

## Rule Self-Certification

July 18, 2013

Office of the Secretary  
Commodity Futures Trading Commission  
Three Lafayette Center  
1155 21<sup>st</sup> Street, NW  
Washington, DC 20581

Re: Regulation §40.6 Submission Certification  
Adopting new and revised trading rules and other rule amendments  
Reference File: SR-NFX-2013-07

Ladies and Gentlemen:

Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (“Act”), and Section 40.6 of the regulations promulgated by the Commodity Futures Trading Commission under the Act, NASDAQ OMX Futures Exchange, Inc. (“NFX” or “Exchange”) revises and adopts new trading rules in connection with modernizing its trading platform. These amendments will be effective on August 5, 2013. The text of the amendments to the Exchange’s Rules is set forth in Exhibit A.

The Exchange will adopt revised and new trading rules in Chapter IV entitled “Trading System” and create a new Chapter V entitled, “Trading Procedures and Standards” in connection with upgrading its trading platform. Additionally, the Exchange proposes to amend its Definitions in Chapter I, and other rules in Chapters II, III and VI to make conforming and other changes, including renumbering, which are described in additional detail below.

With respect to the designated contract market core principles (“Core Principles”) as set forth in the Act:

- *Compliance with Rules:* Today the Exchange has in place Rules which describe the manner in which Futures Participants may access and trade on NFX. Chapter II, Section I provides for the qualifications and rules of participation application to Futures Participants as well as Authorized Traders. The Exchange is amending this rule to specify new requirements with respect to obtaining Trader IDs. This rule also states that Futures Participants must utilize the Exchange’s services in a responsible manner,

comply with Rules, cooperate with Exchange investigations and inquiries and observe high standards of integrity. In addition the rule provides clear and transparent access criteria and requirements for Futures Participants and Authorized Traders. New Chapter V, Section 18 describes prohibited activities with respect to the Trading System.

Trading will continue to be subject to the Rules at Chapter III of the Exchange's Rulebook, which includes prohibitions against fraudulent, noncompetitive, unfair and abusive practices. Additionally, trading is subject to the trading procedures and standards in new Chapter V of the Rulebook. Trading activity is subject to extensive monitoring and surveillance by NFX's regulatory group in conjunction with the National Futures Association pursuant to the provisions of a Regulatory Services Agreement. Additionally, the Exchange has the authority to exercise its investigatory and enforcement power where potential rule violations are identified. The Exchange's disciplinary rules are contained in Chapter VI of the Rulebook, which permits the Exchange to discipline, suspend or expel Futures Participants or market participants that violate the rules.

Pursuant to new Chapter V, Section 5, the Exchange may cancel or adjust trades when necessary to mitigate market disrupting events caused by the improper or erroneous use of the Trading System or system defects or malfunctions. The Exchange may review a trade based on its independent analysis of market conditions or upon request from a Futures Participant.

- *Prevention of Market Disruption:* The Exchange's Regulatory Department which handles real-time surveillance views trading activity on the Exchange using SMARTS Surveillance Application through which the Exchange can track activity of specific Authorized Traders, monitor price and volume information and receive alerts regarding market messages. The Exchange's Regulatory Department which handles real-time surveillance in conjunction with staff that handles T+1 surveillance uses data collected by SMARTS Surveillance Application to monitor price movements as well as market conditions, volumes and detect suspicious activity such as manipulation, disruptive trading and other abnormal market activity. The Exchange has established comprehensive audit trail processes that capture trading information to facilitate the surveillance activities described herein. Pursuant to new Chapter

IV, Section 4, Futures Participants that access the Exchange electronically are responsible for maintaining audit trail information for all electronic orders pursuant to new Chapter V, Section 1.

The Exchange had adopted certain risk controls, including the imposition of trading pauses or halts, to address risks posed by potential market disruptions pursuant to new Chapter V, Section 16. The Exchange has the ability to reconstruct all Orders transacted on the Trading System.

- *Availability of Contract Information.* The Exchange has indicated within its trading Rules where specific information relates to a particular Contract where detailed information will be provided within the contract specifications for that particular Contract. The Exchange will post the terms and conditions of Exchange Contracts in its Rulebook along with trading Rules and specifications for its Trading System. This information will appear on the Exchange's website.
- *Publication of Information.* The Exchange will publish daily information on settlement prices, volume, open interest and opening and closing ranges for actively traded Contracts on its website. The Exchange's volume information will include information on the volume of Block Trades.
- *Execution of Transactions.* The Exchange will operate an electronic trading facility that provides Futures Participants with the ability to execute Orders within the Exchange's Order Book from the interaction of multiple bids and offers within a predetermined automated trade matching and execution algorithm. Orders submitted into the Trading System will be matched in either Price-Time priority or Size Pro-Rata priority order as described in new Chapter IV, Section 4. The Exchange specifies the types of Orders that will be accepted by the Trading System in new Chapter IV, Section 3.

The Exchange separately describes its Rules for executing transactions outside of the Order Book, such as Block Trades and exchange for related positions, in new Chapter IV, Sections 11 and 12 respectively.

- *Trade Information.* As previously described, the Exchange has established audit trail processes that capture trading information to facilitate the Exchange's trade practice and market surveillance

activities. The audit trail program is based on original source documents that are unalterable, sequentially identified records. The audit trail contains a history of all orders as well as other identifying information. All data gathered as part of the audit trail is maintained in accordance with the Commission's recordkeeping requirements and in a manner that does not allow for unauthorized alteration, erasure or other potential loss.

- *Financial Integrity of Transactions.* The Exchange's Rules provide that all matched trades generated by the Trading System, after the application of pre-trade risk parameters, will be automatically submitted to the Clearing Corporation as described in new Chapter V, Section 2. Chapter II, Section 1 of the Exchange's rules requires that all Futures Participants must be members of the Clearing Corporation either directly or indirectly. The Clearing Futures Participant is required to guarantee all trades transacted on NFX on behalf of itself, its Customers and Non-Clearing Futures Participants. Clearing Futures Participants must guarantee and assume financial responsibility for all Exchange Contracts of each Futures Participant guaranteed by it, and will be liable for all trades made by that Futures Participant. The Exchange requires a similar guarantee for Authorized Customers pursuant to new Chapter V, Section 4. Exchange's Rules governing minimum financial requirements and protection of Customer funds are set forth in Chapter III.

- *Protection of market participants.* Chapter III of the Exchange's Rulebook contains prohibitions precluding intermediaries from disadvantaging their customers. These rules apply to trading in all Contracts.

### Chapter I Amendments

The Exchange is amending Chapter I, entitled "Definitions and Governance of the Exchange," to add and combine definitions that today are contained in Chapter IV and also add new definitions. The Exchange is adding the following new terms, "Affiliate," "Authorized Customer," "Authorized Risk Officer," "Automated System," "Commodity," "CTI Code," "Future," "Origin Code," "Person," "Public Customer Order," "Trading Day," "Trading Hours," and "Trading System." The Exchange is revising the definition of "Block Trade," "Business Day," "Clearing Account Type Indicator," "Contract," "Executive Representative," "Futures Participant," "Futures Participant House Account," which is being renamed to "Futures Participant Exchange Account," "NFX Best Bid and Offer," "Order," "Public Director," and "Rule or Rule of the Exchange." The Exchange is also deleting certain definitions: "Clearing Member," a

duplicative version of the term “Commission Regulation,” “commodity interest,” “customer,” “Futures Contact,” “PBOT or Philadelphia Board of Trade,” and “Rules of the Clearing Corporation.” The Exchange also eliminates the numbering within Section 1. With respect to Chapter I, Sections 3 and 5, the Exchange makes certain conforming changes to capitalize defined terms.

### Chapter II Amendments

In Section I of Chapter II, entitled “Qualification and Participation of Futures Participants” the Exchange requires an Authorized Risk Officer to designate two persons who to set pre-trade risk parameters. The Exchange further requires that information related to the Authorized Risk Officer be kept current. The remaining changes are conforming changes to describe a permit and eliminate the term “registration,” which is an outdated term and technical changes to eliminate the terms “NFX XL” and “member” and grammatical changes. The Exchange makes similar conforming amendments described above to Sections 9, entitled “Dues, Fees and Charges” which is being amended to “Failure to Pay,” of Chapter II. The Exchange is amending Section 10 of Chapter II, entitled “Liability for Dues and Other Fees or Charges Until Transfer of Membership,” which is being amended to “Liability for Dues and Other Fees or Charges” to amend its collection process. The Exchange would now report to its board any arrearages in excess of thirty days. The new text permits a member to be suspended after 30 days. The Exchange today utilizes direct debit today and does not anticipate this amendment will impact participants provided the clearing relationship is properly maintained. The Exchange is eliminating Section 11, entitled “Failure to Pay Dues, Etc.,” as this Rule is no longer necessary because Futures Participants are entities. The Exchange is renumbering Section 12, entitled “Notice of Changes,” 13, entitled “Addresses” and 14, entitled “Notices to Futures Participants, Executive Representatives or Authorized Traders.” The Exchange is also making conforming amendments to new Section 11 and 13 and renaming Section 13 as “Notices to Futures Participants, Executive Representatives, Authorized Traders or Authorized Risk Officers.”

### Chapter III Amendments

As described above in Chapter II, the Exchange is amending Sections 1, entitled “Books and Records,” 11 entitled “Transfer of Accounts,” 12 entitled “Adjustments of a Customer Order”, 15 entitled “Responsibility for Customer Orders,” 23 “General Trading Standards and Prohibited Practices” and 25 entitled “Sales Practice Rules” of Chapter III to make conforming changes to eliminate the term “NFX XL” and “member” and correct references. The Exchange adds explanatory language in Section 23 to clarify its current rule.

## Chapter IV

The Exchange is amending Chapter IV to include Rules related directly to the Exchange's Trading System (formerly referred to as "NFX XL" throughout the Rulebook). Section 1 entitled "The Options Clearing Corporation" is being relocated to Chapter V as part of an existing Rule as described in that Chapter. Section 2, entitled "Electronic Trading Generally" is being eliminated as unnecessary. The definitions in Section 3 have been relocated to Chapter I as noted above. Section 4 entitled "Listed Contracts" is being renumbered as Section 1 and revised to relate Contracts to the Rules of the Exchange. Section 5 entitled "Trading Days and Hours" is renumbered as Section 2 and revised to utilize defined terms in Chapter I. Section 6 entitled "Market Opening" is being eliminated; the Exchange will not trade prior to opening. New Section 3 entitled "Acceptable Orders" defines the types of Orders that will be accepted by the Trading System including, "Market Order," "Limit Order," "Day Order," "Good-Till-Canceled Order," "One-Cancels-the-Other Order" and a "Wait Order." The Exchange also will permit certain Contingency Orders including an "All or None Order," "Fill or Kill Order," "Immediate or Cancel Order," "Minimum Quantity Order" and a "Post-Only Order." New Section 4 entitled "Execution of Orders" describes the types of execution algorithms which the Exchange shall designate per Contract by which Orders shall be executed in the Trading System. The Exchange shall designate the algorithm for each Contract within the contract specifications. A Contract may trade either utilizing the Price-Time Priority Order execution algorithm or the Size Pro-Rate Priority execution algorithm. The Size Pro-Rate Priority execution algorithm will prioritize Public Customer Orders and also Market Maker Orders as specified in this Rule. The Exchange will permit orders to be cancelled on the Order Book as noted in Section 4(b). The Exchange also specifies the manner in which Orders shall be decremented and anonymity provided Orders within this Rule. Sections 5 through 10 of Chapter IV are new trading Rules that concern trading risk and managing that risk. Section 5 entitled "Pre-Trade Risk Parameters" requires all Futures Participants to utilize pre-trade risk parameters prior to obtaining access to trade on NFX. Clearing Futures Participants shall designate Authorized Risk Officers to set and adjust pre-trade risk parameters to a level that is appropriate for trading on NFX for a particular Futures Participant, Authorized Trader or Authorized Customer. When pre-trade risk parameters have been met or exceeded, the Exchange's Trading System will reject all new Orders and remove all open Orders for the Futures Participant, Authorized Trader or Authorized Customer until the Authorized Risk Officer adjusts the pre-trade risk parameters by sending such request to the Exchange in a form designated by the Exchange. Section 6 entitled "Order Price Protection" is a feature that prevents certain Orders at prices outside of pre-set standard limits from being accepted by the Trading System. This feature applies to all Limit Orders but does not apply to Market Orders. The rule combines text from Section 30 entitled "Risk Controls" and provides a range for acceptance of Limit Orders. New Section 7 entitled "Self-Match Prevention" permits Futures Participants to

elect that Orders not be executed against Orders entered on the opposite side of the market by affiliated Futures Participants. New Section 8 entitled “Order Spread Protection” permits Futures Participants to elect to have Orders rejected by the Trading System if the Best Bid or Offer is wider than a preset threshold. This feature applies to all Market Orders, but is optional for Limit Orders. New Section 9 entitled “Acceptable Trade Range” specifies how the Trading System will calculate an Acceptable Trade Range to limit the range of prices at which an Order will be permitted to execute for each Contract. New Section 10, entitled “Risk Monitor Mechanism” is an optional feature available to Futures Participants to count the number of trades transacted by a market participant identifier per contract, within a specified time period, for each Futures Participant. Once the threshold has been met, the Trading System will automatically remove Orders in that contract until the Futures Participant indicates that they are ready to re-enter the market.

Section 11 entitled “Block Trades” is currently at Section 25 of the Rules and has been revised to provide that a Block Trade must be for a quantity that is at or in excess of the applicable minimum threshold. Orders may not be aggregated in order to achieve the minimum transaction size, except by a commodity trading advisor or a foreign Person performing a similar role or function to a CTA or investment advisor. Each party to a Block Trade must be an Eligible Contract Participant as that term is defined in Section 1a(18) of the Commodity Exchange Act. Customer must specify that the Order be executed as a Block Trade. The price at which a Block Trade is executed must be fair and reasonable in light of (i) the size of the Block Trade, (ii) the prices and sizes of other transactions in the same Contract at the relevant time, (iii) the prices and sizes of transactions in other relevant markets, including without limitation the underlying cash market or related futures markets, at the relevant time, and (iv) the circumstances of the markets or the parties to the Block Trade. The Futures Participant must ensure that each Block Trade is reported to the Exchange within five minutes of the time of execution; except that Block Trades executed outside of Trading Hours must be reported within fifteen minutes of the commencement of Trading Hours on the next Business Day for that Contract. Section 12 entitled “Exchange For Related Positions” is relocated from current Section 28 and amended to state that the Exchange shall designate which Contracts are eligible for exchange for related positions. Also, the Rule is revised to specify that the Exchange may request such other documents it deems relevant to an EFRP transaction. Finally, a large trader reporting requirement was added for these types of transactions along with other conforming text changes.

#### Chapter V

Section 1 entitled “Authorized Traders and Trader IDs” at current Section 7 has been revised to require that Futures Participants shall not knowingly enter, or cause to be entered, bids or offers into the Trading System until the Futures Participant’s Authorized Risk Officer has entered all required risk controls for its

Authorized Traders, including Automated Systems, as provided in Section 5 of this Chapter. Futures Participants shall remain responsible in accordance with these Rules for the acts and omissions of any of its Authorized Traders, regardless of the level of risk controls set by the Futures Participant and the approval of such risk controls by the Exchange. The Exchange will not issue an active Trader ID to an Authorized Trader of a Futures Participant if an Authorized Risk Officer has not set pre-trade risk parameters to new Chapter IV, Section 5. Additionally, Futures Participants, in a form and manner prescribed by the Exchange, shall include an assigned Trader ID with every Order from that Futures Participant that is submitted to NFX. Futures Participants must mark each Order entered into the Exchange's Trading System with a Customer Type Indicator Code ("CTI"), Origin Code and Clearing Account Type Indicator and such other information as may be prescribed by the Exchange. Each Futures Participant is responsible for all Orders submitted through its Futures Participant Exchange Account by any Persons associated with that Futures Participant. Each Futures Participant and Authorized Trader shall not knowingly enter, or cause to be entered bids or offers into the Trading System other than in good faith for the purpose of executing bona fide trades. Also, an Authorized Trader is responsible for transactions executed by or through the Futures Participant's Exchange Account. Each Authorized Trader must sign a written statement provided by the Exchange whereby the Authorized Trader consents to the jurisdiction of the Exchange and the Commission and agrees to observe and be bound by the By-laws and Rules of the Exchange, the Act, Commission regulations and related requirements, and all Exchange regulatory and operational guidance and procedures. Among other duties and responsibilities that the Exchange may impose, an Authorized Trader must: (1) have the authority to modify or withdraw any Order entered under the Authorized Trader's Trader ID; (2) have the ability to identify immediately for the Exchange the sources of all Orders submitted under the Authorized Trader's Trader ID; and (3) ensure that any Person conducting business under a Futures Participant's associated Trader IDs are competent and appropriately trained. Finally, each Futures Participant shall maintain audit trail information for all Orders entered into the Trading System, including Order modifications and cancellations. This audit trail must contain all Order entry, modification, cancellation and response receipt time(s) as well as all Financial Information Exchange interface (FIX) tag information and Specialized Quote Interface (SQF) information, as applicable.

New Section 2 entitled "Clearing" was relocated from current Section 1 and a provision was added to address Block Trades and exchange for related positions. New Section 3 entitled "Establishment of Settlement Prices" was relocated from Section 17. New Section 4 entitled "Direct Access" is a new trading rule which permits direct electronic access by Authorized Customers directly into NFX's Trading System provided the Clearing Futures Participant has designated at least two Authorized Risk Officers who have set pre-trade controls for the Authorized Customer. The Exchange will not allow access until such pre-



trade risk parameters have been set which allow the Clearing Futures Participant to have in place appropriate financial risk limits. The Exchange will require that a Clearing Futures Participant complete an application and provide a guarantee as to the performance of the Authorized Customer with respect to a Contract. In addition, the Exchange would require the execution of an agreement regarding usage of the Trading System executed by the Authorized Customer to ensure compliance with Exchange Rules. Authorized Customers must not be presently enjoined by order, judgment or decree of any court of competent jurisdiction or of the Commission or the Securities and Exchange Commission or of any state securities authority or agency from engaging in or continuing any conduct or practice in connection with the purchase or sale of any commodity, security, option or similar instrument. The Clearing Futures Participant is responsible for the financial obligations of each Authorized Customer for which it authorizes direct access with respect to all Orders entered and transacted as well as for compliance by the Authorized Customer with the Rules of the Exchange and compliance with Exchange procedures. The Clearing Futures Participant shall take any and all actions requested or required by the Exchange with respect to such Authorized Customer, including, but not limited to, assisting the Exchange in any investigation into potential violations of Exchange Rules or of the Act, and requiring such Authorized Customer to produce documents, provide information, answer questions and/or to appear in connection with any investigation; suspend or terminate the Authorized Customer's access to the Exchange's Trading System. A Clearing Futures Participant may revoke access to the Authorized Customer by notifying the Exchange in writing and receiving acknowledgment from the Exchange. The Clearing Futures Participant authorizing a connection to the Trading System is responsible for maintaining or causing to be maintained the audit trail for all Orders submitted to the Exchange. A Clearing Futures Participant may be subject to disciplinary action under the Rules. If a Clearing Futures Participant's permit is terminated by the Exchange or its trading privileges are suspended by the Exchange, all access to the Exchange's Trading System which is authorized by such Clearing Futures Participant shall automatically terminate on the effective date of the termination or suspension.

New Section 5 entitled "Transaction Cancellations and Adjustments" currently at Section 13 and currently titled "Transaction Nullifications or Modifications" is amended to remove speed of execution as a factor which the Exchange does not believe is in itself a relevant factor. The Exchange would require a Futures Participant to report the error within ten minutes. The Exchange would not cancel trades executed within the non-reviewable range. If only the number of contracts is at issue the trade also will not be cancelled. The Exchange has the authority to review trades and make a final decision. The Exchange will notify all Futures Participants as soon as practicable of trades that the Exchange is investigating and trades that the Exchange has cancelled or adjusted pursuant to this Rule. Parties may mutually agree to cancel or adjust a trade.

New Section 6 entitled “Market Maker Obligations” currently at Section 19, is amended to revise certain text for clarity to note that in allocating Contracts to Market Makers the Exchange may allocate any Contract to more than one Market Maker. The Exchange believes that the language currently in Section 19(e)(iii) was unclear.

New Section 7 entitled “Customer Price Improvement Obligations” was relocated from current Section 14 (Price Improvement) and retitled. New Section 8 entitled “Customer Order Error Correction Procedure” was relocated from current Section 15 and amended to provide that if a Futures Participant discovers an error in the handling of an Order for a Customer after the relevant trade is completed, and the Order cannot be executed in the market at a price which is better than or equal to that at which the Order should have been executed, such Futures Participant will make cash payments or other adjustments as are appropriate to rectify the error. Upon the request of a Futures Participant that failed to execute or made an error in executing or reporting a Customer Order, the Exchange may, in its sole discretion, permit the correction of the error to protect the interest of the Customer. Any violation of this Rule or the purpose of taking advantage of an Order or Orders will constitute conduct which is inconsistent with just and equitable principles of trade.

New Section 9, entitled “Customer Order” was relocated from current Section 18 and amended to include definitions applicable to Customer, Margin Call, Non-Customer and Omnibus Accounts. New Section 10 entitled “Average Price Transactions” was relocated from current Section 22 and amended to update a cross-reference. New Section 11 entitled “Pre-Negotiated Business and Cross Transactions” was relocated from current Section 23. New Section 12 entitled “Bunched Orders” was relocated from Section 24 and amended to update cross-references. New Section 13 entitled “Position Limits and Position Accountability” was relocated from Section 27 and amended to define “eligible entity.” New Section 14, entitled “Transfers of Positions” was relocated from current Section 29. New Section 15, entitled “Automated Order-Routing System” was relocated from current Section 21 and amended to remove a provision related to audit trail. New Section 16, entitled “Regulatory Trading Halts” was relocated from current Section 31. New Section 17, entitled “Restrictions on Message Traffic” was relocated from current Section 32.

Section 18 “Access to the Trading System” is a new Rule which prohibits misuse of the Trading System. The Exchange states in this Rule that it shall be deemed an act detrimental to the interest and welfare of the Exchange to either willfully or negligently engage in unauthorized access to the Trading System, trade without proper authorization, interfere with the operation of the Trading System, to use or configure a component of the Trading System in a manner which does not conform to Exchange’s agreements and procedures to intercept or

interfere with information provided on or through the Trading System, or in any way to use the Trading System in a manner contrary to the Rules of the Exchange.

New Section 19, entitled “Trading Restrictions and Suspensions” is relocated from current Section 26 and amended to replace “PBOT” with “NFX.” In addition, the Exchange is amending the manner in which the Daily Settlement Price is currently set when the mid-point of the Best Bid and Offer appears unrepresentative of the fair market value. The Exchange’s amendment simplifies the component to instead state that if the Daily Settlement Price appears unrepresentative of fair market value, then the NFX Best Bid or Offer will be adjusted based on the last representative bid or offer. New Section 20, entitled “Business Continuity” is relocated from current Section 35. New Section 21, entitled “Proprietary Nature of Market Data” is relocated from current Section 33 and amended to replace “PBOT” with “NFX.” New Section 22, entitled “Limitation of Liability for NFX’s Trading System” is relocated from current Section 34 and renamed from its current title, “Limitation of Liability for NFX XL.” The Rule is also amended to conform cross references to newly defined terms.

In addition, to the above amendments, the Exchange also eliminated various Rules in Chapter IV. The Exchange eliminated Chapter IV, Section 8, entitled “Responsibility for Orders and Quotes.” Portions of this Rule are included in new Section 1 of Chapter V. Chapter IV, Section 9, entitled “Submission of Orders” was included in new Chapter IV, Section 4. Section 10, entitled “Acceptable Orders” was revised in new Chapter IV, Section 3. Section 11, entitled “Execution of Orders by NFX XL” was eliminated and portions of the Rule are included in new Chapter IV, Section 4. Section 12, entitled “Order Status, Change, or Cancellation” was eliminated and a portion of this Rule is included in new Chapter IV, Section 4. Section 20, entitled “Quote Status, Change, or Cancellation and Submission” was eliminated. All market participants may submit an Order which by definition includes bids and offers. Finally, Section 36, entitled “Limitation of Liability for IDEX XT” was eliminated as outdated.

The Exchange has renumbered the remaining Chapters that follow Chapter V. The Exchange made conforming changes to Section 10 of Chapter VI, entitled “Judgment and Sanctions” and also made conforming amendments to Section 15 of that Chapter, entitled “Consent to Jurisdiction.”

There were no opposing views among NFX's Board of Directors, members or market participants. NFX hereby certifies that the revised Rules comply with the Commodity Exchange Act and regulations thereunder. The Exchange also certifies that a notice of pending certification with the Commission and a copy of this submission have been concurrently posted on the Exchange's website at <http://www.nasdaqtrader.com/Micro.aspx?id=NFX>.

Regards,

A handwritten signature in black ink that reads "Daniel R. Carrigan". The signature is written in a cursive style with a long, sweeping tail on the final letter.

Daniel R. Carrigan  
President

cc: Nancy Markowitz  
Mr. J. Goodwin  
National Futures Association

## **Exhibit A**

*New text is underlined; deleted text is in brackets.*

### **NASDAQ OMX Futures Exchange (NFX)—Rules**

#### **DEFINITIONS**

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#### **Chapter I Definitions and Governance of the Exchange**

##### **Section 1 Definitions**

Unless otherwise specifically provided in the By-Laws or Rules of the Exchange or the context otherwise requires, the terms defined herein shall for all purposes of the By-Laws and Rules of the Exchange, have the meanings therein specified.

[(a)]**Act.** The term "Act" means the Commodity Exchange Act, 7 U.S.C. §1 et seq., as amended from time to time.

**Affiliate.** The term "Affiliate" of, or a Person "Affiliated" with, another Person is a Person who, directly or indirectly, controls, is controlled by, or is under common control with, such other Person.

**Authorized Customer.** The term "Authorized Customer" shall mean a Person or entity that may access the Trading System directly as provided in Chapter V, Section 4.

**Authorized Risk Officer.** The term "Authorized Risk Officer" means an authorized employee or agent of a Clearing Futures Participant who is authorized to set or change pre-trade risk management parameters.

**Authorized Trader.** The term "Authorized Trader" means an authorized employee or agent of a Futures Participant who is authorized by that Futures Participant and the Exchange to submit Orders into the Trading System. Only a natural person can be an Authorized Trader. An Authorized Trader is considered a person associated with a Futures Participant for purposes of the By-Laws and Rules.

**Automated System.** The term "Automated System" means a system that automates the generation and routing of Orders for a Futures Participant(s). This shall include Automated Order-Routing Systems described in Chapter V, Section 15.

**Block Trade.** The term "Block Trade" shall mean transactions entered into by a Futures Participant which are outside the Trading System, at prices mutually

agreed, provided all of the conditions of Chapter IV, Section 11 are satisfied and to the extent permitted by the rules governing the applicable Contract.

[(b)] **Board of Directors.** The term "Board of Directors" or "Board" means the Board of Directors of the Exchange.

**Bunched Order.** The term "Bunched Order" means a single Order for two or more Customer Accounts entered into the Trading System pursuant to Chapter V, Section 12.

[(c)] **Business Day.** The term "Business Day" means any day the Exchange shall be regularly open for business in any Contract. [on which the Exchange is open for business. Unless the Board determines otherwise, the Exchange shall be open for business every day except Saturdays, Sundays and such holidays as may be prescribed by the Board.]

[(d)] **By-Laws.** The term "By-Laws" means the By-Laws of the Exchange, as from time to time amended.

[(e)] **Certificate.** The term "Certificate" means the Certificate of Incorporation of the Exchange, as from time to time amended.

**Clearing Account Number.** The term "Clearing Account Number" means the unique identification code assigned by the Clearing Corporation which identifies a particular Clearing Futures Participant and an account maintained by that Clearing Futures Participant with the Clearing Corporation.

**Clearing Account Type Indicator.** The term "Clearing Account Type Indicator" means one of three indicators, "C," "F," or "M", assigned by a Futures Participant to an Order by a Futures Participant which designates the applicable clearing account type for any transaction as defined by Article VI, Section 3 of the by-laws of the Clearing Corporation.

[(f)] **Clearing Corporation.** The term "Clearing Corporation" means The Options Clearing Corporation.

**Clearing Futures Participant.** The term "Clearing Futures Participant" means an NFX Futures Participant that is also a member of The Options Clearing Corporation with the ability to clear Contracts on behalf of itself, its Customers, and Non-Clearing Futures Participants.

[(h)] The term "**Clearing Member**" means a[n] Futures Participant which is a member of The Options Clearing Corporation.]

**Contract.** The term “Contract” means a Future or Option on a Future.

[(h)]**Commission.** The term "Commission" means the Commodity Futures Trading Commission.

[(i)]**Commission Regulation.** The term "Commission Regulation" means any Rule, regulation or order of the Commission or any interpretation thereof by the Commission.

[(j) The term "**Commission Regulation**" means any Rule, regulation or order of the Commission or any interpretation thereof by the Commission.]

[(k) The term "**commodity interest**" means a futures contract or an option contract which is traded on or subject to the Rules of the Exchange.]

**Commodity.** The term “Commodity” shall mean any and all goods, articles, services, rights and interests in which contracts for future delivery are presently or in the future dealt in, on or subject to the Rules.

**CTI Code.** The term “Customer Type Indicator Code” or “CTI Code” refers to certain codes assigned by a Futures Participant to an Order which represent transaction types as follows: CTI code 1 shall be used for transactions initiated and executed by an individual for its own account, for an account it controls, or for an account in which it has ownership or financial interest. CTI code 2 shall be used for transactions executed for the proprietary account of an individual. CTI code 3 shall be used for transactions where an individual executes for the personal account of another individual, for an account the other individual controls or for an account in which the other individual has ownership or financial interest. CTI code 4 shall be used for any transaction not meeting the definition of CTI 1, 2 or 3. These should be non-Futures Participant Customer transactions.

**Customer.** The term “Customer” has the meaning attributed to it by Commission Regulation 1.3(k).

**Customer Account.** The term “Customer Account” means an account carried by a Futures Participant on behalf of a Customer, which may be another Futures Participant.

**Customer Order.** The term “Customer Order” means an Order submitted on behalf of a Customer Account.

[(l) The term "**customer**" means a person for whom a member or member organization carries an account (other than such member or member organization) or from whom a member or member organization solicits or accepts an order to effect any transaction in a commodity interest.]

**Daily Settlement Price.** The term “Daily Settlement Price” means the price at which a Contract settles at the conclusion of any Trading Day.

**Discretionary Order.** The term “Discretionary Order” means an Order for a Customer Account for which the Futures Participant has discretion as to the Contract, the price, or the amount purchased or sold.

[(m)] **Exchange.** The term “Exchange” means NASDAQ OMX Futures Exchange, Inc. and when used with reference to the administration of any By-Law or Rule of the Exchange, means either the Board of Directors or the officer, employee, agent or committee to whom appropriate authority to administer such provision has been delegated by the Board.

[(n)] **Executive Representative.** The term “Executive Representative” means [the] a designated executive representative of a Futures Participant who shall represent and act for the Futures Participant in all the affairs of the Exchange; provided, however, that other representatives of a Futures Participant may also serve on the Exchange Board or committees of the Exchange or otherwise take part in the affairs of the Exchange.

**Final Settlement Price.** The term “Final Settlement Price” means the price at which a Contract settles at the conclusion of the Last Trading Day for that Contract.

**Future.** The term “Future” means any contract for the purchase or sale of any commodity for future delivery from time to time traded on or subject to the Rules of the Exchange.

[(r)] The term “Futures Contract” means any contract for the purchase or sale of any commodity for future delivery which is executed on or subject to the Rules of the Exchange.]

[(p)] **Futures Participant.** The term “Futures Participant” means an organization that has been issued a permit in accordance with the By-Laws and Rules of the Exchange and authorized to access [NFX XL,] the Exchange's Trading System.

**Futures Participant Exchange Account.** The term “Futures Participant Exchange Account” means a unique account(s) assigned to a Futures Participant by the Exchange.

**Last Trading Day.** The term “Last Trading Day” means the day specified by the Exchange for the conclusion of trading for the Contract.

**Market Data.** The term “Market Data” means any and all price, quantity, and time data from any and all bids and offers submitted to, and trades executed by or



through the Trading System any data derived from the foregoing, the format and presentation of any such data or information, and the transmissions of such data or information to Futures Participants, any party that has entered into an agreement with the Exchange to distribute the above-described data or information or any other Person.

**Market Maker.** The term “Market Maker” means a Futures Participant approved by the Exchange to undertake obligations to facilitate an orderly and liquid market for one or more Contracts.

**NFX Best Bid and Offer.** The term “NFX Best Bid and Offer” or “BBO” means for each Contract then listed and trading on NFX the current disseminated highest bid and lowest offer in the Order Book excluding those Orders that at the time of receipt are matchable and are due execution.

**Non-Clearing Futures Participant.** The term “Non-Clearing Futures Participant” means a Futures Participant that is not a Clearing Futures Participant.

[(q) The term “PBOT” or “Philadelphia Board of Trade” means the NASDAQ OMX Futures Exchange, Inc.]

**Order.** The term “Order” means any bid or offer or Market Order, Limit Order, Cancel Order, Cancel Replace Order, Day Order, Good –Till-Canceled Order, One-cancels-the-other Order, Wait Order or Contingency Order (including any All or None Order, Fill or Kill Order, Immediate or Cancel Order, Minimum Quantity Order and Post-Only Order) which shall have the respective meanings set forth in Chapter IV, Section 3, as well as any other types of Orders that may be approved by the Exchange from time to time.

**Order Book.** The term “Order Book” means all open Orders in the Trading System for a particular Contract.

**Origin Code.** The term “Origin Code” means a code which signifies whether funds are segregated or non-segregated. An Origin Code of “1” shall indicate segregated funds and an Origin Code of “2” shall indicate non-segregated funds as required pursuant to Section 4d(a)(2) of the Act.

**Person.** The term “Person” means any natural person, association, partnership, limited liability company, joint venture, trust or corporation.

**Public Customer Order.** The term “Public Customer Order” means an Order marked with a CTI Code of 4 and an Origin Type of 1, as described in Chapter IV, Section 4, which shall be given the priority described in Chapter IV, Section 4.

[(r)] **Public Director.** The term "Public Director" means an individual [must first be] who has been found by the Board of Directors to have no material relationship with the Exchange. A "material relationship" is one that reasonably could affect the independent judgment or decision making of the director. A director shall be considered to have a "material relationship" with the [contract market] Exchange if any of the following circumstances exist: (A) the director is an officer or employee of the Exchange or an officer or employee of its affiliate[.]; ("Affiliate" includes parents or subsidiaries of the Exchange or entities that share a common parent with the Exchange; (B) the director is a member of the Exchange, or an officer or director of a member ("Member" [is] being defined according to Section 1a(34) of the [Commodity Exchange] Act and Commission Regulation 1.3(q); (C) the director, or a firm with which the director is an officer, director or partner, receives more than \$ 100,000 in combined annual payments from the Exchange, or any affiliate of the Exchange, (as defined herein), for legal, accounting, or consulting services. Compensation for services as a director of the Exchange or as a director of an affiliate of the contract market does not count toward the \$100,000 payment limit, nor does deferred compensation for services prior to becoming a director, so long as such compensation is in no way contingent, conditioned, or revocable; and (D) any of the relationships herein apply to a member of the director's "immediate family," i.e., spouse, parents, children, and siblings. All of the disqualifying circumstances described herein are subject to a one-year look back. Public Directors may also serve as directors of the Exchange's affiliate as defined herein if they otherwise meet the definition of public.

[(s)] The term "**Rule of the Clearing Corporation**" means any provision of the Certificate of Incorporation or the By-Laws, or any Rule, regulation, interpretation, stated policy, or instrument corresponding thereto, as adopted or amended by the Clearing Corporation.]

[(t)] **Regulatory Services Provider.** The term "Regulatory Services Provider" means a third party with whom the Exchange has entered into an agreement to provide certain surveillance, investigative and regulatory functions [under the Rules of the Exchange].

**Rule of the Clearing Corporation.** The term "Rule of the Clearing Corporation" means any provision of the Certificate of Incorporation or the By-Laws, or any Rule, regulation, interpretation, stated policy, or instrument corresponding thereto, as adopted or amended by the Clearing Corporation.

[(bb)] **Rule or Rule of the Exchange.** The term "Rule or Rule of the Exchange" means any Rule, regulation, interpretation, stated policy, or instrument corresponding thereto, as adopted or amended by the Exchange.

[(v)] **Self-Regulatory Organization.** The term "Self-Regulatory Organization" shall have the meaning ascribed to it in the Securities Exchange Act of 1934 and,

in addition, shall include any contract market, commodity clearing organization and registered futures association.

**Trader ID.** The term “Trader ID” means a unique personal identification code issued by the Exchange and entered into the Trading System to identify the Authorized Trader, Authorized Customer or Automated System submitting an Order.

**Trading Day.** The term “Trading Day” means a day that the Exchange is open for trading in a particular Contract.

**Trading Hours.** The term “Trading Hours” shall mean the hours during which trading in any Contract may be regularly conducted.

**Trading System.** The term “Trading System” means the electronic trading system maintained by the Exchange for the receipt, entry, cancellation, storage, display, matching, and reporting of Orders.

For all purposes of the Rules, unless otherwise expressly provided:

- (1) any time period which expires on a day which is not a Trading Day will expire on the preceding Trading Day;
- (2) all references to the Act or the Commission's regulations or Rules of the Exchange or Rules of the Clearing Corporation include such provisions as amended, modified, supplemented, restated, or replaced from time to time;
- (3) all references to the Commission include any successor to the Commission;
- (4) as permitted by the context any reference in the singular includes the plural and vice versa.

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### **Section 3 Emergency Action**

(a) Definition. The term "emergency" means any occurrence or circumstance listed in Commission Regulation 40.1(h) which the Emergency Committee or, with respect to physical emergencies, any officer of the Exchange, determines requires immediate action and threatens or may threaten such things as fair and orderly trading in, or the liquidation of or delivery pursuant to, any commodity interest, including but not limited to the following:

- (1) Any manipulative activity or attempted manipulative activity;

- (2) Any actual, attempted or threatened corner, squeeze, congestion or undue concentration of positions;
- (3) Any circumstances which may materially affect the performance of commodity interests, including failure of the payment system;
- (4) Any action taken by the United States or any foreign government or any state or local governmental body, any other contract market, board of trade, or any other exchange or trade association (foreign or domestic), which may have a direct impact on trading on the Exchange;
- (5) Any circumstances which may have a severe, adverse effect upon the physical functions of a contract market including, for example, fire or other casualty; bomb threats; substantial inclement weather; power failures; communications breakdowns; computer system breakdowns; screen-based trading system breakdowns; malfunctions of plumbing, heating, ventilation and air conditioning systems; and transportation breakdowns;
- (6) The bankruptcy or insolvency of any Futures Participant or the imposition of any injunction or other restraint by any government agency, court or arbitrator upon a Futures Participant which may affect the ability of that Futures Participant to perform on its contracts;
- (7) Any circumstance in which it appears that a Futures Participant or any other person has failed to perform its contracts, is insolvent, or is in such financial or operational condition or is conducting business in such a manner that such person cannot be permitted to continue in business without jeopardizing the safety of [c]Customers' funds, Futures Participants of the Exchange, the Exchange or the Clearing Corporation; and
- (8) Any other unusual, unforeseeable and adverse circumstance with respect to which it is not practicable to submit, in a timely fashion, a Rule of the Exchange to the Commission for prior review.

(b) Physical Emergency. The term "physical emergency" means an emergency which may have a severe, adverse effect upon the physical functions of the Exchange including, for example, fire or other casualty, bomb threats, substantial inclement weather, power failures, communications breakdowns, computer system breakdowns, screen-based trading system breakdowns, malfunctions of plumbing, heating, ventilation and air conditioning systems; and transportation breakdowns.

(c) Emergency Committee. The Board of Directors shall establish an Emergency Committee ("Committee"), which shall be authorized to determine the existence

of an emergency. Any member of the Committee may request the Committee to determine whether an emergency condition exists.

(d) When the Committee determines that an emergency exists, the Committee may take immediate emergency action or place into immediate effect a temporary emergency. Any such action or rule may provide for, or may authorize the Exchange to undertake actions necessary or appropriate to respond to the Emergency, including taking such market actions as may be directed by the Commission and also including such actions as:

- (i) limiting trading to liquidation only, in whole or in part;
- (ii) extending or shortening the expiration date for trading in contracts;
- (iii) extending the time of delivery;
- (iv) changing delivery points and/or the means of delivery;
- (v) ordering the liquidation of contracts, the fixing of a settlement price or the reduction in positions;
- (vi) ordering the transfer of contracts and the money, securities, and property securing such contracts, held on behalf of [c]Customers by a Futures Participant to another Futures Participant, or other Futures Participants, willing to assume such contracts or obligated to do so;
- (vii) extending, limiting or changing hours of trading;
- (viii) suspending or curtailing trading in any contract;
- (ix) requiring market participants in any contract to meet special margin requirements; or
- (x) modifying or suspending any provision of the By-Laws or Rules of the Exchange.

Such actions may be carried out through the Exchange's agreements with its third-party providers of clearing or regulatory services, if applicable. In situations where a contract is fungible with a contract on another platform, emergency action to liquidate or transfer open interest must be as directed, or agreed to, by the Commission or the Commission's staff.

(e) Physical Emergency. If, in the judgment of any officer of the Exchange the physical functions of the Exchange are, or are threatened to be, severely and

adversely affected by a physical emergency such Person may take any action that he or she may deem necessary or appropriate to respond to such physical emergency, including closing the Exchange, delaying the opening of trading in one or more Contracts or suspending trading in or extending trading hours for one or more Contracts. In the event that any action has been taken pursuant to the immediately preceding sentence, any Person who is authorized to take such action may order the removal of any restriction previously imposed pursuant to such sentence, upon a determination by such Person that the physical emergency that gave rise to such restriction has sufficiently abated to permit the physical functions of the Exchange to continue in an orderly manner.

(f) **Modification and Recording.** The Exchange will promptly notify the Commission of any action taken, or proposed to be taken, pursuant to this Rule in accordance with Commission Regulations § 40.6 and 40.7, explaining how conflicts of interest were minimized, including the extent to which the Exchange considered the effect of its emergency action on the underlying markets and on markets that are linked or referenced to the Exchange's market and similar markets on other trading venues. The decision-making process with respect to, and the reasons for, any such action will be recorded in writing. Rules or rule amendments implemented pursuant to this Rule shall, if practicable, be filed with the Commission prior to implementation or, if not practicable, be filed with the Commission at the earliest possible time after implementation, but in no event more than twenty-four hours after implementation. The Committee shall prepare a report of an emergency action taken pursuant to this Rule and submit it to the Board of Directors at the Board's next regular meeting.

(g) **Conflicts of Interest.** The conflict of interest provisions set forth in the By-Laws shall apply to the taking of any action under this Rule.

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## **Section 5 Regulatory Services Provided by The Options Clearing Corporation**

The Exchange has contracted with The Options Clearing Corporation (“OCC”) to provide certain regulatory services to the Exchange pursuant to a Regulatory Services Agreement. In accordance with that Agreement, OCC may perform for the Exchange certain financial surveillance functions and functions related to the protection of [c]Customers. The Exchange may provide information to and receive information from OCC in connection with the performance by OCC of those functions.

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## **Chapter II Membership Rules**

### **Section 1 Qualification and Participation of Futures Participants**

(a) Only a Futures Participant may transact business on NFX. A prospective Futures Participant must:

- i. complete a Futures Participant Application in the form prescribed by the Exchange; and
- ii. provide such other information as required by the Exchange[;].

(b) Notwithstanding the provisions of Section 2 of this Chapter, the Exchange requires compliance with the following:

- (i) A Futures Participant must be actively engaged in a futures business in the United States.
- (ii) A Futures Participant must be a member of NFA or another designated contract market.
- (iii) Participation in the Exchange as a Futures Participant requires a permit [current registration as such with the Exchange]. The issuance by the Exchange of [S]such [registration]permit shall be conditioned upon the Futures Participant's initial and continuing compliance with the following requirements:
  - (1) execution of applicable agreements with the Exchange, including but not limited to an agreement to abide by the Certificate, By-Laws and Rules of the Exchange, as they may be amended from time to time;
  - (2) maintenance of a clearing account with a Clearing Futures Participant, or maintenance of a[n] clearing account directly with The Options Clearing Corporation[;].

In addition the following requirements apply:

- (a) No Futures Participant shall submit an Order [or a Quote] to the Trading System [NFX XL] or accept the transfer of a Contract unless the Futures Participant is either a Clearing Futures Participant or a Non-Clearing Futures Participant guaranteed by a Clearing Futures Participant [pursuant to this Rule] for that Contract.
- (b) The Clearing Futures Participant must designate at least two Authorized Risk Officers who shall set and adjust pre-trade risk parameters for a Futures Participant, Authorized Trader or Authorized Customer as provided in Chapter IV, Section 5. The Exchange will not issue an active Trader ID if an Authorized Risk Officer has not set pre-trade risk parameters.

([b]c) A [designated] Clearing Futures Participant is authorized by the Exchange to clear, carry, and guarantee specified Contracts for itself, its Customers, and Non-Clearing Futures Participants. To become a Clearing Futures Participant, a Futures Participant must (1) apply to [a]the Clearing Corporation and the Exchange, (2) satisfy the criteria established by the Clearing Corporation and the Exchange for Clearing Futures Participants, and (3) submit to the Exchange confirmation from the Clearing Corporation that the Futures Participant is a member of the Clearing Corporation.

([c]d) To maintain its Clearing Futures Participant designation, the Clearing Futures Participant must at all times continue to satisfy all criteria established by the Clearing Corporation and the Exchange for designation as a Clearing Futures Participant for specified Contracts.

([d]e) A Clearing Futures Participant must provide the Exchange with a copy of each written agreement guaranteeing the performance of the Non-Clearing Futures Participant with respect to a Contract (referred to as a "Guarantee"). For purposes of this Rule, a Guarantee (1) guarantees and indemnifies the performance [for]of the Contracts governed by the Guarantee; (2) remains in effect until terminated pursuant to paragraph (e) notwithstanding any change to the Rules, the terms of any Contract, or the composition of any partnership (including, but not limited to, the death, retirement, admission or withdrawal of a partner); (3) applies to defaults by the Non-Clearing Futures Participant on any obligation related to a Contract or other claims governed by the Guarantee; and (4) supplements, but does not substitute, any other agreement whereby the Clearing Futures Participant guarantees or indemnifies the Non-Clearing Futures Participant.

([e]f) To terminate a Guarantee, either party to the Guarantee (the Clearing Futures Participant or Non-Clearing Futures Participant) must immediately notify the Exchange of the termination of the Guarantee using the form, providing the information, and following the procedures established by the Exchange. [Upon receipt of a request for termination of a Guarantee, the Exchange will act as promptly as required by the circumstances.] A Guarantee remains in effect until the Exchange authorizes its termination and notifies both parties. [Notwithstanding the termination of the Guarantee,] [t]The Clearing Futures Participant remains bound by the Guarantee for all Contracts governed by the Guarantee entered into by the Non-Clearing Futures Participant before termination of the Guarantee, but is not bound for any Contract made by, or transferred to, the Non-Clearing Futures Participant after termination of the Guarantee.



- ([f]g) If a dispute arises between the Clearing Futures Participant and the Non-Clearing Futures Participant concerning whether a Contract was entered into or transferred before or after the termination of a Guarantee: (1) the Clearing Futures Participant has the burden to demonstrate that the Non-Clearing Futures Participant entered into the Contract after termination of the Guarantee and (2) the Exchange may, within its discretion, provide the Clearing Futures Participant and Non-Clearing Futures Participant with information regarding the time at which the Non-Clearing Futures Participant entered into or transferred a Contract.
- (3) compliance with the Certificate, By-Laws and Rules of the Exchange as well as operating procedures of the Exchange and the Commission in the use of [the system including, but not limited to,] the Trading System [NFX XL (for purposes of this Rule, NFX XL shall be defined as ("System"))];
- (4) maintenance of the physical security of the equipment located on the premises of the Futures Participant to prevent the improper use of or access to the Exchange's Trading [s]System[s], including unauthorized entry of information into the Exchange's Trading System;
- (5) acceptance and settlement of each trade that the Exchange identifies as having been effected by such Futures Participant, or if settlement is to be made through another [c]Clearing Futures Participant [member], guarantee of the acceptance and settlement of such identified Exchange trade by the [c]Clearing Futures Participant [member] on the regularly scheduled settlement date; and
- (6) input of accurate information into the Trading System, including, but not limited to, whether the [member organization]Futures Participant acted in a principal or agent capacity.
- (iv) Futures Participants are required to maintain a current list of all Authorized Traders (including Trader ID's assigned to an Automated System) of the Futures Participant as well as Authorized Risk Officers with the Exchange's Membership Department. The Exchange's Membership Department must be immediately notified of the addition, termination or resignation of an Authorized Trader or Authorized Risk Officer.
- (v) A Futures Participant['s registration] shall be issued a permit by the Exchange [become effective] upon [receipt by the Futures Participant of] notice of [an] approval of [registration]its application as a Futures Participant by the Exchange. [The registration required hereunder will

apply solely to the qualification of a Futures Participant to participate in the System. Registration will qualify a Futures Participant to trade all System Contracts.]

- (vi) Each Futures Participant shall be under a continuing obligation to inform the Exchange of noncompliance with any of the [registration] requirements set forth above.
- (vii) If a Futures Participant has actual or constructive notice of a violation of Exchange By- Laws, Rules, or Act in connection with the use of the Exchange's markets by a non-[member]Futures Participant Customer of the Futures Participant and the Futures Participant fails to take appropriate action, the Futures Participant may be found to have committed an act detrimental to the interest or welfare of the Exchange.
- (viii) A Futures Participant shall assist the Exchange in any investigation into potential violations of the Rules of the Exchange or the Act which occur through or with respect to access to the Exchange's Trading [s]System[s] under the Authorized Trader's [Futures Participant's] Trader ID[identification] which is associated with a Futures Participant. Such assistance must be timely and include, but not be limited to, requiring any non-[member]Futures Participant Customer to produce documents, to answer questions from the Exchange, and/or to appear in connection with an investigation.
- (ix) The Exchange may impose upon any Futures Participant such temporary restrictions upon the automated entry or updating of [o]Orders [or quotes/orders] as the Exchange may determine to be necessary to protect the integrity of the Exchange's Trading [s]System[s]. For example, such temporary restrictions may be necessary to address a Trading [s]System problem at a particular Futures Participant or at the Exchange, or an unexpected period of extremely high message traffic. The scope of any such restrictions shall be communicated to the affected Futures Participant in writing.

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#### **Section 4 Fitness of Futures Participants**

The Exchange may deny a permit to any applicant or [the registration as a] Futures Participant if the Exchange determines that any of the circumstances contained in Sections 8a(2), (3), (4) and (11) of the Act [of the Act] exists with respect to such applicant or Futures Participant or any person associated with such applicant or [organization]Futures Participant. For the purpose of this Rule, the term "person associated with" when applied to any person shall mean, as applicable, any general partner, officer, or director of such person, any holder or

beneficial owner of ten percent or more of the outstanding shares of any class of stock of such person, any person who has contributed ten percent or more of the capital of such person or any person directly or indirectly controlling such person.

### **Section 5 Approval and Termination of Permits**

(a) No applicant shall be approved as Futures Participant unless the application is approved by the Exchange or the Executive Committee pursuant to the procedures set forth in Sections 2 and 3.

(b) Every Futures Participant approved by the Exchange must continue to meet the qualifications contained in the By-Laws and Rules of the Exchange.

(c) Each approved Futures Participant shall be assigned a Futures Participant [House]Exchange Account by the Membership Department.

(d) A Futures Participant may terminate a permit by giving written notice stating the desired date of such termination to the Exchange.

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### **Section 9 Dues, Fees and Charges**

(a) The Board of Directors may fix and impose [assessments, initiation, leasing and transfer] participation fees, transaction fees, and other fees, dues and charges to be paid by Futures Participants for applications, [registrations,] approvals, use of Exchange facilities or other services or privileges granted, and such assessments, fees, dues and charges may be imposed in different amounts or proportions for different classes of Futures Participants. All such assessments, fees, dues and charges shall be payable under such terms and conditions as the Board may prescribe.

(b) Each [member and member organization]Futures Participant, and all applicants for [registration]a permit as such shall be required to provide a clearing account number for an account at [The Options]the Clearing Corporation ["OCC"]) for purposes of permitting the Exchange to debit any undisputed or final fees, fines, charges and/or other monetary sanctions or other monies due and owing to the Exchange pursuant to this Rule. In the event that a [member or member organization]Futures Participant successfully disputes a fee, fine or charge that has been debited, the Exchange would either reflect a credit in a future invoice or refund the amount in the form of a check.

(c) The Board of Directors may fix and impose a charge upon each Futures Participant measured by the number of transactions or contracts effected by such Futures Participant through the facilities of the Exchange. In fixing the amount of such charge, the Board may establish different rates for transactions or contracts

involving different commodity interests or for transactions or contracts effected for non-Futures Participants, or for various classes of Futures Participant, or may omit such charge for any class or classes of Futures Participant. Such charges shall be payable under such terms and conditions as the Board may prescribe.

#### **Section 10 Failure to Pay [Dues, Etc.]**

A Futures Participant that does not pay any fees, assessments, charges, fines or other amounts due to the Exchange within thirty (30) days after they have become due and payable shall be reported to the Board or its delegate which may, after giving reasonable notice to the Futures Participant of such arrearages, suspend the Futures Participant until payment is made or terminate the Futures Participant's participation on the Exchange. A person associated with a Futures Participant who fails to pay any fine or other amounts due to the Exchange within thirty (30) days after such amount has become due and payable and after reasonable notice of such arrearages, may be suspended until payment is made. [which fails to pay its dues, fees, charges, fines or other assessments within ninety (90) days after the same become payable shall be notified in writing of such arrearages. If such arrearages have not been paid within twenty (20) days after such notice, the Board of Directors may suspend the delinquent Futures Participant, which suspension shall continue until the monies owed the Exchange, together with any other sums which accrued and remain unpaid since the suspension became effective, are paid. Should payment of dues, fees, charges, fines or other assessments not be paid within sixty days (60) after notice of arrearages, the permit may be disposed of by the Exchange upon at least ten (10) days' written notice mailed to him at his address registered with the Exchange.]

#### **[Section 11 Liability for Dues and Other Fees or Charges Until Transfer of Membership**

Notwithstanding the death, suspension or expulsion Futures Participant, the Futures Participant or, in the event of his death, his estate shall continue to be liable for the payment of dues, fees, charges or other assessments to the Exchange.]

#### **Section 1[2]1 Notice of Changes**

(a) Each Futures Participant, as applicable, shall give prompt written notice to the Exchange on such form as may be required by the Exchange: (1) of the death, termination, resignation or any change in status of a Executive Representative, [or] Authorized Trader or Authorized Risk Officer of the Futures Participant; (2) of the sale of substantially all of the assets, merger, consolidation, liquidation, or dissolution of the Futures Participant; and (3) of any material change in the ownership interests of the Futures Participant.

(b) Any Futures Participant that files an application for registration with the Commission to become a futures commission merchant, introducing broker or floor broker shall concurrently deliver a copy of such application to the Exchange, and shall promptly notify the Exchange of any action taken by the Commission with respect to such application.

**Section 1[3]2 Addresses**

Every Futures Participant shall register with the Exchange's Membership Department an address and subsequent changes thereof where notices may be served.

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**Section 1[4]3 Notices to Futures Participants, Executive Representatives [or] Authorized Traders or Authorized Risk Officers**

(a) Futures Participants shall provide any required notice to the Exchange in the manner set forth in these Rules, or in other Exchange regulatory or operational orders or procedures, as applicable.

(b) Except as may be otherwise expressly provided in the Rules, the Exchange may provide any notice to a Futures Participant, Executive Representative, [or] Authorized Trader or Authorized Risk Officer by:

- (1) handing a copy to the Futures Participant, Executive Representative, [or] Authorized Trader[, ] or Authorized Risk Officer,
- (2) mailing a copy to the Futures Participant, Executive Representative, [or] Authorized Trader or Authorized Risk Officer to the address supplied to the Exchange by the Futures Participant, Executive Representative, [or] Authorized Trader or Authorized Risk Officer for notice, or
- (3) transmitting electronically a copy to the Futures Participant, Executive Representative, [or] Authorized Trader or Authorized Risk Officer (including, through a facsimile or electronic-mail transmission) to the address supplied to the Exchange by the Futures Participant, Executive Representative, [or] Authorized Trader or Authorized Risk Officer for notice, or
- (4) posting the notice on the Exchange's website.

\* \* \* \* \*

## **Chapter III Obligations of Futures Participants and Authorized Traders**

### **Section 1 Books and Records**

(a) Each Futures Participant shall prepare and keep current all books, ledgers and other similar records required to be kept pursuant to the [CEA]Act and Commission Regulations[, Exchange Act, Exchange Act Regulations] and the Rules of the Exchange and shall prepare and keep current such other books and records and adopt such forms as the Exchange may from time to time prescribe. Such books and records shall include, without limitation, records of the activity, positions and transactions of each Futures Participant and Clearing Futures Participant in the underlying commodity or reference market and related derivatives markets in relation to a Contract. Such books and records shall be made available to the Exchange upon request in a form and manner prescribed by the Exchange and within the time frame designated by the Exchange.

(b) With respect to each [o]Order, bid, offer or other message transmitted to the Trading System [NFX XL] by an Authorized Trader of a Futures Participant, the Futures Participant shall keep a record of which Authorized Trader of the Futures Participant caused that [o]Order, bid, offer or other message to be transmitted to the Trading System [NFX XL].

(c) If a Contract listed on the Exchange is settled by reference to the price of a contract or commodity traded in another venue, including a price or index derived from prices on another designated contract market, Authorized Traders shall make available to the Exchange upon request in a form and manner prescribed by the Exchange and within the time frame designated by the Exchange information and their books and records regarding their activities in the reference market.

(d) Each Futures Participant shall keep all books and records required to be kept pursuant to the Rules of the Exchange for a period of five years from the date on which they are first prepared, unless otherwise provided in the By-Laws and Rules of the Exchange or required by law. Such books and records shall be readily accessible during the first two years of such period as they are required to be maintained. Reproductions of any such records may be substituted in a manner consistent with Commission Regulations.

(e) During such period as they are required to be maintained by the Futures Participant, all such books and records shall be made available for inspection by, and copies shall be delivered to, the Exchange or its authorized representatives upon request.

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**Section 11 Transfer of Accounts**

Upon written request from a [c]Customer of his intention to transfer his account(s) from one Futures Participant to another, both Futures Participants shall expedite the transfer, provided that the transfer does not result in a change of ownership, in which case the transfer shall not be effected.

**Section 12 Adjustment of a Customer Order**

(a) No Futures Participant or Authorized Trader shall make any adjustment of a [c]Customer's [o]Order after the execution of such [o]Order except to correct an error. Any loss resulting from an error or mishandling of an [o]Order for a [c]Customer must be borne by the Futures Participant which made the error, and any profits resulting from the error or mishandling of an [o]Order shall ensure to the benefit of the [c]Customer.

(b) Each Futures Participant shall maintain a separate file of adjustments, transfers and liquidations that were made pursuant to this Rule which shall be kept in accordance with the provisions of Section 1.

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**Section 15 Responsibility for Customer Orders**

(a) Futures Participants handling Orders for Customers shall exercise due diligence in the handling and execution of such Orders. Failure to act with due diligence shall constitute negligence. Futures Participants are prohibited from directly or indirectly guaranteeing the execution of an Order or any of its terms such as the quantity or price; provided that this sentence shall not be construed to prevent a Futures Participant from assuming or sharing in any losses resulting from an error or the mishandling of an Order.

(b) No Futures Participant shall adjust the price at which an Order was executed, nor shall it be held responsible for executing or failing to execute an Order unless such Futures Participant, as the case may be, was negligent or is settling a bona fide dispute regarding negligence, or as otherwise permitted by the policies and procedures referred to in Chapter [I]V, Section [13]5.

\* \* \* \* \*

**Section 23 General Trading Standards and Prohibited Practices**

(a) No Futures Participant may accept a Customer Order for submission to the Trading System [NFX XL] unless the Futures Participant has provided the Customer with the Uniform Electronic Trading and Order Routing Systems Disclosure Statement or any successor disclosure published by the National Futures Association.

(b) No Futures Participant shall disclose the existence or terms of an Order not yet disseminated by the Exchange, except to representatives of the Exchange or Commission or otherwise for the sole, necessary, and appropriate purpose of executing the Order.

(c) No Futures Participant shall aggregate two or more Customer Orders, allocate trades, or provide for average price transactions among Customer Accounts except that average price transactions for an individual Customer are permissible as provided for Chapter [I]V, Section[s] 10 [22, 24 and 25.]

(d) No Futures Participant shall knowingly submit to the Trading System [NFX XL a Quote or] an Order for any Contract for the account of that Futures Participant or any account in which that Futures Participant has an interest while holding an Order of another Person for the same Contract on the same side of the market that is executable at the then current market price or at the price at which the [Quote or] Order is executable for the account of the Futures Participant or an account in which that Futures Participant has an interest.

(e) No Futures Participant shall exercise discretion and submit an Order to or through the Trading System [NFX XL] for an account of another Person without the prior specific consent of that Person; provided, however, that prior specific consent required by this Rule does not apply to an Order for a Proprietary Account of the Futures Participant]

(f) No Futures Participant shall accept or submit any Order to or through the Trading System [NFX XL] for an employee, agent, or other Person acting on behalf of another Futures Participant, or its associated Authorized Traders without the prior written consent of that other Futures Participant, which is filed with the Exchange. If an Order for another Futures Participant results in a transaction, then the Futures Participant through which the Order is submitted to the Trading System [NFX XL] must promptly send a duplicate confirmation of the transaction to the Person providing the prior written consent of the other Futures Participant.

(g) Futures Participants and Authorized Traders shall not:

- (1) Engage in practices that may cause degradation of the Exchange's services or facilities, or that may cause a disorderly market, including but not limited to, unwarranted use of cancelling and resubmitting Orders [or Quotes];
- (2) Engage in pre-arranged transactions other than transactions executed in compliance with Chapter IV, Sections 11 (Block Trades) and 12 (Exchange for Related Positions) and Chapter V, Section 11 (Pre-Negotiated Business and Cross Transactions). [23 and 25]; or



- (3) Engage in acts, practices, or conduct contrary to the purposes of the Exchange or likely to bring the Exchange into disrepute. These prohibited practices include, but are not limited to:
- (i) effecting a transaction in, or inducing the purchase or sale of, any Contract through any manipulative, deceptive, or fraudulent device or contrivance;
  - (ii) engaging in price manipulation or cornering of the market;
  - (iii) engaging in wash transactions (or other activities that may or may not involve the making of a Contract) that creates a misleading appearance of activity occurring on the Trading System [NFX XL] and/or causes the reporting of a misleading price level;
  - (iv) engaging in accommodation transactions, by which one party enters into a Contract with another party knowing or having reason to know that such transaction was an attempt to conceal a trading abuse;
  - (v) engaging in "front-running" or "trading-ahead," where a party knowingly places an Order [or a Quote] or executes a trade for a Contract while in possession of material nonpublic information concerning an imminent Block Trade or Customer Order;
  - (vi) engaging in "cherry picking," where a party assigns a trade for a Customer to the account of another Customer or party (for any reason, even if only temporarily, where the situation is not remedied) and the trade assigned to the other Customer or party is at a superior price than the trade price received by the Customer;
  - (vii) withdrawing, withholding, disclosing, or taking advantage of a Customer Order in whole or in part for the benefit of any other Person;
  - (viii) engaging in compensation trades, where one or more parties executes non-competitive trades to transfer money between accounts;  
and
  - (ix) engaging in conduct or practices detrimental to the best interests of the Exchange.
  - (x) engaging in any other manipulative or disruptive trade practices prohibited by the Commodity Exchange Act, as amended, or Commission regulations, including but not limited to, "spoofing," "improper cross trading," "money passes," and trading against a [c]Customer [o]Order

\* \* \* \* \*

### **Section 25 Sales Practice Rules**

Without limiting the generality of Section 24, each Futures Participant (including its [R]related [P]parties) shall comply with any and all sales practice rules (including those relating to bunched [o]Orders, opening and approval of accounts, suitability, use of discretion, supervision of accounts, risk disclosure document delivery, communications, monthly statements and confirmations, registration, qualification and continuing education, [c]Customer complaints, prohibition against guarantees and profit sharing and money laundering) from time to time promulgated by the National Futures Association or [which] rules which are hereby incorporated by reference.

\* \* \* \* \*

### **[Chapter IV Trading Procedures and Standards]**

#### **[Section 1 The Options Clearing Corporation Rules**

(a) The rights and obligations of purchasers and sellers of futures, options thereon and commodity options cleared by The Options Clearing Corporation, including but not limited to rights and obligations in respect of clearing and settlement, variation payments and performance at maturity, and in the case of futures options and commodity options upon exercise thereof, shall be as set forth in the By-Laws and Rules of The Options Clearing Corporation.

(b) All transactions executed on or subject to the rules of the Exchange must be cleared through The Options Clearing Corporation. A market participant may access clearing through a trading account with a futures commission merchant or, in the case of a non-U.S. market participant, with a foreign broker or futures commission merchant, as those terms are defined in the rules of the CFTC, or, if applicable, as a clearing member.]

#### **[Section 2 Electronic Trading Generally**

NFX XL related activity is governed by Section 2 through and including Section 39, which prevail in the event of any conflict with any other Exchange Rule. All other Rules and By-Laws of the Exchange apply to NFX XL related activity unless expressly excluded from application.]

#### **[Section 3 Definitions and Rules of Construction**

(a) When used in these Rules, these terms have the following meanings:

**Authorized Trader.** The term "Authorized Trader" means an authorized employee or agent of a Futures Participant who is authorized by that Futures Participant and the Exchange to submit Quotes or Orders into NFX XL. Only a natural person can be an Authorized Trader. An Authorized Trader is considered a person associated with a Futures Participant for purposes of the By-Laws and Rules.

**Block Trade.** The term "Block Trade" shall mean a transaction in Contracts negotiated outside the NFX XL but executed through the Exchange that complies with the requirements of Section 25.

**Bunched Order.** The term "Bunched Order" means a single Order for two or more Customer Accounts entered into NFX XL pursuant to Section 24.

**Clearing Account Number.** The term "Clearing Account Number" means the unique identification code assigned by the Clearing Corporation which identifies a particular Clearing Futures Participant and an account maintained by that Clearing Futures Participant with the Clearing Corporation.

**Clearing Account Type.** The term "Clearing Account Type" means one of three indicators assigned to an Order or Quote designating the applicable clearing account type for any subsequent transaction as defined by Article VI, Section 3 of the by-laws of the Clearing Corporation. These indicators are: "C" for Orders to be cleared through a "segregated futures account" "F" for Orders to be cleared through a "firm account"; and "M" for Orders or Quotes to be cleared through a "segregated futures professional account" or a "proprietary futures professional account."

**Clearing Futures Participant.** The term "Clearing Futures Participant" means a Futures Participant designated by the Exchange to clear Contracts on behalf of itself, its Customers, and Non-Clearing Futures Participants.

**Contract.** The term "Contract" means any Commodity Interest that trades or is reported through NFX XL or subject to the Rules of the Exchange.

**Contract Month.** The term "Contract Month" means the calendar month in which the Last Trading Day for a Contract occurs, provided that with respect to Daily Expiry<sup>TM</sup> US Dollar 3- Month BBA LIBOR<sup>TM</sup> Futures the term "Contract Month" means the maturity date for a contract.

**Cross Transaction.** The term "Cross Transaction" means a transaction in which a Futures Participant knowingly represents both the buyer and seller by simultaneously selling and buying.

**Customer.** The term "Customer" has the meaning attributed to it by Commission Regulation 1.3(k).

**Customer Account.** The term "Customer Account" means an account carried by a Futures Participant on behalf of a Customer, which may be another Futures Participant.

**Customer Order.** The term "Customer Order" means an Order submitted on behalf of a Customer Account.

**Daily Settlement Price.** The term "Daily Settlement Price" means the price at which a Contract settles at the conclusion of any Trading Day.

**Discretionary Order.** The term "Discretionary Order" means an Order for a Customer Account for which the Futures Participant has discretion as to the Contract, the price, or the amount purchased or sold.

**Final Settlement Price.** The term "Final Settlement Price" means the price at which a Contract settles at the conclusion of the Last Trading Day for that Contract.

**Futures Participant House Account.** The term "Futures Participant House Account" means a unique identification code assigned by the Exchange to each Futures Participant.

**Last Trading Day.** The term "Last Trading Day" means the day specified by the Exchange for the conclusion of trading for the Contract.

**Limit Order.** The term "Limit Order" means an Order to buy or sell a stated number of Contracts at a stated price or better.

**Market Data.** The term "Market Data" means any and all price, quantity, and time data from any and all bids and offers submitted to, and trades executed by or through, NFX XL, any data derived from the foregoing, the format and presentation of any such data or information, and the transmissions of such data or information to Futures Participants, any party that has entered into an agreement with the Exchange to distribute the above-described data or information or other Person.

**Market Maker.** The term "Market Maker" means a Futures Participant approved by the Exchange to undertake rights and obligations to facilitate an orderly and liquid market as a Market Maker for one or more Contracts.

**NFX Best Bid and Offer.** The term "NFX Best Bid and Offer" means for each Contract then listed and trading through NFX XL the current disseminated highest

bid and lowest offer in the Order Book and/or available by Quote excluding those Orders that at the time of receipt are matchable and are due execution.

**NFX XL.** The term "NFX XL" means the electronic trading system maintained by the Exchange for the receipt, entry, cancellation, storage, display, matching, and reporting of Orders and Quotes.

**Non-Clearing Futures Participant.** The term "Non-Clearing Futures Participant" means a Futures Participant that is not a Clearing Futures Participant.

**Order.** The term "Order" means an instruction to buy or sell a Contract.

**Order Book.** The term "Order Book" means all Orders received by NFX XL for a particular Contract that are not immediately filled or cancelled upon entry pursuant to an Immediate or Cancel Order instruction.

**Proprietary Account.** The term "Proprietary Account" shall have the meaning ascribed to it by Commission regulation 1.3(y).

**Quote.** The term "Quote" means a bid or offer submitted by a Market Maker to transact through NFX XL in a certain quantity of a Contract at a specified price or better.

**Rule.** The term "Rule" means any rule, interpretation, stated policy, or instrument corresponding to any of the foregoing, in each case as adopted or amended from time to time by the Exchange.

**Trading Day.** The term "Trading Day" means a day that the Exchange is open for trading in a particular Contract.

(b) For all purposes of the Rules, unless otherwise expressly provided:

- (1) any time period which expires on a day which is not a Trading Day will expire on the next succeeding Trading Day;
- (2) all references to the Act or the Commission's regulations or Rules of the Exchange or Rules of the Clearing Corporation include such provisions as amended, modified, supplemented, restated, or replaced from time to time;
- (3) all references to the Commission includes any successor to the Commission;

(4) as permitted by the context any gender specific reference also include the other gender; and

(5) as permitted by the context any reference in the singular includes the plural and vice versa.

**Trader ID.** The term "Trader ID" means a unique personal identification code provided by the Futures Participant to the Exchange to identify the Authorized Trader submitting an order or a quote by or through a Futures Participant that is in a form and provided in a manner acceptable to the Exchange.]

**[Section 4 Listed Contracts**

The Exchange shall determine and publish through new rules or rule amendments the Contracts listed for trading through NFX XL.]

**[Section 5 Trading Days and Hours**

(a) Except as provided in Sections 26 and 31 in this Chapter, the Exchange shall determine and post on its website the days on which the Exchange is open for business, the opening and closing hours of the market, and the opening and closing trading times for each Contract. The Exchange shall from time to time determine (i) on which days the Exchange shall be regularly open for business in any Contract ("Business Days") and (ii) during which hours trading in any Contract may regularly be conducted on such days ("Trading Hours"). Trading Hours shall include any regular and extended trading hours under the rules governing the relevant Contract. Except to the extent expressly permitted by the Rules of the Exchange, no Futures Participant (including its Authorized Traders) shall make any bid or offer for, or engage in any transaction in, any Contract before or after such hours.

(b) The Exchange may modify its regular Business Days and Trading Hours to not be open for business or to have shortened trading hours in connection with a holiday or a period of mourning.

(c) The Exchange may from time to time adopt procedures for the opening or closing of trading in any Contract.]

**[Section 6 Market Opening**

(a) The Exchange shall post on its website a period prior to the market opening during which NFX XL will accept Orders and Quotes for execution upon market open or for execution during the Trading Day.

(b) If the Exchange halts or suspends trading in a Contract prior to the scheduled closing, then before resuming trading in that Contract the Exchange will have a

pre-opening period during which NFX XL will accept Orders and Quotes into NFX XL, as described in Section 6(a) above.]

**[Section 7 Authorized Traders and Trader IDs**

(a) Each Futures Participant may from time to time permit one or more individuals to act as its Authorized Traders. Each Authorized Trader shall satisfy such requirements as may be prescribed by the Exchange from time to time. Without limiting the generality of the foregoing, each Futures Participant shall ensure that (i) none of its Authorized Traders shall be subject to any statutory disqualification (unless an appropriate exemption has been obtained with respect thereto) and (ii) each of its Authorized Traders shall be technically proficient and shall conduct its business in a fair and equitable manner.

(b) Each Futures Participant, in a form and manner prescribed by the Exchange, shall include a Trader ID with every order and quote from that Futures Participant that is submitted to NFX XL.

(c) Trader IDs are subject to the following requirements (except in relation to Automated Trading Systems, with respect to which paragraph (d) below is applicable):

(i) Each Trader ID shall represent

(A) the natural person physically responsible for entering the order or quote into NFX XL (if a natural person entered the order or quote into NFX XL); or

(B) the natural person physically responsible for entering the order or quote directly or indirectly into a system of or used by a Futures Participant that interfaces with NFX XL (if no natural person entered the order or quote into NFX XL and instead a natural person entered the order or quote directly or indirectly into a system of or used by a Futures Participant that interfaces with NFX XL).

(ii) A Trader ID issued for a natural person may only be used by that natural person. A Trader ID issued for a natural person may not be used by any other natural person or entity and may not be used as the Trader ID for an Automated Trading System.

(d) Trader IDs are subject to the following requirements in relation to Automated Trading Systems:

(i) For purposes of this Rule, an Automated Trading System is a system that automates the generation and routing of orders or quotes.

(ii) Each order or quote originating from an Automated Trading System that is submitted to NFX XL shall include a Trader ID for that Automated Trading System.

(iii) A Trader ID issued for an Automated Trading System may only be used for that Automated Trading System. A Trader ID issued for an Automated Trading System may not be used for any other Automated Trading System and may not be used as the Trader ID for any natural person or entity.

(e) Each Futures Participant shall comply with the following issuance, recordkeeping, and reporting requirements related to Trader IDs:

(i) Each Trader ID issued for a natural person or Automated Trading System for inclusion with any order or quote from the Futures Participant that is submitted to NFX XL shall be unique, and shall not be associated with more than one natural person or Automated Trading System.

(ii) Each Futures Participant shall collect and maintain accurate, complete, and up-to-date records with the following information for each Trader ID issued for a natural person or Automated Trading System for inclusion with any order or quote from the Futures Participant that is submitted to NFX XL.

(A) a clear identification of whether the Trader ID is issued for a natural person or Automated Trading System;

(B) if the Trader ID is issued for a natural person, the name, address, telephone and e-mail contact information, and position or relationship to the Futures Participant;

(C) if the Trader ID is issued for an Automated Trading System, the name, address, telephone and email contact information, and position or relationship to the Futures Participant of the head operator of the Automated Trading System;

(D) and any other related information as may be prescribed by the Exchange.

(iii) Each Futures Participant shall provide to the Exchange in a form and manner prescribed by the Exchange information requested by the Exchange regarding any Trader IDs and the natural persons and Automated Trading Systems for which they have been issued for inclusion with any order or quote from the Futures Participant that is submitted to NFX XL. The information requested relating to an Automated Trading System may include, among other things, information



regarding the head operator and other individuals that operate the Automated Trading System and the type of models, algorithms, programs, and systems utilized by the Automated Trading System.

- (iv) Each Futures Participant shall promptly report to the Exchange in a form and manner prescribed by the Exchange any new or changed information regarding Trader IDs that are identified to the Futures Participant by the Exchange as being subject to this reporting requirement.]

**[Section 8 Responsibility for Orders and Quotes**

(a) Each Futures Participant is responsible for all Orders and Quotes submitted through its Futures Participant House Account by any Persons associated with that Futures Participant. Each Futures Participant must reasonably ensure that all Orders and Quotes submitted through its Futures Participant House Account are submitted in good faith to execute bona fide trades and that the Orders and Quotes comply with all applicable provisions of the Act, Commission regulations and related requirements, all Rules, and all Exchange regulatory and operational orders and procedures.

(b) Each Futures Participant must provide to the Exchange the name, title, telephone number and other contact information for its Authorized Traders and other emergency contacts in the manner, format, and following the procedures established by the Exchange.

(c) An Authorized Trader is responsible for all business conducted by or through the Futures Participant's House Account. Each Authorized Trader must sign a written statement provided by the Exchange whereby the Authorized Trader consents to the jurisdiction of the Exchange and the Commission and agrees to observe and be bound by the By-laws and Rules of the Exchange, the Act, Commission regulations and related requirements, and all Exchange regulatory and operational orders and procedures. Among other duties and responsibilities that the Exchange may impose, a Authorized Trader must:

- (1) Have the authority to modify or withdraw any Order or Quote entered under the Future Participant's House Account and the Authorized Trader's Trader ID;
- (2) Have the ability to identify immediately for the Exchange the sources of all Orders or Quotes submitted under the Future Participant's House Account and the Authorized Trader's Trader ID;
- (3) Ensure that all activity conducted under the Future Participant's House Account and the Authorized Trader's Trader ID complies with all applicable provisions of the Act, Commission regulations and related

requirements, all Rules, and all Exchange regulatory and operational orders and procedures; and

- (4) Ensure that any Person conducting business under the Future Participant's House Account and the Authorized Trader's Trader ID is competent and appropriately trained.

(d) No Futures Participant, Authorized Trader or Person associated with a Future Participant shall submit an Order or a Quote to NFX XL unless the Order or Quote is submitted with a Future Participant's House Account and a Trader ID attached in the manner, format, and following the procedures established by the Exchange. Each Futures Participant and Authorized Trader of a Futures Participant must reasonably ensure that no Future Participant's House Account or Trader ID is used by any Person not so authorized by the Futures Participant pursuant to these Rules.

(e) The Futures Participant must identify the Person submitting each Order or Quote by also attaching to the Order or Quote a Trader ID, a unique identifier, in the manner, format, and following the procedures established by the Exchange and posted on the Exchange's website.

(f) In the manner, format, and following the procedures established by the Exchange each Futures Participant must provide to, and keep current with, the Exchange the contact information for its Authorized Traders so that the Exchange can immediately reach the Authorized Trader when Orders or Quotes are resting in, being submitted to, or being executed by NFX XL through the Authorized Trader's Trader ID.]

**[Section 9 Submission of Orders**

(a) Futures Participants, and other Persons through Futures Participants may submit Orders and Market Makers may submit Quotes to NFX XL during the pre-open period and until the end of the Trading Day, but NFX XL only matches Orders and Quotes during the Trading Day.

(b) A Futures Participant must ensure that each Order (including an Order submitted through an electronic or automated order routing system pursuant to Section 21) is recorded and timestamped immediately upon receipt, execution, and any modification or cancellation.

(c) Each Order entered into NFX XL shall include the following information:

- (1) Futures Participant ID;
- (2) Trader ID for the person or system submitting the Order;

- (3) Contract and Contract Month;
- (4) buy or sell;
- (5) price;
- (6) Order instruction from Section 10 (if applicable);
- (7) quantity;
- (8) open or close position indicator as appropriate;
- (9) Customer Type Indicator (or "CTI" code) as specified in Section 9(f);
- (10) Customer Account number, unless a Bunched Order submitted in compliance with Section 24;
- (11) Clearing Account Number; and
- (12) Clearing Account Type.

(d) A Futures Participant shall retain all memoranda reflecting Orders for a Customer Account in accordance with Chapter III, Section 1 and shall retain those memoranda for the period required in Chapter III, Section 1. A Futures Participant receiving a Customer Order other than in the form of an electronic or written record must comply with the requirements of Commission regulation 1.35(a-1)(1).

(e) Until such time as the Exchange permits otherwise, direct access to NFX XL is limited to Futures Participants that are futures commission merchants or Clearing Futures Participants that are self-clearing their trades. Such Futures Participants are not permitted to provide direct access to NFX XL to any third person.

(f) CTI code 1 shall be used for transactions initiated and executed by an individual Authorized Trader for its own account, for an account it controls, or for an account in which it has ownership or financial interest. CTI code 2 shall be used for transactions executed for the proprietary account of an NFX Authorized Trader. CTI code 3 shall be used for transactions where an individual Authorized Trader executes for the personal account of another individual Authorized Trader, for an account the other individual Authorized Trader controls or for an account in which the other individual Authorized Trader has ownership or financial interest. CTI code 4 shall be used for any transaction not meeting the definition of CTI 1, 2 or 3. (These should be non- Futures Participant customer transactions.)]

**[Section 10 Acceptable Orders**

Types of Order instructions accepted by NFX XL are the following:

- (a) Cancel Leave Order, which is an instruction to cancel a portion, but not all, of the quantity of a Limit Order and leave the remaining quantity for execution without changing the price or duration parameters of the Order then on the Order Book;
- (b) Cancel Order, which is an instruction to cancel an Order;
- (c) Cancel Replace Order, which is an instruction to cancel a Limit Order and replace it with a new Limit Order that has a different quantity, price, and/or instruction;
- (d) Day Order, which is an instruction that a Limit Order, if not executed, expires at the end of the Trading Day for which it was entered. Unless otherwise specified, an Order for the purchase or sale of a Contract has a Day Order instruction;
- (e) Good-'Till-Cancelled Order, which is an instruction that a Limit Order to buy or sell remains in effect until it is either executed or cancelled; and
- (f) Immediate or Cancel Order, which is an instruction to execute a Limit Order as soon as the Order is entered into NFX XL; any part of an Immediate or Cancel Order executed is reported immediately and any portion not immediately executed is cancelled.
- (g) Unless a Customer instructs otherwise, a Futures Participant that receives an Order for the account of another Person shall submit the Order to NFX XL immediately through an Authorized Trader, or as soon as practicable, and in the sequence received. Unless a Customer instructs otherwise, if the Futures Participant cannot enter Orders received immediately into NFX XL, then the Futures Participant must (a) make a written record in non-erasable form of the Orders received and (b) submit the Orders received into the NFX XL in the sequence received once able to do so.]

**[Section 11 Execution of Orders by NFX XL**

(a) Except as described in Section (d), NFX XL matches Orders and Quotes in price priority with the highest bid or lowest offer for a Contract having priority over all other Orders and Quotes for the same Contract. When NFX XL has multiple Orders or Quotes for a contract at the highest bid or lowest offer, then

- (1) Orders for Clearing Account Type "C" receive priority over Orders for any other Clearing Account Type; and among Orders for Clearing Account Type "C" the first such Order in time at a price has priority over all other such Orders at the same price; and

(2) Orders for Clearing Account Types "F" and "M" and Quotes at the same price participate in proportion to the Order or Quote quantity relative to the total quantity of all such Orders and Quotes at the same price.

(b) When NFX XL receives a Quote that locks (i.e., the highest bid equals the lowest offer) or crosses (i.e., the highest bid exceeds the lowest offer) the NFX XL Best Bid and Offer, NFX XL will first disseminate a new NFX XL Best Bid and Offer at either the locked price or the resting price crossed by the Quote, a counting period of one second will begin during which Market Makers whose quotations are locked or crossed may eliminate the locked or crossed market. If at the end of the one second counting period the quote remains locked or crossed, the locked or crossed quotations will be executed. Notwithstanding the counting period, Market Makers shall be obligated to execute orders at their disseminated quotation. The quote that is locked or crossed may be executed by an order during the one second counting period.

(c) When NFX XL receives an Order that locks or crosses the NFX XL Best Bid and Offer, NFX XL will first execute the Order at either the locked price or the resting price crossed by the Order, then calculate and disseminate a new NFX Best Bid and Offer.

(d) An electronic auction occurs on NFX XL when two or more Orders or Quotes for a Contract are submitted, modified, or cancelled virtually simultaneously that would lock or cross market. During an electronic auction, NFX XL determines the price at which the most Contracts will trade based on all Orders in the Order Book and Quotes in NFX XL, with each Order or Quote filled receiving its stated price or better. During an electronic auction, a trade may occur outside the last disseminated NFX Best Bid and Offer.]

**[Section 12 Order Status, Change, or Cancellation**

(a) All Orders submitted to NFX XL are firm and remain open until executed, changed, or cancelled. Except for Good 'Til Cancelled Orders, all open Orders in NFX XL automatically cancel at the close of each Trading Day.

(b) A Futures Participant may edit an Order's price, change its quantity, or change its Order instruction in accordance with Section 11, once the Order Book holds the Order. If the volume is reduced for an Order held in the Order Book, then the Order's position in the time-priority queue remains unchanged. Any other change to an Order is treated as a new Order for purposes of the time-priority queue. To increase the quantity of an Order, the Futures Participant may either submit to NFX XL a new Order for the incremental quantity increase or may enter a Cancel Replace Order for the greater amount.]

**[Section 13 Transaction Nullifications or Modifications**

(a) The Exchange, in its sole discretion, may either nullify a transaction or adjust the execution price of a transaction in a Contract that (1) has taken place outside the nonreviewable range as defined in the relevant Contract specifications and (2) which the Exchange determines has taken place at an unrepresentative price or when necessary to mitigate market disrupting events caused by malfunctions in its electronic trading platform or errors in orders submitted by Futures Participants.

(b) When determining whether to nullify a transaction the Exchange may consider one or more of the following factors:

- (1) the opening price levels of the Contract on the NFX XL;
- (2) the price movements in other Contract Months of the same Contract;
- (3) the current market conditions, including levels of activity and volatility;
- (4) the last trade price for the Contract;
- (5) the speed of execution;
- (6) the information regarding price movements in related markets, the release of economic data, or other relevant news immediately before or during the trading session;
- (7) an obvious error;
- (8) the proximity of the trade to the close of the market; and
- (9) the impact of the error transactions on other transactions.

(c) When nullifying a transaction pursuant to section(a), the Exchange will act as soon as practicable and will promptly notify the Authorized Trader Contacts for the Futures Participants submitting each side of the transaction of any nullification pursuant to this Rule by telephone or any other means that the Exchange deems appropriate.

(d) A Futures Participant that executes a transaction in a Contract in error, at an unrepresentative price which is outside the non-reviewable range specified in the relevant Contract specifications, may, within 10 minutes of the Order execution, contact the Exchange to seek to modify or nullify the transaction pursuant to section (a).

(e) Mutual Agreement. The determination as to whether a trade was automatically executed at an erroneous price may be made by mutual agreement of the affected

parties to a particular transaction within ten (10) minutes of the order execution. A trade may be nullified or adjusted on the terms that all parties to a particular transaction agree. In the absence of mutual agreement by the parties, a particular trade may only be nullified or adjusted when the transaction results from an obvious error as provided in this Rule.

(f) The Exchange may, within its sole discretion, nullify or modify a transaction in a Contract if an error occurs as a result of a verifiable disruption or malfunction of NFX XL or its related communication or other systems.

(g) The Exchange will notify all Authorized Trader Contacts as soon as practicable (through means deemed appropriate by the Exchange) of (1) trades that the Exchange is investigating pursuant to this Rule and (2) trades that the Exchange has modified or nullified pursuant to this Rule.

(h) The Exchange's nullification or modification of transactions in Contracts pursuant to this Rule is final.]

#### **[Section 14 Price Improvement**

(a) A Futures Participant that obtains a better price executing a Customer Order must offer the entire price improvement to the Customer, subject to Section (b).

(b) A Futures Participant that executes a Customer Order for the wrong Contract Month or price, but otherwise executes the trade consistent with the Customer's instructions (1) may offset any loss suffered from the erroneous trade against any improvement achieved for the Customer on a properly executed Order and (2) must offer any net improvement received to the Customer.

(c) If a Futures Participant fails to timely submit a Customer Order, then upon discovery of the error the Futures Participant (1) may promptly seek to execute the Customer Order at the best obtainable price without obtaining new instructions from the Customer, but (2) must report any resulting trade to the Customer at the price actually executed and provide any price benefit to the Customer. If a Futures Participant fails to timely submit a Customer Order and does not upon discovery promptly seek to and execute the Customer Order, then the Futures Participant must (1) notify the Exchange and Customer of the error and (2) provide the Customer with a monetary adjustment equivalent to the price at which the Customer Order should have been executed.

(d) If provisions of this Section conflicts with any instructions of the Customer related to the Customer Order, then the instructions of the Customer prevail.]

#### **[Section 15 Customer Order Error Correction Procedures**

(a) Upon the request of a Futures Participant that failed to execute or made an error in executing or reporting a Customer Order ("Erring Futures Participant"), the Exchange may, in its sole discretion, permit the correction of the error to protect the interest of the Customer, as provided for in this Rule.

(b) To use the provisions of this Rule to correct an error in a Customer Order, the Erring Futures Participant must provide the Exchange with (1) a completed and signed error correction request form, (2) evidence that the Order reported to the Customer could have been reasonably executed on NFX XL, (3) the relevant completed Order ticket or similar record, and (4) any other evidence that the Exchange reasonably requests.

(c) If an Erring Futures Participant discovers an error in a transaction for a Customer in a Contract when the market is open, then the Erring Futures Participant may request the use of the provisions of this Rule if:

- (1) the price reported to the Customer was worse than the actual transaction execution price, but the Customer declined the price improvement in whole or part,
- (2) the price reported to the Customer was better than the actual transaction execution price, or
- (3) the Customer Order was executed in the wrong Contract, Contract Month, or direction (i.e., a buy rather than a sell or vice versa) and if the Erring Futures Participant executed the original Customer Order at the current market price the Customer would receive a worse price than the price reported to the Customer.

(d) An Erring Futures Participant that discovers an error after the market has closed for the relevant Contract must comply with the price improvement provisions of Section 14(b) except that the Daily Settlement Price for the Contract serves as the reference price to determine whether the price reported to the Customer was better or worse than the current market price.

(e) If the Erring Futures Participant traded in the wrong Contract, Contract Month, or direction (i.e., a buy rather than a sell or vice versa), then the Erring Futures Participant need only offer the net improvement, if any, to the Customer as described in Section 14(b).

(f) If the Erring Futures Participant has not executed a trade or executed a trade in the wrong Contract, Contract Month, or direction (i.e., a buy rather than a sell or vice versa) and the current market price for the Order at the time the error is discovered is better than the price erroneously reported to the Customer, then the



Erring Futures Participant must execute the Customer Order on NFX XL and may not use the provisions of this Rule.]

**[Section 16 Trade Confirmations and Objections**

The Exchange will promptly confirm each trade resulting from the electronic matching of bids and offers through NFX XL. If appropriate, upon receipt of a trade confirmation, the relevant Futures Participant must promptly object in writing to the Exchange; and under no circumstances will the Futures Participant object to any trade later than one hour after the close of trading for the relevant Contract on the applicable Trading Day.]

**[Section 17 Establishment of Settlement Prices**

The Exchange shall establish Daily and Final Settlement Prices at the times and using the methodology established by the Exchange as described in the Contract specifications. Such Daily Settlement Prices are subject to subsequent review and revision by the Clearing Corporation. The time set for determining the Daily Settlement Price or the Final Settlement Price need not coincide with the end of a Trading Day.]

**[Section 18 Customer Margin**

(a) General Rules:

- (1) No Futures Participant shall effect a transaction or carry a Customer Account without obtaining margin at the times, in the amounts, and in the forms required by this Rule.
- (2) If a Futures Participant fails to obtain and maintain the required minimum margin deposits for a Customer Account pursuant to this Rule, the Exchange may require that the Futures Participant immediately liquidate all or part of the positions in the Customer Account to decrease or eliminate the margin deficiency.
- (3) Nothing in this Rule prevents the Exchange, the Clearing Corporation, a Futures Participant from imposing margin rates or requirements on a Customer that are higher or more stringent than the rates or requirements imposed by this Rule.
- (4) Terms used in this Rule, but not otherwise defined by these Rules, have the meaning set forth in the Joint Audit Committee's Margins Handbook. In addition, a Futures Participant must follow the procedures specified in the Joint Audit Committee's Margins Handbook for the computation, issuance, collection, and offsets for margin calls and corresponding capital charges for the Futures Participant unless the Manual is inconsistent with these Rules, in which case these Rules prevail.

(b) Rates and Requirements:

- (1) The Clearing Corporation, pursuant to Commission Rule 39.13, shall determine the rates to be used to derive customer initial margin requirements for any Contract.
- (2) The Exchange will publish the minimum initial and maintenance margin requirements for each Contract, which shall be no less than that established by the Clearing Corporation.
- (3) Any changes in Contract margin requirements will apply to both new and existing Contracts in a customer's account. The Exchange may, within its discretion, establish different maintenance margin rates or requirements for different types of accounts. The term "customer initial margin" has the meaning set forth in Commission Rule 1.3.

(c) Account Administration, Classification, and Aggregation:

- (1) Omnibus Accounts: A Futures Participant must calculate margin requirements for an omnibus account (whether domestic or foreign) on a gross basis and in accordance with the rules of the Clearing Corporation, if a Clearing Member. However, a Futures Participant may impose maintenance margin rates for positions in the omnibus account and need not impose the initial margin rates. To use spread or hedge margin rates, a Futures Participant must obtain a written representation from the omnibus account identifying the positions within the account that are spreads or bona fide hedges, and if a Clearing Member, comply with the rules of the Clearing Corporation.
- (2) Bona Fide Hedge Accounts: For bona fide hedging transactions and positions as defined by Commission regulation 1.3(z)(1), a Futures Participant may impose maintenance margin rates for the transactions and positions and need not impose the initial margin rates if the Futures Participant has a reasonable basis to believe, and the Customer represents in writing that, the transactions or positions are for bona fide hedging.
- (3) Aggregation:
  - (i) When determining margin rates, margin calls, and the release of margin deposits, a Futures Participant may aggregate identically-owned accounts within the same regulatory account classification of Customer segregated, Customer secured, and non-segregated, provided however a Clearing Member may only aggregate identically-owned accounts for purposes of determining margin requirements, margin calls and releases in compliance with the rules of the Clearing Corporation.

(ii) To satisfy a margin deficiency, a Futures Participant may not apply available free funds from an identically-owned account that has a different regulatory account classification. Instead, the Futures Participant must transfer the free funds from one identically-owned account in one regulatory account classification to another identically-owned account with a different regulatory account classification that is undermargined, provided however a Clearing Member may not apply free funds in a manner inconsistent with the rules of the Clearing Corporation.

(iii) Except for omnibus accounts, a Futures Participant may calculate margin requirements on a net basis for concurrent long and short positions in identically-owned accounts within the same regulatory account classification, provided however a Clearing Member must calculate margin requirements in compliance with the rules of the Clearing Member.

(4) Extension of Credit: No Futures Participant shall extend or maintain credit to or for a Customer to evade or circumvent any requirements of this Rule. A Futures Participant may extend or maintain (or arrange for the extension or maintenance of) credit to or for a Customer to meet the margin requirements of this Rule only if the credit or loan is secured as defined by Commission regulation 1.17(c)(3) and the proceeds are treated by the Futures Participant in accordance with Commission regulation 1.30.

(d) Type, Form, and Value of Margin Deposits:

(1) A Futures Participant must only accept the following assets, securities, or instruments as margin deposits, which must be and remain unencumbered by third party claims:

(i) U.S. dollars and foreign currencies,

(ii) U.S. government treasury and agency securities,

(iii) municipal securities,

(iv) readily marketable securities (which means securities traded on a "ready market" as defined by Securities and Exchange Commission rule 15c3-1(c)(11)),

(v) money market mutual funds that meet the requirements of Commission regulation 1.25 (other than securities issued by the Customer or an affiliate of the Customer), and/or

(vi) irrevocable letters of credit in a form, and issued by banks or trust companies, approved by the Clearing Corporation (other than letters of credit issued by the Customer or an affiliate of the Customer).

(2) Notwithstanding paragraph (1), the rules of the Clearing Corporation may limit acceptable margin deposits.

(3) If a Futures Participant accepts securities identified in this Rule as margin deposits, then the Futures Participant must value the securities at no greater than the current market value of the securities less any deductions specified by Securities and Exchange Commission rule 15c3-1.

(4) A Futures Participant must not consider any guarantee of a Customer Account when determining whether required margin in that account is satisfied.

(e) Margin Calls and Liquidation:

(1) Once additional margin deposits are required pursuant to this Rule or a Rule of the Clearing Corporation, as applicable, a Futures Participant must call for the additional margin as promptly as possible and in any event not more than one business day after the event giving rise to the call. Once the Futures Participant calls for the additional margin, the Futures Participant must collect the full amount of the required additional margin from a Customer as promptly as possible and in any event within a reasonable time. In a margin call, a Futures Participant must require that a Customer deposit additional margin so that the Customer's account at least meets the minimum initial margin requirement (i) when the margin equity in the account initially falls below the minimum maintenance margin requirements and (ii) subsequently when the margin equity plus existing margin calls on the account are less than the minimum maintenance margin requirements.

(2) After a margin call is made by a Futures Participant but before the Customer makes the required additional margin deposit, the Futures Participant may only accept an Order from the Customer to establish a new position if the Futures Participant reasonably believes that the Customer will meet the outstanding margin call within a reasonable time. If a margin call to a Customer is outstanding for an unreasonable time, a Futures Participant may only accept Orders from the Customer that will reduce the Customer's margin requirements.

(3) After a margin call is made by a Futures Participant, if the Customer fails to deposit the required additional margin deposit within a reasonable time,

the Futures Participant may, but is not required to, liquidate all or a portion of the Customer's positions to restore the Customer's account to a properly margined level. However, the inability of a Futures Participant to liquidate all or a portion of the Customer's positions before the account equity results in a debit or deficit balance does not affect any liability of the Customer to the Futures Participant.

(4) A Futures Participant must make and retain a written record of the date, time, amount, and other relevant information for all margin calls made (whether made by telephone, in writing, or by other means) as well as margin calls reduced, satisfied, or relieved.

(5) A Futures Participant that liquidates all or a portion of the Customer's positions pursuant to this Rule is not deemed to have extended credit or made a loan to the Customer in violation of this Rule.

(f) Release of Margin: A Futures Participant may only release free funds in connection with a Customer Account if after release the Customer Account has at least free funds at the initial margin requirement level, provided however that a Clearing Member may not release free funds except in compliance with the Rules of the Clearing Corporation.]

**[Section 19 Market Maker Obligations**

(a) The Exchange may from time to time approve such number of Futures Participant as Market Makers and allocate to such Market Makers such number and types of Contracts, as it may deem necessary or appropriate. Any and all such approvals or allocations may be reviewed, conditioned or terminated at any time in accordance with this Rule.

(b) A Futures Participant desiring to act as a Market Maker shall file an application with the Exchange in such form as the Exchange may from time to time prescribe. Market Makers shall be selected by the Exchange from among the applications from time to time on file with the Exchange, based on the Exchange's judgment as to which applicant or applicants is or are most qualified to perform the functions of a Market Maker. Factors to be considered in making such selection may include, but are not limited to, any one or more of the following:

(i) the adequacy of each applicant's capital;

(ii) each applicant's operational capacity;

(iii) the trading experience of, and observance of generally accepted standards of conduct by, each applicant, in particular the individual or individuals who would represent such applicant in its capacity as a Market Maker (each, a "Market Maker Designee");

- (iv) the number and experience of support personnel of each applicant who will be performing functions related to its Market Maker business;
  - (v) if applicable, the regulatory history of, and history of adherence to the Rules of the Exchange, rules of other self-regulatory organizations and applicable law by, each applicant, in particular its Market Maker Designees;
  - (vi) the willingness and ability of each applicant to promote the Exchange as the marketplace of choice;
  - (vii) the market performance commitments of each applicant; and
  - (viii) if applicable, any performance evaluations conducted pursuant to the Rules of the Exchange or rules of other self-regulatory organizations.
- (c) In approving any applicant as a Market Maker, the Exchange may place one or more conditions or limitations on the approval, including but not limited to conditions concerning the capital, operations or personnel of such applicant, satisfaction of market performance commitments or benchmarks by such applicant, and the number or types of Contracts which may be allocated to such applicant. Unless earlier terminated pursuant to subsection (d) below, approval to act as a Market Maker shall be for a one year period, after which the Futures Participant may once again request approval to be a Market Maker pursuant to this rule for another year. There shall be no limit to the number of one year periods for which a Futures Participant may request approval to act as a Market Maker.
- (d) Each Futures Participant approved as a Market Maker shall retain such status for a one year period or until it resigns as a Market Maker and the Exchange relieves such Market Maker of its obligations to act as Market Maker, or the Exchange suspends or terminates such Market Maker's status.
- (e) In allocating Contracts to Market Makers approved in accordance with the above, the Exchange may: (i) consider any relevant information, including but not limited to performance, volume, capacity, market performance commitments, operational factors, efficiency, competitiveness and recommendations of committees of the Board or of the Exchange; (ii) place one or more conditions or limitations of the type specified in paragraph (c) above on the approval; or (iii) allocate any Contract to more than one Market Maker, such that the different Market Makers serve at the same time but with respect to different contract months or in different time zones, or such that each of the Market Makers serves as the Market Maker for such Contract on a rotating basis.
- (f) No Market Maker may sell, transfer or assign any of its rights or obligations as a Market Maker (including but not limited to its allocation of any Contracts by

virtue of its status as a Market Maker) without the prior written approval of such sale, transfer or assignment (including but not limited to the approval of the Person to which such rights, obligations or allocation are intended to be sold, transferred or assigned) by the Exchange. Any purported sale, transfer or assignment in violation of the foregoing sentence shall be void from the outset. For purposes of this paragraph (f), the following transactions shall be deemed to constitute a transfer of a Market Maker's rights or obligations:

- (i) Any sale, transfer or assignment of five percent of the equity or profits or losses of a Market Maker (or any series of smaller changes that in the aggregate amount to a change of at least such percentage); provided that any sale, transfer or assignment of an interest of less than such percentage may be found by the Exchange to constitute a transfer of a Market Maker's rights or obligations if the particular facts and circumstances warrant such a determination;
- (ii) Any change in, or transfer of, control of a Market Maker; and
- (iii) Any merger, sale of assets or other business combination or reorganization involving a Market Maker.

(g) The Exchange may from time to time evaluate a Market Maker's performance with respect to, among other things, one or more of the following: quality of markets, market share (taking into account all contracts similar to the relevant Contract or Contracts), administrative factors and observance of ethical standards. In this connection, the Exchange may consider any relevant information, including but not limited to market share and trading data, a Market Maker's regulatory history and such other factors and data as may be pertinent under the circumstances.

(h) The Exchange may terminate, place conditions upon or otherwise limit a Futures Participant approval to act as a Market Maker or a Market Maker's allocation of Contracts, under any one or more of the following circumstances:

- (i) if the Exchange finds in connection with an evaluation under paragraph (g) above that such Futures Participant's performance as a Market Maker has been unsatisfactory;
- (ii) if such Futures Participant becomes subject to a material financial, operational or personnel change;
- (iii) if such Futures Participant fails to comply with any conditions previously placed upon its approval as a Market Maker or its allocation of Contracts or perform its obligations; or

(iv) if for any reason such Futures Participant is no longer eligible for approval as a Market Maker or to be allocated a particular number or type of Contracts.

(i) Each applicant for approval as a Market Maker pursuant to the above shall be given an opportunity to present any matter which it wishes the Exchange to consider in conjunction with the application. Prior to taking any remedial action against a Market Maker pursuant to the above, such Market Maker shall be given notice thereof and an opportunity to present any matter which it wishes the Exchange to consider in determining whether to take such action. The Exchange may require that any presentation under this paragraph be made partially or entirely in writing, and may require the submission of additional information from any Person wishing to make a presentation under this paragraph. Formal rules of evidence shall not apply to any proceeding involving such a presentation. Notwithstanding the foregoing, the Exchange shall have the authority to immediately terminate, condition or otherwise limit a Futures Participant approval to act as a Market Maker in accordance with the above, without prior notice or opportunity to make a presentation under this paragraph, if the financial, operational or personnel change in question warrants such action.

(j) Market Makers shall have no obligation to quote. However, when and if they are quoting gold futures contracts for which they are approved Market Makers they are required to submit a two-sided market.]

**[Section 20 Quote Status, Change, or Cancellation and Submission**

(a) Only Market Makers can submit Quotes and all Quotes submitted to NFX XL are firm and remain open until executed, changed, or cancelled. At the close of each Trading Day all Quotes automatically cancel.

(b) A Market Maker may change or cancel a Quote at any time prior to a match with another Quote or Order through the NFX XL.

(c) Each Quote entered into NFX XL shall include the following information:

- (1) Futures Participant ID;
- (2) Contract and Contract Month;
- (3) buy or sell;
- (4) price; and
- (5) quantity.



(d) A Futures Participant submitting Quotes must comply with the requirements of Commission rule 1.35(a).]

**[Section 21 Automated Order-Routing Systems**

(a) If any Futures Participant provides any Customer, other Futures Participant, or any other Person access to an electronic or automated order-routing system that enables the submitting of Orders to the NFX XL through the Futures Participant's system, then the Futures Participant must:

- (1) adopt and enforce written procedures reasonably designed to protect the reliability and confidentiality of Customer Orders and Customer Account information at all points during the order-routing process, and assign responsibility for overseeing the process to individuals who understand how the order-routing process works and who are capable of evaluating whether the process complies with relevant procedures;
- (2) adopt and enforce written procedures reasonably designed to maintain adequate personnel and facilities for the timely and efficient delivery of Customer Orders and reporting of executions, and to timely handle Customer complaints about Order delivery and reporting;
- (3) adopt and enforce written procedures reasonably designed to prevent the order-routing system from being used to create undue financial risks for Futures Participant or its other Customers, including the Futures Participant's use of pre-trade risk limits or controls;
- (4) reasonably ensure that the order-routing system has adequate operational capacity and that the operational capacity is consistent with the representations made by the Futures Participant to Customers, other Futures Participants, and other Persons; and
- (5) ensure that the order-routing system complies with all applicable Rules of the Exchange, provisions of the Act, Commission regulations and registration requirements, and rules of the National Futures Association, including, without limitation, maintenance of an audit trail of all Order information in compliance with the requirements of Commission regulation 1.35.

(b) A Futures Participant is fully responsible for all Orders submitted directly to NFX XL through its electronic or automated order-routing system as if the Futures Participant had placed each Order itself.]

**[Section 22 Average Price Transactions**

A Futures Participant that is a registered as a futures commission merchant may confirm for a Customer Account an average price when multiple execution prices are received on an Order or series of Orders if all the following requirements are met:

- (a) The Customer has requested average price reporting and has received appropriate disclosure of the method used to calculate the average price.
- (b) Each Order is, or series of Orders are, for the same Customer Account or group of Customer Accounts.
- (c) Each Order is, or series of Orders are, for the same Contract, Contract Month, market direction (i.e., purchase or sale), and Order instructions pursuant to Section 10.
- (d) Each individual trade is submitted to, and cleared by, the Clearing Corporation at the price executed.
- (e) The Futures Participant calculates and confirms the weighted average mathematical price by (1) multiplying the number of contracts purchased or sold at each execution price by that price; (2) adding the results together; and (3) dividing the sum by the total number of contracts. For a series of Orders, the Futures Participant may compute the average price based on each Order in the series. The Futures Participant may confirm to the Customer either the actual average price or an average price rounded up for a buy Order, or rounded down for a sell Order, to the nearest price increment.
- (f) The applicable confirmation and monthly account statement provided to each relevant Customer indicates that the price represents an average price.
- (g) The Futures Participant does not average its proprietary trades with Customer trades that are subject to average price calculations.
- (h) The Futures Participant creates and maintains records (in accordance to Commission regulation 1.31) to support its average price calculations pursuant to this Rule and the allocations into Customer Accounts and makes those records available for inspection by the relevant Customers upon request.]

**[Section 23 Pre-Negotiated Business and Cross Transactions**

(a) Except as otherwise provided for in Section 25, a Futures Participant may only execute Cross Transactions or seek to match an Order through pre-negotiation with itself or with its other Customers in accordance with this Rule.

(b) When pre-negotiating and executing a Cross Transaction for a Customer, a Futures Participant must (1) obtain a prior written consent from the Customer which is either a generic or transaction specific consent and (2) act with due skill, care, and diligence, and ensure that the Customer's interests are not prejudiced.

(c) When submitting a Cross Transaction to the NFX XL through this Rule, if only one side of the transaction is a Customer Order, then the Futures Participant must submit the Customer Order first to NFX XL.

(d) A Futures Participant may enter Orders matched through pre-negotiation immediately into the NFX XL if, at the time of entry, a bid and an offer exists for the relevant Contract Month in the NFX XL. Because both Orders submitted pursuant to this Rule are exposed to the market, NFX XL may not necessarily match the two Orders.

(e) If a bid and an offer for a Contract Month does not exist in the NFX XL, then before submitting Orders in the relevant Contract Month that have been pre-negotiated, a Futures Participant must (1) submit one Order (in compliance with Section (c), if applicable), (2) wait five or eight seconds as specified in Chapter V, Section 11(e), and (3) submit the second Order for the relevant Contract Month. Because both Orders submitted pursuant to this Rule are exposed to the market, NFX XL may not necessarily match the two Orders.

(f) A Person must not enter a bid and/or an offer into NFX XL in an attempt to circumvent the requirements of this Section.]

#### **[Section 24 Bunched Orders**

(a) For post-execution allocation of a Bunched Order, a Futures Participant acting as an Eligible Account Manager (as defined by Commission regulation 1.35(a-1)(5)(i)(A-D), need not provide, at the time of either Order entry or report of Order execution, specific Customer Account identifiers for accounts included in a Bunched Order, if the Futures Participant complies with the requirements of Commission regulation 1.35(a-1)(5)(i)-(iv), as applicable.

(b) A Futures Participant that executes Bunched Orders or carries accounts eligible for post execution allocation of Bunched Orders must maintain records that, as applicable, identify each Bunched Order subject to post-execution allocation and the accounts to which Contracts executed for the Bunched Order were allocated, as required by Commission regulation 1.35(a-1)(5)(iv)(C).]

#### **[Section 25 Block Trades**

(a) A Futures Participant may only negotiate and execute Block Trades in Contracts on the Exchange but outside the NFX XL if all the requirements are met related to (1) hours of trading (Section (b)), (2) minimum quantity (Section (c)),

(3) eligible parties (Section (d)), (4) fair pricing (Section (e)), and (5) timely recording and submission of information (Rule Section (f)).

(b) Subject to Sections 26 and 31, a Block Trade may be negotiated and reported to the Exchange at any time during the trading hours on a Trading Day for the applicable Contract except for the last 15 minutes before the close of trading.

(c) A Block Trade may only be executed in a Contract designated as eligible for block trading in the relevant Contract specifications and must meet or exceed the minimum quantity threshold set forth in the Contract specifications. For purposes of meeting the minimum quantity thresholds, a Futures Participant must not aggregate separate Customer Orders, except that an adviser (as defined in Section (h)) with discretion over multiple Customer Accounts may aggregate multiple Customer Orders to meet the minimum quantity threshold for a Block Trade.

(d) Each party to a Block Trade must qualify as an "Eligible Contract Participant" (as defined in Section 1a(12) of the Act). An adviser (as defined in Section (h)) with discretion over multiple Customer Accounts may enter into a Block Trade on behalf of its Customers but only if each of those Customers is an Eligible Contract Participant. For Block Trades negotiated or executed on behalf of a Customer Account, the Futures Participant must obtain from the Customer prior written approval to execute Block Trades, which either provides general or Order specific consent.

(e) When negotiating or executing a Block Trade, a Futures Participant must ensure that the price quoted represents a fair price for the Block Trade (i.e., the price that the Futures Participant considers the best available for a transaction of that size and type). When determining a fair price for a Block Trade, a Futures Participant should consider the prevailing price and volume currently available through the NFX XL, the prices and sizes of transactions in other relevant markets at the relevant time, and general market conditions.

(f) In addition to the requirements of Sections 9(b) and (c), for a Block Trade each Futures Participant shall record on an Order ticket the identity of the individual arranging the Block Trade and time stamp the Order when negotiation ends. Unless a different time period is designated by the Exchange and posted on the Exchange's website:

- (1) for Block Trades negotiated during the trading hours of a Trading Day promptly but no later than 15 minutes after negotiations end for the Block Trade (i) the Futures Participant on the selling side of the Block Trade must obtain from the Exchange a trade authorization identification number and provide that trade authorization identification number to the Futures Participant on the buying side of the Block Trade and (ii) each

Futures Participant must submit to the Exchange a completed Block Trade request form.

- (2) for Block Trades negotiated at times other than the trading hours of a Trading Day, promptly but no later than 45 minutes before the next open of trading on a Trading Day (i) the Futures Participant on the selling side of the Block Trade must obtain from the Exchange a trade authorization identification number and provide that trade authorization identification number to the Futures Participant on the buying side of the Block Trade and (ii) each Futures Participant must submit to the Exchange a completed Block Trade request form.

(g) Upon receipt of the applicable Block Trading request forms, the Exchange will review the information received for the proposed Block Trade. If the market for the relevant Contract is open when the Exchange receives the Block Trade request forms and the Block Trade appears to satisfy the requirements of this Section, then the Exchange will immediately disseminate information concerning the Block Trade through the NFX XL. If the market for the relevant Contract is closed when the Exchange receives the Block Trade request forms and the Block Trade appears to satisfy the requirements of this Section, then the Exchange will disseminate information concerning the Block Trade through the NFX XL prior to the market open on the next Trading Day for the relevant Contract. The Exchange will disseminate the following information concerning Block Trades through NFX XL: the Contract with a designation denoting that the transaction was a Block Trade, the Contract Month, price, and quantity. The Exchange will not consider Block Trades in calculating either the relevant Daily Settlement Prices or the range of daily prices and the Exchange will report Block Trades separately for purposes of calculating trading volume.

(h) For purposes of Sections (c) and (d) an adviser means any of the following:

- (1) a commodity trading adviser registered under the Act (or exempt from registration),
- (2) an investment adviser registered as such with the Securities and Exchange Commission (or exempt from registration under the Investment Advisers Act of 1940) that is exempt from regulation under the Act and Commission regulations thereunder, or
- (3) any Person authorized to perform functions similar or equivalent to those of a commodity trading adviser in any jurisdiction outside the United States that has total assets under management exceeding \$25 million.]

**[Section 26 Trading Restrictions and Suspensions**

(a) The President or his delegate is authorized at any time to restrict or suspend trading in any Contract if he believes that the restriction or suspension is necessary or appropriate to preserve market integrity, maintain fair and orderly trading, or otherwise further the public interest or for the protection of investors.

(b) Any trading restrictions or suspensions imposed pursuant to Section (a) may include without limitation:

- (1) a change in the closing time and/or the time for determining the Daily Settlement Prices for that Trading Day; and/or
- (2) a setting of Daily Settlement Prices by the President or his delegate based on the following:
  - (i) the mid-point of PBOT Best Bid and Offer for the Contract Month immediately before the restriction or suspension;
  - (ii) if the mid-point of the PBOT Best Bid and Offer appears unrepresentative of fair market value, then the PBOT Best Bid and Offer will be adjusted by the last representative basis differential; or
  - (iii) any other methodology deemed appropriate by the President or his delegate under the circumstances.

(c) The President or his delegate may lift a trading restriction or suspension imposed by this Rule if the President or his delegate believes that trading can resume on a fair and orderly basis and the public interest is served.

(d) No trading restriction or suspension imposed under this Rule shall continue for more than two business days (or as soon thereafter as a quorum of the Board can be assembled) unless the Board approves of the continuation of the restriction or suspension.

(e) Any trading restrictions or suspensions imposed under this Rule will be posted on the Exchange's website. The Exchange will document its decision-making process and the reasons for using its authority under this Rule, and consult with Commission staff as necessary and appropriate.]

**[Section 27 Position Limits and Position Accountability**

(a) Unless otherwise provided by this Section, no Person shall own or control, separately or in combination, a net long position or a net short position in a Contract in excess of any position limit established by Commission regulations or the Exchange and set forth in the Contract specifications for that Contract. No Futures Participant shall effect a transaction in a Contract that the Futures

Participant knows or has reason to believe would result in the Futures Participant, a Customer, or any other Person holding or controlling, separately or in combination, a net long position or net short position in excess of a position limit established by Commission regulations or the Exchange.

(b) To determine whether a Person is complying with any position limit or accountability reporting requirement established by the Exchange or Commission regulations (1) all positions in accounts for which a Person, by power of attorney or otherwise, directly or indirectly holds positions or controls trading shall be aggregated and (2) positions held by two or more Persons acting pursuant to an expressed or implied agreement or understanding shall be aggregated as if the positions were held by a single Person.

(c) The position limits in this Rule do not apply to bona fide hedging positions meeting the requirements of Commission regulation 1.3(z)(1). However, the Exchange may limit bona fide hedging positions or any other positions that have been exempted pursuant to Commission regulation 150.5(e) if the Exchange determines that the positions are not in accordance with sound commercial practices or exceed an amount which may be established and liquidated in an orderly manner.

(d) To request an exemption from Sections (a) through and including (c), a Person must apply to the Exchange pursuant to this Section (d) by providing the information requested and following the procedures established by the Exchange. When considering whether to grant an exemption, the Exchange will take into account the factors contained in Commission regulation 150.5(d)(1).

(e) (i) The Exchange may, at any time, require a person who owns or controls positions in contracts traded on or cleared by the Exchange and which are subject to position accountability rules to provide information relating to such person's position. Upon request by the Exchange, such person shall provide information relating to the positions owned or controlled by that person including, but not limited to, the nature and size of the position, the trading strategy employed with respect to the position, and hedging information, if applicable. If the person from whom such information is requested fails to provide the information as directed, the Exchange may order the reduction of such position.

(ii) An order to reduce an open position may also be issued by the Chief Regulatory Officer or his designee, if he determines in his sole discretion, that such action is necessary to maintain an orderly market.

(iii) A Clearing Futures Participant that carries positions for another person shall be responsible for taking reasonable and diligent actions to effect the timely compliance with any order issued pursuant to this rule upon

notification of such order by the Exchange. All positions must be initiated and liquidated in an orderly manner.

- (iv) A person who holds or controls aggregate positions in excess of specified position accountability levels pursuant to an approved exemption shall be deemed to have consented, when so ordered by the Exchange, not to further increase the positions, to comply with any prospective limit which exceeds the size of the position owned or controlled, or to reduce any open position which exceeds position accountability or levels.]

**[Section 28 Exchange for Related Positions**

The following transactions shall be permitted by arrangement between parties in accordance with the requirements of this rule:

Exchange for Physical ("EFP") - A privately negotiated and simultaneous exchange of an Exchange futures position for a corresponding cash position.

Exchange for Risk ("EFR") - A privately negotiated and simultaneous exchange of an Exchange futures position for a corresponding OTC swap or other OTC instrument.

Exchange of Options for Options ("EOO") - A privately negotiated and simultaneous exchange of an Exchange option position for a corresponding OTC option position or other OTC instrument with similar characteristics.

For purposes of this rule, an EFP, EFR or EOO shall be referred to as an Exchange for Related Position ("EFRP"). All contracts listed on the Exchange shall be eligible for EFRP transactions.

**(a) Nature of an EFRP**

An EFRP consists of two discrete but related simultaneous transactions. One party to the EFRP must be the buyer of (or the holder of the long market exposure associated with) the related position and the seller of the corresponding Exchange contract. The other party to the EFRP must be the seller of (or the holder of the short market exposure associated with) the related position and the buyer of the corresponding Exchange contract.

However, a Futures Participant may facilitate, as principal, the related position on behalf of a customer, provided that the Futures Participant can demonstrate that the related position was passed through to the customer who received the Exchange contract position as part of the EFRP.



(b) Related Positions

The related position (cash, OTC swap, OTC option, or other OTC derivative) must involve the commodity underlying the Exchange contract, or must be a derivative, by-product, or related product of such commodity that has a reasonable degree of price correlation to the commodity underlying the Exchange contract.

(c) Quantity

The quantity covered by the related position must be approximately equivalent to the quantity covered by the Exchange contracts.

(d) Prices and Price Increments

An EFRP transaction may be entered into in accordance with the applicable price increments or option premium increments set forth in the rules governing the pertinent Exchange contracts, at such prices as are mutually agreed upon by the two parties to the transaction.

(e) Date and Time of Transaction

The date and the time of execution of all EFP transactions must be denoted on the record of the transaction.

(f) Termination of Trading in Exchange Contracts

EFRP transactions may be permitted after termination of trading in expiring Exchange contracts, as prescribed in the applicable rules governing such Exchange contracts. Such transactions shall not establish new positions.

(g) Identification and Submission to the Clearing House

Each EFRP transaction shall be designated as such and shall be cleared through the Clearinghouse. Each such transaction shall be submitted to the Exchange within the time period and in the manner specified by the Exchange. Futures Participants are responsible for exercising due diligence as to the bona fide nature of EFRP transactions submitted on behalf of customers.

(h) Documentation

Parties to any EFRP transaction must maintain all documents relevant to the Exchange contract and the cash, OTC swap, OTC option, or other OTC derivatives, including all documents customarily generated in accordance with relevant market practices and any documents reflecting payment and transfer of

title. Any such documents must be provided to the Exchange upon request, and it shall be the responsibility of the carrying Clearing Futures Participant to provide such requested documentation on a timely basis.

(i) Account Requirements

The accounts involved in the execution of an EFRP transaction must be (i) independently controlled accounts with different beneficial ownership; or (ii) independently controlled accounts of separate legal entities with the same beneficial ownership, provided that the account controllers operate in separate business units; or (iii) independently controlled accounts within the same legal entity, provided that the account controllers operate in separate business units; or (iv) commonly controlled accounts of separate legal entities, provided that the separate legal entities have different beneficial ownership.

(j) However, on or after the first day on which delivery notices can be tendered in a physically delivered Exchange futures contract, an EFRP transaction may not be executed for the purpose of offsetting concurrent long and short positions in the expiring Exchange futures contract when the accounts involved in such transaction are owned by the same legal entity and when the date of the Exchange futures position being offset is not the same as the date of the offsetting transaction.]

**[Section 29 Transfers of Positions**

(a) A Clearing Futures Participant may transfer a position on its books to:

- (1) correct errors in an existing Contract, provided that the original trade documentation confirms the error;
- (2) transfer an existing Contract from one account to another within the same Futures Participant where no change in ownership is involved;
- (3) transfer an existing Contract from one Clearing Futures Participant to another Clearing Futures Participant where no change in ownership occurs; or
- (4) transfer an existing Contract through operation of law from death or bankruptcy.

(b) Upon written request, the Exchange may, in its sole discretion, allow the transfer of a position as a result of a merger, asset purchase, consolidation, or similar non-recurring transaction for an association, limited liability company, partnership, trust, corporation, or other entity.

(c) Clearing Futures Participants must transfer positions pursuant to this Rule at the same prices that appear on the books of the transferring Clearing Futures Participant, and the transfer must indicate the date when the original trade was made. Each Clearing Futures Participant that is a party to a transfer of positions must make and retain records stating the nature of the transaction, the name of the counter-party Clearing Futures Participant, and any other information required by the Clearing Corporation.]

**[Section 30 Risk Controls**

(a) The Exchange shall not accept orders to buy into its trading system with a limit price more than 10% above the current exchange best offer of the relevant product. The Exchange shall not accept orders to sell into its trading system with a limit price more than 10% below the current exchange best bid of the relevant product.

(b) The Exchange shall not accept orders into the system that are greater than 1,000 contracts.

(c) Orders that are outside the parameters set forth in this rule will be rejected.]

**[Section 31 Regulatory Trading Halts**

The Exchange shall halt trading of broad-based index futures Contracts at any time that circuit breaker procedures are in place to halt or suspend trading in all equity securities trading on a national securities exchange or national securities association. After the triggering of circuit breaker procedures, the Exchange will resume trading of broad-based index futures Contracts only after trading has resumed in equity securities traded on a national securities exchange or national securities association.]

**[Section 32 Restrictions on Message Traffic**

At any time, the Exchange may, in its sole discretion, restrict the electronic transmissions or submissions to the NFX XL by Futures Participants of Quotes, Orders, modifications or cancellations of Quotes or Orders, trade reports, and other messages or vice versa ("Message Traffic") to safeguard the operations or integrity of NFX XL or to preserve market integrity, fair and orderly trading, or the public interest or for the protection of investors.]

**[Section 33 Proprietary Nature of Market Data**

All Futures Participants, Authorized Traders and all employees, agents, vendors, and other Persons affiliated with the foregoing:

- (a) understand and acknowledge that the Exchange has a proprietary interest in Market Data, the PBOT Best Bid and Offer, and all related trade data

and settlement prices relating to all Contracts traded through NFX XL and the Exchange;

- (b) agree not to take any action contrary or detrimental to the Exchange's interest and to take reasonable measures to ensure that no such action is taken by any Person affiliated with them.]

**[Section 34 Limitation of Liability For NFX XL**

(a) Except for any party found to have engaged in willful or wanton misconduct, neither the Exchange (which for purposes of this Section includes its parents, subsidiaries and affiliates), its Futures Participants or Clearing Futures Participants, nor any of its or their respective officers, directors, employees, or agents shall be liable to any Person (including, but not limited to, a Customer) for any losses, damages, costs or expenses (including, but not limited to, loss of profits, loss of use, direct, indirect, incidental or consequential damages) arising from (1) any failure or malfunction of NFX XL or the Clearing Corporation or any Exchange services or facilities used to support NFX XL including but not limited to any user interface or any inability to enter or cancel Orders (the "NFX XL Complex"), or (2) any fault in delivery, delay, omission, suspension, inaccuracy or termination, or any other cause, in connection with the furnishing, performance, maintenance, use of or inability to use all or any part of the NFX XL Complex. The foregoing shall apply regardless of whether a claim arises in contract, tort, negligence, strict liability or otherwise. The foregoing shall not limit the liability of any Futures Participant, Clearing Futures Participant, or any of their respective officers, directors or employees for any act, incident, or occurrence within their control. For purposes of this Section, the "NFX XL Complex" shall include any exchange facilities or services used to support block trades and exchange of futures for related positions pursuant to Sections 25 and 28.

(b) No express or implied warranties or representations regarding the NFX XL Complex are provided by the Exchange, including, but not limited to, warranties of merchantability and warranties of fitness for a particular purpose or use.

(c) Any dispute arising from the use of NFX XL or the Clearing Corporation in which the Exchange or any of its or their respective officers, directors, employees or agents is a party shall be construed and enforced in accordance with the laws of the State of Pennsylvania, without reference to that State's choice of law principles. Any actions, suits, or proceedings against any of the above must be brought within two years from the time that a cause of action has accrued, and any party bringing such action consents to the exclusive jurisdiction of the U.S. District Court for the Eastern District of Pennsylvania and the Court of Common Pleas of Philadelphia County, Pennsylvania, and waives any objection to venue and any right to trial by jury.

(d) This provision shall in no way create a cause of action and shall not authorize an action that would otherwise be prohibited by the Rules of the Exchange.]

**[Section 35 Business Continuity**

Futures Participants shall take appropriate actions as instructed by the Exchange to accommodate the Exchange's business continuity-disaster recovery plans and shall connect to the Exchange's disaster recovery site and participate in Exchange and industry business continuity-disaster recovery testing as and to the extent required by the Exchange.]

**[Section 36 Limitation of Liability For IDEX XT**

(a) Except for any party found to have engaged in willful or wanton misconduct, neither the Exchange (which for purposes of this Rule includes its parents, subsidiaries and affiliates), its Members or Clearing Members, the Clearinghouse, International Derivatives Clearing Group LLC, NASDAQ OMX, nor any of its or their respective officers, directors, employees, or agents shall be liable to any Person (including, but not limited to, a Customer) for any losses, damages, costs or expenses (including, but not limited to, loss of profits, loss of use, direct, indirect, incidental or consequential damages) arising from (1) any failure or malfunction of IDEX XT, the IDEX SwapDrop Portal or the Clearinghouse or any Exchange services or facilities used to support IDEX XT or the IDEX SwapDrop Portal including but not limited to any user interface or any inability to enter or cancel Orders or report transactions (the "IDEX XT Complex"), or (2) any fault in delivery, delay, omission, suspension, inaccuracy or termination, or any other cause, in connection with the furnishing, performance, maintenance, use of or inability to use all or any part of the IDEX XT Complex. The foregoing shall apply regardless of whether a claim arises in contract, tort, negligence, strict liability or otherwise. The foregoing shall not limit the liability of any Member, Member Organization, Clearing Member, or any of their respective officers, directors or employees for any act, incident, or occurrence within their control. For purposes of this Rule, the "IDEX XT Complex" shall include any exchange facilities or services used to support exchange of futures for swaps transactions pursuant to former Rule F23 and Rule F7.

(b) No express or implied warranties or representations regarding the IDEX XT Complex are provided by the Exchange or the IDCG, including, but not limited to, warranties of merchantability and warranties of fitness for a particular purpose or use.

(c) Any dispute arising from the use of IDEX XT Complex or the Clearinghouse in which the Exchange, the Clearinghouse or any of its or their respective officers, directors, employees or agents is a party shall be construed and enforced in accordance with the laws of the State of Pennsylvania, without reference to that State's choice of law principles. Any actions, suits, or proceedings against any of the above must be brought within two years from the time that a cause of action

has accrued, and any party bringing such action consents to the exclusive jurisdiction of the U.S. District Court for the Eastern District of Pennsylvania and the Court of Common Pleas of Philadelphia County, Pennsylvania, and waives any objection to venue and any right to trial by jury.

(d) This provision shall in no way create a cause of action and shall not authorize an action that would otherwise be prohibited by the Rules of the Exchange.]

## **Chapter IV Trading System**

### **Section 1 Listed Contracts**

The Exchange shall determine which Contracts are available for trading subject to the Rules of the Exchange from time to time, and approve Rules containing the specifications for such Contracts; provided that certifications or applications with respect to such Rules shall be submitted to the Commission as required by the Act and the Commission Regulations thereunder.

### **Section 2 Trading Days and Hours**

(a) Except as provided in Chapter V, Sections 17 and 20 in this Chapter, the Exchange shall determine and post on its website the days on which the Exchange is open for business, the opening and closing hours of the market, and the opening and closing trading times for each Contract. The Exchange shall from time to time determine the Exchange's Business Days and Trading Hours. The Exchange's Trading Hours shall include any regular and extended Trading Hours under the rules governing the relevant Contract. Except to the extent expressly permitted by the Rules of the Exchange, no Futures Participant shall make any bid or offer for, or engage in any transaction in, any Contract before or after such Trading Hours. Block and exchange for related position ("EFRP") transactions are permitted outside of Trading Hours pursuant to Chapter IV, Sections 11 and 12.

(b) The Exchange may modify its regular Business Days and Trading Hours to close or to have shortened Trading Hours in connection with a holiday or a period of mourning.

(c) The Exchange may from time to time adopt procedures for the opening or closing of trading in any Contract.

### **Section 3 Acceptable Orders**

Orders entered into the Trading System for display and/or execution, as appropriate, are executable against marketable contra-side Orders in the Trading System.

(a) Types of Orders accepted by the Trading System as follows:

(i) Market Order. A “Market Order” is an Order to buy or sell a stated number of Contracts at the best price available on the Exchange.

(ii) Limit Order. A “Limit Order” is an Order to buy or sell a stated number of Contracts at a specified price, or at a better price.

(iii) Day Order. A “Day Order” is an Order for any Contract that, unless executed, remains as an executable Order in the Trading System until the end of the Trading Hours for such Contract on which it is entered.

(iv) Good-‘Till-Canceled Order. A “Good-‘Till-Canceled Order” is an Order that, unless executed, remains in the Trading System until it is withdrawn by the Futures Participant (including its Authorized Traders) who placed it or the expiration date of the Contract to which it relates, whichever occurs first.

(v) One-Cancels-the-Other Order. A “one-cancels-the-other Order” shall mean an Order entered by a Futures Participant that consists of a buy Order and a sell Order treated as a unit; the full execution of one of the Orders causes the other to be canceled.

(vi) Wait Order. A “Wait Order” is an Order that upon entry into the Trading System is held for a period of time as defined in Chapter V, Section 11(e) without processing for potential display and/or execution. The Order is thereafter processed for potential display and/or execution in accordance with all Order entry instructions as determined by the entering party. Wait Orders may not have a designation of Good-‘Till-Canceled.

(vii) Contingency Orders. A “Contingency Order” is an Order that is contingent upon a condition being satisfied while the Order remains in the Trading System, and may be one of the following Order types:

(i) All or None Order. An “All or None Order” is an Order which is to be executed in its entirety at its limit price or better. All or None Orders are treated as having a time-in-force designation of Immediate or Cancel.

(ii) Fill or Kill Order. A “Fill or Kill Order” is an Order which is automatically cancelled unless executed in its entirety upon its receipt.

(iii) Immediate or Cancel Order. An “Immediate or Cancel Order” is a Market Order or Limit Order which is automatically cancelled unless executed in whole or in part upon its receipt.

(iv) Minimum Quantity Order. A “Minimum Quantity Order” is an Order which is automatically cancelled unless a specified minimum quantity of Contracts could be executed.

(v) Post-Only Order. A “Post-Only Order” is an Order that will not remove liquidity from the System. Post-Only Orders are to be ranked and executed on the Exchange or cancelled, as appropriate. Post-Only Orders are evaluated at the time of entry with respect to locking or crossing other Orders. If a Post-Only Order would lock or cross an Order on NFX, the Post-Only Order will be re-priced to one minimum price increment below the current low offer (for bids) or above the current best bid (for offers). If the NFX Best Offer is one minimum price increment greater than zero, a Post Only Order to buy would be rejected. Participants may choose to have their Post-Only Orders returned whenever the Order would be placed on the book at a price other than its limit price. Post-Only Orders may not be Wait Orders. Post-Only Orders may not have a designation of Good-‘Till-Cancelled or Immediate or Cancel.

#### **Section 4 Execution of Orders**

(a) General. The Exchange shall designate for each Contract one of the following Order execution algorithms which shall apply to the execution of Orders by the Trading System:

(i) Price-Time Priority Order execution algorithm. The Trading System shall execute Orders within the Trading System in price and time priority, meaning the Trading System will execute all Orders at the best price level within the Trading System before executing Orders at the next best price.



Within each price level, if there are two or more Orders at the best price, an Order will be executed in the sequence in which it was received by the Trading System.

(ii) *Size Pro-Rata Priority Order execution algorithm.* The Trading System shall execute Orders within the Trading System in price priority, meaning the Trading System will execute all Orders at the best price level within the Trading System before executing Orders at the next best price. Within each price level, if there are two or more Orders at the best price, an Order will be executed based on the size of each Futures Participant's Order as a percentage of the total size of all Orders resting at that price.

(a) *Public Customer Priority:* the highest bid and lowest offer shall have priority except that within a given price level Public Customer Orders shall have priority over non-Public Customer Orders. If there are two or more Public Customer Orders for the same Contract at the same price, an Order will be executed in the sequence in which it was received by the Trading System, regardless of size.

(b) *Market Maker Priority:* After all Public Customer Orders have been fully executed, Market Makers Orders shall have priority over all other Orders at the same price. If there are two or more Market Maker Orders for the same Contract at the same price, an Order will be executed based on the Size Pro-Rata Priority Order execution algorithm.

(b) *Cancel Replace Orders.* Any Order that has been entered into the Exchange's Trading System may be modified or cancelled while on the Order Book. Only if the volume is reduced for an Order held in the Order Book will it retain its position in the time-priority queue, otherwise an Order is treated as a new Order for purposes of the time-priority queue.

(c) *Decrementation.* Upon execution, an Order shall be reduced by an amount equal to the size of that execution.

(d) *Anonymity.* The transaction reports produced by the Trading System will indicate the details of the transactions but shall not reveal contra party identities. A Futures Participant's identity will only be revealed by the Exchange in the following circumstances:

(i) when the Futures Participant's Clearing Futures Participant determines not to guarantee the settlement of the Future Participant's trades;

(ii) for regulatory purposes or to comply with an order of an arbitrator or court; and

(iii) if both Futures Participants to the transaction consent.

### **Section 5 Pre-Trade Risk Parameters**

(a) The Authorized Risk Officer designated by the Clearing Futures Participant shall initially set and thereafter adjust, as appropriate, pre-trade risk parameters to a level that is appropriate for the trading activity of a Futures Participant, Authorized Trader or Authorized Customer for which the Clearing Futures Participant is the designated Clearing Futures Participant. The Authorized Risk Officer shall set and adjust pre-trade risk parameters by requesting settings in a form designated by the Exchange. Futures Participants should employ other necessary pre-trade risk controls in their order management systems. The Exchange will not issue an active Trader ID if an Authorized Risk Officer has not set pre-trade risk parameters for a specific Futures Participant, Authorized Trader or Authorized Customer.

(b) When pre-trade risk parameters have been met or exceeded, the Exchange's Trading System will reject all new Orders and remove all open Orders for the Futures Participant, Authorized Trader or Authorized Customer until the Authorized Risk Officer adjusts the pre-trade risk Parameters by sending such request to the Exchange in a form designated by the Exchange.

### **Section 6 Order Price Protection**

Order Price Protection ("OPP") is a feature of the Trading System that prevents certain Orders at prices outside of pre-set standard limits from being accepted by the Trading System. OPP applies to all Limit Orders but does not apply to Market Orders.

(a) OPP is operational each Trading Day after the opening until the close of trading, except during trading halts. The Exchange may also temporarily deactivate OPP from time to time on an intraday basis at its discretion if it determines that volatility warrants deactivation. Futures Participants will be notified of intraday OPP deactivation due to volatility and any subsequent intraday reactivation by the Exchange through the issuance of Trading System status messages.

(b) The Exchange shall Limit Orders that are accepted as follows:

(i) If the BBO on the contra-side of an incoming Order is greater than \$1.00, Orders with a limit more than 50% through such contra-side BBO will be rejected.

(ii) If the BBO on contra-side of an incoming Order is less than or equal to \$1.00, Orders with a limit more than 100% through such contra-side BBO will be rejected.

### **Section 7 Self-Match Prevention**

Futures Participants may elect that Orders not be executed against Orders entered on the opposite side of the market by affiliated Futures Participants. In such a case, the Trading System will cancel the oldest of the Orders back to the entering party prior to execution. Self-Match Prevention is optional for Futures Participants.

### **Section 8 Order Spread Protection**

Futures Participants may elect to have Orders rejected by the Trading System if the BBO is wider than a preset threshold at the time the Order is received by the Trading System. This feature applies to all Market Orders, but is optional for Limit Orders.

### **Section 9 Acceptable Trade Range**

(A) The Trading System will calculate an Acceptable Trade Range, which for purposes of this Rule is a limit to the range of prices at which an Order will be permitted to execute for each Contract, as designated by the Exchange for a Contract. The Acceptable Trade Range is calculated by taking the reference price, plus or minus a value to be determined by the Exchange (i.e., the reference price - (x) for sell Orders and the reference price + (x) for buy Orders). Upon receipt of a new Order, the reference price is the NFX BBO or the last price at which the Order is posted whichever is higher for a buy Order or lower for a sell Order.

(B) If an Order reaches the outer limit of the Acceptable Trade Range (the "Threshold Price") without being fully executed, it will be posted at the Threshold Price for a brief period, not to exceed one second ("Posting Period"), to allow more liquidity to be collected. Upon posting, either the current Threshold Price of the Order or an updated NFX BBO for buy Orders or for sell Orders (whichever is higher for a buy Order/lower for a sell Order) then becomes the reference price for calculating a new Acceptable Trade Range. If the Order remains unexecuted, a new Acceptable Trade Range will be calculated and the Order will execute or post up to the new Acceptable Trade Range Threshold Price. This process will repeat until the Order is executed, cancelled, or posted at its limit price.

(C) During the Posting Period, the Exchange will disseminate as a quotation: (i) the Threshold Price for the remaining size of the Order triggering the Acceptable Trade Range and (ii) on the opposite side of the market, the best price will be displayed using an indicator message which indicates it is not currently available for execution. Following the Posting Period, the Exchange will return to a normal trading state and disseminate its Best Bid and Offer.

### **Section 10 Risk Monitor Mechanism**

The Trading System will maintain a counting program for each Futures Participant. When engaged, the counting program will count the number of contracts traded by market participant identifier designated for each Futures Participant, per contract, within a specified time period, not to exceed 15 seconds, established by each Futures Participant (the "Specified Time Period"). The specified time period will commence when a transaction occurs in a particular contract. This feature is optional.

(a) Risk Monitor Mechanism. The Trading System will engage the Risk Monitor Mechanism in a particular contract when the counting program has determined that a Futures Participant has traded a Specified Engagement Size (as defined below) established by such Futures Participant during the Specified Time Period. When such Futures Participant has traded the Specified Engagement Size during the Specified Time Period, the Risk Monitor Mechanism will automatically remove such Future Participant's Orders in that Contract and no further Orders in that Contract may be submitted by the Futures Participant until that Futures Participant indicates to the Exchange a readiness to submit new Orders.

(b) Specified Engagement Size. The Specified Engagement Size is determined by the following: (A) For each contract, the counting program will determine the percentage that the number of executed contracts relative to the Future Participant's total size at all price levels for that contract ("contract percentage") during the Specified Time Period; (B) The counting program will determine the sum of the contract percentages for the Contract ("Contract Percentage"); (C) Once the counting program determines that the Contract Percentage in B equals or exceeds a percentage established by the Futures Participant ("Specified Percentage"), the number of executed contracts in the Contract equals the Specified Engagement Size.

The Specified Engagement Size will be automatically offset by a number of contracts that are executed on the opposite side of the market in the same Contract during the Specified Time Period (the "Net Offset Specified Engagement Size"). Buy future executions will only be offset by sell future executions; buy put executions will only be offset by sell put executions; and buy call executions will only be offset by sell call executions.

The Net Offset Specified Engagement Size for each Contract is determined by offsetting the number of contracts executed on the opposite side of the market for each Contract during the Specified Time Period. The Risk Monitor Mechanism shall be engaged once the Net Offset Specified Engagement Size is for a net number of contracts executed among all contracts during the Specified Time Period that represents a Contract's percentage equal to or greater than the Specified Percentage, excluding Immediate or Cancel Orders submitted by the Futures Participant.

(c) Any marketable Orders that are executable against a Futures Participant's Orders that are received prior to the time the Risk Monitor Mechanism is engaged will be automatically executed at a price up to the Futures Participant's size, regardless of whether such an execution results in executions in excess of the Futures Participant's Specified Engagement Size.

(d) The system will automatically reset the counting program and commence a new Specified Time Period when:

(i) a previous counting period has expired and a transaction occurs in any Contract; or

(ii) the Futures Participant refreshes his/her bid or offer, in a contract for which an Order has been executed (thus commencing the Specified Time Period) prior to the expiration of the Specified Time Period.

### **Section 11 Block Trades**

The Exchange shall designate the Contract in which Block Trades shall be permitted and determine the minimum quantity thresholds for such transactions. The following shall govern Block Trades:

A. A Block Trade must be for a quantity that is at or in excess of the applicable minimum threshold. Orders may not be aggregated in order to achieve the minimum transaction size, except by those entities described in Sections I. and J.

B. Each party to a Block Trade must be an Eligible Contract Participant as that term is defined in Section 1a(18) of the Commodity Exchange Act.

C. A Futures Participant shall not execute any Order by means of a Block Trade for a Customer unless such Customer has specified that the Order be executed as a Block Trade.

D. The price at which a Block Trade is executed must be fair and reasonable in light of (i) the size of the Block Trade, (ii) the prices and sizes of other transactions in the same Contract at the relevant time, (iii) the prices and sizes of transactions in other relevant markets, including without limitation the underlying cash market or related futures markets, at the relevant time, and (iv) the circumstances of the markets or the parties to the Block Trade.

E. Block trades shall not set off conditional Orders or otherwise affect Orders in the Order Book.

F. Unless otherwise agreed to by the principal counterparties to the Block Trade, the Futures Participant must ensure that each Block Trade is reported to the Exchange within five minutes of the time of execution; except that Block Trades

executed outside of Trading Hours must be reported within fifteen minutes of the commencement of Trading Hours on the next Business Day for that Contract. The report must include the Contract, contract month, price, quantity of the transaction, the respective Clearing Futures Participants, the time of execution, and, for options on Futures, strike price, put or call and expiration month. The Exchange shall promptly publish such information separately from the reports of transactions in the regular market.

G. Block trades must be reported to the Clearing Corporation in accordance with an approved reporting method.

H. Clearing Futures Participants and Futures Participants involved in the execution of Block Trades must maintain a record of the transaction in accordance with this Rule.

I. A commodity trading advisor (“CTA”) registered or exempt from registration under the Act, including, without limitation, any investment advisor registered or exempt from registration under the Investment Advisors Act of 1940, shall be the applicable entity for purposes of Sections A., B., C., and D., provided such advisors have total assets under management exceeding \$25 million and the block trade is suitable for the Customers of such advisors.

J. A foreign Person performing a similar role or function to a CTA or investment advisor as described in Section I, and subject as such to foreign regulation, shall be the applicable entity for purposes of Sections A., B., C., and D., provided such Persons have total assets under management exceeding \$25 million and the Block Trade is suitable for the Customers of such Persons.

### **Section 12 Exchange for Related Positions**

The Exchange shall designate the Contracts in which exchange for related position transactions shall be permitted by arrangement between parties in accordance with the requirements of this Rule:

Exchange for Physical (“EFP”) - A privately negotiated and simultaneous exchange of an Exchange futures position for a corresponding cash position.

Exchange for Risk (“EFR”) - A privately negotiated and simultaneous exchange of an Exchange futures position for a corresponding OTC swap or other OTC instrument.

Exchange of Options for Options (“EOO”) - A privately negotiated and simultaneous exchange of an Exchange option position for a corresponding OTC option position or other OTC instrument with similar characteristics.

For purposes of this rule, an EFP, EFR or EOO shall be referred to as an Exchange for Related Position (“EFRP”). The Exchange shall designate which Contracts are eligible for EFRP transactions.

Contingent EFRPs are prohibited. A contingent EFRP is the execution of one EFRP transaction which is contingent upon the execution of another EFRP transaction and the cash, swap or OTC transactions related to the two EFRPs economically offset.

(a) Nature of an EFRP

An EFRP consists of two discrete but related simultaneous transactions. One party to the EFRP must be the buyer of (or the holder of the long market exposure associated with) the related position and the seller of the corresponding Exchange contract. The other party to the EFRP must be the seller of (or the holder of the short market exposure associated with) the related position and the buyer of the corresponding Exchange contract.

However, a Futures Participant may facilitate, as principal, the related position on behalf of a Customer, provided that the Futures Participant can demonstrate that the related position was passed through to the Customer who received the Exchange contract position as part of the EFRP.

(b) Related Positions

The related position (cash, OTC swap, OTC option, or other OTC derivative) must involve the commodity underlying the Exchange Contract, or must be a derivative, by-product, or related product of such commodity that has a reasonable degree of price correlation to the commodity underlying the Exchange Contract.

(c) Quantity

The quantity covered by the related position must be approximately equivalent to the quantity covered by the Exchange Contracts.

(d) Prices and Price Increments

An EFRP transaction may be entered into in accordance with the applicable price increments or option premium increments set forth in the rules governing the pertinent Exchange Contracts, at such prices as are mutually agreed upon by the two parties to the transaction.

(e) Date and Time of Transaction

The date and the time of execution of all EFP transactions must be denoted on the record of the transaction.

(f) Termination of Trading in Exchange Contracts

EFRP transactions may be permitted after termination of trading in expiring Exchange Contracts, as prescribed in the applicable rules governing such Exchange Contracts. Such transactions shall not establish new positions.

(g) Identification and Submission to the Clearing Corporation

Each EFRP transaction shall be designated as such and shall be cleared through the Clearing Corporation. Each such transaction shall be submitted to the Exchange within the time period and in the manner specified by the Exchange. Futures Participants are responsible for exercising due diligence as to the bona fide nature of EFRP transactions submitted on behalf of Customers.

(h) Documentation

Parties to any EFRP transaction must maintain all documents relevant to the Exchange contract and the cash, OTC swap, OTC option, or other OTC derivatives, including all documents customarily generated in accordance with relevant market practices and any documents reflecting payment and transfer of title. Any such documents must be provided to the Exchange upon request, and it shall be the responsibility of the Futures Participant to provide such requested documentation on a timely basis. Additionally, the Exchange may request such other documents it deems relevant to an EFRP transaction.

(i) Account Requirements

The accounts involved in the execution of an EFRP transaction must be (i) independently controlled accounts with different beneficial ownership; or (ii) independently controlled accounts of separate legal entities with the same beneficial ownership, provided that the account controllers operate in separate business units; or (iii) independently controlled accounts within the same legal entity, provided that the account controllers operate in separate business units; or (iv) commonly controlled accounts of separate legal entities, provided that the separate legal entities have different beneficial ownership.

(j) However, on or after the first day on which delivery notices can be tendered in a physically delivered Exchange futures contract, an EFRP transaction may not be executed for the purpose of offsetting concurrent long and short positions in the expiring Exchange futures contract when the accounts involved in such transaction are owned by the same legal entity and when the date of the Exchange



futures position being offset is not the same as the date of the offsetting transaction.

(j) Large Trader Requirements for EFRP Transactions

Each Clearing Futures Participant and omnibus account submitting large trader positions in accordance with this Rule must submit for each reportable account the EFRP volume bought and sold in the reportable instrument, by contract month, and additionally for EOOs, by put and call strike. The information must be included in the daily large trader report to the Exchange.

**Chapter V Trading Procedures and Standards**

**Section 1 Authorized Traders and Trader IDs**

(a) Each Futures Participant shall from time to time permit one or more individuals to act as its Authorized Traders. Each Authorized Trader shall satisfy such requirements as may be prescribed by the Exchange from time to time. Without limiting the generality of the foregoing, each Futures Participant shall ensure that (i) none of its Authorized Traders shall be subject to any statutory disqualification (unless an appropriate exemption has been obtained with respect thereto) and (ii) each of its Authorized Traders shall be technically proficient and shall conduct its business in a fair and equitable manner.

(b) Futures Participants shall not knowingly enter, or cause to be entered, bids or offers into the Trading System until the Futures Participant's Authorized Risk Officer has entered all required risk controls for its Authorized Traders, including Automated Systems, as provided in Section 5 of this Chapter. Notwithstanding the foregoing, the Futures Participant shall remain responsible in accordance with these Rules for the acts and omissions of any of its Authorized Traders, regardless of the level of risk controls set by the Futures Participant and the approval of such risk controls by the Exchange. The Exchange will not issue a active Trader ID to an Authorized Trader of a Futures Participant if an Authorized Risk Officer has not set pre-trade risk parameters to Chapter IV, Section 5.

(c) Each Futures Participant, in a form and manner prescribed by the Exchange, shall include an assigned Trader ID with every Order from that Futures Participant that is submitted to NFX. Additionally, Futures Participants shall mark each Order entered into the Exchange's Trading System with a CTI Code, Origin Code and Clearing Account Type Indicator and such other information as may be prescribed by the Exchange. (i) Each Futures Participant is responsible for all Orders submitted through its Futures Participant Exchange Account by any Persons associated with that Futures Participant. Each Futures Participant and Authorized Trader shall not knowingly enter, or cause to be entered

bids or offers into the Trading System other than in good faith for the purpose of executing bona fide trades.

(d) Trader IDs are subject to the following requirements (except in relation to Automated Systems, with respect to which paragraph (e) below is applicable):

(i) Each Trader ID shall represent

(A) the natural person physically responsible for entering the Order into the Trading System (if a natural person entered the Order into the Trading System); or

(B) the natural person physically responsible for entering the Order directly or indirectly into a system of or used by a Futures Participant that interfaces with the Trading System (if no natural person entered the Order into the Trading System and instead a natural person entered the Order directly or indirectly into a system of or used by a Futures Participant that interfaces with the Trading System)

(ii) A Trader ID issued for a natural person may only be used by that natural person. A Trader ID issued for a natural person may not be used by any other natural person or entity and may not be used as the Trader ID for an Automated System.

(a) An Authorized Trader is responsible for transactions executed by or through the Futures Participant's Exchange Account. Each Authorized Trader must sign a written statement provided by the Exchange whereby the Authorized Trader consents to the jurisdiction of the Exchange and the Commission and agrees to observe and be bound by the By-laws and Rules of the Exchange, the Act, Commission regulations and related requirements, and all Exchange regulatory and operational guidance and procedures. Among other duties and responsibilities that the Exchange may impose, an Authorized Trader must:

(1) Have the authority to modify or withdraw any Order entered under the Authorized Trader's Trader ID;

(2) Have the ability to identify immediately for the Exchange the sources of all Orders submitted under the Authorized Trader's Trader ID; or

(3) Ensure that any Person conducting business under a Futures Participant's associated Trader IDs are competent and appropriately trained.

(iii) No Futures Participant, Authorized Trader or Person associated with a Futures Participant shall submit an Order to the Trading System unless the Order is submitted with a Trader ID attached in the manner, format, and following the procedures established by the Exchange. Each Futures Participant and Authorized Trader of a Futures Participant must reasonably ensure that no Trader ID is used by any Person not so authorized by the Futures Participant pursuant to these Rules.

(e) Trader IDs are subject to the following requirements in relation to Automated Systems:

(i) Each Order originating from an Automated System that is submitted to the Trading System shall include a Trader ID for that Automated System.

(ii) A Trader ID issued for an Automated System may only be used for that Automated System. A Trader ID issued for an Automated System may not be used for any other Automated System and may not be used as the Trader ID for any natural person or entity.

(f) Each Futures Participant shall comply with the following issuance, recordkeeping, and reporting requirements related to Trader IDs:

(i) Each Trader ID issued for a natural person or Automated System for inclusion with any Order from the Futures Participant that is submitted to the Trading System shall be unique, and shall not be associated with more than one natural person or Automated System.

(a) Each Futures Participant must provide to the Exchange the name, title, telephone number and other information for its Authorized Traders, including other emergency contacts, in the manner, format, and following the procedures established by the Exchange.

(ii) Each Futures Participant shall collect and maintain accurate, complete, and up-to-date records with the following information for each Trader ID issued for a natural person or Automated System for inclusion with any Order from the Futures Participant that is submitted to the Trading System.

(A) a clear identification of whether the Trader ID is issued for a natural person or Automated System;

(B) if the Trader ID is issued for a natural person, the name, address, telephone and e-mail contact information, and position or relationship to the Futures Participant;

(C) if the Trader ID is issued for an Automated System, the name, address, telephone and email contact information, and position or relationship to the Futures Participant of the head operator of the Automated System;

(D) and any other related information as may be prescribed by the Exchange.

(iii) Each Futures Participant shall provide to the Exchange in a form and manner prescribed by the Exchange information requested by the Exchange regarding any Trader IDs and the natural persons and Automated Systems for which they have been issued for inclusion with any Order from the Futures Participant that is submitted to the Trading System. The information requested relating to an Automated System may include, among other things, information regarding the head operator and other individuals that operate the Automated T System and the type of models, algorithms, programs, and systems utilized by the Automated System.

(iv) Each Futures Participant shall promptly report to the Exchange in a form and manner prescribed by the Exchange any new or amended information regarding Trader IDs.

(v) Each Futures Participant shall maintain or cause to be maintained audit trail information for all Orders entered into the Trading System, including Order modifications and cancellations. This audit trail must contain, at a minimum, all Order entry, modification, cancellation and response receipt time(s) as well as all Financial Information Exchange interface (FIX) tag information and Specialized Quote Interface (SQF) information, as applicable. Futures Participants are required to produce, upon request of the Exchange or its Regulatory Services Provider, the audit trail for all Orders submitted to the Exchange in a format prescribed by the Exchange.

(h) All written Orders and any other original records pertaining to Orders entered through the Trading System must be retained for five years and otherwise in accordance with the provisions of Commission Regulation 1.31. A Futures Participant shall retain all memoranda reflecting Orders for a Customer Account in accordance with Chapter III, Section 1 and shall retain those memoranda for the period required in Chapter III, Section 1. A Futures Participant receiving a Customer Order other than in the form of an electronic or written record must comply with the requirements of Commission regulation 1.35.

## **Section 2 Clearing**

(a) The rights and obligations of purchasers and sellers of Futures, options on Futures and Security Futures cleared by The Options Clearing Corporation,

including but not limited to rights and obligations in respect of clearing and settlement, variation payments and performance at maturity, shall be as set forth in the By-Laws and Rules of The Options Clearing Corporation.

(b) All transactions executed on or subject to the rules of the Exchange must be cleared through The Options Clearing Corporation, including Block Trades and exchange for related positions (“EFRPs”).

### **Section 3 Establishment of Settlement Prices**

The Exchange shall establish Daily and Final Settlement Prices at the times and using the methodology established by the Exchange as described in the Contract specifications. Such Daily Settlement Prices are subject to subsequent review and revision by the Clearing Corporation. The time set for determining the Daily Settlement Price or the Final Settlement Price need not coincide with the end of a Trading Day.

### **Section 4 Direct Access**

Authorized Customers of any Clearing Futures Participant may access the Trading System directly, provided that the following provisions of this Rule are satisfied.

(a) The Clearing Futures Participant must be a futures commission merchant and the Customer Account must be held by the Clearing Futures Participant or a carrying broker maintaining an account for its Customers on an omnibus basis with the Clearing Futures Participant.

(b) The Clearing Futures Participant shall complete an application in the form supplied by the Exchange which requests, among other things, information pertaining to the Authorized Customer for which direct access to the Trading System is sought, a guarantee as to the performance of the Authorized Customer with respect to a Contract, as specified in Chapter II, Section 1, specifically guaranteeing the transactions of the Authorized Customer, information concerning Authorized Traders and an agreement executed by the Authorized Customer regarding usage of the Trading System in a form as prescribed by the Exchange.

(i) The Authorized Customer must not be presently enjoined by order, judgment or decree of any court of competent jurisdiction or of the Commission or the Securities and Exchange Commission or of any state securities authority or agency from engaging in or continuing any conduct or practice in connection with the purchase or sale of any commodity, security, option or similar instrument.

(c) The Clearing Futures Participant will be required to designate at least two Authorized Risk Officers. Clearing Futures Participants must immediately notify the Exchange if an Authorized Risk Officer is no longer with the firm or if another individual should be designated.

(i) Clearing Futures Participants must keep Authorized Risk Officer, Authorized Customer and Authorized Customer's Authorized Trader information updated at all times.

(d) The Authorized Risk Officer will be required to designate pre-trade risk parameters as required by Chapter IV, Section 5.

(e) The Exchange shall provide an Authorized Customer's Authorized Traders a Trader ID to directly access the Trading System if all the qualifications and requirements in (a) through (d) of this Rule have been met.

(f) The Clearing Futures Participant shall remain responsible, in accordance with these Rules, for the acts and omissions of any of its Authorized Customers, regardless of the level of risk controls set by the Clearing Futures Participant and the approval of such risk controls by the Exchange.

(g) The Clearing Futures Participant is responsible for the financial obligations of each Authorized Customer for which it authorizes direct access with respect to all Orders entered and transacted as well as for compliance by the Authorized Customer with the Rules of the Exchange and compliance with Exchange procedures.

(h) With respect to each Authorized Customer for which a Clearing Futures Participant has authorized direct access, the Clearing Futures Participant shall: (i) take any and all actions requested or required by the Exchange with respect to such Authorized Customer, including, but not limited to, assisting the Exchange in any investigation into potential violations of Exchange Rules or of the Act, and requiring such Authorized Customer to produce documents, provide information, answer questions and/or to appear in connection with any investigation; (ii) suspend or terminate the Authorized Customer's access to the Exchange's Trading System if the Exchange determines that the actions of the Authorized Customer threaten the integrity or liquidity of any Exchange Contract, violate Exchange Rules or the Act, or if the Authorized Customer fails to cooperate in any investigation; (iii) suspend or terminate the Authorized Customer if the Clearing Futures Participant has reason to believe that the actions of the Authorized Customer threaten the integrity or liquidity of any Exchange Contract, violate the Rules or the Act, or if the Authorized Customer fails to cooperate in any investigation; and (iv) utilize such controls designed to facilitate the Clearing Futures Participant's management of financial risk as may be provided by the Exchange from time to time.

(i) A Clearing Futures Participant may revoke access to the Authorized Customer by notifying the Exchange in writing and receiving acknowledgment from the Exchange.

(j) The Clearing Futures Participant authorizing a connection to the Trading System is responsible for maintaining or causing to be maintained the audit trail for all Orders submitted to the Exchange; and producing, upon request of the Exchange or its Regulatory Services Provider, the audit trail for all Orders submitted to the Exchange by an Authorized Customer. Each Authorized Customer connecting to the Trading System is responsible for maintaining or causing to be maintained the audit trail for all Orders submitted to the Exchange. A Clearing Futures Participant that has arrangements for a third party to maintain audit trail information on its behalf shall remain responsible for compliance with this Rule.

- (i) The audit trail shall be submitted in a format prescribed by the Exchange.
- (ii) The Exchange or its Regulatory Services Provider may request additional details concerning the audit trail for certain Order types, such as Bunched Orders where the detail is not apparent.
- (iii) The electronic audit trail must be maintained for a minimum of five (5) years. Upon the request of the Exchange, each Clearing Futures Participant and Authorized Customer must have the ability to produce to the Exchange the audit trail data in a format prescribed by the Exchange.

(k) A Clearing Futures Participant that has actual or constructive notice of a violation or potential violation of the Rules or the Act in connection with the use of the Trading System by an Authorized Customer for which it provides access and fails to take appropriate action may be subject to disciplinary action under the Rules.

(l) If a Clearing Futures Participant's permit is terminated by the Exchange or its trading privileges are suspended by the Exchange, all access to the Exchange's Trading System which is authorized by such Clearing Futures Participant shall automatically terminate on the effective date of the termination or suspension.

#### **Section 5 Transaction Cancellations and Adjustments**

(a) The Exchange, in its sole discretion, may unilaterally, regardless of whether a request has been made, either cancel a transaction or adjust the execution price of a transaction in a contract (1) that has taken place outside the non-reviewable range designated for a Contract; and (2) which the Exchange determines has taken place at an unrepresentative price or when necessary to mitigate market disrupting events caused by malfunctions in its Trading System or errors in Orders submitted by Futures Participants.

(b) When determining whether to cancel or adjust a transaction the Exchange may consider one or more of the following factors:

- (1) the price movements in other Contract months of the same Contract;
- (2) the current market conditions, including levels of activity and volatility;
- (3) the last trade price for the Contract;
- (4) information regarding price movements in related markets, the release of economic data, or other relevant news immediately before or during the trading session;
- (5) an obvious error;
- (6) the proximity of the trade to the close of the market;
- (7) the impact of the error transaction on other transactions; and
- (8) any other factor which the Exchange, in its sole discretion, may deem relevant.

(c) A Futures Participant that executes a transaction in a Contract in error, at an unrepresentative price which is outside the non-reviewable range designated by a Contract, may, within 10 minutes of the Order execution, contact the Exchange to seek to cancellation or an adjustment pursuant to section (a). Trades executed within the non-reviewable range will not be cancelled or adjusted. Any trade where the only error is the number of contracts traded and not the price at which they traded will not be subject to cancellation. The Exchange has the authority, but not the obligation, to review a trade after its execution if it determines that the trade price was egregiously out of line with fair value. The Exchange will make the final decision on whether a trade price is cancelled or adjusted. The Exchange will notify all Futures Participants as soon as practicable (through means deemed appropriate by the Exchange) of (1) trades that the Exchange is investigating pursuant to this Rule and (2) trades that the Exchange has cancelled or adjusted pursuant to this Rule.

(d) Mutual Agreement. The determination as to whether a trade was automatically executed at an erroneous price may be made by mutual agreement of the affected parties to a particular transaction. A trade may be cancelled or adjusted on the terms that all parties to a particular transaction agree. In the absence of mutual agreement by the parties, a particular trade may only be cancelled or adjusted as provided in this Rule.

#### **Section 6 Market Maker Obligations**

(a) The Exchange may from time to time approve one or more Futures Participants as Market Makers and allocate to such Market Makers such number



and types of Contracts, as it may deem necessary or appropriate. Any and all such approvals or allocations may be reviewed, conditioned or terminated at any time in accordance with this Rule.

(b) A Futures Participant desiring to act as a Market Maker shall file an application with the Exchange in such form as the Exchange may from time to time prescribe. Market Makers shall be selected by the Exchange from among the applications from time to time on file with the Exchange, based on the Exchange's judgment as to which applicant or applicants is or are most qualified to perform the functions of a Market Maker. Factors to be considered in making such selection may include, but are not limited to, any one or more of the following:

- (i) the adequacy of each applicant's capital;
- (ii) each applicant's operational capacity;
- (iii) the trading experience of, and observance of generally accepted standards of conduct by, each applicant, in particular the individual or individuals who would represent such applicant in its capacity as a Market Maker (each, a "Market Maker Designee");
- (iv) the number and experience of support personnel of each applicant who will be performing functions related to its Market Maker business;
- (v) if applicable, the regulatory history of, and history of adherence to the Rules of the Exchange, rules of other self-regulatory organizations and applicable law by each applicant, in particular its Market Maker Designees;
- (vi) the willingness and ability of each applicant to promote the Exchange as the marketplace of choice;
- (vii) the market performance commitments of each applicant; and
- (viii) if applicable, any performance evaluations conducted pursuant to the Rules of the Exchange or rules of other self-regulatory organizations.

(c) In approving any applicant as a Market Maker, the Exchange may place one or more conditions or limitations on the approval, including but not limited to conditions concerning the capital, operations or personnel of such applicant, satisfaction of market performance commitments or benchmarks by such applicant, and the number or types of Contracts which may be allocated to such applicant. Unless earlier terminated pursuant to subsection (d) below, approval to act as a Market Maker shall be for a one year period, after which the Futures Participant may once again request approval to be a Market Maker pursuant to this

rule for another year. There shall be no limit to the number of one year periods for which a Futures Participant may request approval to act as a Market Maker.

(d) Each Futures Participant approved as a Market Maker shall retain such status for a period up to one year or until it resigns as a Market Maker and the Exchange relieves such Market Maker of its obligations to act as Market Maker, or the Exchange suspends or terminates such Market Maker's status.

(e) In allocating Contracts to Market Makers approved in accordance with the above, the Exchange may: (i) consider any relevant information, including but not limited to performance, volume, capacity, market performance commitments, operational factors, efficiency, competitiveness and recommendations of committees of the Board or of the Exchange; (ii) place one or more conditions or limitations of the type specified in paragraph (c) above on the approval; or (iii) allocate any Contract to more than one Market Maker.

(f) No Market Maker may sell, transfer or assign any of its rights or obligations as a Market Maker (including but not limited to its allocation of any Contracts by virtue of its status as a Market Maker) without the prior written approval of such sale, transfer or assignment (including but not limited to the approval of the Person to which such rights, obligations or allocation are intended to be sold, transferred or assigned) by the Exchange. Any purported sale, transfer or assignment in violation of the foregoing sentence shall be void from the outset. For purposes of this paragraph (f), the following transactions shall be deemed to constitute a transfer of a Market Maker's rights or obligations:

(i) Any sale, transfer or assignment of five percent of the equity or profits or losses of a Market Maker (or any series of smaller changes that in the aggregate amount to a change of at least such percentage); provided that any sale, transfer or assignment of an interest of less than such percentage may be found by the Exchange to constitute a transfer of a Market Maker's rights or obligations if the particular facts and circumstances warrant such a determination;

(ii) Any change in, or transfer of, control of a Market Maker; and

(iii) Any merger, sale of assets or other business combination or reorganization involving a Market Maker.

(g) The Exchange may from time to time evaluate a Market Maker's performance with respect to, among other things, one or more of the following: quality of markets, market share (taking into account all contracts similar to the relevant Contract or Contracts), administrative factors and observance of ethical standards. In this connection, the Exchange may consider any relevant information, including but not limited to market share and trading data, a Market Maker's regulatory

history and such other factors and data as may be pertinent under the circumstances.

(h) The Exchange may terminate, place conditions upon or otherwise limit a Futures Participant approval to act as a Market Maker or a Market Maker's allocation of Contracts, under any one or more of the following circumstances:

(i) if the Exchange finds in connection with an evaluation under paragraph (g) above that such Futures Participant's performance as a Market Maker has been unsatisfactory;

(ii) if such Futures Participant becomes subject to a material financial, operational or personnel change;

(iii) if such Futures Participant fails to comply with any conditions previously placed upon its approval as a Market Maker or its allocation of Contracts or perform its obligations; or

(iv) if for any reason such Futures Participant is no longer eligible for approval as a Market Maker or to be allocated a particular number or type of Contracts.

(i) Each applicant for approval as a Market Maker pursuant to the above shall be given an opportunity to present any matter which it wishes the Exchange to consider in conjunction with the application. Prior to taking any remedial action against a Market Maker pursuant to the above, such Market Maker shall be given notice thereof and an opportunity to present any matter which it wishes the Exchange to consider in determining whether to take such action. The Exchange may require that any presentation under this paragraph be made partially or entirely in writing, and may require the submission of additional information from any Person wishing to make a presentation under this paragraph. Formal rules of evidence shall not apply to any proceeding involving such a presentation. Notwithstanding the foregoing, the Exchange shall have the authority to immediately terminate, condition or otherwise limit a Futures Participant approval to act as a Market Maker in accordance with the above, without prior notice or opportunity to make a presentation under this paragraph, if the financial, operational or personnel change in question warrants such action.

(j) Market Makers shall have no obligation to submit bids and offers. However, when and if they are submitting bids and offers for which they are approved as a Market Maker, they are required to submit a two-sided market (bid and offer) in all Contracts unless a specific obligation is specified with respect to submitting a bids and offers for a Contract.

### **Section 7 Customer Price Improvement Obligations**

(a) A Futures Participant that obtains a better price executing a Customer Order must offer the entire price improvement to the Customer, subject to Section (b).

(b) A Futures Participant that executes a Customer Order for the wrong Contract Month or price, but otherwise executes the trade consistent with the Customer's instructions (1) may offset any loss suffered from the erroneous trade against any improvement achieved for the Customer on a properly executed Order and (2) must offer any net improvement received to the Customer.

(c) If a Futures Participant fails to timely submit a Customer Order, then upon discovery of the error the Futures Participant (1) may promptly seek to execute the Customer Order at the best obtainable price without obtaining new instructions from the Customer, but (2) must report any resulting trade to the Customer at the price actually executed and provide any price benefit to the Customer. If a Futures Participant fails to timely submit a Customer Order and does not upon discovery promptly seek to and execute the Customer Order, then the Futures Participant must (1) notify the Exchange and Customer of the error and (2) provide the Customer with a monetary adjustment equivalent to the price at which the Customer Order should have been executed.

(d) If provisions of this Section conflict with any instructions of the Customer related to the Customer Order, then the instructions of the Customer prevail.

### **Section 8 Customer Order Error Correction Procedures**

If a Futures Participant discovers an error in the handling of an Order for a Customer after the relevant trade is completed, and the Order cannot be executed in the market at a price which is better than or equal to that at which the Order should have been executed, such Futures Participant will make cash payments or other adjustments as are appropriate to rectify the error. Upon the request of a Futures Participant that failed to execute or made an error in executing or reporting a Customer Order, the Exchange may, in its sole discretion, permit the correction of the error to protect the interest of the Customer. Any violation of this Rule or the purpose of taking advantage of an Order or Orders will constitute conduct which is inconsistent with just and equitable principles of trade.

### **Section 9 Customer Margin**

(a) Definitions: Only for purposes of Customer Margin, the following definitions will apply:

#### *Customer*

An account holder trading in any commodity contract, except the holder of a proprietary account as defined by CFTC Regulation 1.17(b)(3), or Non-Customer account as defined by CFTC Regulation 1.17(b)(4).

*Margin Call*

A request for Margin funds to bring an account up to the original margin requirement when margin equity in the account is less than the maintenance margin requirement.

*Non-Customer*

An account holder trading in any commodity contract which satisfies the definition in CFTC Regulation 1.17(b)(4).

*Omnibus Account*

An account held in the name of a futures commission merchant or foreign broker that is utilized for placing and clearing trades of one (1) or more undisclosed Persons.

(b) General Rules:

- (1) No Clearing Futures Participant shall effect a transaction or carry a Customer Account without obtaining margin at the times, in the amounts, and in the forms required by this Rule.
- (2) If a Clearing Futures Participant fails to obtain and maintain the required minimum margin deposits for a Customer Account pursuant to this Rule, the Exchange may require that the Clearing Futures Participant immediately liquidate all or part of the positions in the Customer Account to decrease or eliminate the margin deficiency.
- (3) Nothing in this Rule prevents the Exchange, the Clearing Corporation, a Clearing Futures Participant from imposing margin rates or requirements on a Customer that are higher or more stringent than the rates or requirements imposed by this Rule.
- (4) Terms used in this Rule, but not otherwise defined by these Rules, have the meaning set forth in the Joint Audit Committee's Margins Handbook. In addition, a Clearing Futures Participant must follow the procedures specified in the Joint Audit Committee's Margins Handbook for the computation, issuance, collection, and offsets for margin calls and corresponding capital charges for the Clearing Futures Participant unless the Manual is inconsistent with these Rules, in which case these Rules prevail.

(c) Rates and Requirements:

- (1) The Clearing Corporation, pursuant to Commission Rule 39.13, shall determine the rates to be used to derive customer initial margin requirements for any Contract.

(2) The Exchange will publish the minimum initial and maintenance margin requirements for each Contract, which shall be no less than the requirements established by the Clearing Corporation.

(3) Any changes in Contract margin requirements will apply to both new and existing Contracts in a customer's account. The Exchange may, within its discretion, establish different maintenance margin rates or requirements for different types of accounts. The term "customer initial margin" has the meaning set forth in Commission Rule 1.3.

(d) Account Administration, Classification, and Aggregation:

(1) Omnibus Accounts: A Futures Participant must calculate margin requirements for an omnibus account (whether domestic or foreign) on a gross basis and in accordance with the rules of the Clearing Corporation. However, a Futures Participant may impose maintenance margin rates for positions in the omnibus account and need not impose the initial margin rates. To use spread or hedge margin rates, a Futures Participant must obtain a written representation from the omnibus account identifying the positions within the account that are spreads or bona fide hedges, and if a Clearing Member, comply with the rules of the Clearing Corporation.

(2) Bona Fide Hedge Accounts: For bona fide hedging transactions and positions as defined by Commission regulation 1.3(z)(1), a Futures Participant may impose maintenance margin rates for the transactions and positions and need not impose the initial margin rates if the Futures Participant has a reasonable basis to believe, and the Customer represents in writing that, the transactions or positions are for bona fide hedging.

(3) Aggregation:

(a) When determining margin requirements, margin calls and release of margin deposits, a Futures Participant may aggregate identically-owned accounts within the same regulatory account classification of Customer segregated, Customer secured and non-segregated.

(b) Except for omnibus accounts, a Futures Participant may calculate margin requirements on a net basis for concurrent long and short Contracts in identically-owned accounts within the same regulatory account classification.

(4) Extension of Credit: No Futures Participant shall extend or maintain credit to or for a Customer to evade or circumvent any requirements of this Rule. A Futures Participant may extend or maintain (or arrange for the extension or maintenance of) credit to or for a Customer to meet the margin

requirements of this Rule only if the credit or loan is secured as defined by Commission regulation 1.17(c)(3) and the proceeds are treated by the Futures Participant in accordance with Commission Regulation §1.30.

(e) Type, Form, and Value of Margin Deposits:

(1) A Futures Participant must only accept the following assets, securities, or instruments as margin deposits, which must be and remain unencumbered by third party claims:

(i) U.S. dollars and foreign currencies,

(ii) U.S. government treasury and agency securities,

(iii) municipal securities,

(iv) readily marketable securities (which means securities traded on a “ready market” as defined by Securities and Exchange Commission rule 15c3-1(c)(11)),

(v) money market mutual funds that meet the requirements of Commission Regulation §1.25 (other than securities issued by the Customer or an affiliate of the Customer), and/or

(vi) irrevocable letters of credit in a form, and issued by banks or trust companies, approved by the Clearing Corporation (other than letters of credit issued by the Customer or an affiliate of the Customer).

(2) Notwithstanding paragraph (1), the rules of the Clearing Corporation may limit acceptable margin deposits.

(3) If a Futures Participant accepts securities identified in this Rule as margin deposits, then the Futures Participant must value the securities at no greater than the current market value of the securities less any deductions specified by Securities and Exchange Commission rule 15c3-1.

(4) A Futures Participant must not consider any guarantee of a Customer Account when determining whether required margin in that account is satisfied.

(f) Margin Calls and Liquidation:

- (1) Once additional margin deposits are required pursuant to this Rule or a Rule of the Clearing Corporation, as applicable, a Futures Participant must call for the additional margin as promptly as possible and in any event not more than one business day after the event giving rise to the call. Once the Futures Participant calls for the additional margin, the Futures Participant must collect the full amount of the required additional margin from a Customer as promptly as possible and in any event within a reasonable time. In a margin call, a Futures Participant must require that a Customer deposit additional margin so that the Customer's account at least meets the minimum initial margin requirement (i) when the margin equity in the account initially falls below the minimum maintenance margin requirements and (ii) subsequently when the margin equity plus existing margin calls on the account are less than the minimum maintenance margin requirements.
- (2) After a margin call is made by a Futures Participant but before the Customer makes the required additional margin deposit, the Futures Participant may only accept an Order from the Customer to establish a new position if the Futures Participant reasonably believes that the Customer will meet the outstanding margin call within a reasonable time. If a margin call to a Customer is outstanding for an unreasonable time, a Futures Participant may only accept Orders from the Customer that will reduce the Customer's margin requirements.
- (3) After a margin call is made by a Futures Participant, if the Customer fails to deposit the required additional margin deposit within a reasonable time, the Futures Participant may, but is not required to, liquidate all or a portion of the Customer's positions to restore the Customer's account to a properly margined level. However, the inability of a Futures Participant to liquidate all or a portion of the Customer's positions before the account equity results in a debit or deficit balance does not affect any liability of the Customer to the Futures Participant.
- (4) A Futures Participant must make and retain a written record of the date, time, amount, and other relevant information for all margin calls made (whether made by telephone, in writing, or by other means) as well as margin calls reduced, satisfied, or relieved.
- (5) A Futures Participant that liquidates all or a portion of the Customer's positions pursuant to this Rule is not deemed to have extended credit or made a loan to the Customer in violation of this Rule.
- (g) Release of Margin: A Futures Participant may only release free funds in connection with a Customer Account if after release the Customer Account has at least free funds at the initial margin requirement level, provided however that a



Clearing Member may not release free funds except in compliance with the Rules of the Clearing Corporation.

**Section 10 Average Price Transactions**

A Futures Participant that is a registered as a futures commission merchant may confirm for a Customer Account an average price when multiple execution prices are received on an Order or series of Orders if all the following requirements are met:

- (a) The Customer has requested average price reporting and has received appropriate disclosure of the method used to calculate the average price.
- (b) Each Order is, or series of Orders are, for the same Customer Account or group of Customer Accounts.
- (c) Each Order is, or series of Orders are, for the same Contract, Contract Month, market direction (i.e., purchase or sale), and Order instructions pursuant to Chapter IV, Section 3.
- (d) Each individual trade is submitted to, and cleared by, the Clearing Corporation at the price executed.
- (e) The Futures Participant calculates and confirms the weighted average mathematical price by (1) multiplying the number of contracts purchased or sold at each execution price by that price; (2) adding the results together; and (3) dividing the sum by the total number of contracts. For a series of Orders, the Futures Participant may compute the average price based on each Order in the series. The Futures Participant may confirm to the Customer either the actual average price or an average price rounded up for a buy Order, or rounded down for a sell Order, to the nearest price increment.
- (f) The applicable confirmation and monthly account statement provided to each relevant Customer indicates that the price represents an average price.
- (g) The Futures Participant does not average its proprietary trades with Customer trades that are subject to average price calculations.
- (h) The Futures Participant creates and maintains records (in accordance to Commission regulation 1.31) to support its average price calculations pursuant to this Rule and the allocations into Customer Accounts and makes those records available for inspection by the relevant Customers upon request.

### **Section 11 Pre-Negotiated Business and Cross Transactions**

(a) Except as otherwise provided for in Chapter IV, Section 11, a Futures Participant may only execute Cross Transactions or seek to match an Order through pre-negotiation with itself or with its other Customers in accordance with this Rule.

(b) When pre-negotiating and executing a Cross Transaction for a Customer, a Futures Participant must (1) obtain a prior written consent from the Customer which is either a generic or transaction specific consent and (2) act with due skill, care, and diligence, and ensure that the Customer's interests are not prejudiced.

(c) When submitting a Cross Transaction to the Trading System through this Rule, if only one side of the transaction is a Customer Order, then the Futures Participant must submit the Customer Order first to the Trading System.

(d) A Futures Participant may enter Orders matched through pre-negotiation immediately into the Trading System if, at the time of entry, a bid and an offer exists for the relevant Contract Month in the Trading System. Because both Orders submitted pursuant to this Rule are exposed to the market, the Trading System may not necessarily match the two Orders.

(e) If a bid and an offer for a Contract Month does not exist in the Trading System, then before submitting Orders in the relevant Contract Month that have been pre-negotiated, a Futures Participant must (1) submit one Order (in compliance with Section (c), if applicable), (2) wait five seconds for futures and eight seconds for options, and (3) submit the second Order for the relevant Contract Month. Because both Orders submitted pursuant to this Rule are exposed to the market, the Trading System may not necessarily match the two Orders.

(f) A Person must not enter a bid and/or offer into the Trading System in an attempt to circumvent the requirements of this Section.

### **Section 12 Bunched Orders**

(a) For post-execution allocation of a Bunched Order, a Futures Participant acting as an Eligible Account Manager (as defined by Commission regulation 1.35(b)(5)), need not provide, at the time of either Order entry or report of Order execution, specific Customer Account identifiers for accounts included in a Bunched Order, if the Futures Participant complies with the requirements of Commission regulation 1.35(b)(5), as applicable.

(b) A Futures Participant that executes Bunched Orders or carries accounts eligible for post execution allocation of Bunched Orders must maintain records that, as applicable, identify each Bunched Order subject to post-execution

allocation and the accounts to which Contracts executed for the Bunched Order were allocated, as required by Commission regulation 1.35(b)(5).

**Section 13 Position Limits and Position Accountability**

(a) Unless otherwise provided by this Section, no Person shall own or control, separately or in combination, a net long position or a net short position in a Contract in excess of any position limit established by Commission regulations or the Exchange and as designated for a Contract. No Futures Participant shall effect a transaction in a Contract that the Futures Participant knows or has reason to believe would result in the Futures Participant, a Customer, or any other Person holding or controlling, separately or in combination, a net long position or net short position in excess of a position limit established by Commission regulations or the Exchange.

(b) To determine whether a Person is complying with any position limit or accountability reporting requirement established by the Exchange or Commission regulations (1) all positions in accounts for which a Person, by power of attorney or otherwise, directly or indirectly holds positions or controls trading shall be aggregated and (2) positions held by two or more Persons acting pursuant to an expressed or implied agreement or understanding shall be aggregated as if the positions were held by a single Person.

(i) An ‘eligible entity’, as defined in CFTC Regulation 150.1(d) need not aggregate its positions with the eligible entity’s client positions or accounts carried by an authorized ‘independent account controller’, as defined in Regulation 150.1(e), provided that the positions are not held in the spot month during such time as a notice period or spot month position limit is in effect. If an independent account controller is affiliated with an eligible entity or another independent account controller, each of the affiliated entities must comply with the requirements specified in CFTC Regulation 150.3(a)(4)(i)(A-D).

(c) The position limits in this Rule do not apply to bona fide hedging positions meeting the requirements of Commission regulation 1.3(z)(1). However, the Exchange may limit bona fide hedging positions or any other positions that have been exempted pursuant to Commission regulation 150.5(e) if the Exchange determines that the positions are not in accordance with sound commercial practices or exceed an amount which may be established and liquidated in an orderly manner.

(d) To request an exemption from Sections (a) through and including (c), a Person must apply to the Exchange pursuant to this Section (d) by providing the information requested and following the procedures established by the Exchange. When considering whether to grant an exemption, the Exchange will take into account the factors contained in Commission regulation 150.5(d)(1).

(e) (i) The Exchange may, at any time, require a person who owns or controls positions in contracts traded on or cleared by the Exchange and which are subject to position accountability rules to provide information relating to such person's position. Upon request by the Exchange, such person shall provide information relating to the positions owned or controlled by that person including, but not limited to, the nature and size of the position, the trading strategy employed with respect to the position, and hedging information, if applicable. If the person from whom such information is requested fails to provide the information as directed, the Exchange may order the reduction of such position.

(ii) An order to reduce an open position may also be issued by the Chief Regulatory Officer or his designee, if he determines in his sole discretion, that such action is necessary to maintain an orderly market.

(iii) A Clearing Futures Participant that carries positions for another person shall be responsible for taking reasonable and diligent actions to effect the timely compliance with any order issued pursuant to this rule upon notification of such order by the Exchange. All positions must be initiated and liquidated in an orderly manner.

(iv) A person who holds or controls aggregate positions in excess of specified position accountability levels pursuant to an approved exemption shall be deemed to have consented, when so ordered by the Exchange, not to further increase the positions, to comply with any prospective limit which exceeds the size of the position owned or controlled, or to reduce any open position which exceeds position accountability or levels.

#### **Section 14 Transfers of Positions**

(a) A Clearing Futures Participant may transfer a position on its books to:

(1) correct errors in an existing Contract, provided that the original trade documentation confirms the error;

(2) transfer an existing Contract from one account to another within the same Futures Participant where no change in ownership is involved;

(3) transfer an existing Contract from one Clearing Futures Participant to another Clearing Futures Participant where no change in ownership occurs; or

(4) transfer an existing Contract through operation of law from death or bankruptcy.

(b) Upon written request, the Exchange may, in its sole discretion, allow the transfer of a position as a result of a merger, asset purchase, consolidation, or similar non-recurring transaction for an association, limited liability company, partnership, trust, corporation, or other entity.

(c) Clearing Futures Participants must transfer positions pursuant to this Rule at the same prices that appear on the books of the transferring Clearing Futures Participant, and the transfer must indicate the date when the original trade was made. Each Clearing Futures Participant that is a party to a transfer of positions must make and retain records stating the nature of the transaction, the name of the counter-party Clearing Futures Participant, and any other information required by the Clearing Corporation.

### **Section 15 Automated Order-Routing Systems**

(a) If any Futures Participant provides any Customer, other Futures Participant, or any other Person access to an electronic or automated order-routing system that enables the submitting of Orders to NFX through the Futures Participant's system, then the Futures Participant must:

- (1) adopt and enforce written procedures reasonably designed to protect the reliability and confidentiality of Customer Orders and Customer Account information at all points during the Order-routing process, and assign responsibility for overseeing the process to individuals who understand how the Order-routing process works and who are capable of evaluating whether the process complies with relevant procedures;
- (2) adopt and enforce written procedures reasonably designed to maintain adequate personnel and facilities for the timely and efficient delivery of Customer Orders and reporting of executions, and to timely handle Customer complaints about Order delivery and reporting;
- (3) adopt and enforce written procedures reasonably designed to prevent the Order-routing system from being used to create undue financial risks for Futures Participant or its other Customers, including the Futures Participant's use of pre-trade risk limits or controls; and
- (4) reasonably ensure that the Order-routing system has adequate operational capacity and that the operational capacity is consistent with the representations made by the Futures Participant to Customers, other Futures Participants, and other Persons.

(b) A Futures Participant is fully responsible for all Orders submitted directly to NFX through its electronic or automated Order-routing system as if the Futures Participant had placed each Order itself.

### **Section 16 Regulatory Trading Halts**

The Exchange shall halt trading of broad-based index futures Contracts at any time that circuit breaker procedures are in place to halt or suspend trading in all equity securities trading on a national securities exchange or national securities association. After the triggering of circuit breaker procedures, the Exchange will resume trading of broad-based index futures Contracts only after trading has resumed in equity securities traded on a national securities exchange or national securities association.

### **Section 17 Restrictions on Message Traffic**

At any time, the Exchange may, in its sole discretion, restrict the electronic transmissions or submissions to the Trading System by Futures Participants of Orders, modifications or cancellations of Orders, trade reports, and other messages or vice versa ("Message Traffic") to safeguard the operations or integrity of NFX or to preserve market integrity, fair and orderly trading, or the public interest or for the protection of investors.

### **Section 18 Access to the Trading System**

(a) Misuse of the Trading System is strictly prohibited. It shall be deemed an act detrimental to the interest and welfare of the Exchange to either willfully or negligently engage in unauthorized access to the Trading System, to assist any individual in obtaining unauthorized access to the Trading System, to trade on the Trading System without proper authorization as described in these Rules, to alter the equipment associated with the Trading System, to interfere with the operation of the Trading System, to use or configure a component of the Trading System in a manner which does not conform to Exchange's agreements and procedures to intercept or interfere with information provided on or through the Trading System, or in any way to use the Trading System in a manner contrary to the Rules of the Exchange.

(b) All access denials, suspensions, expulsions and other restrictions imposed upon an NFX Futures Participant, Authorized Trader or Authorized Customer by the Exchange pursuant to Exchange disciplinary procedures shall restrict with equal force and effect, access to, and use of, the Trading System.

(c) The Exchange, at its sole discretion, shall have the right to summarily terminate the connection of any Futures Participant or Authorized Trader. Additionally, the Exchange, at its sole discretion, shall have the right to direct a Futures Participant, Authorized Trader or Authorized Customer to immediately terminate access to the Trading System of any user.

### **Section 19 Trading Restrictions and Suspensions**

(a) The President or his delegate is authorized at any time to restrict or suspend trading in any Contract if he believes that the restriction or suspension is

necessary or appropriate to preserve market integrity, maintain fair and orderly trading, or otherwise further the public interest or for the protection of investors.

(b) Any trading restrictions or suspensions imposed pursuant to Section (a) may include without limitation:

(1) a change in the closing time and/or the time for determining the Daily Settlement Prices for that Trading Day; and/or

(2) a setting of Daily Settlement Prices by the President or his delegate based on the following:

(i) the mid-point of NFX Best Bid and Offer for the Contract Month immediately before the restriction or suspension;

(ii) if the mid-point of the NFX Best Bid and Offer appears unrepresentative of fair market value, then the NFX Best Bid and Offer will be adjusted by the last representative bid or offer; or

(iii) any other methodology deemed appropriate by the President or his delegate under the circumstances.

(c) The President or his delegate may lift a trading restriction or suspension imposed by this Rule if the President or his delegate believes that trading can resume on a fair and orderly basis and the public interest is served.

(d) No trading restriction or suspension imposed under this Rule shall continue for more than two business days (or as soon thereafter as a quorum of the Board can be assembled) unless the Board approves of the continuation of the restriction or suspension.

(e) Any trading restrictions or suspensions imposed under this Rule will be posted on the Exchange's website. The Exchange will document its decision-making process and the reasons for using its authority under this Rule, and consult with Commission staff as necessary and appropriate.

### **Section 20 Business Continuity**

Futures Participants shall take appropriate actions as instructed by the Exchange to accommodate the Exchange's business continuity-disaster recovery plans and shall connect to the Exchange's disaster recovery site and participate in Exchange and industry business continuity-disaster recovery testing as and to the extent required by the Exchange.

**Section 21 Proprietary Nature of Market Data**

All Futures Participants, Authorized Traders and all employees, agents, vendors, and other Persons affiliated with the foregoing:

- (a) understand and acknowledge that the Exchange has a proprietary interest in Market Data, the NFX Best Bid and Offer, and all related trade data and settlement prices relating to all Contracts traded through the Trading System and the Exchange; and
- (b) agree not to take any action contrary or detrimental to the Exchange's interest and to take reasonable measures to ensure that no such action is taken by any Person affiliated with them.

**Section 22 Limitation of Liability**

(a) Except for any party found to have engaged in willful or wanton misconduct, neither the Exchange (which for purposes of this Section includes its parents, subsidiaries and affiliates), its Futures Participants or Clearing Futures Participants, nor any of its or their respective officers, directors, employees, or agents shall be liable to any Person (including, but not limited to, a Customer) for any losses, damages, costs or expenses (including, but not limited to, loss of profits, loss of use, direct, indirect, incidental or consequential damages) arising from (1) any failure or malfunction of the Trading System or the Clearing Corporation or any Exchange services or facilities used to support the Trading System including but not limited to any user interface or any inability to enter or cancel Orders (the "the Trading System Complex"), or (2) any fault in delivery, delay, omission, suspension, inaccuracy or termination, or any other cause, in connection with the furnishing, performance, maintenance, use of or inability to use all or any part of the Trading System Complex. The foregoing shall apply regardless of whether a claim arises in contract, tort, negligence, strict liability or otherwise. The foregoing shall not limit the liability of any Futures Participant, Clearing Futures Participant, or any of their respective officers, directors or employees for any act, incident, or occurrence within their control. For purposes of this Section, the "the Trading System Complex" shall include any Exchange facilities or services used to support Block Trades, cross trades and exchange of futures for related positions pursuant to Chapter IV, Sections 11 and 12.

(b) No express or implied warranties or representations regarding the Trading System Complex are provided by the Exchange, including, but not limited to, warranties of merchantability and warranties of fitness for a particular purpose or use.



(c) Any dispute arising from the use of the Trading System or the Clearing Corporation in which the Exchange or any of its or their respective officers, directors, employees or agents is a party shall be construed and enforced in accordance with the laws of the State of Pennsylvania, without reference to that State's choice of law principles. Any actions, suits, or proceedings against any of the above must be brought within two years from the time that a cause of action has accrued, and any party bringing such action consents to the exclusive jurisdiction of the U.S. District Court for the Eastern District of Pennsylvania and the Court of Common Pleas of Philadelphia County, Pennsylvania, and waives any objection to venue and any right to trial by jury.

(d) This provision shall in no way create a cause of action and shall not authorize an action that would otherwise be prohibited by the Rules of the Exchange.

## **Chapter VI Disciplinary Rules**

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### **Section 10 Judgment and Sanctions**

(a) Futures Participants and persons associated with or employed by Futures Participants shall (subject to any rules or order of the Commodity Futures Trading Commission) be appropriately disciplined for violations under these disciplinary rules by expulsion, suspension, fine, censure, limitations or termination as to activities, functions, operations, or association with a Futures Participants, or any other fitting sanction that are the subject of the Statement of Charges and commensurate with the violations the Respondent was found to have committed. Disciplinary sanctions must be sufficient to deter recidivism or similar violations by other members and member organizations. Disciplinary sanctions, including sanctions imposed pursuant to an accepted settlement offer, must take into account the Respondent's disciplinary history. In the event of demonstrated [c]Customer harm, any disciplinary sanction must also include full [c]Customer restitution, except where the amount of the restitution, or to whom it should be provided, cannot be reasonably determined.

(b) *Effective Date of Judgment.* Sanctions imposed under these disciplinary rules shall not become effective until the Exchange review process is completed or the decision otherwise becomes final. Pending effectiveness of a decision imposing sanctions on a Respondent, the Hearing Panel may impose such conditions and restrictions on the activities on such Respondent which it finds to be necessary or appropriate for the protection of the investing public, Futures Participants and the Exchange and its subsidiaries.

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**Section 15 Consent to Jurisdiction**

(a) Any Person initiating or executing a transaction on or subject to the Rules of the Exchange directly or through an intermediary, and any Person for whose benefit such a transaction has been initiated or executed, expressly consents to the jurisdiction of the Exchange and agrees to be bound by and comply with the Rules of the Exchange in relation to such transactions, including, but not limited to, rules requiring cooperation and participation in investigatory and disciplinary processes.

(b) The scope of applicable Rules include Chapter I, Chapter II, Section I (vi) and (vii), Chapter III, Section 11, [Chapter V, Sections 1 -14 and Chapter IV, Section 7.] Chapter IV, Sections 4 and 5, and Chapter V, Sections 1 and 4.

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**Chapter VII Arbitration Rules**

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**Chapter VIII Metals**

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