational capability standards as the Clearinghouse may establish from time to time.

(3) If required by the Clearinghouse, a Settlement Bank shall submit financial and other information as may be specified by the Clearinghouse from time to time.

(4) A Settlement Bank shall provide to the Clearinghouse written notice of its intention to terminate its status as a Settlement Bank or its representation of a Clearing Member. Such termination shall not be effective until accepted by the Clearinghouse, and affected Clearing Members shall be required to appoint replacement Settlement Banks prior to the effective date of termination.

(5) Based on its judgment that adequate cause exists to do so, the Clearinghouse may at any time terminate an entity's status as a Settlement Bank and its right to act as a Settlement Bank.

(6) A Settlement Bank's books and records relating to the Clearinghouse's settlement process shall be open to the inspection by duly authorized representatives of the Clearinghouse upon reasonable prior notice and during the Settlement Bank's normal business hours.

(7) Each Settlement Bank shall comply in all material respects with all applicable law, including applicable laws relating to taxation and anti-money laundering in connection with its activities as a Settlement Bank.

(8) Each Settlement Bank shall fulfill, within the timeframes established by the Clearinghouse, any operational testing requirements (the scope of such testing to be determined by the Clearinghouse in its sole discretion) and related reporting requirements that may be imposed by the Clearinghouse from time to time to ensure the continuing operational capability of the Settlement Bank.

Rule 404. Settlement Prices

As used in the Rules, the term "Settlement Price" means the settlement price for a Contract for each Contract for which positions remain open, as determined: (i) intra-day by the Clearinghouse based upon prices of Contracts made on the Exchange and other sources of information deemed reliable by the Clearinghouse; and (ii) by the Exchange in accordance with its rules at the close of trading on each Business Day, except in the case of manifest error or where the Clearinghouse believes that such settlement price does not reasonably reflect the value or price of the Contract, in which case the Clearinghouse, using its best efforts to consult with the Exchange, shall determine the official settlement price; provided, that the Clearinghouse shall in such circumstances promptly notify the Exchange and Clearing Members, and the reasons for that determination and the basis for the Settlement Price determined by the Clearinghouse shall be published in a notice to the Exchange and Clearing Members.

Rule 405. Long Position Reports

Clearing Members shall maintain and submit, at such times and in such manner as shall be prescribed by the Clearinghouse, a complete and accurate record of dates of all open purchases in

Contracts that are settled by physical delivery where the rules of the Exchange permit delivery to be made on more than one Business Day. Unless otherwise provided by the Clearinghouse, beginning on the day following the first day on which holders of long positions may be assigned delivery notices, all purchases and sales made in one day in the lead month Contract by a Person holding a long position in that Contract must first be netted out as day trades with only the excess buys being considered new long positions or the excess sales being considered offsets of the long position.

Rule 406. Offsets

Where, as the result of novation under Rule 401, a Clearing Member has bought and sold a Contract on or subject to the Rules of an Exchange with the same delivery month or a put or call option with the same strike price and expiration month, the purchase and sale will be offset by the Clearinghouse either automatically or, where the Clearinghouse has not offset such positions, through the timely submission of instructions by the Clearing Member containing such information as the Clearinghouse may require in accordance with its procedures. A Clearing Member shall be required to pay the loss or entitled to collect the profit, as the case may be, upon such offsetting transactions, and shall have no further rights or be under any further obligation with respect thereto. For purposes of this Rule, the first Contracts made shall be deemed the first Contracts offset.

Rule 407. Deliveries

Deliveries of Eligible Securities in satisfaction of Contracts shall be effected through FICC in accordance with its rules. The Clearinghouse shall cease to have any obligation for the performance of a Contract upon the receipt by FICC of instructions from the Clearinghouse relating thereto.

Rule 408. Cash Settlement

After trading ceases on the last day of trading for a Contract that is cash-settled, any open positions in Contracts will be settled in cash at the Settlement Price established therefor.

Rule 409. Transfers of Contracts [Amended 08/31/2011]

(a) Trades and positions may be transferred on the books of a Clearing Member or from one Clearing Member to another Clearing Member provided that:

(1) the transfer constitutes a change from one account to another account where the underlying beneficial ownership in such accounts remains the same;

(2) an error has occurred in the clearing of a trade and a transfer to correct such error is undertaken and is completed within two Business Days after the trade date;

(3) the transfer is in connection with, or as a result of, a merger, asset purchase, consolidation or similar non-recurring transaction between two or more entities where one or more entities become the successor in interest to one or more other entities; or

(4) if, in the judgment of the Clearinghouse, the situation so requires and such transfer is in the best interest of the Clearinghouse.

(b) Any transfer that is permitted pursuant to this Rule of a Contract that is physically settled must be recorded and carried on the books of the receiving Clearing Member at the original trade date(s); any transfer that is permitted pursuant to this Rule of a Contract that is not physically settled may be recorded and carried on the books of the receiving Clearing Member at the original trade date(s) or at the transfer date. Unless the Clearinghouse determines that it would be contrary to the best interests of the Clearinghouse, futures Contracts may be transferred using either the original trade price or the prior Business Day's Settlement Price and options Contracts may be transferred using either the original trade price or a trade price of zero.

Rule 410. Customer Accounts [*Amended 01-04-2012*]

(a) Clearing Members shall collect Initial Margin from Customers as required by the Clearinghouse. A Clearing Member may for this purpose net offsetting positions (if any) of a given Customer, but shall not permit the positions of one Customer to reduce the Initial Margin obligation of any other Customer.

(b) A Clearing Member shall not permit a Customer to withdraw money, securities or other property from such Customer's account with the Clearing Member unless the net liquidating equity plus Initial Margin in such Customer's account with the Clearing Member after such withdrawal would be sufficient to satisfy Initial Margin requirements with respect to all Contracts held in such Customer's account with the Clearing Member.

(c) ~~(a)~~—A Clearing Member required by law to segregate Customer transactions with the Clearinghouse shall maintain a segregated Customer Account for that purpose and shall comply with CFTC Regulations 1.20 through 1.30, 1.32, 1.36 and 1.49; as applicable. When so designated by the Clearing Member, the Customer Account shall be treated as to Margin and all other operations separately from the proprietary accounts of the Clearing Member, except that (i) excess funds in the proprietary accounts of the Clearing Member may be allocated by the Clearinghouse to the Customer Account to the extent necessary to meet applicable Margin requirements, and (ii) if the Clearing Member is in Default under Rule 503 or for any reason ceases to be a Clearing Member, the balance in the proprietary accounts of the Clearing Member may be applied against any deficit in the Customer Account. The Clearinghouse shall maintain all funds held in Customer Accounts in accordance with the CEA and CFTC regulations.

(d) ~~(b)~~—The Clearinghouse will, upon request by a Customer, promptly transfer, from the Customer Account of one Clearing Member (the "Transferor Clearing Member") to the Customer Account of another Clearing Member (the "Transferee Clearing Member"), all or a portion of such Customer's Contracts if:

(1) The Customer delivers to the Transferor Clearing Member a request, in form and substance satisfactory to the Clearinghouse, to effect the transfer of all or a specified portion of such Customer's Contracts and the Margin associated therewith to the Transferee Clearing Member ("Customer Request");

(2) The Transferor Clearing Member does not, within two Business Days following its receipt of the Customer Request, provide written notice to the Clearinghouse to the effect that the Customer's account on the books of the Transferor Clearing Member is not, or after giving effect to the Customer Request would not be, in compliance with applicable margin, performance bond or other collateral requirements;

(3) The Transferee Clearing Member provides written confirmation to the Clearinghouse that it consents to the transfers contemplated by the Customer Request and that giving effect thereto will not, to the knowledge of the Transferee Clearing Member, result in such Customer being undermargined on the books of the Transferee Clearing Member; and

(4) Neither the Transferee Clearing Member nor the Transferor Clearing Member is in Default or has been suspended pursuant to Rule 601.

Without prejudice to its right to provide notice pursuant to paragraph (2), the Transferor Clearing Member shall transmit the Customer Request to the Clearinghouse promptly upon receipt thereof by the Transferor Clearing Member. If the Customer Request relates to all of the Customer's Contracts on the books of the Transferee Clearing Member, the Clearinghouse will transfer any Margin associated therewith to the Transferee Clearing Member. If the Customer Request relates to fewer than all of the Contracts carried on the books of the Transferor Clearing Member for such Customer, the Clearinghouse will determine the Margin required for those Contracts that will remain in the Customer Account of the Transferor Clearing Member (the "Residual Margin Requirement") and transfer to the Transferee Clearing Member any Margin held by the Clearinghouse for all such Contracts being transferred, less the Residual Margin Requirement.

Rule 411. Cross-Margining

(a) General

(1) The Clearinghouse may enter into a Cross-Margining Agreement pursuant to which a Joint Clearing Member or a Clearing Member and its Cross-Margining Affiliate may, at the discretion of the Clearinghouse and in accordance with the provisions of the Rules, elect to have its or their Margin requirement in respect of Eligible Positions at the Clearinghouse and at FICC calculated by taking into consideration the net risk of such Eligible Positions at both clearing organizations. The following provisions of this Rule and the provisions of the Cross-Margining Agreement and the Cross-Margining Participant Agreement, which shall be deemed to be Rules, shall be applicable to any such Clearing Member.

(2) A Clearing Member desiring to elect cross-margining as described in this Rule shall execute a Cross-Margining Participant Agreement and such other documents as the Clearinghouse may specify. Such election shall be subject to the approval of the Clearinghouse and FICC and shall remain in effect until the applicable Cross-Margining Participant Agreement is terminated in accordance with its terms. Failure to comply with the terms of such Agreement may constitute an act detrimental to the interest or welfare of the Clearinghouse and result in the suspension or termination of clearing privileges.

(3) A Clearing Member that is an affiliate of a Clearing Member that elects cross-margining will be deemed to have consented to provisions of the Cross-Margining Agreement that permit or require the Clearinghouse to furnish information relating to such non-cross-margining Clearing Member to FICC.

(4) The provisions of this Rule shall apply to all Contracts and positions held pursuant to a Cross-Margining Participant Agreement and shall supersede all other provisions of the Rules to the extent inconsistent therewith.

(b) Margin for Cross-Margin Positions

Margin requirements for cross-margined positions shall be determined as set forth in the Cross-Margining Agreement, which Agreement shall govern the forms of Margin that are permitted and how such Margin is held.

(c) Close-Out of Cross-Margin Positions

The cross-margin account of a Clearing Member may be liquidated by the Clearinghouse at the request of FICC, whether or not the Clearinghouse suspends such Clearing Member. Upon the suspension of a Joint Clearing Member, or upon receiving notice from FICC of its suspension of a Clearing Member or its Cross-Margining Affiliate, the Clearinghouse shall, in addition to the rights otherwise conferred by the Rules, have the right to liquidate the positions in the cross-margin account, convert the Margin in such account to cash, and dispose of the proceeds thereof, in accordance with the terms of the Cross-Margining Agreement, the Cross-Margining Participant Agreement and the Rules.

(d) Payment Obligations

(1) In addition to a Clearing Member's other obligations to the Clearinghouse under the Rules, in the event that the Clearinghouse becomes obligated to make a Cross-Margin Payment to FICC under the Cross-Margining Agreement, the Clearing Member responsible therefor shall thereupon immediately be obligated, whether or not the Clearinghouse has then made payment to FICC, to pay to the Clearinghouse an amount equal to the Cross-Margin Payment.

(2) The Clearinghouse shall either:

(i) apply any Cross-Margin Payment received by the Clearinghouse in accordance with the Cross-Margining Agreement: (i) to the unpaid obligations of the Clearing Member to the Clearinghouse, and (ii) to reduce the assessments made or that otherwise would be made against other Clearing Members pursuant to Rule 504(b) (each, a "Cross-Margin Beneficiary Member"); or

(ii) retain any Cross-Margin Payment received by the Clearinghouse and not apply such Cross-Margin Payment to reduce any such assessments against the Cross-Margin Beneficiary Members until the Clearinghouse determines that the Clearinghouse is no longer liable for any Cross-Margin Repayment, at which point the Cross-Margin Payment shall be treated as an amount that has been recovered and will be credited ratably to the account of the Cross-Margin Beneficiary Members.

(e) Except to the extent the Clearinghouse otherwise determines: (1) in addition to the other deposits to the Guaranty Fund, a Cross-Margin Beneficiary Member shall be required to make a deposit to the Guaranty Fund (a "Cross-Margin Repayment Deposit") in an amount equal to the amount of the reduction in the assessment made or that otherwise would have been made against such Cross-Margin Beneficiary Member if the Clearinghouse had not received a Cross-Margin Payment, and (2) such Cross-Margin Repayment Deposit shall be retained by the Clearinghouse for so long as the Clearinghouse determines that it may be liable for a Cross-Guaranty Repayment.

(f) Except to the extent the Clearinghouse otherwise determines: (1) if the Clearinghouse makes a Cross-Margin Repayment in respect of any Cross-Margin Payment, the appropriate

Cross-Margin Beneficiary Members shall be obligated to reimburse the Clearinghouse for such Cross-Margin Repayment pro rata up to the full amount of such Cross-Margin Repayment Deposits, and (2) the Clearinghouse shall be entitled to apply the deposits of their respective Cross-Margin Beneficiary Members to the Guaranty Fund in satisfaction of such obligation to reimburse the Clearinghouse.

(g) As used in this Rule 411:

(1) The term “Cross-Margin Payment” means any payment, other than a Cross-Guaranty Repayment, that the Clearinghouse makes or receives pursuant to the Cross-Margining Agreement.

(2) The term “Cross-Margin Repayment” means (i) any amount of a Cross-Margin Payment received by the Clearinghouse that the Clearinghouse (A) repays to FICC pursuant to the Cross-Margining Agreement or (B) pays over to a Clearing Member or its legal representative pursuant to a court order or judgment, or (ii) any amount of a Cross-Margin Payment made by the Clearinghouse that the Clearinghouse receives back from FICC pursuant to a Cross-Margining Agreement.

CHAPTER 5. OBLIGATIONS OF THE CLEARINGHOUSE

Rule 501. Limitation of Liability

(a) The liability of the Clearinghouse relating to or arising out of Contracts shall be limited to losses resulting from the novation of the Contracts in accordance with the Rules. Subject to the foregoing, the Clearinghouse shall not be responsible for any action taken, or any delay or failure to take any action, hereunder or otherwise to fulfill the Clearinghouse's obligations to Clearing Members, other than for losses caused directly by the Clearinghouse's gross negligence or willful misconduct and shall not be liable for any other obligations, including but not limited to obligations of a non-Clearing Member, obligations of a Clearing Member to a Customer or other non-Clearing Member or obligations of a Clearing Member to another Clearing Member that is acting for it as broker; nor shall the Clearinghouse become liable to make deliveries to or accept deliveries from Clearing Members or Customers. Under no circumstances will the Clearinghouse be liable for the acts, delays, omissions, bankruptcy, or insolvency, of any third party, including, without limitation, any depository, custodian, subcustodian, clearing or settlement system unless the Clearinghouse was grossly negligent or engaged in willful misconduct. Under no circumstances will the Clearinghouse be liable for any indirect, consequential, incidental, special, punitive or exemplary loss or damage (including, but not limited to, loss of business, loss of profits, trading losses, loss of opportunity and loss of use) howsoever suffered or incurred, regardless of whether the Clearinghouse has been advised of the possibility of such damages or whether such damages otherwise could have been foreseen or prevented.

(b) Except as otherwise expressly provided by written agreement between the Clearinghouse and any other entity, including FICC:

(1) the Clearinghouse shall not be liable for any obligations of such other entity nor shall any funds or any other assets of the Clearinghouse be available to such other entity (or any Person claiming through such other entity) for any purpose, and no Clearing Member shall assert against the Clearinghouse any claim based upon any obligations of any other entity to such Clearing Member; and

(2) such other entity shall not be liable for any obligations of the Clearinghouse nor shall any funds or any other assets of such other entity be available to the Clearinghouse (or any Person claiming through the Clearinghouse) for any purpose, and no Clearing Member shall assert against such other entity any claim based upon any obligations of the Clearinghouse to such Clearing Member.

(c) The Clearinghouse may accept and rely upon any information or instruction given to the Clearinghouse by a Clearing Member or its Authorized Representative, which reasonably is understood by the Clearinghouse to have been delivered to the Clearinghouse by the Clearing Member and such Clearing Member shall indemnify the Clearinghouse, and any of its employees, officers, directors, members, agents and Clearing Members against any loss, liability or expense as a result of any act done in reliance upon the authenticity of any information or instruction received by the Clearinghouse, the inaccuracy of the information contained therein or effecting transactions in reliance upon such information or instruction.

(d) A Clearing Member shall reimburse the Clearinghouse for all fees, expenses, charges and costs assessed by a depository against the Clearinghouse with respect to Margin maintained in such Clearing Member's account, and the Clearinghouse shall not have any obligation or

responsibility to preserve, protect, collect or realize upon, and under no circumstances shall the Clearinghouse be liable for, any loss or diminution in value or depreciation in Margin deposited by Clearing Members. Clearing Members that deposit Margin with a Clearing Bank pursuant to the Rules shall hold the Clearinghouse harmless from all liability, losses and damages which may result from or arise with respect to the care and sale of such Margin.

(e) Any obligation of the Clearinghouse to a Clearing Member arising from a Contract or from any provision of the Rules shall be subject to all the terms of the Rules, including the setoff and other rights set forth herein. The rights of the Clearinghouse set forth herein shall be in addition to other rights that the Clearinghouse may have under applicable law and governmental regulations, other provisions of the Rules, additional agreements with the Clearing Member or any other source.

Rule 502. Liens Held by the Clearinghouse

The Clearinghouse shall have a first lien and perfected security interest in, and right of setoff against, all Margin, Guaranty Fund deposits, Contracts, collateral and other property held in or for the accounts of a Clearing Member in connection with its Obligations and all proceeds of any of the foregoing. The Clearinghouse may assign, pledge, repledge or otherwise create a lien on or security interest in, and enter into repurchase agreements involving, Margin, Guaranty Fund deposits, Contracts, collateral and other property held in or for the accounts of a Clearing Member to secure the repayment of funds that may be borrowed by the Clearinghouse.

Rule 503. Clearing Member Default; Application of Clearinghouse Resources

(a) If a Clearing Member is in Default, its Margin, Guaranty Fund deposit and any other assets held by, pledged to or otherwise available to the Clearinghouse, including any guarantee issued pursuant to Rule 307, shall be applied by the Clearinghouse to discharge the Obligations of such Clearing Member to the Clearinghouse (including any amounts owed by the Clearinghouse to FICC under the Cross-Margining Agreement, and costs and expenses associated with the liquidation, transfer or management of Contracts held in or for the accounts of such Clearing Member, and any fees, assessments or fines imposed by the Clearinghouse on such Clearing Member), and the Clearinghouse may cause all Contracts of such Clearing Member (whether or not carried in a Customer Account) to be closed or offset, transferred to any other Clearing Member, or otherwise resolved as provided in Rule 601. If a Clearing Member that is in Default is a party to a Cross-Margining Participant Agreement, the Clearing Member's Contracts and Margin and the positions and margin deposits of its Cross-Margining Affiliate, if applicable, in either case in an account established pursuant to the Cross-Margining Participant Agreement, shall be considered assets of the Clearing Member available to the Clearinghouse to the extent provided in the Cross-Margining Agreement.

(b) If the Margin, Guaranty Fund deposit and other assets held by, pledged to or otherwise available to the Clearinghouse, including any guarantee issued pursuant to Rule 307, are insufficient to satisfy the defaulting Clearing Member's Obligations to the Clearinghouse after giving effect to the application of such amounts pursuant to paragraph (a), such defaulting Clearing Member shall continue to be liable therefor. In such event, the amount of the deficiency, exclusive of any fees, assessments and fines that may have been imposed by the Clearinghouse (the "Clearing Member Deficiency") shall, until collected, be met from the following sources of

funds, with each such source being completely exhausted, to the extent practicable, before the next following source is applied:

(1) twenty-five percent of the Retained Earnings of the Clearinghouse;

(2) the Guaranty Fund deposits of all Clearing Members (other than a Clearing Member that is in Default), in direct proportion to the total Guaranty Fund deposits of each Clearing Member (other than a Clearing Member that is in Default);

(3) cash operating surplus of the Clearinghouse for the current year in excess of amounts necessary for normal operations remaining after the deduction required by subparagraph (1);

(4) the NYSE Guaranty; and

(5) assessments levied by the Clearinghouse upon all the Clearing Members (other than the Clearing Member that is in Default) as provided in Rule 504(b).

(c) In closing, offsetting, transferring or otherwise resolving the Contracts of a Clearing Member as provided herein and in Rule 601, the Clearinghouse shall have the right:

(1) with respect to Contracts in a Customer Account of such Clearing Member, to set off (i) any proceeds received by the Clearinghouse from the disposition of such Contracts and any property or proceeds thereof deposited with or held by the Clearinghouse as Margin for such account against (ii) any amounts paid by the Clearinghouse in the disposition of such Contracts, including any commissions or other losses or expenses incurred in connection therewith or in connection with the liquidation of Margin deposits in such Customer Account and any other amounts owed to the Clearinghouse as a result of transactions in the Customer Account or otherwise lawfully chargeable against the Customer Account; and

(2) with respect to the Contracts in any other account of such Clearing Member, to set off (i) any proceeds received by the Clearinghouse from the disposition of such Contracts, any property or proceeds thereof deposited with or held by the Clearinghouse as Margin for such accounts and any other property of the Clearing Member within the possession or control of the Clearinghouse other than property that has been identified by such Clearing Member as required to be segregated as provided for in Rule 410, against (ii) any amounts paid by the Clearinghouse in the disposition of such Contracts, including any commissions or other losses or expenses incurred in connection therewith or in connection with the liquidation of Margin deposits in such accounts, and any other Obligations of the Clearing Member to the Clearinghouse, including Obligations of the Clearing Member to the Clearinghouse remaining after the setoffs referred to in paragraph (1) above, and any Obligations arising from any other accounts maintained by the Clearing Member with the Clearinghouse.

(d) For purposes of this Rule, each Default by a Clearing Member will be considered a separate Default.

(e) If a Clearing Member is in Default and a payment is made to the Clearinghouse pursuant to the NYSE Guaranty, the Clearinghouse may assign to NYSE Euronext all of the Clearinghouse's rights and remedies against such Clearing Member under the Rules and the Clearinghouse's agreements with such Clearing Member. Upon such assignment, NYSE

Euronext shall have such rights and remedies, and may bring a claim in its own name, to pursue recovery of any amounts paid by NYSE Euronext under the NYSE Guaranty.

(f) A Clearing Member shall take no action, including but not limited to attempting to obtain a court order, that would interfere with the ability of the Clearinghouse or, as provided in paragraph (e), NYSE Euronext to exercise its rights under the Rules and its agreements with such Clearing Member.

Rule 504. Guaranty Fund

(a) Each Clearing Member shall deposit and maintain a contribution to the Guaranty Fund in such form and in such amount as determined by the Clearinghouse from time to time. The Clearinghouse shall determine the appropriate size of the Guaranty Fund. If at any time the Clearing Member does not have a sufficient deposit in the Guaranty Fund, any such deficiency shall remain a liability of the Clearing Member to the Clearinghouse, which it may collect from any other assets of such Clearing Member or by legal process. Additionally, the Clearinghouse may deposit, or may cause to be deposited, such amount to the Guaranty Fund as it determines, which amount shall not be subject to the restrictions on return set forth in paragraph (4) below.

(1) Calculation

The amount required to be deposited by each Clearing Member shall be determined by a formula that reflects certain components of risk and volume and shall be calculated by the Clearinghouse daily. A Clearing Member whose requirement has increased relative to its current contribution shall be required to deposit cash, securities or other property acceptable to the Clearinghouse to remedy such deficiency, subject to certain thresholds established by the Clearinghouse from time to time. A Clearing Member whose Guaranty Fund requirement has decreased relative to its current contribution may withdraw its excess contribution upon request and at intervals established by the Clearinghouse from time to time.

(2) Custody

(i) The Guaranty Fund shall be deposited in a special account in the name of the Clearinghouse in such depositories or other acceptable locations as may be designated by the Clearinghouse.

(ii) The Clearinghouse shall be empowered to invest and reinvest all or part of the funds constituting the Guaranty Fund. Such investments and deposits shall be for the account and risk of the Clearinghouse, and any income and gains on such investments and interest on such deposits shall belong to the Clearinghouse and may be withdrawn from the Guaranty Fund and deposited with the general funds of the Clearinghouse. No interest shall be paid to any Clearing Member on any funds deposited in the Guaranty Fund.

(3) Impairment

If the Guaranty Fund or any part thereof shall be lost or become unavailable from any cause other than the Default of the depositing Clearing Member, the amount so lost or made unavailable shall be forthwith restored by transferring thereto such of the surplus funds of the Clearinghouse as may be necessary, except such amount as the Clearinghouse may, in its discretion, decide to retain as surplus for future operating

expenses, and if the amount thus transferred from surplus is insufficient to cover the entire loss, the balance of such loss shall be made up by an assessment upon each Clearing Member pursuant to paragraph (b). Such assessment shall be paid by a Clearing Member immediately after the issuance of notice to such Clearing Member.

(4) Return of Clearing Member Guaranty Fund Deposit

After a Clearing Member ceases to be a Clearing Member of the Clearinghouse and after all Obligations of such Clearing Member to the Clearinghouse shall have been discharged in full, the amount of the Guaranty Fund to which such Clearing Member is entitled shall be returned. Expenses incurred by the Clearinghouse in connection with a Clearing Member's deposit or the return thereof may be charged to the Clearing Member.

(5) Certain Borrowings

(i) The Clearinghouse may at any time and from time to time assign, pledge, repledge or otherwise create a lien on or security interest in the Guaranty Fund and/or the cash, securities and other property held in the Guaranty Fund to secure the repayment of funds borrowed by the Clearinghouse and any interest, fees and other amounts payable in connection therewith.

(ii) Any funds so borrowed shall be used and applied by the Clearinghouse solely for the purposes for which cash, securities and other property held in the Guaranty Fund are authorized to be used pursuant to the Rules; provided that the failure of the Clearinghouse to use such funds in accordance with this Rule shall not impair any of the rights or remedies of any assignee, pledgee or holder of any such lien or security interest.

(iii) Any such borrowing shall be on terms and conditions deemed necessary or advisable by the Clearinghouse, and may be in amounts greater, and extend for periods of time longer than the Obligations, if any, of any Clearing Member to the Clearinghouse for which such cash, securities or other property was pledged to or deposited with the Clearinghouse.

(iv) Cash, securities and other property held in the Guaranty Fund shall remain the property of the Clearing Members depositing such cash securities and other property, except that:

(A) such property shall be subject to the rights and powers of the Clearinghouse with respect thereto as set forth in the Rules and the agreements between such Clearing Member and the Clearinghouse, including any Cross-Margining Participant Agreement; and

(B) such property shall be subject to the rights and powers of any Person to which the Guaranty Fund or any of the cash, securities or other property held therein shall have been assigned, pledged, repledged or otherwise subjected to a lien or security interest.

(b) Clearing Member Assessment

(1) The balance of the Clearinghouse loss remaining after application of the funds set forth in Rule 503(b)(1) through Rule 503(b)(4) shall be assessed against all Clearing

Members (excluding any Clearing Member that is in Default). Each Clearing Member (excluding any Clearing Member that is in Default) shall be subject to an assessment in an amount, as determined by the Clearinghouse, that is proportional to such Clearing Member's Guaranty Fund requirement compared to the total Guaranty Fund requirement of all Clearing Members.

(2) Notwithstanding the foregoing and except as provided for below, a Clearing Member will not be liable to make good more than an additional 100% of the amount of its Guaranty Fund requirement, as calculated by the Clearinghouse pursuant to paragraph (a) prior to the Default that gave rise to the assessment, if (i) within five business days following such assessment, the Clearing Member notifies the Clearinghouse in writing that it is terminating its status as a Clearing Member, (ii) no Contracts are submitted for clearing through any of the Clearing Member's accounts after the giving of such notice other than for the purpose of liquidating open positions, and (iii) the Clearing Member closes out or transfers all of its open positions with the Clearinghouse as promptly as practicable after the giving of such notice; provided, that a Clearing Member which so terminates its status as a Clearing Member shall be ineligible to be readmitted to the Clearinghouse unless the Clearing Member agrees to such reimbursement of the persons who were Clearing Members at the time of such termination as the Clearinghouse deems fair and equitable in the circumstances. A Clearing Member that has satisfied the foregoing conditions shall not be subject to assessment under this paragraph (b) for a Default that occurs after the time such Clearing Member has notified the Clearinghouse that it is terminating its status as a Clearing Member.

(3) The difference, if any, between the amount that would be assessed against any Clearing Member pursuant to subparagraph (1) and subparagraph (2) shall be considered a deficiency and shall be assessed against Clearing Members (other than a Clearing Member that is in Default and any Clearing Member that has paid the maximum amount set forth in subparagraph (2)) in accordance with paragraph (1) of this Rule until the entire deficiency is paid or every Clearing Member (other than a Clearing Member that is in Default or a Clearing Member that has paid the maximum amount set forth in subparagraph (2)) has paid the amount set forth in subparagraph (2).

(4) A Clearing Member shall pay the amount of any assessment made pursuant to this Rule in immediately available funds not later than one Business Day after written notice of such assessment shall have been delivered to such Clearing Member. Any Clearing Member that does not satisfy an assessment timely and in full shall be in Default. Any Clearinghouse loss that remains as a result of such Default shall be assessed to the non-defaulting Clearing Members.

Rule 505. Cross-Guaranty Agreements

(a) The Clearinghouse may, from time to time, enter into one or more Cross-Guaranty Agreements.

(b) In addition to a Clearing Member's other obligations to the Clearinghouse under the Rules, a Cross-Guaranty Defaulting Member on whose account the Clearinghouse has made a Cross-Guaranty Payment shall be obligated to the Clearinghouse for the amount of such Cross-

Guaranty Payment less the amount of any Cross-Guaranty Repayment received by the Clearinghouse in respect thereof.

(c) The Clearinghouse shall either:

(1) apply any Cross-Guaranty Payment received by the Clearinghouse on account of a Cross-Guaranty Defaulting Member: (i) to the unpaid obligations of such Cross-Guaranty Defaulting Member to the Clearinghouse, and (ii) to reduce the assessments made or that otherwise would be made against other Clearing Members pursuant to Rule 504(b) (each, a "Cross-Guaranty Beneficiary Member"); or

(2) retain any Cross-Guaranty Payment received by the Clearinghouse and not apply such Cross-Guaranty Payment to reduce any such assessments against other Clearing Members until the Clearinghouse determines that the Clearinghouse is no longer liable for any Cross-Guaranty Repayment, at which point the Cross-Guaranty Payment shall be treated as an amount that has been recovered and will be credited ratably to the account of Cross-Guaranty Beneficiary Members.

(d) Except to the extent the Clearinghouse otherwise determines, (1) in addition to the other deposits to the Guaranty Fund, a Cross-Guaranty Beneficiary Member shall be required to make a deposit to the Guaranty Fund (a "Cross-Guaranty Repayment Deposit") in an amount equal to the amount of the reduction in the assessment made or that otherwise would have been made against such Cross-Guaranty Beneficiary Member if the Clearinghouse had not received a Cross-Guaranty Payment on account of a Cross-Guaranty Defaulting Member and (2) such Cross-Guaranty Repayment Deposit shall be retained by the Clearinghouse for so long as the Clearinghouse determines that it may be liable for a Cross-Guaranty Repayment.

(e) Except to the extent the Clearinghouse otherwise determines, (1) if the Clearinghouse makes a Cross-Guaranty Repayment in respect of any Cross-Guaranty Payment, the appropriate Cross-Guaranty Beneficiary Members shall be obligated to reimburse the Clearinghouse for such Cross-Guaranty Repayment pro rata up to the full amount of their respective Cross-Guaranty Repayment Deposits, and (2) the Clearinghouse shall be entitled to apply the deposits of such Cross-Guaranty Beneficiary Members to the Guaranty Fund in satisfaction of such obligation to reimburse the Clearinghouse.

(f) As used in this Rule 505:

(1) The term "Cross-Guaranty Payment" means any payment, other than a Cross-Guaranty Repayment, that the Clearinghouse makes or receives pursuant to a Cross-Guaranty Agreement.

(2) The term "Cross-Guaranty Repayment" means (i) any amount of a Cross-Guaranty Payment received by the Clearinghouse that the Clearinghouse (A) repays to a Cross-Guaranty Counterparty pursuant to a Cross-Guaranty Agreement or (B) pays over to a Cross-Guaranty Defaulting Member or its legal representative pursuant to a court order or judgment, or (ii) any amount of a Cross-Guaranty Payment made by the Clearinghouse that the Clearinghouse receives back from a Cross-Guaranty Counterparty pursuant to a Cross-Guaranty Agreement.

Rule 506. Close-Out Netting [*Amended 01-04-2012*]

(a) Insolvency of the Clearinghouse

If at any time the Clearinghouse: (i) is dissolved (other than pursuant to a consolidation, amalgamation or merger), (ii) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or presents or has presented against it a petition for its winding up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for the Clearinghouse's winding-up or liquidation that remains unstayed for a period of at least 90 days from the issue thereof, (iii) approves resolutions authorizing any proceeding or petition described in clause (ii) above or (iv) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all of its assets, which if not sought by the Clearinghouse, remains unstayed for a period of at least 90 days from the issue thereof (any such event, a "Bankruptcy Event"), all open positions in the Clearinghouse shall be closed promptly.

(b) Default of the Clearinghouse

If at any time the Clearinghouse fails to comply with an undisputed obligation to pay money or deliver property to a Clearing Member that is due and owing in connection with a transaction on the Clearinghouse or cleared by the Clearinghouse, for a period of 30 days from the date that the Clearinghouse receives notice from the Clearing Member of the past due obligation, the Clearing Member's open proprietary and Customer positions at the Clearinghouse shall, at the election of that Clearing Member, be closed promptly.

(c) Netting and Close Out

As promptly as reasonably practicable, but in any event within 30 days of the time that the Clearing Member's positions are closed in accordance with paragraph (a) or (b) of this Rule, the obligations of the Clearinghouse to such Clearing Member in respect of all of its proprietary positions, accounts, collateral and deposits to the Guaranty Fund shall be netted, in accordance with the Bankruptcy Code, the CEA and the regulations adopted thereunder in each case, against the obligations of that Clearing Member in respect of its proprietary positions, accounts, collateral and its obligations to the Guaranty Fund to the Clearinghouse. All obligations of the Clearinghouse to such Clearing Member in respect of its Customer positions, accounts, and collateral shall be separately netted against the positions, accounts and collateral of its Customers in accordance with the requirements of the Bankruptcy Code, the CEA and the regulations adopted thereunder. Any amounts due upon such netting shall be promptly paid from the applicable Clearing Member to the Clearinghouse or from the Clearinghouse to the applicable Clearing Member, as the case may be. At the time a Bankruptcy Event takes place or the time a Clearing Member elects to have its open positions closed as described in paragraph (b) of this Rule, the authority of the Clearinghouse, pursuant to Rule 504(b), to make new assessments and/or require each Clearing Member or the applicable Clearing Member, as the case may be, to cure a deficiency in its Guaranty Fund deposit, arising after the Bankruptcy Event or election, as

the case may be, shall terminate, and each applicable position open immediately prior to the close-out shall be valued in accordance with the procedures of paragraph (d) of this Rule.

(d) Valuation

Whenever a Clearing Member's positions are closed in accordance with paragraph (a) or (b) of this Rule, the Clearinghouse shall fix a U.S. dollar amount (the "Close-out Amount") to be paid to or received from the Clearinghouse with respect to each position in each account of such Clearing Member. In fixing Close-out Amounts, the Clearinghouse shall exercise its discretion, acting in good faith and in a commercially reasonable manner, in adopting methods of valuation expected to produce reasonably accurate substitutes for the values that would have been obtained from the relevant market if it were operating normally, including but not limited to the use of pricing models to determine a value for a cleared Contract based on the market price of the underlying interest or the market prices of its components. In determining a Close-out Amount, the Clearinghouse may consider any information that it deems relevant, including, but not limited to, any of the following:

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

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

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

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

Amounts stated in a currency other than U.S. dollars shall be converted to U.S. dollars at the current rate of exchange, as determined by the Clearinghouse.

(e) Interpretation in Relation to FDICIA

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

(1) The Clearinghouse is a "clearing organization."

(2) An obligation of a Clearing Member to make a payment to the Clearinghouse, or of the Clearinghouse to make a payment to a Clearing Member, subject to a netting agreement, is a "covered clearing obligation" and a "covered contractual payment obligation."

(3) An entitlement of a Clearing Member to receive a payment from the Clearinghouse, or of the Clearinghouse to receive a payment from a Clearing Member, subject to a netting contract, is a "covered contractual payment entitlement."

(4) The Clearinghouse is a "member," and each Clearing Member is a "member."

(5) The amount by which the covered contractual payment entitlements of a Clearing Member or the Clearinghouse exceed the covered contractual payment obligations of such

Clearing Member or the Clearinghouse after netting under a netting contract is its “net entitlement.”

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

(7) The Rules of the Clearinghouse, including this Rule 506, are a “netting contract.”

(f) Cross-Margining Agreement

If a Bankruptcy Event should occur, the Clearinghouse shall immediately seek to exercise its authority under the Cross-Margining Agreement to cause the immediate liquidation of all assets and liabilities in all cross-margining accounts of each Clearing Member subject to such Agreement and to reduce all such accounts to a single net obligation to or from such Clearing Member or its Cross-Margining Affiliate to be settled in accordance with the terms of the Cross-Margining Agreement.

CHAPTER 6. SUSPENSION; DISCIPLINARY PROCEEDINGS

Rule 601. Suspension

(a) General

The Board or the Risk Committee may summarily suspend any Clearing Member if the Clearing Member or its Cross-Margining Affiliate:

(1) is in Default; or

(2) The Board or the Risk Committee may summarily suspend any Clearing Member if the Clearing Member or its Cross-Margining Affiliate is in Default or is in such financial or operating difficulty or is not in compliance with the Rules, such that the Board or the Risk Committee determines that suspension is necessary for the protection of the Clearinghouse, other Clearing Members, or the general public.

(b) Notice of Suspension to Clearing Members

Upon the suspension of a Clearing Member, the Clearinghouse shall as soon as possible notify all Clearing Members of the suspension. Such notice shall state to the extent practicable in general terms how pending transactions, open positions and other pending matters will be affected and what steps are to be taken in connection therewith.

(c) Pending Transactions

Notwithstanding any other provision of the Rules, the Clearinghouse shall have no obligation to accept any transaction of a suspended Clearing Member that was effected after the time at which the Clearing Member was suspended. In the event a transaction of a suspended Clearing Member is rejected by the Clearinghouse, such transaction shall be closed by the other party thereto in accordance with the rules of the Exchange or other market on which the transaction was effected.

(d) Open Positions

The Clearinghouse shall have the right to cause open positions in Contracts in any of the accounts of a suspended Clearing Member:

(1) to be closed in the most orderly manner practicable, including through exchanges of futures for physicals or exchanges of futures for swaps;

(2) to be transferred to the account of one or more other Clearing Members;

(3) to be offset against each other and, to the extent of any remaining imbalance, against the Contracts of other Clearing Members; or

(4) to be settled at the Settlement Price for such Contracts, or at such other price or prices as the Clearinghouse may deem fair and reasonable under the circumstances, in which event the Clearinghouse may cause Contracts in the accounts of other Clearing Members to be settled at such price or prices.

In connection with any action undertaken by the Clearinghouse pursuant to subparagraphs (1) through (4) above, the Clearinghouse shall have the right to apply the Margin and Guaranty Fund deposit of the applicable Clearing Member and any other assets of such Clearing Member held by, pledged to or otherwise available to the Clearinghouse, including

any guarantee issued pursuant to Rule 307, to discharge the Obligations of such Clearing Member to the Clearinghouse (including any amounts owed by the Clearinghouse to FICC under the Cross-Margining Agreement, and costs and expenses associated with the liquidation, transfer or management of Contracts held in or for the accounts of such Clearing Member, and any fees, assessments or fines imposed by the Clearinghouse on such Clearing Member).

The Clearinghouse may delegate to specified officers or agents of the Clearinghouse the authority to determine, within such guidelines, if any, as the Clearinghouse shall prescribe, the nature and timing of transactions of the type described in subparagraph (1). Notwithstanding the preceding provisions of this paragraph (d), if the Clearinghouse shall determine, taking into account the size and nature of a suspended Clearing Member's positions, market conditions prevailing at the time, the potential market effects of liquidating transactions that might be directed by the Clearinghouse, and such other circumstances as the Clearinghouse deems relevant, that the closing out of some or all of the suspended Clearing Member's positions would not be in the best interests of the Clearinghouse, other Clearing Members, or the general public, such positions need not be closed out.

(e) Protective Action

If the Clearinghouse (i) is unable, for any reason, to close out in a prompt and orderly manner any positions or to convert to cash any Margin deposits of a suspended Clearing Member, or (ii) elects pursuant to paragraph (d) of this Rule not to close out any such positions, the Clearinghouse may authorize the execution of hedging transactions from time to time for the account of the Clearinghouse, solely for the purpose of reducing the risk to the Clearinghouse resulting from the continued maintenance of such positions or the continued holding of such Margin deposits. The Clearinghouse may delegate to specified officers or agents of the Clearinghouse the authority to determine, within such guidelines, if any, as the Clearinghouse shall prescribe, the nature and timing of such hedging transactions.

(f) Reimbursement of Costs and Expenses

Any costs or expenses, including losses, sustained by the Clearinghouse in connection with transactions effected for its account pursuant to this Rule shall be charged to the suspended Clearing Member, and any gains realized on such transactions shall be credited to such Clearing Member; provided, however, that costs, expenses, and gains allocable to the hedging of positions in a Customer Account shall be charged or credited, as the case may be, to the Customer Account, and only the excess, if any, of such costs and expenses over the funds available in that account shall be charged to the Clearing Member. Reasonable allocations of costs, expenses, and gains among accounts made by the Clearinghouse for the purpose of implementing the proviso to the preceding sentence shall be binding on the Clearing Member and any persons claiming through the Clearing Member and their respective successors and assigns.

Rule 602. Right of Appeal

A Clearing Member suspended pursuant to Rule 601 shall be entitled, upon request, to a written statement of the grounds for its suspension and shall have the right to appeal its suspension in accordance with the following procedure:

(1) A suspended Clearing Member may appeal its suspension by filing a written notice of appeal within five Business Days after the date of the suspension.

(2) Appeals shall be considered and decided by the Appeal Panel. Appeals shall be heard as promptly as possible, and in no event more than five Business Days after the filing of the notice of appeal. The appellant shall be notified of the time, place and date of the hearing not less than three Business Days in advance of such date. At the hearing, the appellant shall be afforded an opportunity to be heard and to present evidence in its own behalf, and may, if it so desires, be represented by counsel. As promptly as possible after the hearing, the Appeal Panel shall, by the vote of a majority of its members, affirm or reverse the suspension or modify the terms thereof. The appellant shall be notified in writing of the Appeal Panel's decision; and if the decision shall have been to affirm or modify the suspension, the appellant shall be given a written statement of the grounds therefor.

(3) Any decision by the Appeal Panel to affirm or modify a suspension shall be reviewable by the Board on its own motion or on written demand by the appellant filed with the Clearinghouse within three Business Days after receipt of notice of the Appeal Panel's decision. The Board may afford the appellant a further opportunity to be heard or to present evidence. The appellant shall be notified in writing of the decision of the Board; and if the decision shall have been to affirm or modify the suspension, the appellant shall be given a written statement of the grounds therefor.

(4) The filing of an appeal pursuant to this Rule shall not impair the validity or stay the effect of the suspension appealed from. The reversal or modification of a suspension shall not invalidate any acts of the Clearinghouse taken pursuant to such suspension prior to such reversal or modification, and the rights of any person which may arise out of any such acts shall not be affected by such reversal or modification.

(5) A record shall be kept of any hearing held pursuant hereto. The cost of the transcript may, in the discretion of the body holding the hearing, be charged in whole or in part to the suspended Clearing Member in the event that the suspension is finally affirmed.

Rule 603. Sanctions from Disciplinary Proceedings

(a) The Clearinghouse may censure, suspend, expel or limit the activities, functions or operations of, and/or impose a fine on, a Clearing Member for (i) a violation of the Rules or its agreements with the Clearinghouse, (ii) any neglect or refusal by such Clearing Member to comply with any applicable order or direction of the Clearinghouse, (iii) any error, delay or other conduct that materially and adversely affects the operations of the Clearinghouse, or (iv) a failure to provide adequate personnel or facilities for its transactions with the Clearinghouse.

(b) The Clearinghouse shall provide prompt notice to the CFTC of any action taken in accordance with this Rule 603.

Rule 604. Procedures for Disciplinary Proceedings [Amended 08/31/2011]

(a) Before any sanction is imposed, the Clearinghouse shall furnish the person against whom the sanction is sought to be imposed ("Respondent") with a concise written statement of the charges against the Respondent. The Respondent shall have ten Business Days after the service of such statement to file with the Clearinghouse a written answer thereto. The answer shall admit or

deny each allegation contained in the statement of charges and may also contain any defense which the Respondent wishes to submit. Allegations contained in the statement of charges which are not denied in the answer shall be deemed to have been admitted, and any defense not raised in the answer shall be deemed to have been waived. If an answer is not filed within the time prescribed above or any extension thereof granted pursuant to paragraph (d) of this Rule, the allegations contained in the statement of charges shall be deemed to have been admitted, and any sanction specified in the statement of charges shall be imposed without further proceedings and the Respondent shall be notified thereof in writing. If an answer is timely filed, the Clearinghouse shall (unless the Respondent and the Clearinghouse shall have stipulated to the imposition of an agreed sanction) schedule an early hearing before the Disciplinary Panel. The Respondent shall be given not less than three Business Days advance notice of the place and time of such hearing. At the hearing, the Respondent shall be afforded the opportunity to be heard and to present evidence in its behalf and may be represented by counsel. A record of the hearing shall be prepared and the cost of the transcript may, in the discretion of the Disciplinary Panel, be charged in whole or in part to the Respondent in the event any sanction is imposed on the Respondent. As soon as practicable after the conclusion of the hearing, the Disciplinary Panel shall furnish the Respondent and the Board with a written statement of its decision. If the decision shall have been to impose a disciplinary sanction, the written statement shall set forth (i) any act or practice in which the Respondent has been found to have engaged, or which the Respondent has been found to have omitted; (ii) the specific provisions of the Rules which any such act, practice or omission has been deemed to violate; and (iii) the sanction imposed and the reasons therefor.

(b) In the event that the Disciplinary Panel censures, fines, suspends, expels or limits the activities, functions or operations of any Respondent, any affected person may apply for review to the Board, by written motion filed with the Clearinghouse within five Business Days after issuance of the Disciplinary Panel's written statement of its decision.

(c) The granting of any such motion shall be within the discretion of the Board. In addition, the Board may determine to review any such action by a Disciplinary Panel on its own motion. Review by the Board shall be on the basis of the written record of the proceedings in which the sanction was imposed, but the Board may, in its discretion, afford the Respondent a further opportunity to be heard or to present evidence. A record shall be kept of any such further proceedings. Based upon such review, the Board may affirm, reverse or modify, in whole or in part, the decision of the Disciplinary Panel. The Respondent shall be notified in writing of the decision of the Board and if the decision shall have been to affirm or modify the imposition of any disciplinary sanction, the Respondent shall be given a written statement setting forth (i) any act or practice in which the Respondent has been found to have engaged, or which the Respondent has been found to have omitted; (ii) the Rules which any such act, practice or omission has been deemed to violate; and (iii) the sanction imposed and the reasons therefor.

(d) Any time limit set forth in this Rule may be extended by the body having jurisdiction over the matter in respect of which the time limit is imposed.

(e) Any action taken by the Disciplinary Panel hereunder shall be deemed to be final upon (i) expiration of the time provided for the filing of a motion for review, or any extension thereof granted pursuant to paragraph (d) hereof; or (ii) if a motion for review is timely filed, when the Respondent is notified of the denial of the motion or the decision of the Board on review, as the case may be; or (iii) if the Board shall determine on its own motion to review the action by the Disciplinary Panel, when the Respondent is notified of the decision of the Board on review.

(f) The summary suspension of a Clearing Member pursuant to Rule 601 shall not be deemed to be a “sanction” within the meaning of this Rule, and the provisions of this Rule shall be inapplicable to any such summary suspension.

Rule 605. Discipline by Other Self-Regulatory Organizations

Nothing in this Chapter 6 shall affect the right of any Self-Regulatory Organization to discipline its members pursuant to the provisions of its rules for a violation of the Rules of the Clearinghouse.

CHAPTER 7. MISCELLANEOUS

Rule 701. Force Majeure

(a) Notwithstanding any other provision of the Rules, the Clearinghouse shall not be obligated to perform its obligations under the Rules or any agreement with a Clearing Member, or to compensate any Person for losses occasioned by any delay or failure of performance, to the extent such delay or failure is the result of any circumstance that may have a severe, adverse effect upon the functions and facilities of the Clearinghouse, including, but not limited to, acts of God, fire or other natural disasters, bomb threats, acts of terrorism or war or severely inclement weather.

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

Rule 702. Material Non-Public Information

(a) No member of the Board or of any committee or panel of the Clearinghouse shall use or disclose, for any purpose other than the performance of such person's official duties as a member of the Board or such committee or panel, any material non-public information obtained by such person as a result of such person's participation on the Board or on any such committee or panel; provided, however, that if any such person who effects any transactions after having received any such material, non-public information so obtained can show that such transaction was effected in the ordinary course of such person's business, such person shall not be deemed to have used such information in violation of this Rule 702, unless it can be shown that such person would not have effected such transaction in the absence of such information.

(b) For the purposes of this Rule 702, the terms "material" and "non-public information" have the meaning set forth in CFTC Regulation 1.59(a).

Rule 703. Trading Prohibition

(a) No employee of the Clearinghouse shall trade, directly or indirectly, any commodity interest cleared by the Clearinghouse or any related commodity interest, or any commodity interest cleared by any other DCO where the employee of the Clearinghouse has access to material non-public information concerning such commodity interest.

(b) The Chief Executive Officer (or, in the case of the Chief Executive Officer, the Board) may grant exemptions from the provisions of paragraph (a) to employees on a case-by-case basis under circumstances which are not contrary to the purposes of this Rule, the CEA, CFTC Regulation 1.59, the public interest, or just and equitable principles of trade. Such circumstances may include, but are not necessarily limited to:

(1) participation in pooled investment vehicles where the employee of the Clearinghouse has no direct or indirect control over transactions executed by the pool;

(2) service as an executor or administrator of an estate;

(3) service in any other fiduciary capacity, such as an officer of a charitable organization, in which the employee receives no pecuniary benefit from the trading of commodity interests;

(4) trading in commodity interests cleared by any other DCO or transactions cleared by FICC under circumstances in which the employee's access to material non-public information as to those commodity interests is sufficiently minimal or attenuated so as to be insignificant; and

(5) such other circumstances as the Chief Executive Officer (or, in the case of the Chief Executive Officer, the Board) may determine.

Participation in a Clearinghouse-sponsored savings or retirement plan shall not be deemed to constitute trading directly or indirectly in a commodity interest, notwithstanding such plan's use of pooled funds which utilize commodity interests or the trading thereof.

(c) Any employee that has received an exemption under paragraph (b) must:

(1) furnish to the Clearinghouse at the request of the Chief Executive Officer (or, in the case of the Chief Executive Officer, at the request of the Board) account statements and other documents relevant to the trading activities that are so exempted; and

(2) inform the Chief Executive Officer (or, in the case of the Chief Executive Officer, the Board) within one Business Day of any material change of information that may affect the employee's qualification for such exemption.

(d) Terms used in this Rule 703 and not otherwise defined in the Rules shall have the meanings set forth in CFTC Regulation 1.59(a).

(e) If the Chief Executive Officer (or, in the case of the Chief Executive Officer, the Board) finds that any employee has committed a violation of this Rule 703, such employee shall be subject to such sanctions, including but not limited to demotion, suspension or discharge, as the Chief Executive Officer (or, in the case of the Chief Executive Officer, the Board) deems appropriate.

Rule 704. Market Data

(a) Subject to paragraph (b), all Clearing Members, Authorized Representatives, and all employees, agents, vendors, and other Persons affiliated with the foregoing hereby acknowledge and agree that the Clearinghouse (or the Exchange, as applicable) is the owner of all right, title and interest in and to all intellectual property and proprietary rights, including all copyright, patent, trademark or trade secret rights, in the items set forth in paragraphs (1) through (6) below and further agree not to use the items set forth in paragraphs (1) through (6) below in any way without the prior written consent of the Clearinghouse, which consent may be withheld in the Clearinghouse's discretion:

(1) the price and quantity data from each and every transaction executed by the Clearing System, including the time at which the transaction was executed by, or submitted to, the Clearing System;

(2) the price and quantity data for each and every Contract submitted for entry into the Clearing System, including the time at which the Contract was entered into the Clearing System;

(3) the daily Settlement Price and the expiration value of each Contract;

(4) any data or other information derived from any of the foregoing, including the format, compilation and presentation thereof;

(5) all derivative works of the foregoing; and

(6) any data or information transmitted, published or disseminated to Clearing Members, Authorized Representatives, any publisher of the data or information with whom the Clearinghouse has a written agreement, and any other Persons.

(b) The Clearinghouse, all Clearing Members, Authorized Representatives, and all employees, agents, vendors, and other Persons affiliated with the foregoing hereby acknowledge and agree that, as between the Clearinghouse (or the Exchange, as applicable) and a Clearing Member, the Clearing Member retains such rights as it may enjoy under applicable law with respect to all data regarding transactions and Contracts in the form submitted to the Clearing System by such Clearing Member in circumstances where such data is not aggregated with the data of any other Clearing Member.

(c) Absent legal process or as otherwise provided elsewhere in the Rules, data relating to transactions of a Clearing Member which identifies such Clearing Member or could reasonably link such data back to such Clearing Member will be released by the Clearinghouse only to such Clearing Member, a Government Agency or a Self-Regulatory Organization.

Rule 705. Books and Records

The Clearinghouse shall keep, or cause to be kept, complete and accurate books and records of accounts of the Clearinghouse, including, without limitation, all books and records required to be maintained pursuant to the CEA and CFTC Regulations. The Clearinghouse shall retain all such books and records for at least five years, or such longer time as may be required by applicable law, and shall make such books and records readily accessible for inspection by any Government Agency as may be required by applicable law.

Rule 706. Information-Sharing Agreements

(a) The Clearinghouse may enter into information-sharing agreements or other arrangements or procedures to coordinate surveillance with FICC and with other markets or clearing organizations on which Contracts or financial instruments related to Contracts trade or are cleared. As part of any information-sharing agreements or other arrangements or procedures adopted pursuant to this Rule, the Clearinghouse may, among other things:

(1) provide market surveillance reports to other markets and clearing organizations;

(2) share information and documents concerning current and former Clearing Members with other markets and clearing organizations;

(3) share information and documents concerning ongoing and completed investigations with other markets and clearing organizations; and/or

(4) require its Clearing Members to provide information and documents to the Clearinghouse at the request of other markets or clearing organizations with which the Clearinghouse has an information-sharing agreement or other arrangements or procedures.

(b) The Clearinghouse may enter into an information-sharing arrangement with any Person or body (including, without limitation, any Governmental Authority or any Self-Regulatory Organization) if the Clearinghouse (i) believes that such Person or body exercises a legal or regulatory function under any law or regulation, or a function comprising or associated with the enforcement of a legal or regulatory function, or (ii) considers such arrangement to be in furtherance of the Clearinghouse's purpose or duties under applicable law. The Clearinghouse may disclose to any Person or body information concerning or associated with a Clearing Member or other Person that the Clearinghouse believes is necessary and appropriate in exercising a legal or regulatory function (including, without limitation, information concerning any aspect of the business of the Clearinghouse) whether or not a formal arrangement governing the disclosure exists or a request for information was made.

Rule 707. Confidentiality

All information received by the Clearinghouse concerning positions carried by the Clearinghouse or any other clearing organization for a Clearing Member, margin payments between the Clearinghouse or any other clearing organization and a Clearing Member, or deliveries made by or to a Clearing Member, and any other information provided by a Clearing Member to the Clearinghouse, including, without limitation, financial statements filed with the Clearinghouse by a Clearing Member, shall be held in confidence by the Clearinghouse and shall not be made known to any other Person except as follows:

(a) With the consent of the Clearing Member;

(b) To a Government Agency or the regulatory authority of any foreign jurisdiction, if the Clearinghouse is requested or legally required to do so by such Government Agency;

(c) Pursuant to legal process;

(d) To an Exchange of which such Clearing Member is a member; provided that information relating to positions, margin payments and deliveries that is furnished to an Exchange shall relate solely to Contracts traded on that Exchange;

(e) To any Person providing services to the Clearinghouse, subject to appropriate confidentiality requirements;

(f) To the Board, any Committee, the Clearinghouse's officers, employees, attorneys and auditors, and to agents and independent contractors that have been engaged by the Clearinghouse who require such information in connection with the discharge of their duties to the Clearinghouse; and

(g) As otherwise permitted under the Rules.

Rule 708. Extension or Waiver of Rules [Amended 08/31/2011]

The performance of any act required by the Rules or the time fixed by the Rules for the performance thereof may be waived or extended by the Clearinghouse if such waiver or extension is necessary or in the best interest of the Clearinghouse. A written report of any such

waiver or extension, stating the pertinent facts and the reason such waiver or extension was deemed necessary or expedient, shall be presented to the Board at its next regular meeting.

Rule 709. Anti-Money Laundering

Each Clearing Member that is a “financial institution” under the Bank Secrecy Act (31 U.S.C. 5311 et seq.) shall develop and implement a written anti-money laundering program that is approved in writing by such Clearing Member’s senior management and that is reasonably designed to achieve and monitor the Clearing Member’s compliance with applicable requirements of the Bank Secrecy Act and the implementing regulations promulgated thereunder by the Treasury and, as applicable, the CFTC. That anti-money laundering program shall, at a minimum:

- (a) 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;
- (b) provide for independent testing for compliance to be conducted by Clearing Member personnel or by a qualified outside party;
- (c) designate an individual or individuals responsible for implementing and monitoring the day-to-day operations and internal controls of the program; and
- (d) provide ongoing training for appropriate personnel.

Rule 710. Disaster Recovery; Business Continuity

(a) Each Clearing Member shall have written disaster recovery and business continuity policies and procedures in place to ensure it is able to perform certain basic operational functions in the event of a significant internal or external interruption to its operations. At a minimum, the following areas must be considered in the Clearing Member’s policies and procedures:

(1) The Clearing Member must have procedures in place to allow it to continue to operate during periods of stress or to transfer accounts to another fully operational Clearing Member with minimal disruption to either the Clearinghouse or its Customers. The Clearing Members must perform periodic testing of disaster recovery and business continuity plans, duplication of critical systems at back up sites and periodic back-up of critical information; and

(2) The Clearing Member must maintain and, at the request of the Clearinghouse, provide accurate and complete information for its key personnel. A Clearing Member must inform the Clearinghouse in a timely manner whenever a change to its key personnel is made.

(b) Clearinghouse staff may prescribe additional and/or alternative requirements for Clearing Members’ compliance with this Rule.

Rule 711. Just and Equitable Principles of Trade; Acts Detrimental

(a) The Clearinghouse shall have the power to suspend or revoke clearing privileges or authorize the assessment of fines or charges against Clearing Members for engaging in conduct inconsistent with just and equitable principles of trade.

(b) The Clearinghouse shall have the power to suspend or revoke clearing privileges or authorize the assessment of fines or charges against Clearing Members for engaging in acts detrimental to the interest or welfare of the Clearinghouse.

Rule 712. Signatures

(a) The Clearinghouse may, at its option, in lieu of relying on an original signature, rely on a signature as if it were (and the signature shall be considered and have the same effect as) a valid and binding original signature that is transmitted, recorded or stored by any electronic, optical, or similar means (including but not limited to telecopy, imaging, photocopying, electronic mail, electronic data interchange, telegram, or telex).

Rule 713. Governing Law

The Rules, and the rights and obligations of the Clearinghouse and Clearing Members under the Rules, shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts executed and performed wholly within the State of New York.

CHAPTER 8. LIMITED PURPOSE PARTICIPANTS

Rule 801. Limited Purpose Participants

(a) A Limited Purpose Participant shall have the ability to have access, through the Clearinghouse, to the arrangement that is the subject of the Cross-Margining Agreement.

(b) Except as otherwise provided in the LPP Agreement:

(1) Trades that are within the scope of the LPP Agreement and that would otherwise be cleared by such Limited Purpose Participant shall instead be submitted to the Clearinghouse, which shall act as central counterparty and DCO in respect thereof and shall include such trades in the arrangement that is the subject of the Cross-Margining Agreement;

(2) Members of the Limited Purpose Participant shall be bound by the Rules as fully as if they were Clearing Members of the Clearinghouse, and the Clearinghouse shall have all of its rights, under the Rules and otherwise, in the event of a Default by a member of the Limited Purpose Participant;

(3) A Limited Purpose Participant shall make a contribution to the Guaranty Fund, in form and substance similar to and in an amount that is no less than the amount of, the NYSE Guaranty;

(4) The Clearinghouse shall not be required to accept trades in any product that is not eligible for clearing pursuant to the Cross-Margining Agreement; and

(5) Clearing fees shall be allocated between the Clearinghouse and the Limited Purpose Participant as may be agreed by the Clearinghouse and the Limited Purpose Participant, taking into account the cost of services (including capital expenditures incurred by the Clearinghouse), technology that may be contributed by the Limited Purpose Participant, the volume of transactions, and such other factors as may be relevant.

(c) As used in this Rule 801:

(1) "Limited Purpose Participant" means a clearinghouse or clearing organization, other than the Clearinghouse or FICC, that (i) does not limit its provision of clearing services on a vertical basis to a single Market or limited number of Markets and operates pursuant to a business model that requires such clearinghouse or clearing organization to provide clearing services to any qualified Market, (ii) agrees to participate using the uniform risk methodology and risk management policies, systems and procedures that have been adopted by the Clearinghouse and FICC for implementation and administration of the arrangement that is the subject of the Cross-Margining Agreement; and (iii) is party to an LPP Agreement.

(2) "LPP Agreement" means an agreement between the Clearinghouse and a Limited Purpose Participant which provides, *inter alia*, that the Limited Purpose Participant shall be deemed to be a Clearing Member for purposes of the Rules, except to the extent otherwise provided in such agreement, the Cross-Margining Agreement or in this Rule 801.

(3) "Market" means a "trading facility" or "organized exchange," as such terms are defined in the CEA as in effect on April 16, 2010; provided, that the term "trading facility" shall for this purpose include the entities otherwise excluded by Section 1a(34)(B) of the CEA as in effect on such date.

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