



C.F.T.O.
OFFICE OF THE SECRETARIAT

Lisa Dunsky
Director and Associate General Counsel
Legal

2010 JUL 23 AM 10 06

July 22, 2010

Mr. David Stawick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

**RE: Rules and Certification for IRSF Contracts Listed on Eris Exchange,
LLC and Cleared By CME Clearing
CME Submission No. 10-196**

Dear Mr. Stawick:

Chicago Mercantile Exchange Inc. ("CME"), pursuant to Commission Regulations 39.4(c)(2), 40.2, and 40.6(a), makes this submission to the Commodity Futures Trading Commission with regards to the plans of the CME clearing house ("CME Clearing"), a registered derivatives clearing organization, to accept for clearing certain Interest Rate Swap Futures contracts ("IRSF Contracts") listed by Eris Exchange, LLC ("Eris"), an exempt board of trade ("EBOT").

Enclosed is a copy of: (1) rule amendments to Chapter 8-F of the CME rule book relating to Eris; and (2) the Eris rule book, which contains (in Chapter 3) rules establishing the terms and conditions of the IRSF Contracts. CME Clearing intends to begin clearing the Eris IRSF Contracts on July 26, 2010. CME hereby certifies that the clearing of the Eris IRSF Contracts and the rules and terms and conditions comply with the Commodity Exchange Act and regulations thereunder.

Should the Commission have any inquiries regarding this submission, please contact David Boberski, Managing Director of OTC Research & Product Development, at (212) 299- 2942 or david.boberski@cmegroup.com, or Lisa Dunsky, Director and Associate General Counsel at (312) 338-2483 or lisa.dunsky@cmegroup.com.

Sincerely,

A handwritten signature in cursive script that reads "Lisa Dunsky".

Lisa A. Dunsky
Director and Associate General Counsel

cc: Ms. Phyllis Dietz (by e-mail, w/ encl.)
Ms. Sarah Josephson (by e-mail, w/ encl.)
Mr. John Lawton (by e-mail, w/ encl.)
Mr. Ananda Radakrishnan (by e-mail, w/ encl.)

CME -- CHAPTER 8F
OVER-THE-COUNTER DERIVATIVE CLEARING
Rule Changes Relating To Eris Exchange, LLC

Rule 8F01. SCOPE OF CHAPTER

This chapter sets forth the rules governing clearing and settlement of all products, instruments, and contracts in Over-The-Counter Derivatives, including, but not limited to, swaps and forward rate agreements, that the Clearing House has designated as eligible for clearing. OTC Clearing Members are also subject to all applicable Rules in the CME, CBOT and/or NYMEX Rulebooks that apply to CME, CBOT, NYMEX or COMEX Clearing Members as applicable, unless an exemption from such rule has been granted by staff or the Clearing House Risk Committee. In the event there is a conflict between a rule in this Chapter 8-F and another rule in the Rulebooks, the Chapter 8-F Rule shall supersede the conflicting rule with respect to OTC Derivatives transactions.

For purposes of these Chapter 8F rules and except as otherwise noted within a particular rule, all references to requirements, conditions or procedures of CME Clearing shall be deemed to apply with respect to Eris Exchange, LLC ("Eris") contracts, and all references to OTC Derivatives shall be deemed to apply to Eris contracts. CME Clearing, in relation to providing clearing services to Eris for transactions effected on or subject to the rules of Eris, will provide reports and such other information to Eris as may be required for the business operation and regulatory requirements applicable to Eris.

Rule 8F04. OTC CLEARING MEMBER OBLIGATIONS AND QUALIFICATIONS

OTC Clearing Members are subject to all relevant CME, CBOT and NYMEX Rules and the Clearing House Manual unless an exemption has been granted by staff or the Clearing House Risk Committee. OTC Clearing Members must execute all agreements and documents required by the Clearing House. The qualifications and requirements to become an OTC Clearing Member are set forth below.

A CME, CBOT, NYMEX and COMEX Clearing Member clearing OTC Derivatives must satisfy the requirements set forth below.

1. An OTC Clearing Member must be in "good standing" under each applicable regulatory regime to which it is subject at the time it applies for OTC clearing membership and it must maintain its good standing status while it is an OTC Clearing Member.
2. An OTC Clearing Member must be in compliance with all applicable regulatory capital requirements and an OTC Clearing Member must maintain minimum capital of:
 - i. \$50 million if it clears only commodity (i.e., agricultural, metals and energy) and/or foreign exchange OTC Derivatives products and/or contracts traded on Eris;
 - ii. \$300 million if it clears only the OTC Derivatives products listed above in section 2.i. and other OTC Derivatives products not specifically listed in this rule, excluding credit default swaps and rate swaps; and
 - iii. \$500 million if it clears credit default swaps and/or rate swaps and any other OTC Derivatives products.The Clearing House may establish separate capital requirements for other OTC Derivatives products approved by the Clearing House Risk Committee.
3. An OTC Clearing Member with adjusted net capital less than \$5 billion must report its capital levels to the Audit Department on a daily basis unless its parent company provides CME a parent guarantee up to such \$5 billion level for all obligations (i.e., customer and house) arising out of OTC CDS transactions.
4. An OTC Clearing Member that is also a hedge fund must maintain assets under management of at least \$5 billion while it is clearing OTC Derivatives.
5. An OTC Clearing Member clearing credit default swaps and/or rate swaps that has adjusted net capital that is less than \$1 billion must deposit into a CME account an amount of excess margin that is equal to its guaranty fund deposit requirement.
6. An OTC Clearing Member and an OTC Clearing Member applicant shall be engaged in or demonstrate immediate capacity to engage in the conduct of the business of an OTC Clearing Member.
7. An OTC Clearing Member that is not also a CME, CBOT, NYMEX or COMEX Clearing Member shall maintain a membership-equivalent deposit with CME of at least \$5 million in cash or collateral, which shall be valued in the sole discretion of the Clearing House, to assure performance of all obligations arising out of OTC Derivatives submitted by it to the Clearing House.
8. An OTC Clearing Member must comply with the financial requirements set forth in CME Rule 970. However, if the OTC Clearing Member is regulated by another regulatory authority, then it shall submit to CME annual audited financial statements as well as all unaudited financial statements provided to its primary regulator within five days after such statements are provided to its regulator. All financial statements shall be in the English language.
9. The books and records of an OTC Clearing Member regarding OTC Derivatives cleared by the Clearing House

shall be made promptly available for inspection upon request by CME and such books and records shall be subject to reasonable standards of confidentiality.

10. Each OTC Clearing Member that is a Futures Commission Merchant shall keep the types of information and records that are described in Section 4g of the Commodity Exchange Act and CFTC regulations thereunder including, but not limited to, Regulation 1.35, with respect to all OTC Derivatives submitted for clearing.

Rule 8F06. CLEARING MEMBER DEFAULT

If an OTC Clearing Member fails promptly to discharge any obligation to the Clearing House, it shall be in default and the Clearing House may take all actions permitted by these Rules in the event of a default. All of the assets and collateral of an OTC Clearing Member that are available to CME including, but not limited to, its guaranty fund deposit and performance bond shall be applied by the Clearing House to discharge the obligation. The Clearing House may engage in any commercially reasonable transaction to eliminate or reduce the risk created by the default and all obligations, costs and expenses incurred thereby shall be an obligation of the defaulting OTC Clearing Member to the Clearing House. If the defaulting clearing member has proprietary or customer positions in contracts traded on an execution platform with which CME has a clearing services agreement, the Clearing House, acting in good faith and a commercially reasonable manner, will determine the appropriate default management approach, which may include the determination to close out and cash settle all open positions in contracts executed on such execution platform.

ERIS EXCHANGE RULEBOOK

Chapter 1. DEFINITIONS

Rule 101. Definitions

ACT OR CEA

"Act" or "CEA" means the Commodity Exchange Act, as amended from time to time.

BOARD

"Board" means the Board of Directors of the Exchange.

CFTC OR COMMISSION

"CFTC" or the "Commission" means the U.S. Commodity Futures Trading Commission.

CLEARING HOUSE

"Clearing House" means with respect to any Contract, the clearing house division of the Chicago Mercantile Exchange Inc. ("CME") or any other entity designated by the Board as being authorized to clear such Contract, in its capacity as Clearing House for transactions entered into on the Exchange.

CLEARING HOUSE RULES

"Clearing House Rules" means the Certificate of Incorporation, By-Laws, rules, interpretations, orders, resolutions, advisories, notices, manuals and similar directives of the Clearing House, and all amendments thereto.

CLEARING MEMBER

"Clearing Member" means with respect to any Contract a firm meeting the requirements of, and approved for, clearing membership at CME, or any other entity designated by the Board as being authorized to clear such Contract.

CONTRACT

"Contract" means any contract, agreement or transaction approved for trading on the Exchange, including but not limited to Interest Rate Swap Futures Contracts ("IRSF Contracts").

EBOT

"EBOT" means an exempt board of trade as defined in Section 5d of the Act and Part 36.2 of the CFTC Regulations.

EMERGENCY

"Emergency" means any occurrence or circumstance that, in the opinion of the Exchange, requires immediate action and threatens or may threaten fair and orderly trading, clearing, delivery or liquidation of any Contracts, including (i) any manipulative or attempted manipulative activity; (ii) any actual, attempted, or threatened corner, squeeze, congestion, or undue concentration of Positions; (iii) any circumstances which may materially affect the performance of agreements, Contracts or Transactions traded on the Exchange, including failure of the payment system or the bankruptcy or insolvency of any Participant; (iv) any action taken by any governmental body, or any other board of trade, market or facility which may have a direct impact on trading on the Exchange; and (v) any other circumstance which may have a material adverse effect upon the functioning of the Exchange

ERIS EULA

"Eris EULA" means the Exchange User License Agreement entered into by each Participant pursuant to which the Exchange will provide access to certain trading and other services via its website.

EXCHANGE

"Exchange" means Eris Exchange, LLC.

EXCHANGE OFFICIAL

"Exchange Official" means an employee or agent designated by the Exchange to perform or execute certain acts.

FAMILY RELATIONSHIP

"Family Relationship" means a person's spouse, parent, stepparent, child, stepchild, sibling, stepbrother, stepsister, grandparent, grandchild, uncle, aunt, nephew, niece or in-law.

HOLIDAY

"Holiday" means any day declared to be a holiday by these rules or by a resolution of the Board on which the Exchange is closed.

IRSF CONTRACT

"IRSF Contract" means an interest rate swap futures contract.

OPTION

"Option" means a Contract whereby one party grants to another party the right, but not the obligation, to buy, sell or enter into a Contract.

PARTICIPANT

"Participant" means an individual or Firm that is admitted as a participant of the Exchange.

PARTICIPANT AGREEMENT

"Participant Agreement" means the agreement executed by Participants to enter transactions on the Exchange.

POSITION

"Position," with respect to any Person, means all Contracts held by such Person.

RESPONDENT

"Respondent" means any Person who is charged with a Rule violation.

RULES

"Rules" means the Participant Agreement, rules, interpretations, orders, resolutions, advisories, notices, statements of policy, decisions, manuals and directives of the Exchange, and all amendments thereto.

SETTLEMENT PRICE

"Settlement Price" means the official daily closing price for a Contract, as determined in accordance with Rule 303, and used for marking all open positions at the close of the daily settlement cycle.

TRADE

"Trade" means any purchase or sale of any commodity futures or options Contract made on the Exchange.

TRADING DAY

A trading day means the hours of trading as determined by the board for each Contract starting with the opening of trading and ending with the close of trading for such contract.

TRANSACTION

"Transaction" means any purchase or sale of any Contract made on the Exchange.

Chapter 2. GENERAL

Rule 201. Scope of Chapter

This chapter authorizes the Exchange to operate as an EBOT.

Rule 202. Notification

ERIS EXCHANGE IS NOT REGISTERED WITH, OR RECOGNIZED, DESIGNATED, LICENSED OR APPROVED BY THE CFTC.

Rule 203. Application for Participation

An applicant for qualification as a Participant must satisfy those requirements established by the Exchange, including, but not limited to, the following:

- (a) The Participant must be an "eligible contract participants" or "ECP," as defined in section 1a(12) of the Act.
- (b) The Participant must enter into a Participant's Agreement with the Exchange.
- (c) The Participant must enter into an Eris EULA.
- (d) The Participant must establish a clearing relationship with a Clearing Member.
- (e) The Participant must enter into a User License Agreement with the Clearing House, if applicable.

Rule 204. Eligible Contract Participants

A Clearing Member that clears Contracts on behalf of a Participant must register with the Exchange. In addition, a Clearing Member must agree to act as the clearing firm for such Participant. The Clearing Member must confirm that each Participant for which it provides clearing services is an ECP at all times during which clearing services are provided for such IRSF Participant. If a Clearing Member becomes aware that a Participant for which it provides clearing services no longer qualifies as an ECP, the Clearing Member must notify the Exchange and ensure that the Participant closes out any open Contracts as soon as possible.

Rule 205. Clearing

The Clearing House will provide clearing services for Transactions in accordance with Clearing House Rules and in conformity with Exchange rules specifically provided in this Chapter 2.

Rule 206. Requirements for Clearing Members

Clearing members shall satisfy the membership criteria of the Clearing House. In addition, if an event of default occurs or has occurred in relation to a Clearing Member with open positions in any Contract in a proprietary or customer account, each other Clearing Member shall cooperate

with the Clearing House, on a best-efforts basis, to accept the transfer of positions in such Contracts.

Rule 207. Substitution

For a Transaction that is both executed and submitted to the Clearing House on the current business date at prevailing market prices, and in accordance with the rules governing such Transaction, the Clearing House shall, through the process of novation, be substituted as, and assume the position of, seller to the buyer and buyer to the seller of the relevant number of Contracts once the Transaction is accepted at the Clearing House; *Provided, however*, that the timing of the clearing guarantee for Transactions involving initial mark-to-market amounts above a specified threshold, and for Transactions that are not both executed and submitted to the Clearing House on the current business date, shall be subject to terms specified in the Clearing House manual of operations.

Rule 208. Compliance with Rules

The Exchange shall have the authority to conduct inquiries into activities of Participants in order to monitor and enforce compliance with its Rules. Participants shall provide the Exchange with information and access to their relevant records relating to their access to, or use of, the Exchange that may be requested by the Exchange in connection with any such inquiry. It shall be a breach of this Rule for a Participant or any of its agents or affiliates to fail to answer questions or produce records in connection with any such inquiry, or to knowingly make any misstatement of a material fact to the Exchange or any of its representatives.

If the Exchange reasonably believes that a breach of any applicable Rules has occurred, the Exchange will determine what action to take, if any, which may include, but not be limited to, suspending, terminating, or restricting Participant's access to the Exchange.

Rule 209. Fees

Each Participant agrees to pay such fees as are published by the Exchange in a Fee Circular, on the Exchange's website or as otherwise agreed between the Exchange and a Participant. The Exchange may change fees charged to Participants without notice.

Chapter 3. INTEREST RATE SWAP FUTURES CONTRACTS

Rule 301. Scope of Chapter

This chapter is limited in application to trading in IRSF Contracts. Procedures for clearing that are not specifically covered herein shall be governed by applicable rules of the Clearing House.

Rule 302. Terms of IRSF Contracts

All IRSF Contracts shall have the following terms:

- (a) Trading Unit. The notional principal value for IRSF Contracts shall be USD 1 million.
- (b) Price Basis. On any given date the Contract price is quoted in terms of the total return price for a plain vanilla interest rate swap.
- (c) Settlement Currency. Settlement currency shall be US dollar ("USD"). All calculations and determinations in respect of IRSF Contracts shall be made with reference to USD, and all payments shall be due in USD.
- (d) Day Count Factors.

- (i) The Day Count Factor in respect of IRSF Contracts semi-annual fixed rate coupons is 30/360 modified following day count calculated as follows:

$$\text{Day Count Factor}_{\text{Fixed}} = \{ 360 \cdot (Y_2 - Y_1) + 30 \cdot (M_2 - M_1) + (D_2 - D_1) \} / 360$$

Y_1 = year for the Effective Date of the Interest Rate Payment

Y_2 = year for the Maturity Date of the Interest Rate Payment

M_1 = month for the Effective Date of the Interest Rate Payment

M_2 = month for the Maturity Date of the Interest Rate Payment

D_1 = day of month for the Effective Date of the Interest Rate Payment

D_2 = day of month for the Maturity Date of the Interest Rate Payment

US 30/360 date adjustment rules, in order:

Rule 1: If the investment is End of Month ("EOM") and (Date₁ is the last day of February) and (Date₂ is the last day of February), then change D_2 to 30.

Rule 2: If the investment is EOM and (Date₁ is the last day of February), then change D_1 to 30.

Rule 3: If D_2 is 31 and D_1 is 30 or 31, then change D_2 to 30.

Rule 4: If D_1 is 31, then change D_1 to 30.

- (ii) The Day Count Factor in respect of IRSF Contract quarterly USD LIBOR rates is actual/360 modified following day count calculated as follows:

$$\text{Day Count Factor}_{\text{Floating}} = (d_2 - d_1) / 360$$

d_1 = Effective Date of the Floating Interest Rate Payment

d_2 = Maturity Date of the Floating Interest Rate Payment

- (e) Fixed Leg Interest Accrual. The Fixed Leg Interest Accrual shall be calculated as follows:

IRSF Principal • Fixed Leg Coupon Rate • Day Count Factor_{Fixed}

- (f) Floating Leg Interest Accrual. The Floating Leg Interest Accrual shall be calculated as follows:

IRSF Principal • Floating Leg Rate • Day Count Factor_{Floating}

where Floating Leg Rate is realized LIBOR rate

- (g) Price Increments. Par is 100 points. Face and market values are variable across IRSF Contracts, but the values for each IRSF Contract are set at inception of the trade. Prices are reflected to six digits to the right of the decimal (e.g., 100.123456)
- (h) Contract Expiry. A Contract may expire on any day that is not a London, New York, or Exchange Holiday from trade date to a term of up to 30 years
-
- (i) Termination of Trading. Trading of an expiring IRSF Contract terminates at 2 p.m. Chicago time.

Rule 303. **Settlement Price**

The Exchange, in conjunction with the Clearing House, will determine the Settlement Price for IRSF Contracts. Notwithstanding the foregoing, the Clearing House may modify Settlement Prices in its discretion in accordance with Clearing House Rules.

Rule 304. **Final Settlement Price**

At Contract expiration, the Final Settlement Price will be 100 plus the difference between coupon accrual on the "fixed" leg of the swap and the floating rate accrual on the "floating" leg of the swap.

Rule 305. **Final Settlement**

Clearing Members holding open positions in a Contract at the time of termination of trading shall make payment to or receive payment from the Clearing House in accordance with normal variation performance bond procedures based on a settlement price equal to the Final Settlement Price.

Rule 306. Trading Schedule

IRSF Contracts shall be scheduled for trading during such hours as may be determined by the Exchange.

Chapter 4. EMERGENCIES

Rule 401. Emergency Action

- (a) Emergency action may be taken by the following:
- (i) By the Board;
 - (ii) By any two members of the Board where it is impracticable, in the opinion of the Chief Executive Officer and one other member of senior management, any two members of the Board, to call a meeting of the Board to deal with the Emergency; or
 - (iii) By any committee of the Exchange pursuant to powers conferred on said committee under the Rules.
- (b) The vote required to take any action in connection with an Emergency shall be:
- (iii) In the case of action by the Board, the affirmative vote of not less than two-thirds of the members of the Board present and voting at a meeting at which there is physically in attendance a quorum; provided, however, that the consent in writing to such action of all members of such governing body shall be sufficient to take such Emergency action without a meeting.
 - (iv) In the case of action by a committee, the affirmative vote of not less than two-thirds of the members of said committee present and voting at a meeting at which there is physically in attendance a quorum; provided, however, that the consent in writing to such action of all members of such governing body shall be sufficient to take such Emergency action without a meeting.
- (c) A member of the Board or of a committee shall be deemed physically present or physically in attendance at a meeting if such a Person participates in the meeting by means of a conference telephone or similar communications equipment allowing all Persons participating in the meeting to hear each other at the same time
- (d) Action which may be taken
- (i) In the event of an Emergency, the Exchange may, subject to Part 40 of the Regulations under the Act, place into immediate effect a rule which may provide for, or may authorize the Exchange, or the Board or any committee, to undertake actions which, in the opinion of the Exchange are necessary or appropriate to address the Emergency, including, but not limited to, such actions as:
 - (A) Imposing limits or restrictions on position size, limiting trading to liquidation only, in whole or in part;
 - (B) Extending the time of delivery under or expiration of Contracts;
 - (C) Ordering the liquidation, or transfer of open Contracts, the fixing of a Settlement Price or Settlement Premium, or the reduction in positions;

- (D) Ordering the transfer of Contracts, and the money, securities, and property securing such Contracts, held on behalf of Participants by a Clearing Member to another Clearing Member or other Participants, willing to assume such Contracts or obligated to do so;
 - (E) Extending, limiting or changing hours of trading on the Exchange;
 - (F) Modifying price limits;
 - (H) Suspending or curtailing trading in all or any one or more Contracts;
 - (J) Requiring additional margin to be collected from Participants; and
 - (K) Modifying or suspending any provision of the Rules
- (e) Whenever any action is taken under this Rule pursuant to which trading is suspended or other changes in procedure are made, all matters relating to notices, deliveries and other obligations may be suspended or deferred in such manner as the Governing body may determine.

Rule 402. Conflicts of Interest Involving Emergency and Other Significant Actions

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

- (a) Disclosure. Prior to consideration of the matter, each member of the Board or committee who desires to participate in deliberations or voting on such action shall disclose to the Board or committee position information that is known to such member, with respect to any particular month or months that are under consideration, and any other positions which the Board or committee reasonably expects could be affected by the action under consideration. The size of positions shall be disclosed by reference to ranges as determined by the Board or committee and shall be made with respect to the following categories:
 - (i) gross positions in Contracts carried in:
 - (A) accounts in which the member's ownership interest is 10% or greater;
 - (B) the member's "controlled accounts" as defined in CFTC Regulation 1.3(j); and
 - (C) accounts of any individual with whom the member has a Family Relationship.
 - (ii) gross positions in Contracts carried in proprietary accounts, as defined in CFTC Regulation 1.3(y), at any affiliated firm of such member;

- (iii) net positions in Contracts in "Customer" accounts, as defined in CFTC Regulation 1.17(b)(2), at any affiliated firm of such member; and
 - (iv) any other types of positions, whether maintained in Contracts or otherwise, that the Board or committee reasonably expects could be affected by the action being considered.
- (b) Missing information. To the extent that a Board or committee member desires to make the required disclosures but does not know position information with respect to any of the foregoing categories, the President or his designee shall make the disclosure for such member to the extent that such information can be obtained from data and clearing records readily available to the Exchange under the exigency of the action being contemplated.
- (c) Disqualification. Any Board or committee member who does not want to make position disclosures must withdraw from the meeting and may not participate in the discussion of, or voting on, the matter under consideration. Any member who has, or whose affiliated firm has, a position required to be disclosed (other than a position which the Board or committee has determined to be de minimus), shall be disqualified from voting and must withdraw from the meeting before a vote is taken. If such withdrawal results in the lack of a quorum, the Board or committee shall appoint an ad hoc committee comprised of those members who are not disqualified from voting and shall delegate to such ad hoc committee all the powers of the Board or relevant committee with respect to the matter under consideration. No member shall be disqualified from voting upon the appointment of an ad hoc committee solely because of positions held by such member or an affiliated firm of such member.

Rule 403. Alternate Settlement Price Determination

The Exchange reserves the right to use available market information to determine an alternate settlement price:

- (a) in the event that a physical emergency, as defined in Rule 1.02, prohibits the Exchange from determining settlement prices as it would during the normal course of business;
- (b) in the event that the determined settlement price is not representative of the fair market value of the Contract; or
- (c) in the event that the determined settlement price creates risk management concerns.

Chapter 5. RECORDS

Rule 501. Requirements

- (a) Each Participant shall maintain records in accordance with the rules and regulations of, and in such manner and form and for such times as may be prescribed by, the CFTC, showing the details and terms of all Transactions involving Contracts consummated on the Exchange or subject to the Rules. All such records must show the parties to all such Transactions, including the Persons for whom made, any assignments or transfers thereof, with the parties thereto, and the manner in which said Transactions are fulfilled, discharged or terminated. Such record shall be kept for a period of five (5) years from the date thereof, or for a longer period if the CFTC shall so direct, and shall at all times be open to the inspection by Exchange staff, any representative of the CFTC or the United States Department of Justice.
 - (b) Each Participant shall make and file reports with the Exchange and the CFTC, in such manner and form and at such times as the Rules or the Exchange or CFTC may prescribe.
 - (c) Unless otherwise specifically provided, all records listed in this Rule must be retained in accordance with the Act and the regulations thereunder.
-

Chapter 6. REPORTABLE POSITIONS AND SPECULATIVE POSITION LIMITS

Rule 601. Emergency Powers Not Limited

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

Rule 602. Accountability Levels

A person owning or controlling more than 750 IRSF Contracts of any tenor net long or net short, shall provide, in a timely fashion, upon request by the Exchange or the designated Clearing House or other designated agent, information regarding the nature of the position, trading strategy and hedging information, if applicable.

Rule 603. Reportable Levels

The reportable level for IRSF Contracts of any tenor is 100 contracts.

Rule 604. Aggregation of Positions

- (a) The position limits and position accountability levels established by these Rules shall apply to all positions held by any Participant, including those positions in accounts for which such Person by power of attorney or otherwise directly or indirectly (i.e., has 10% or greater ownership or equity interest) controls trading; and in the case of positions held by two or more Participants acting pursuant to an express or implied agreement or understanding, the same as if all of the positions were held by a single Participant.
- (b) The positions of spouses, parents, and children living in the same household shall be aggregated for purposes of the foregoing position limits and position accountability levels.

Rule 605. Enforcement of Position Accountability Levels

- (a) No Participant may maintain a combination of Contracts which is, or which when aggregated in accordance with Rule 602 is, in excess of the limits established by this Chapter. For the purpose of the Rules contained in this Chapter:
 - (i) the Contract equivalent of each Option is the delta ratio published daily by the Exchange;
 - (ii) a long Contract, a long call Option and a short put Option are on the same side of the market; similarly, a short Contract, a short call Option and a long put Option are on the same side of the market
 - (iii) in calculating an equivalent Contract position for Contracts, all serial and regular Options for the underlying Contract shall be combined.

- (b) Participants are responsible for maintaining their position within the limits contained in this Chapter on both an inter-day and intra-day basis. If, however, a Participant's position exceeds position limits on any given Trading Day due to changes in the deltas of the Options, the Participant or Customer shall have one Trading Day to bring the position within the limits.
- (c) In the event the Exchange learns that a Participant maintains positions in accounts with more than one Clearing Member such that the aggregate position in all such accounts exceeds the position limits and position accountability levels established by this Chapter, the Exchange may notify all Clearing Members maintaining or carrying such accounts of the total positions of such accounts. Such notice may also instruct each such Clearing Member to reduce the positions in such accounts 24 hours after receipt of the notice, proportionately or otherwise so that the aggregate positions of such accounts at all such Clearing Members does not exceed the established position limits and position accountability levels, unless a request for an exemption is made and granted by the Exchange pursuant to section (d) below. Any Clearing Member receiving such notice shall immediately take such steps as may be necessary to liquidate such number of Contracts as shall be determined by the Exchange in order to cause the aggregate positions of such accounts at such Clearing Member to comply with the established position limits and position accountability levels. Notwithstanding the foregoing, the Participant may reduce the positions of such accounts by a different number of Contracts so long as after all reductions have been accomplished at all Clearing Members carrying such accounts, the positions at all such Clearing Members complies with the position limits and position accountability levels established by this Chapter.
- (d) In the event a Participant exceeds its position limit due to sudden unforeseen increases in its bona fide hedging needs, such Participant shall not be considered in violation of the Rules provided that such Person requests a hedge exemption to carry such increased position within one Trading Day for following the day on which the Participant's position limit was exceeded and provided that such exemption is granted by the Exchange.
- (e) Subject to the foregoing provisions of this Rule, in the event that a Participant's position exceeds the position limits established by this Chapter or ordered by the Exchange, such Participant shall liquidate such number of Contracts as the Exchange shall direct in order to eliminate the excess within such time as the Exchange may prescribe and shall report to the Exchange when such liquidations have been completed. If a Participant fails so to liquidate Contracts within the time prescribed by the Exchange, then, in addition to any other actions the Exchange may take, the Exchange may take such steps as it may deem necessary or appropriate to liquidate such Contracts on behalf and at the expense of such Participant to the extent necessary to eliminate such excess. In addition, the Exchange in its discretion may require any Clearing Member carrying an account for such Participant to obtain and hold additional original margin from such Participant or Customer in such amount and form and by such time as the Exchange shall specify until such excess has been eliminated.
- (f) In the event a Participant exceeds its position limit and is instructed to liquidate all or a portion of the position, the Participant must liquidate the position in an orderly manner, as to eliminate or significantly reduce substantial market impact or price fluctuations.

Rule 606. Exchange Access to Position Information

Without limiting any provision of these Rules, the Exchange shall have the authority to obtain from any Participant information with respect to positions of such Participant. In the event a Participant fails to provide the requested information the Exchange, in addition to any other remedy provided in these Rules, may order that the Participant liquidate the positions which are related to the inquiry.

Rule 607. Reportable Positions and Daily Reports

- (a) Participants that own, control, or carry a reportable position, as such term is defined by the Act and the Regulations thereunder, shall submit daily reports with respect to such positions to the Exchange containing such information as may be prescribed by the CFTC.
- (b) Without limiting any provisions of the Rules, Participants shall provide such additional information with respect to positions and the ownership of such positions as may be requested by the Exchange.

Rule 608. Hedge Exemption

- (a) The position limits for Contracts specified in this Rulebook shall not apply to bona fide hedging positions as defined in Section 1.3(z)(1) of the Regulations under the Act.
- (b) To be eligible for an exemption under this Rule, a Participant must submit a written request in the form provided by the Exchange to the Exchange, including the following:
 - (i) a description of the size and nature of the proposed Transactions;
 - (ii) information which will demonstrate that the proposed Transactions are bona fide hedging Transactions;
 - (iii) a statement indicating whether the Person on whose behalf the request is made (1) maintains positions in the Contract for which the exemption is sought with any other Clearing Member; and (2) has made a previous or contemporaneous request pursuant to this Rule through another Clearing Member, and if so, the relationship of the information set forth in such requests;
 - (iv) a statement that the intended Transactions will be bona fide hedges;
 - (v) a statement that the applicant will immediately supply the Exchange with any material changes to the information submitted pursuant hereto; and
 - (vi) such further information as the Exchange may request.
- (c) Within five Trading Days of the submission of the information set forth above, the Exchange shall notify the Participant whether the exemption has been granted and the limitations placed thereon. An exemption will remain in effect until (1) the Participant

requests a withdrawal; or (2) the Exchange revokes, modifies or places further limitations thereon.

- (d) Written requests for exemptions to notice period limits specified in this Chapter must be received by the Exchange no later than five Trading Days prior to exceeding position limits. Failure to file notice period exemption requests on a timely basis shall subject the Participant to disciplinary action pursuant to the Rules.

Rule 609. Independently Controlled Position Exemption

- (a) For the purposes of this Chapter, "Eligible Entity" means a commodity pool operator, an operator of a trading vehicle, which is excluded, or which has qualified for exclusion from the definition of the term "pool" or "commodity pool operator," respectively, under Regulation 4.5 of the Act, or a commodity trading advisor which:

- (i) authorizes an independent account controller to control independently all trading decisions for positions it holds directly or indirectly, or on its behalf, but without its day-to-day direction; and
- (ii) maintains only such minimum control over the independent account controller as is consistent with its fiduciary responsibilities and necessary to fulfill its duty to supervise diligently the trading done on its behalf. "Eligible Entity" shall also mean such other person or entity deemed exempt by CFTC Regulations or Guidelines (including Regulation 150.3).

- (b) For the purposes of this Chapter, "Independent Account Controller" means a Person who

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

- (c) an Eligible Entity may carry positions that exceed speculative position limits if such positions:

- (i) are not for the spot month if there is a position limit which applies to individual trading months during their expiration;

- (ii) are carried for the Eligible Entity in the separate account or accounts of an Independent Account Controller; provided, however, that the overall positions held or controlled by each such Independent Account Controller may not exceed the speculative positions limits; and
 - (iii) such Eligible Entity provides the Exchange with information respecting the Eligible Entity and the Independent Account Controller.
- (d) If an Independent Account Controller is affiliated with the Eligible Entity or another Independent Account Controller, each of the affiliated entities must:
- (i) have, and enforce, written procedures to preclude the affiliated entities from having knowledge of, gaining access to, or receiving data about trades of the other. Such procedures must include document routing and other procedures or security arrangements, including separate physical locations, which would maintain the independence of their activities; provided, however, that such procedures may provide for the disclosure of information which is reasonably necessary for an Eligible Entity to maintain the level of control consistent with its fiduciary responsibilities and necessary to fulfill its duty to supervise diligently the trading done on its behalf;
 - (ii) ~~trade such accounts pursuant to a separately developed and independent trading systems;~~
 - (iii) market such systems separately; and
 - (iv) solicit funds for such trading by separate Disclosure Documents that meet the standards of CFTC Regulation 4.21 or 4.31, as applicable, where such Disclosure Documents are required under Part Four of the Regulations.
- (e) Upon request by Exchange staff, any Person claiming an exemption from speculative position limits under this Rule must provide to the Exchange such information as specified in the request relating to the positions owned or controlled by that Person; trading done pursuant to the claimed exemption; the positions which support the claim of exemption; and the relevant business relationships supporting a claim of exemption.
- (f) The Exchange may at any time condition an exemption on the Eligible Entity's business needs, financial status and integrity and on the liquidity, depth and volume of the market for which the exemption is sought. The Exchange may at any time modify or revoke the exemption if it is found that the Eligible Entity's status or market conditions have changed.

Rule 610. Risk Management Exemption

- (a) The position limits for Contracts specified in this Rulebook shall not apply to risk management positions.
- (b) To be eligible for an exemption under this Rule, a Participant must submit to the Exchange a written request in the form provided by the Exchange, including the following:

- (i) a description of the size and nature of the proposed Transactions; (ii) a statement that the intended positions will be risk management positions;
 - (iii) a statement that the Person on whose behalf the request is made complies with whatever limitations are imposed by the Exchange with regard to said positions;
 - (iv) a statement that the Person on whose behalf the request is made agrees to submit immediately a supplemental statement explaining any change in circumstances affecting the position;
 - (v) a statement that the Person on whose behalf the request is made complies with all other Rules and requirements;
 - (vi) a statement that such positions will be moved in an orderly manner and will not be initiated or liquidated in a manner calculated to cause unreasonable price fluctuations or unwarranted price changes and that the Person on whose behalf the request is made will not use said position in an attempt to violate or avoid the Rules, or otherwise impair the good name or dignity of the Exchange; and
- (c) Written requests for exemptions to notice period limits specified in this Chapter must be received by the Exchange no later than five Trading Days prior to exceeding the position limit. Failure to file notice period exemption requests on a timely basis shall subject the Participant and/or the Carrying Participant to disciplinary action pursuant to the Rules.
- (d) Within five Trading Days of the submission of the information set forth above, the Exchange shall notify the Participant whether the exemption has been granted and the limitations placed thereon. An exemption will remain in full force and effect until:
- (i) the Participant requests a withdrawal; or
 - (ii) the Exchange revokes, modifies or places further limitations thereon.

Rule 611. Conflict with Government Regulations

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

Chapter 7. **SUSPENSION; DISCIPLINARY PROCEEDINGS**

Rule 701. **Jurisdiction**

- (a) The Exchange shall have the authority to initiate, conduct investigations, and prosecute violations of these Rules committed by Participants and to impose sanctions for such violations as provided in these Rules.
- (b) Each Participant, upon becoming a Participant and thereafter upon any change to the relevant office, shall file with the Exchange a written notice designating an office for receiving service of documents. If a Participant fails to designate such an office, mailing service to its address on file with the Exchange shall be good service, and delivery thereof shall be deemed to have occurred as of the date of such mailing.

Rule 702. **Suspension**

- (a) The Exchange may summarily suspend and close the accounts of a Participant who
 - (i) has been and is currently expelled or suspended from any self-regulatory organization,
 - (ii) is in default of any delivery of funds or securities to the Exchange, or
 - (iii) is in such financial or operating difficulty that the Exchange determines and so notifies the appropriate regulatory agency for the Participant that such suspension and closing of accounts are necessary for the protection of the Exchange, its Participants, creditors, or investors.
- (b) Promptly after an action is taken pursuant to Rule 702(a), the Participant shall be informed of the action taken, the reasons for the action, and the effective date, time and the duration of the action taken. The Participant shall be advised of its right to a hearing, which hearing shall be conducted in accordance with the procedures in Rules 707, 708 and 711, by filing notice of its intent with the Board within ten days of the date of the notice of action.

Rule 703. **Exchange Staff Powers and Duties**

- (a) Appropriate officers of the Exchange shall have the authority to inspect the books and records of all Participants and the authority to require any Participant to appear before him to answer questions regarding alleged violations. Such officers may also delegate such authority to other individuals (who possess the requisite independence) as the Exchange may hire on a contract basis.
- (b) Exchange staff shall conduct investigations of possible violations of the Rules, prepare written reports respecting such investigations, furnish such reports to the appropriate Exchange committees and conduct the prosecution of such violations.
- (c) If an Exchange employee designated for this purpose by the Exchange concludes that a Rule violation may have occurred, he or she may:

- (i) issue a warning letter to the Participant informing it that there may have been a violation and that such continued activity may result in disciplinary sanctions; *provided* that such warning letter shall indicate that it is neither the finding of a violation nor a penalty and is subject to the review by the Board or relevant Exchange staff with delegated authority;
- (ii) refer the matter for charges; or
- (iii) negotiate and, subject to approval of the Board, enter into a written settlement agreement with the Participant, whereby the Participant, with or without admitting guilt, may agree to:
 - (A) a cease and desist order or a reprimand;
 - (B) a fine for each Violation plus the monetary value of any benefit received as a result of the Violation; and/or
 - (C) a suspension or revocation of clearing privileges or a termination of Participant status.

Rule 704. Notice of Charges

The Exchange shall serve a Notice of Charges (a "**Notice**") on the Participant named in the matter to have been responsible for the violation (the "**Respondent**"). Such Notice shall state:

- (i) the acts, practices or conduct in which the Respondent is charged;
- (ii) how such acts, practices or conduct constitute a Violation;
- (iii) that the Respondent is entitled, upon written request filed with the Exchange within twenty days of service of the Notice, to a formal hearing on the charges;
- (iv) that the failure of the Respondent to request a hearing within twenty days of service of the Notice, except for good cause shown, shall be deemed a waiver of its right to a hearing;
- (v) that the failure of the Respondent to file an Answer (as defined in Rule 2.05) with the Exchange Market Regulation Staff within twenty days of service of the Notice shall be deemed an admission of all of the acts, practices or conduct contained in the Notice; and
- (vi) that the failure of the Respondent to expressly deny a particular charge contained in the Notice shall be deemed an admission of such acts, practices or conduct.

Rule 705. Answer; Request for Hearing; Failure to Answer or Deny Charges

- (a) The Respondent shall serve on the Exchange a written answer (an "**Answer**") to the Notice of Charges and a written request for a hearing on the charges within twenty days of the date of service of the Notice of Charges.

- (b) The Respondent's failure to file an Answer within such twenty-day period shall be deemed an admission of all of the acts, practices or conduct contained in the Notice.
- (c) The Respondent's failure to expressly deny a particular charge contained in the Notice shall be deemed an admission of such acts, practices or conduct.
- (d) The Respondent's failure to request a hearing within such twenty-day period, absent good cause shown, shall be deemed a waiver of Respondent's right to a hearing.

Rule 706. Reply

Exchange staff may serve a reply (a "**Reply**") to the Respondent's Answer within five days of the date of service of the Respondent's Answer. The Reply must be limited to the matters set forth in the Answer.

Rule 707. Selection of Hearing Panel

- (a) Formal hearings on any violation shall be conducted by a five member panel selected by the Board (the "**Hearing Panel**") on a date set by the Board (the "**Hearing Date**").
- (b) No member of the Hearing Panel shall hear a case in which that member, in the determination of the Exchange, has a direct financial, personal or other interest in the matter under consideration. If there are insufficient available members to constitute a Hearing Panel, the Exchange may appoint such other individuals who do not have such an interest as it determines appropriate, to complete the Hearing Panel.

Rule 708. Challenge to Members of the Hearing Panel

Within ten days after service on the Respondent of notice of the Hearing Date and names of the members of the Hearing Panel, the Respondent may challenge, in writing, the inclusion of any member of the Hearing Panel for cause, including without limitation, if the member has a direct financial, personal or other interest in the matter under consideration. The merits of such challenge shall be finally decided by the Board in its sole discretion. If said written challenge is not received within such ten-day period, absent good cause shown, any such right to challenge is deemed waived.

Rule 709. Hearing on Penalty in the Event of Failure to Deny Charges; Failure to Request Hearing Deemed Acceptance of Penalty

In the event the Respondent fails to file an Answer or admits to or fails to deny the charge of a violation contained in the Notice, the Hearing Panel shall find the Respondent guilty of each such violation and may impose a penalty for each such violation. The Hearing Panel shall promptly notify the Respondent of any such penalty and of the Respondent's right to a hearing on the penalty within ten days, or such longer period as the Hearing Panel may determine, after the imposition of such penalty. Failure to request a hearing on the penalty in a timely manner, absent good cause shown, shall be deemed to be acceptance of the penalty.

Rule 710. Hearing Procedures

Each Hearing Panel shall determine the procedures to be followed in any hearing before it, except that the following shall apply in every case:

- (a) The prosecution shall be conducted by Exchange staff.
- (b) The Respondent shall be allowed to be represented by legal counsel or any other representative of its choosing and, either personally or through such representative, to present witnesses and documentary evidence and to cross-examine witnesses.
- (c) Exchange staff and the Respondent shall deliver to each other a statement listing the witnesses expected to be called and the documents expected to be introduced into evidence, together with copies of such documents, by 10 days prior to the hearing or as the Hearing Panel may reasonably specify. Unless the Hearing Panel, in its discretion, waives compliance with this requirement, no witness may testify and no documentary evidence may be introduced into evidence unless listed in and, in the case of documents, furnished with such statement. On written request, Exchange staff shall provide the Respondent with access to all books, documents or other tangible evidence in the possession or under the control of Exchange which is to be relied upon by the Exchange or which are relevant to the charges, provided, however, that protected attorney work product, attorney-client communications and investigative work product, including the investigation report and any exception reports, are neither discoverable by a Respondent nor subject to review by a Respondent as part of the investigation file.
- (d) No formal rules of evidence shall apply, and the Hearing Panel shall be free to accept or reject any and all evidence it considers proper.
- (e) Neither Exchange staff, the Respondent, any witnesses testifying before the Hearing Panel nor any other Person within the Exchange's jurisdiction shall engage in conduct that may impede the progress of a hearing or the fair and just resolution of the subject matter thereof, and any such conduct may itself constitute a Violation or an admission of a violation.
- (f) *Ex parte* contacts by any of the parties with members of the Hearing Panel shall not be permitted.
- (g) A substantially verbatim record capable of being accurately transcribed shall be made of the proceedings, *provided, however,* that such record need not be transcribed, unless the transcript is requested by the Respondent or an applicable regulator.
- (h) The burden of proof shall be on the prosecution. A finding of a Violation shall be made by majority vote based on the Hearing Panel's good faith judgment as to the weight of the evidence contained in the record.

Rule 711. Written Decision of Hearing Panel

- (a) If the Hearing Panel finds that the Respondent has not committed any violation charged, it shall render a written decision to that effect, and the Respondent shall not be subject to any further proceedings with respect to the violation charged.
- (b) If the Hearing Panel finds the Respondent has committed the Violation charged, it shall render a written decision to that effect.

Rule 712. Liability for Expenses

Any Respondent that, after notice and opportunity for hearing, has been found to have committed a violation may, in the discretion of the Hearing Panel appointed in the matter, be required to pay to the Exchange an amount equal to any and all out-of-pocket expenses incurred by the Exchange in connection with the prosecution of such violations, in addition to any penalty which may be imposed upon such Participant by virtue of the violations found by the Hearing Panel.

Rule 713. Effective Date of Penalties

- (a) If a Participant enters into a settlement agreement with Exchange staff, the terms of which have been approved by the Board or Hearing Panel, any penalty included as a part of such settlement agreement shall become final and effective on the date that the Board or Hearing Panel approves or enters into such settlement agreement.
- (b) Any decision (including any penalty) by a Hearing Panel shall be the final decision of the Exchange and shall become effective fifteen days, or such longer time as the Hearing Panel may specify, after a copy of the written decision of the Hearing Panel has been served on the Respondent; *provided, however*, that in any case where the Respondent has consented to the action taken and to the timing of its effectiveness or the matter was referred to the Hearing Panel, the Hearing Panel may cause the decision involving any disciplinary action (including any penalty) to become effective prior to the fifteen day period.
- (b) any fine imposed by a Hearing Panel shall be due and payable on the effective date of the decision imposing such fine or on such later date as the Hearing Panel may specify.

Rule 714. Extension of Time Limits

Any time limit provided for in this Chapter 7 may be extended by mutual consent of the Respondent and the Exchange, by the Board, or, if a Hearing Panel has been appointed, by the majority vote of the Hearing Panel.

Rule 715. Conflicts of Interest Involving Named Participant in Interest

- (a) Prohibition. No member of the Exchange staff, the Board, Hearing Panel or other entity which has authority to take action for and in the name of the Exchange (not including any committee which is only authorized to make recommendations for action by the Board or some other committee) shall knowingly participate in such body's deliberations or voting in any matter involving a Participant that is identified by name as a subject of any matter being considered by the Board or a committee (a "Named Participant") where such member:
 - (i) is the Named Participant;
 - (ii) is an employer, employee, fellow employee or guarantor of the Named Participant;
 - (iii) has a family relationship with the Named Participant; or

- (iv) has any other significant, ongoing business relationship with the Named Participant, excluding relationships limited to executing transactions opposite each other or to clearing transactions through the same Clearing Member.
- (b) Disclosure. Prior to consideration of any matter involving a Named Participant, each member of the deliberating body shall disclose to the Chief Executive Officer of the Exchange if such member has any of the relationships listed in paragraph (a) of above with the Named Participant.
- (c) Procedure and Determination. Exchange staff shall determine whether any member of the deliberating body is subject to a conflict restriction under this Rule. Such determination shall be based upon a review of the information provided by the member pursuant to paragraph (b) above, and any other source of information available to the Exchange.

Rule 716. Restrictions of Certain Persons Who Possess Material, Non Public Information

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

Chapter 8. TRADING STANDARDS

Rule 801. Rule Violations

It shall be an offense for a Participant to violate any Rule regulating the conduct or business of a Participant, to violate the Act, or to engage in fraud, dishonorable conduct, or in conduct which is inconsistent with just and equitable principles of trade.

Rule 802. Prohibited Conduct

Participants, their agents and affiliates are prohibited from:

- (a) using, or attempt to use the Exchange to deceive, or entering any instruction into the Exchange for the purpose or with the intention of deceiving any other person in connection with or related to any transaction on, or other activity related to, the Exchange;
- (b) manipulating or attempt to manipulate prices in any Exchange product;
- (c) entering into an artificial or non-competitive transaction, or causing a false or fictitious trade or price to be recorded by the Exchange;
- (d) accepting from, or knowingly placing for, the same beneficial owner simultaneous buy or and sell order or transactions for the same product with the intent to avoid a bona fide transaction;
- (e) knowingly entering or causing to be entered, bids or offers into the Exchange other than in good faith for the purpose of executing bona fide transactions
- (f) engaging in an act or course of conduct that is likely to damage the fairness or integrity of the Exchange.

Rule 803. Error Trades

In order to ensure fair and orderly market conditions, the Exchange may cancel any order and may cancel any trade executed on Exchange pursuant to the Exchange Error Trade Policy.

Rule 804. Misuse of Exchange

Misuse of the Exchange is strictly prohibited. It shall be a violation of the Rules for any Participant to willfully or negligently engage in unauthorized access to the Exchange, to assist any Participant in obtaining unauthorized access to the Exchange, to trade on Exchange without the authorization of a Clearing Member, to alter the equipment associated with Exchange, to interfere with the operation of Exchange, to use or configure a component of Exchange in a manner which does not conform to the Rules, to intercept or interfere with information provided on or through Exchange, or in any way to use Exchange in a manner contrary to the Rules.

Rule 805. Acts Detrimental to Eris Exchange's Welfare

It shall be an offense to engage in any act which is detrimental to the interest or welfare of the Exchange.

Rule 806. Supervision of Authorized Traders

A Participant shall be responsible for establishing; maintaining and administering reasonable supervisory procedures to ensure that its authorized traders comply with applicable laws, and regulations and the Exchange's Rules. The Participant may be held responsible for the actions of such authorized trader.

Chapter 9. LIMITATION OF LIABILITY, NO WARRANTIES

Rule 901. Limitation of Liability

EXCEPT AS PROVIDED BELOW, THE EXCHANGE, THE CLEARING HOUSE (INCLUDING EACH OF THEIR RESPECTIVE SUBSIDIARIES AND AFFILIATES), THEIR OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, CONSULTANTS, LICENSORS, MEMBERS, AND CLEARING MEMBERS SHALL NOT BE LIABLE TO ANY PERSON FOR ANY LOSSES, DAMAGES, COSTS OR EXPENSES (INCLUDING, BUT NOT LIMITED TO, LOSS OF PROFITS, LOSS OF USE, AND DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES), ARISING FROM:

- (a) ANY FAILURE, MALFUNCTION, FAULT IN DELIVERY, DELAY, OMISSION, SUSPENSION, INACCURACY, INTERRUPTION, TERMINATION, OR ANY OTHER CAUSE, IN CONNECTION WITH THE FURNISHING, PERFORMANCE, OPERATION, MAINTENANCE, USE OF OR INABILITY TO USE ALL OR ANY PART OF ANY OF THE SYSTEMS AND SERVICES OF THE EXCHANGE OR THE CLEARING HOUSE OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS AND SERVICES, INCLUDING WITHOUT LIMITATION ELECTRONIC ORDER ENTRY/DELIVERY, TRADING THROUGH ANY ELECTRONIC MEANS, ELECTRONIC COMMUNICATION OF MARKET DATA OR INFORMATION, WORKSTATIONS USED BY PARTICIPANTS AND AUTHORIZED EMPLOYEES OF PARTICIPANTS, PRICE REPORTING SYSTEMS AND ANY AND ALL TERMINALS, COMMUNICATIONS NETWORKS, CENTRAL COMPUTERS, SOFTWARE, HARDWARE, FIRMWARE AND PRINTERS RELATING THERETO; OR
- (b) ANY FAILURE OR MALFUNCTION, FAULT IN DELIVERY, DELAY, OMISSION, SUSPENSION, INACCURACY, INTERRUPTION OR TERMINATION, OR ANY OTHER CAUSE, OF ANY SYSTEM OR SERVICE OF THE EXCHANGE OR THE CLEARING HOUSE, OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS OR SERVICES, CAUSED BY ANY THIRD PARTIES INCLUDING, BUT NOT LIMITED TO, INDEPENDENT SOFTWARE VENDORS AND NETWORK PROVIDERS; OR
- (c) ANY ERRORS OR INACCURACIES IN INFORMATION PROVIDED BY THE EXCHANGE OR THE CLEARING HOUSE OR ANY EXCHANGE OR CLEARING HOUSE. SYSTEM, SERVICE OR FACILITY; OR
- (d) ANY UNAUTHORIZED ACCESS TO OR UNAUTHORIZED USE OF ANY EXCHANGE OR CLEARING HOUSE SYSTEM, SERVICE OR FACILITY BY ANY PERSON.

THE FOREGOING LIMITATION OF LIABILITY SHALL APPLY WHETHER A CLAIM ARISES IN CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY, CONTRIBUTION OR OTHERWISE AND WHETHER THE CLAIM IS BROUGHT DIRECTLY OR AS A THIRD PARTY CLAIM.

THE FOREGOING LIMITATION OF LIABILITY SHALL BE SUBJECT TO ACT AND REGULATIONS THEREUNDER. A PARTY WHO HAS BEEN FINALLY ADJUDICATED TO HAVE ENGAGED IN WILLFUL OR WANTON MISCONDUCT MAY NOT AVAIL ITSELF OF THE PROTECTIONS IN THIS RULE.

Rule 902. No Warranties

THERE ARE NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS (INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE OR USE) PROVIDED BY THE EXCHANGE, THE CLEARING HOUSE (INCLUDING THEIR RESPECTIVE SUBSIDIARIES AND AFFILIATES), THEIR OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, CONSULTANTS, AND LICENSORS RELATING TO ANY SYSTEMS OR SERVICES OF THE EXCHANGE OR THE CLEARING HOUSE OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS OR SERVICES.

Rule 903. Maximum Liability

- (a) THE EXCHANGE OR THE CLEARING HOUSE MAY, IN THEIR RESPECTIVE SOLE DISCRETION, ASSUME RESPONSIBILITY FOR DIRECT, OUT-OF-POCKET LOSSES DIRECTLY CAUSED BY THE NEGLIGENCE OF EXCHANGE OR CLEARING HOUSE STAFF AND/OR ORDER STATUS ERRORS PROVIDED BY AN EXCHANGE OR CLEARING HOUSE SYSTEM, SERVICE OR FACILITY. NOTWITHSTANDING THE ABOVE, ~~THE EXCHANGE'S AND THE CLEARING HOUSE'S~~ TOTAL COMBINED AGGREGATE OBLIGATIONS SHALL NOT EXCEED \$100,000 FOR ALL LOSSES FROM ALL CAUSES SUFFERED ON A SINGLE DAY; \$200,000 FOR ALL LOSSES SUFFERED FROM ALL CAUSES IN A SINGLE CALENDAR MONTH; AND \$2,400,000 FOR ALL LOSSES FROM ALL CAUSES SUFFERED IN A SINGLE CALENDAR YEAR. ANY DISPUTED CLAIM PURSUANT TO THIS PARAGRAPH MUST BE ARBITRATED PURSUANT TO CLEARING HOUSE RULES.
- (b) IN NO EVENT SHALL THE EXCHANGE'S AND THE CLEARING HOUSE'S TOTAL COMBINED AGGREGATE LIABILITY FOR ALL CLAIMS ARISING OUT OF ANY NEGLIGENCE, FAILURES, MALFUNCTIONS, FAULTS IN DELIVERY, DELAYS, OMISSIONS, SUSPENSIONS, INACCURACIES, INTERRUPTIONS, TERMINATIONS, ORDER STATUSING ERRORS OR ANY OTHER CAUSES, IN CONNECTION WITH THE FURNISHING, PERFORMANCE, OPERATION, MAINTENANCE, USE OF OR INABILITY TO USE ALL OR ANY PART OF ANY OF THE EXCHANGE'S OR THE CLEARING HOUSE'S SYSTEMS OR SERVICES, OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS AND SERVICES, OR THE NEGLIGENCE OF EXCHANGE OR CLEARING HOSUE STAFF, EXCEED \$2,400,000 IN ANY GIVEN CALENDAR YEAR.
- (c) IF THE NUMBER OF ALLOWED CLAIMS ARISING OUT OF ANY FAILURES OR MALFUNCTIONS ON A SINGLE DAY OR SINGLE MONTH CANNOT BE FULLY SATISFIED BECAUSE OF THE ABOVE DOLLAR LIMITATIONS, ALL SUCH CLAIMS SHALL BE LIMITED TO A PRO RATA SHARE OF THE MAXIMUM AMOUNT FOR THE RESPECTIVE PERIOD.

- (d) A CLAIM AGAINST THE EXCHANGE OR THE CLEARING HOUSE ARISING OUT OF ANY FAILURE OR MALFUNCTION SHALL ONLY BE ALLOWED IF SUCH CLAIM IS BROUGHT IN ACCORDANCE WITH THIS CHAPTER 9.