POLYMARKET CLEARING RULEBOOK

August 14, 2026

BY ACCESSING THE CLEARING SYSTEM, AND WITHOUT ANY NEED FOR ANY FURTHER ACTION, UNDERTAKING OR AGREEMENT, A CLEARING MEMBER, AND ITS AUTHORIZED USERS AGREE (I) TO BE BOUND BY, AND COMPLY WITH, THE RULES OF THE CLEARINGHOUSE, ANY APPLICABLE CONTRACT RULES AND APPLICABLE LAW, IN EACH CASE TO THE EXTENT APPLICABLE TO IT OR THEM, AND (II) TO BECOME SUBJECT TO THE JURISDICTION OF THE CLEARINGHOUSE WITH RESPECT TO ANY AND ALL MATTERS ARISING FROM, RELATED TO, OR IN CONNECTION WITH, THE STATUS, ACTIONS OR OMISSIONS OF SUCH PARTICIPANT AND/OR ITS AUTHORIZED USERS.

TABLE OF CONTENTS

		Page
CHAPTER I	DEFINITIONS	1
1.1.	Defined Terms	1
1.2.	Rules of Interpretation	5
1.3.	Effect of Titles	6
1.4.	Amendment of Rules	6
1.5.	Contract Rules	6
CHAPTER II	GOVERNANCE	6
2.0.	Ownership	7
2.1.	Authority of the Board	7
2.2.	Standing Committees	7
2.3.	Regulatory Oversight Committee	8
2.4.	Officers	9
2.5.	Eligibility	9
2.6.	Emergency Rules	11
2.7.	Restrictions on Certain Persons Who Possess Material, Non-Public Information	12
2.8.	Conflicts of Interest	13
2.9.	Indemnification of Members of the Boards of Director, Officers, and Others	16
2.10.	Regulatory Cooperation	16
2.11.	[Reserved]	16
2.12.	Public Information	17
CHAPTER III	CLEARING MEMBERS	17
3.1.	Participant Eligibility	17
3.2.	Applications	20
3.3.	Participant Accounts	20
3.4.	Authorized Users	21
3.5.	Amounts Payable by Clearing Members	22
3.6.	General Obligations for all Clearing members	23
3.7.	Notices Required of Clearing Members	26
3.8.	Omnibus and Carrying Broker Accounts	29
3.9.	Financial Requirements of FCM Clearing Members	30
3.10.	Disaster Recovery and Business Continuity for FCM Clearing Members	30
3.11.	Segregation of Customer Funds and Assets for FCM Clearing Members	31
3.12.	Responsible Agents	31
3.13.	[Reserved]	32
3.14.	Limitation of Liability	32
3.15.	[Reserved]	34
3.16.	Clearing Members and Authorized User Access	34
CHAPTER IV	[RESERVED]	35

CHAPTER V CLEARING 35
5.1. Submission and Acceptance of Trades for Clearing 35
5.2. Procedures for Deposits and Withdrawals from Accounts 37
5.3. Settlement of Contracts 39
5.4. Investment and Use of Clearing Member Account Assets 39
5.5. Transfers of Positions 39

CHAPTER VI CLEARING MEMBER CONDUCT 40
6.1. Prohibited Activities 40

CHAPTER VII RULE ENFORCEMENT 41
7.1. Market Surveillance 41
7.2. General 41
7.3. Inquiries and Investigations 42
7.4. Notice of Charges and Opportunity to Respond 44
7.5. Settlements 46
7.6. Disciplinary Panel 46
7.7. Respondent Review of Evidence 47
7.8. Hearings 48
7.9. Decision of Disciplinary Panel 49
7.10. Sanctions 50
7.11. Costs 50
7.12. Appeals 51
7.13. Summary Imposition of Fines 53
7.14. Summary Suspensions and Other Summary Actions 54
7.15. Publication of Disciplinary Action 56

CHAPTER VIII DISPUTE RESOLUTION 56
8.1. General 56

CHAPTER IX [RESERVED] 57

CHAPTER I
DEFINITIONS

1.1. Defined Terms

Unless otherwise specifically provided in the Rules or the context otherwise requires, the terms defined in this Rule 1.1 shall for all purposes of the Rules have the meanings specified herein.

"**Account**" means a Customer Account, Cleared Swaps Customer Account, or a Member Property Account, as context requires, used in conjunction with the trading or delivery of commodity products, and as described in Rule 3.3.

"**Affiliate**" an "**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.

"**Appeals Panel**" means a panel comprised of 3 individuals from the Regulatory Oversight Committee, with one individual acting as chairman, which will consider appeals in accordance with Chapter 7.

"**Applicable Law**" means, with respect to any Person, any statute, law, regulation, Rule or ordinance of any governmental or self-regulatory authority applicable to such Person, including without limitation the CEA, CFTC Regulations, and the NFA rules.

"**Authorized User**" means any natural person who is authorized by an Entity Clearing Member or FCM Clearing Member to clear transactions on its behalf.

"**Board Committees**" shall have the meaning ascribed to it in Rule 2.2(a).

"**Board of Directors**" or "**Board**" means the Clearinghouse Board.

"**Business Day**" means any day other than a Saturday, Sunday or any other day on which banking institutions in New York, New York are authorized or required by law, regulation or executive order to be closed.

"**CEA**" means the Commodity Exchange Act as in effect from time to time.

"**CFTC**" means the Commodity Futures Trading Commission, and includes any successor agency or authority.

"**CFTC Regulation**" means any rule, regulation, order or directive and any interpretation thereof or guidance thereon issued from time to time by the CFTC.

"**Chief Compliance Officer**" means the individual appointed by the Board of Directors from time to time to serve as chief compliance officer of the Clearinghouse. For the avoidance of doubt, the Chief Compliance Officer shall serve as, and the responsibilities of the Chief Compliance Officer shall include the responsibilities of a chief compliance officer under Part 39 of the CFTC Regulations.

"**Chief Executive Officer**" means the individual appointed by the Board of Directors from time to time to serve as chief executive officer of the Clearinghouse.

"**Chief Financial Officer**" means the individual appointed by the Board of Directors from time to time to serve as chief financial officer of the Clearinghouse.

"**Chief Risk Officer**" means the individual appointed by the Board from time to time to serve as chief risk officer of the Clearinghouse.

"Cleared Swaps Customer" has the meaning set forth in CFTC Regulation 22.1.

"Cleared Swaps Customer Account" means an account established by an FCM Clearing Member with the Clearinghouse in which the FCM Clearing Member maintains trades, positions, collateral, and margin solely for Cleared Swaps Customers.

"Cleared Swaps Customer Collateral" has the meaning set forth in CFTC Regulation 22.1.

"**Clearinghouse**" means QC Clearing LLC, d/b/a Polymarket Clearing a Delaware limited liability company.

"**Clearinghouse Personnel**" means Directors, Officers and employees of the Clearinghouse, and its contractors, consultants, secondees or leased employees, temporary employees, interns, and technology service providers.

"**Clearing Member**" means an FCM Clearing Member or Direct Clearing Member who has executed a Clearing Member Agreement, and to whom the Clearinghouse has granted the right to clear contracts on the Clearinghouse.

"**Clearing Privileges**" means the ability of the Participant to clear transactions through the Clearinghouse.

"Clearing Services" means the provision by the Clearinghouse to a registered designated contract market or swaps execution facilities of fully collateralized clearing, settlement and ancillary services in a non-discriminatory manner, subject to the rules of the registered designated contract market or swaps execution facility.

"**Clearing System**" means the PMUS Direct System; any applications or systems maintained by the Clearinghouse to clear and settle trades on the Clearinghouse, or the collection and transmission of information relating to the clearance and settlement of Contracts; secure portions of the Clearinghouse website; all direct connectivity to the Clearinghouse through API, front-end, GUI, ISV, and third-party systems; and all other systems, modalities, and connectivity for clearing and settlement at the Clearinghouse.

"**Closed Contract Position**" shall mean (i) any combination of long and short Open Contract Positions that have been offset against each other or (ii) any Open Contract Position that has been offset by the tendering or receipt (as applicable) of a notice of payment.

"**Compliance Department**" means the Officers and employees of the Clearinghouse who are responsible for maintaining the compliance integrity of the Clearinghouse.

"**Contracts**" means any contracts or transactions that the Clearinghouse provides Clearing Services subject to these Rules.

"**Contract Rules**" means the rules of a Contract as published in the rules of and posted by an Exchange.

"**Control**" means the power to exercise a controlling influence over the management or policies of a Person. Any Person who owns beneficially, directly or indirectly, more than 20% of the voting power in the election of directors of a corporation (or the election or appointment of the governing body of an Entity that is not a corporation), or more than 25% of the voting power in the election of directors of any other corporation (or other governing body) which directly or through one or more Affiliates owns beneficially more than 25% of the voting power in the election of directors of such corporation (or other governing body), shall be presumed to control such corporation or other entity absent a determination that it does not exercise a controlling influence. The terms "controlling" or "controlled" shall have meanings correlative to the foregoing.

"**Customer**" shall have the meaning set forth in CFTC Regulation 1.3.

"**Customer Account**" means an account established by an FCM Clearing Member with the Clearinghouse in which the FCM Clearing Member maintains trades, positions, collateral and margin solely for Customers.

"**Direct Clearing Member**" means an Individual Clearing Member or Entity Clearing Member.

"**Director**" means a member of the Board.

"**Disciplinary Panel**" shall have the meaning ascribed to it in Rule 7.6.

"**Entity**" means on a specified date any Person other than a natural person (e.g., a corporation, partnership, sole proprietorship or trust).

"**Entity Clearing Member**" means any association, partnership, limited liability company, joint venture, trust or corporation that has been granted, and continues to have Clearing Privileges, or otherwise remains subject to the jurisdiction of the Clearinghouse under these Rules.

"**Exchange**" means a board of trade designated by the CFTC as a contract market under Section 5 of the CEA and in accordance with the provisions of Part 38 of CFTC Regulations which has contracted with the Clearinghouse to provide Clearing Services. .

"**Expiration Time**" means, in the case of a Fully-Collateralized Contract, the date established by an Exchange as the expiration, or termination, of such Fully-Collateralized Contract.

"**FCM Clearing Member**" means a Person that is registered with the CFTC as a Futures Commission Merchant, has completed a Clearing Member Agreement and has been granted clearing privileges by the Clearinghouse, or otherwise remains subject to the jurisdiction of the Clearinghouse under these Rules.

"**Fully-Collateralized Contracts**" means Contracts with respect to which each party's obligations are fully paid at the time the Contracts are entered into, and with respect to which no further amounts are due, either for margin, settlement amounts or otherwise.

"**Individual Clearing Member**" means any natural person that has been granted,

and continues to have Clearing Privileges, or otherwise remains subject to the jurisdiction of the Clearinghouse under these Rules.

"**Member Property Account**" means an Account established by a Direct Clearing Member with the Clearinghouse in which the Clearing Member maintains trades, positions, collateral and margin solely on its own behalf."**NFA**" means the National Futures Association, and includes any successor organization.

"**Novation**" means the process by which a party to a transaction transfers all of its rights, liabilities, duties and obligations under the transaction to a new legal party other than the counterparty to the transaction. The transferee accepts all of the transferor's rights, liabilities, duties and obligations under the transaction. A Novation is valid as long as the transferor and the remaining party to the transaction are given notice, and the transferor, transferee and remaining party to the transaction consent to the transfer.

"**Officer**" shall have the meaning ascribed to it in Rule 2.4(a).

"**Open Contract Positions**" shall mean any Contract submitted by a Clearing Member to the Clearinghouse, and accepted by the Clearinghouse, for clearing that has not been designated as a Closed Contract Position, including (i) any long or short position in such Contract without a matching position that such first position can be offset against, (ii) any long or short position in such Contract with a matching position that such first position can be offset against but that is held open by such Clearing Member under an approved hedge program and (iii) any long or short position in such Contract with a matching position that such first position can be offset against but that is held open under the applicable Contract Rules which defer offset until Contract expiration or another specified date.

"**Original Margin**" means the amount and type of assets required to be on deposit with the Clearinghouse pursuant to the applicable Contract Rules, in order to establish a position in the relevant Contract.

"**Payout Condition**" means that the condition to the obligation of a Seller to pay the Settlement Amount under a Fully-Collateralized Contract has occurred on the Expiration Time.

"**Person**" means any natural person, association, partnership, limited liability company, joint venture, trust or corporation.

"**PMUS Direct System**" means the proprietary clearing system used by the Clearinghouse for the clearing of Contracts. Participants (and their Authorized Users) will access the PMUS Direct System indirectly via a connected Exchange.

"**Public Director**" has the meaning ascribed to it in Rule 2.5(b), *provided* that such definition shall be amended from time to time as may be necessary to conform to any amendments or modifications to the term "Public Director" set forth in CFTC Regulations as the CFTC may adopt from time to time.

"**Purchaser**" means the Clearing Member that is the purchaser under a Contract. The Purchaser is the holder of a long position in such Contract.

"**Regulatory Oversight Committee**" means the committee of the Board, as the

context may require, constituted in accordance with Rule 2.3.

"**Responsible Agent**" shall have the meaning ascribed to it in Rule 3.12.

"**Rulebook**" means the Clearinghouse Rulebook.

"**Rules**" means the Clearinghouse rules, as outlined in this Rulebook and as may be amended from time to time.

"**Seller**" means the Clearing Member that is the seller under a Contract. The Seller is the holder of a short position in such Contract.

"**Settlement Amount**" means, in the case of a Fully-Collateralized Contract, the fixed amount required to be paid by the Seller to the Purchaser on the Settlement Date if the Payout Condition is satisfied.

"**Settlement Bank**" means a depository approved by the Clearinghouse as an acceptable location for depositing and holding Clearing Member funds.

"**Settlement Date**" means the date established under the terms of a Contract as the date on which settlement of amounts owed with respect to such Contract must be paid.

"**Trading Day**" means any day on which an Exchange is open and available for the trading of Contracts and the Clearinghouse is open and available for the clearing of Contracts.

"**USD**" means United States dollar.

"**User ID**" shall have the meaning ascribed to it in Rule 3.16.

1.2. Rules of Interpretation

For all purposes of these Rules, except as otherwise expressly provided herein or unless the context otherwise requires:

(a) the terms defined in these Rules include the plural as well as the singular and *vice versa*;

(b) words importing gender include all genders;

(c) any reference to a Chapter or Rule refers to a Chapter or Rule of these Rules;

(d) any reference to these Rules refers to these Rules, including all Appendices hereto, and the words herein, hereof, thereto, hereto and hereunder and words of similar import refer to these Rules and their appendices as a whole and not to any particular Chapter, Rule or any other subdivision;

(e) references to days, months and years refer to calendar days, months and years, respectively;

(f) all references herein to "including" shall be deemed to be followed by the words "without limitation";

(g) all references "Clearing Members" includes each Responsible Agent and Authorized User or the Clearing Member;

(h) any duties, liabilities, limitations, obligations, responsibilities, and rights of a Clearing Member, and of the Clearinghouse with regard to each Clearing Member, shall be interpreted to be a duty, liability, limitation, obligation, responsibility, and right or the Responsible Agents and Authorized Users of the Clearing Member, and of the Clearinghouse with regard to each Responsible Agent and Authorized User of the Clearing Member;

(i) any term used herein that is defined in the CEA or CFTC Regulations shall have the meaning assigned to it therein; and

(j) all references herein to a time of day refer to local time in The City of New York.

1.3. Effect of Titles

The titles of these Rules have been inserted for convenience of reference only and shall not affect the meaning of these Rules.

1.4. Amendment of Rules

New Rules may be adopted, and existing Rules may be amended or repealed, by the Board of Directors. All such new Rules, amendments or repeals shall become effective on such date (after any required filing with, or approval thereof by, the CFTC) as may be determined by the Clearinghouse.

1.5. Contract Rules

Notwithstanding any provision of these Rules to the contrary, the Contract Rules with respect to a particular Contract shall govern the applicability of these Rules to trading in such Contract and, in the event of any conflict between these Rules and the Contract Rules, the Contract Rules shall govern with respect to trading in the relevant Contract.

CHAPTER II
GOVERNANCE

2.0. Ownership

The Clearinghouse is a Delaware limited liability company. The management and operation of the Clearinghouse is governed by the Board of Directors of the Clearinghouse. All of the equity interests of the Clearinghouse are owned by QCL Quad Code USA, a Delaware corporation.

2.1. Authority of the Board

The Board has the authority to take actions on behalf of the Clearinghouse.

The Board has the power and authority to manage and direct the business and activities of Clearinghouse including but not limited to the power to establish the standards for

Clearing Member eligibility and access to the secure portions of Clearinghouse's website, the power to amend, adopt, or repeal these Rules, and the power to oversee the business conduct of Clearing Members and impose penalties for violation of these Rules. The business and affairs of the Clearinghouse shall be managed by the Board of Directors in accordance with Applicable Law and the Board of Directors shall have all power and authority provided to a Board of Directors under Applicable Law. Notwithstanding the foregoing, the Board of Directors may, from time to time, delegate any or all aspects of the management of the day-to-day business and affairs of the Clearinghouse to the Chief Executive Officer. The minimum number of directors on the Board of Directors shall be five.,. Any vote made by the Board of Directors that results in a tie will require that the Board of Directors reconvene to reconsider the matter until such tie is broken. The number of directors may be increased or decreased from time to time by a vote of the applicable Board of Directors, *provided* that there are at all times at least five Directors.

The Board of Directors has the power and authority to call for review, and to affirm, modify, suspend or overrule, any and all decisions and actions of standing committees of the Board of Directors formed pursuant to Rule 2.2(a) and officers of the Clearinghouse appointed pursuant to Rule 2.4, other than the Regulatory Oversight Committee.

2.2. Standing Committees

(a) Unless otherwise determined by the Board, the Board shall initially have one standing committee: the "Regulatory Oversight Committee" (the Regulatory Oversight Committee and any other standing committee(s) of the Board of Directors collectively, the "**Board Committees**"). The Regulatory Oversight Committee shall have the authority granted to a regulatory oversight committee under Applicable Law and by the Board. The Clearinghouse Board may create such additional standing committees as they may from time to time deem necessary or advisable. Members of such committees must be members of the Board of Directors. Each standing committee shall assist in the supervision, management and control of the affairs of the Clearinghouse within its particular area of responsibility and shall have the scope and authority granted to it by the Clearinghouse Board.

(b) Except as otherwise specifically provided in these Rules, the members of standing committees shall be appointed by the chairperson of the Board of Directors, subject to approval by the Board of Directors. Each appointee shall serve for one year or until the due appointment of his or her successor or his or her resignation or removal, with or without cause, by a majority vote of the Board of Directors. Subject to approval by the Board of Directors, the chairperson of that Board of Directors shall designate the chairperson of each standing committee.

(c) Subject to the authority of the Board of Directors, each standing committee shall determine the manner and form in which its proceedings shall be conducted, and may act at a meeting or without a meeting, and through a quorum composed of a majority of all its members then in office, inclusive of *ex officio* members. Except as otherwise specifically provided in these Rules, the decision of a majority of those present at a meeting at which a quorum is present, or the decision of a majority of those participating when at least a quorum participates, shall be the decision of the standing committee. Any or all members of any standing committee may participate in any meeting thereof by telephone or video conference or similar communications equipment by means of which all members participating in such meeting can hear and, if applicable, see each other.

(d) In the event of the absence or disqualification of any member of a standing committee from any meeting thereof, each of the following individuals, in the order of their availability, may appoint another qualified individual to act at the relevant meeting in the place of any such absent or disqualified member: (i) the chairperson of the Board of Directors or (ii) the chairperson of the standing committee in question.

(e) The Board may create additional committees or panels, for such purposes as may be necessary or advisable, as determined by the Board of Directors from time to time. Members of each such committee may be members of that Board of Directors, Clearing Members, Authorized Users or such other individuals as may be qualified to serve on such committee. At least 35% of the members of each such committee designated by the Board of Directors shall be Public Directors (or individuals that would qualify as Public Directors if they were directors of the Board) or such other percentage of the Board of Directors as may be required by CFTC Regulations, as amended from time to time. Any such committee or panel may serve indefinitely or for specified, limited periods of time, as determined by the Board of Directors.

2.3. Regulatory Oversight Committee

The Regulatory Oversight Committee of the Board shall consist solely of members of the Board, and shall be appointed from time to time by the chairperson of, and approved by, the Board.

The Regulatory Oversight Committee of the Board shall oversee the Clearinghouse's regulatory compliance program on behalf the Board. It shall make such recommendations to the Board as will, in its judgment, best promote the interests of the Clearinghouse, *provided* that, for the avoidance of doubt, any dissenting opinions from one or more members of the Regulatory Oversight Committee shall be reported to the Board along with any such recommendation. The Regulatory Oversight Committee shall also have such other powers and perform such other duties as the Board may delegate to it from time to time.

Without limiting the generality of the foregoing, the Regulatory Oversight Committee shall have authority to: (i) monitor the Clearinghouse's regulatory program for sufficiency, effectiveness and independence, (ii) oversee all facets of the Clearinghouse's regulatory program, including audits, examinations, and other regulatory responsibilities with respect to Clearing Members (including ensuring compliance with financial integrity, financial reporting, sales practice, recordkeeping, and other requirements); and the conduct of investigations, (iii) review the size and allocation of the regulatory budget and resources; and the number, hiring and termination, and compensation of regulatory personnel, (iv) recommend changes that would ensure fair, vigorous, and effective regulation, (v) review regulatory proposals and advise the Board as to whether and how such changes may impact regulation, and (vii) exercise any other functions expressly assigned to it in these Rules or under Applicable Law.

2.4. Officers

(a) The Board shall appoint a Chief Executive Officer, Chief Compliance Officer and Chief Financial Officer and may appoint other such officers from time to time as determined by the Board of Directors (each individually an "**Officer**"). These Officers are appointed and may be dismissed (with or without cause) by majority vote of the Board of Directors. An individual may hold multiple Clearinghouse Officer positions simultaneously, as determined by the applicable Board of Directors. Any officer of the Clearinghouse may also be a director, officer, or employee

of an Affiliate of the Clearinghouse.

(b) An Officer of the Clearinghouse may be (but shall not be required to be) a Director of the Clearinghouse. In the absence of the chairperson, the Chief Executive Officer will perform the chairman's duties. In the event of a disagreement between the Chief Executive Officer and the Board of Directors or the chairperson as to a Clearinghouse matter, the chairperson and/or Board of Directors shall control. Subject to the direction of the Board of Directors, the Chief Executive Officer will manage the overall business of the Clearinghouse.

(c) The Chief Compliance Officer of the Clearinghouse will be responsible for managing the day-to-day regulatory compliance functions of the Clearinghouse. The Chief Compliance Officer will also keep the minutes of the meetings of the Board of Directors.

(d) The Chief Financial Officer of the Clearinghouse will be responsible for all funds and other financial assets of that entity and in general perform all duties incident to the office of Chief Financial Officer and such other duties as from time to time may be assigned by the Clearinghouse's Chief Executive Officer or the Board of Directors. If the function of the office of the Chief Financial Officer is outsourced to a service provider, the Chief Executive Officer shall be responsible for oversight of this function.

(e) The Board shall appoint a Chief Risk Officer. The Chief Risk Officer will be responsible for managing the Clearinghouse's risk management operations.

2.5. Eligibility

(a) No Person may serve as an Officer or Director of the Clearinghouse, or serve on any disciplinary committee, arbitration panel or oversight panel of the Clearinghouse or as the Chief Compliance Officer if such Person:

1. was found within the past three years by a final decision of a self-regulatory organization, an administrative law judge, a court of competent jurisdiction or the CFTC to have committed a violation of Applicable Law;

2. entered into a settlement agreement within the past three years in which any of the findings or, in absence of such findings, any of the acts charged included a violation of Applicable Law;

3. is currently suspended from trading on any contract market, is suspended or expelled from membership from any self-regulatory organization, is serving any sentence of probation or owes any portion of a fine imposed pursuant to either:

    A. a finding by a final decision of a self-regulatory organization, an administrative law judge, a court of competent jurisdiction or the CFTC that such person committed a disciplinary offense; or

    B. a settlement agreement in which any of the findings or, in the absence of such findings, any of the acts charged included a violation of Applicable Law;

4. is currently subject to an agreement with the CFTC or any self-regulatory organization not to apply for registration with the CFTC or membership in any self-regulatory organization;

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

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

7. is subject to a statutory disqualification under sections 8a(2) and 8a(3) of the CEA.

(b) To qualify as a **"Public Director"**, an individual must be found, by action of the Board of Directors, on the record, to satisfy the requirements of a "public director" under Appendix B to Part 38 of the CFTC Regulations

(c) To qualify as an Officer, an individual may not be a Clearing Member or be an employee, officer, or director of a Clearing Member or receive compensation related to a Clearing Member.

(d) In addition to the requirements of Rule 2.5(a), (b), and (c), the Chief Compliance Officer appointed by the Clearinghouse must be an individual who (i) is knowledgeable about futures trading and futures market operations as well as CFTC Regulations and (ii) reports directly to the Board of Directors for regulatory matters related to the Clearinghouse, and, for all other purposes, reports to the CEO.

2.6. Emergency Rules

(a) In the event of an Emergency, as described in paragraph (c) of this Rule 2.6, the Chief Executive Officer or any individual designated by the Chief Executive Officer may place into immediate effect a temporary emergency rule, which may remain in effect for up to thirty (30) calendar days, to undertake actions necessary or appropriate to respond to the Emergency, *provided* that, as soon as reasonably practicable within such thirty (30) calendar day period, the Board of Directors considers and approves such action and, if it disapproves such action, the temporary emergency rule shall be terminated. Should the Emergency persist for longer than thirty (30) calendar days, such temporary emergency rules may be extended for additional thirty (30) calendar day periods, so long as there is: (i) an affirmative vote of two-thirds of the members of the Board of Directors at a meeting at which a quorum is present; or (ii) there is a written authorization and acknowledgement signed by at least two Officers of the Clearinghouse, *provided* that, as soon as reasonably practicable within such thirty (30) calendar day period, the Board of Directors considers and approves such action and, if it disapproves such action, the temporary emergency rule shall be terminated. In any event, the rationale for invoking such emergency authority should be documented by the Board of Directors as soon as reasonably practicable.

(b) Any temporary emergency rule adopted under this Rule may authorize the

Clearinghouse to act as the Board of Directors or Officers deem necessary or appropriate to meet the Emergency, and those actions may adversely affect the ability to clear transactions through the Clearinghouse. Therefore, the possibility of an Emergency, and of the Clearinghouse taking emergency action, is one of the risks that Clearing Members should consider when deciding whether to clear transactions on the Clearinghouse.

(c) An "Emergency" may include any of the following circumstances, subject to the determination of the Board of Directors:

1. [Reserved];

2. [Reserved];

3. any circumstance that may materially affect the performance of the Contracts cleared through the Clearinghouse, including failure of the payment system or bankruptcy or insolvency of any Clearing Members;

4. any action taken by the United States, any foreign government, any state or local governmental body, any other contract market or board of trade, or any other exchange, market, facility, or trade association (foreign or domestic) that may have a direct and material impact on clearing through the Clearinghouse;

5. any circumstances that may have a severe, adverse impact upon the functions or operation of the Clearinghouse including, for example, natural disasters such as fire or flood, terrorist acts such as bomb threats, physical plant breakdowns such as plumbing, heating, or air conditioning problems, system breakdowns such as power, telephony, cable, trading systems, or computer systems failures or interruptions to communications, the network, or the Internet;

6. the imposition of any injunction or other restraint by any government agency, court, or arbitrator that may affect the ability of a Clearing Member to perform on Contracts;

7. any circumstance in which it appears that a Clearing Member or any other person is in such 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 Clearing Member or the Clearinghouse itself; and

8. any other unusual, unforeseeable, and adverse circumstance which, in the opinion of the governing board, requires immediate action and threatens or may threaten such things as the fair and orderly Clearing of, or the liquidation of or delivery pursuant to Contracts cleared through the Clearinghouse.

(d) If deemed necessary to combat perceived market threats caused by an Emergency, a Clearinghouse official authorized to do so may suspend clearing through the Clearinghouse during the duration of the emergency or take any other action that the official thinks is necessary or appropriate. The official will order an end to the action taken in response to the emergency as soon as the official determines that the emergency has sufficiently abated to permit the Clearinghouse to function properly.

(e) The Clearinghouse will make every effort practicable to notify the Director of the

Division of Clearing and Risk of the CFTC, the Director's delegates, and/or other persons designated by the CFTC's Regulations that the Clearinghouse intends to implement, modify, or terminate a temporary emergency rule pursuant to Rule 2.6(a) or an action in response to an emergency pursuant to Rule 2.6(d) prior to the implementation, modification, or termination of the rule or action. If it is not possible to notify the CFTC prior to the implementation, modification, or termination of the rule or action, the Clearinghouse will notify the CFTC of the implementation, modification, or termination of the rule or action at the earliest possible time, and in no event more than 24 hours after implementation, modification, or termination.

2.7. Restrictions on Certain Persons Who Possess Material, Non-Public Information

(a) No Clearinghouse Personnel and no member of any committee established by the Board of Directors of the Clearinghouse shall use or disclose any material, non- public information obtained in connection with the performance of his or her official duties, for any purpose other than the performance of his or her official duties.

(b) No Clearinghouse Personnel and no member of any committee established by the Board of Directors of the Clearinghouse shall disclose to any other Person, including to any Affiliate that is a Clearing Member of the Clearinghouse as allowed under Rule 3.1(i), material, non-public information, however obtained (including, without limitation, material non-public information obtained by an employee or agent of the Clearinghouse in connection with such employee or agent's employment or agency, as the case may be), if such Person could reasonably expect that such information might assist another Person in trading any Contract or related contract or financial instrument.

(c) Other than a Director, no Clearinghouse Personnel shall trade in any Contract cleared by the Clearinghouse either for their own account or the account of any other Person.

(d) No Clearinghouse Personnel, no Clearinghouse Affiliates, and no member of any committee established by the Board of Directors of the Clearinghouse shall trade in any Contract or related contract or financial instrument on the basis of material non-public information of the Clearinghouse. For the avoidance of doubt, any Person who, by virtue of their role with, or as an Affiliate of, the Clearinghouse, acquires material non-public information of the Clearinghouse is prohibited from trading on the basis of such material non-public information, or disclosing such material non-public information except as consistent with their official duties.

(e) For purposes of this Rule 2.7, the terms "material information," "non-public information" and "commodity interest" shall have the meanings ascribed to them in CFTC Regulation 1.59.

2.8. Conflicts of Interest

The Clearinghouse prohibits members of the Board of Directors or any disciplinary or oversight committee or subcommittee from taking part in any deliberations or voting on any matter in which members of the Board of Directors, committee, or subcommittee member have an interest or have a relationship with a named party in interest.

(a) Named Party in Interest Conflict

1. No member of the Board, Board Committee, or Disciplinary Panel shall participate in such body's deliberations or voting in any matter involving a named party in interest where such member:

    A. is the named party in interest in the matter;

    B. is an employer, employee or fellow employee of a named party in interest;

    C. is associated with a named party in interest through a "broker association" as defined in CFTC Regulation 156.1;

    D. has any other significant, ongoing business relationship with a named party in interest, excluding relationships limited to Contracts; or

    E. has a family relationship (i.e., the member's spouse, parents, children, and siblings, in each case, whether by blood, marriage, or adoption, or any person residing in the home of the member or that of his or her immediate family) with a named party in interest.

2. Prior to consideration of any matter involving a named party in interest, each member of the deliberating body shall disclose to the Chief Compliance Officer whether such member has one of the relationships listed above with a named party in interest.

3. The Chief Compliance Officer shall determine whether any member of the relevant deliberating body is subject to a conflicts restriction under this Rule 2.8(a). Such determination shall be based upon a review of the following information:

    A. information provided by such member pursuant to Rule 2.8(a)(2) above; and

    B. any other source of information that is held by and reasonably available to the Clearinghouse.

4. In the event of a conflict involving the Chief Compliance Officer as a member of the deliberating body, the other members of the deliberating body shall determine whether any member of the relevant deliberating body is subject to a conflicts restriction under this Rule 2.8(a).

(b) Financial Interest in a Significant Action Conflict

1. No member of the Board, Board Committee or Disciplinary Panel shall participate in the body's deliberations or voting on any significant action if such member knowingly has a direct and substantial financial interest in the result of the vote based upon either the Clearinghouse or non-Clearinghouse positions that could reasonably be expected to be affected by the action.

2. Prior to consideration of any significant action, each member of the deliberating body who does not choose to abstain from deliberations and voting shall disclose to the Chief Compliance Officer any information that may be relevant to a determination of whether such member has a direct and substantial financial interest in the result of the vote.

3. The Chief Compliance Officer shall determine whether any member of the relevant deliberating body who does not choose to abstain from deliberations and voting is subject to a conflicts restriction under this Rule 2.8(b) based on a review of the totality of the circumstances.

4. Any member who would otherwise be required to abstain from deliberations and voting pursuant to this Rule 2.8(b) above may participate in deliberations, but not in voting, if the deliberating body, after considering the factors specified below, determines that such participation would be consistent with the public interest (e.g. if the member has significant expertise and background that provides useful context); *provided*, *however*, that before reaching any such determination, the deliberating body will fully consider the information specified in Rule 2.8(b)(2) above which is the basis for such member's direct and substantial financial interest in the significant action that is being contemplated. In making its determination, the deliberating body shall consider:

    A. whether such member's participation could unduly influence the outcome of the deliberations;

    B. whether such member's participation in the deliberations is necessary to achieve a quorum; and

    C. whether such member has unique or special expertise, knowledge or experience in the matter being considered.

5. In the event of a conflict involving the Chief Compliance Officer as a member of the deliberating body, the other members of the deliberating body shall determine whether any member of the relevant deliberating body is subject to a conflicts restriction under this Rule 2.8(b).

(c) The minutes of any meeting to which the conflicts determination procedures set forth in this Rule 2.8 apply shall reflect the following information:

1. the names of all members who participated in such meeting;

2. the name of any member who voluntarily recused himself or herself or was required to abstain from deliberations or voting on a matter and the reason for the recusal or abstention, if stated;

3. the information that was reviewed for each member of the relevant deliberating body; and

4. any determination made in accordance with Rule 2.8(a) or Rule 2.8(b)

above.

(d) Directors shall annually submit a disclosure statement identifying any real, potential, or perceived conflicts of interest, including those involving any Affiliate during the immediately preceding year.

2.9. Indemnification of Members of the Boards of Director, Officers, and Others

The Clearinghouse will indemnify to the full extent authorized by law any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative in nature, by reason of the fact that such person is or was Clearinghouse Personnel against expenses, including attorneys' fees, judgments, fines, and amounts paid in connection with such action, suit, or proceeding. Such indemnification shall not be deemed exclusive of any other rights to which a person may be entitled under any agreement or as a matter of law or otherwise. the Clearinghouse may purchase and maintain insurance on behalf of any person who is or was Clearinghouse Personnel against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Clearinghouse would have the power to indemnify such person against such liability under the provisions of this Rule 2.9. However, no person shall be indemnified from liability for fraud, bad faith, willful misconduct, or gross negligence. Further, no person shall be indemnified against a civil penalty imposed by the CFTC under Section 6b of the CEA.

2.10. Regulatory Cooperation

(a) The Clearinghouse may from time to time enter into such agreements with domestic or foreign self-regulatory organizations, associations, boards of trade and their respective regulators providing for the exchange of information and other forms of mutual assistance for financial surveillance, routine audits, market surveillance, investigative, enforcement and other regulatory purposes as the Clearinghouse may consider necessary or appropriate or as the CFTC may require.

(b) The Chief Executive Officer or their delegate is authorized to provide information to an exchange or clearing organization that is a party to an information sharing agreement with the Clearinghouse, in accordance with the terms and conditions of such agreement.

(c) All information received by the Clearinghouse with respect to any information sharing agreement, shall be held in confidence by the Clearinghouse and shall not be provided to any of its nonregulatory departments or divisions or any other person (including to any affiliate of the Clearinghouse), except as follows:

1. to the governmental authority(ies) responsible for regulating financial instruments in the home jurisdiction of the requesting information sharing agreement member,

2. pursuant to an order of a court or other lawful process, or

3. as it may be necessary for conducting any investigation or disciplinary proceeding.

2.11. [Reserved]

2.12. Public Information

(a) The Clearinghouse shall make public on a daily basis the information required to be disclosed under CFTC Regulation 39.21(c)(5), including information on settlement prices, volume, open interest, and opening and closing ranges for actively traded Contracts.

CHAPTER III
CLEARING MEMBERS

3.1. Participant Eligibility

(a) To be eligible to clear transactions through the Clearinghouse, Clearing Members must: (i) satisfy all requirements generally applicable to Clearing Members under these Rules; (ii) satisfy such financial criteria as may be prescribed by the Clearinghouse from time to time; (iii) have sufficient technical and operational capabilities to fulfill any other obligations applicable to Clearing Members as may from time to time be required by the Clearinghouse; and (iv) satisfy such other requirements or criteria as may from time to time be adopted by the Clearinghouse.

(b) An applicant to be an Entity Clearing Member must satisfy the following criteria, and must represent to the Clearinghouse that it does so:

1. It is duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is organized and has all licenses necessary to carry on its business as now being conducted;

2. It has the legal authority and is duly authorized and empowered to become an Entity Clearing Member and to effect transactions in Contracts on an Exchange, or to effect transactions in any other relevant contracts, agreements or transactions, cleared through the Clearinghouse;

3. It is not subject to a statutory disqualification under sections 8a(2) or 8a(3) of the CEA;

4. It has a mechanism that is acceptable for transferring funds to and receiving funds from the Entity Clearing Member's Account;

5. It has appointed one or more Authorized User(s) pursuant to Rule 3.4; and

6. It satisfies such other requirements or criteria as may from time to time be adopted by the Clearinghouse.

(c) An applicant to be an Individual Clearing Member must satisfy the following criteria and represent that it:

1. Is at least 18 years of age and has attained the age of majority in their state and/or country of residence;

2. Is not subject to a statutory disqualification under sections 8a(2) or 8a(3) of the CEA;

3. Has a mechanism that is acceptable for transferring funds to and receiving funds from the Individual Clearing Member's Account; and

4. Satisfies such other requirements or criteria as may from time to time be adopted by the Clearinghouse.

(d) An applicant to be an FCM Clearing Member must satisfy the following criteria and represent that it:

1. Is a corporation, limited liability company, partnership or other entity approved by the Clearinghouse, duly organized and in good standing in its state of organization;

2. Is registered with the CFTC as a Futures Commission Merchant;

3. Maintains back-office facilities staffed with experienced and competent personnel or has entered into a facilities management agreement in form and substance acceptable to the Clearinghouse; and

4. Maintains minimum regulatory capital in excess of the greater of (1) $5,000,000 and (2) any applicable capital requirements imposed on applicant by the CFTC, another Government Agency or Self-Regulatory Organization.

(e) Notwithstanding anything to the contrary in this Rule 3.1, in considering any applicant for the Clearinghouse may request additional information, or employ such other means that it deems desirable or appropriate, to ascertain relevant facts bearing on the applicant's qualifications; and

(f) The Clearinghouse in its sole discretion may deny (or may condition) the grant of Clearing Privileges if an applicant or Clearing Member is unable satisfactorily to demonstrate a capacity to adhere to all applicable Rules and CFTC Regulations, or for such other causes as the Clearinghouse may determine from time to time.

(g) The Clearinghouse in its sole discretion may condition or revoke an applicant or Clearing Member's Clearing Privileges if any of the circumstances exist or such Clearing Member=:

1. fails to meet any of the qualification requirements;

2. fails to meet any condition placed by the Clearinghouse;
3. is obligated to submit a notice to the Clearinghouse under Rule 3.7;

4. has their trading privileges revoked on any Exchange; or

5. violates any agreement with the Clearinghouse, any Rule or any provision of Applicable Law.

(h) [Reserved]

(i) Affiliates of the Clearinghouse are permitted to become Clearing Members on the same terms and conditions as other Clearing Members, and to clear through the Clearinghouse, pursuant to an action of the Board of Directors, subject to the following conditions, which shall be applicable and enforced at the time of approval and on an ongoing basis thereafter:

1. Such Affiliate has access to the Clearinghouse on terms and conditions that are not preferential relative to other Clearing Members, including compliance with all Rules in this Rulebook;

2. The Clearinghouse has established controls and procedures so that such Affiliate has no access to any Clearinghouse material non-public information including but not limited to information regarding order flow, trading, settlement, and compliance;

3. The Clearinghouse has established and maintains physical operations that are separate from those of such Affiliate;

4. Such Affiliate has not received capital from the Clearinghouse;

5. The Clearinghouse has ensured such Affiliate does not have access to the Clearinghouse operations, including servers, databases, accounts, or source code, except to the extent that other Clearing Members have such access and, in that event, only on the same terms and conditions applicable to other Clearing Members;

6. Such Affiliate has represented that it does not access or utilize systems or features in clearing through the Clearinghouse that are not available to other Clearing Members; and

7. Such Affiliate has represented that it will maintain market integrity on the Clearinghouse, and will act in a fair and responsible manner in all of its activities on the Clearinghouse, including, when applicable, the disclosure to the Clearinghouse of any actual or potential conflicts of interest in its operations, algorithms, or systems.

8. Prior to an Affiliate clearing transactions through the Clearinghouse, or if the information about the trading and clearing activities of the Affiliate changes materially, prior to the commencement of such trading, put in place necessary controls to ensure that the provisions of this Rule 3.1(i) are complied with and will of the restrictions on Affiliates' trading activities by including a notice on the Clearinghouse website that discloses the Affiliates' purpose in clearing transactions through the Clearinghouse and provides a summary of the procedures in place to manage and disclose actual or potential conflicts of interest and effects on trading to ensure market integrity and fairness are preserved.

3.2. Applications

(a) Each application to become a Clearing Member shall be in such form as may from time to time be prescribed by the Clearinghouse. Each applicant to become a Clearing Member shall promptly update the application materials if any of the information provided therein becomes inaccurate or incomplete. the Clearinghouse shall act upon, and approve or disapprove, any such application without unreasonable delay.

(b) Each applicant to become a Clearing Member shall:

1. submit to the Clearinghouse executed forms of the Clearing Member Agreement and all application documents; and

2. agree in written or electronic form to abide by these Rules and Applicable Law.

(c) Upon the Clearinghouse's approval of an applicant's Clearing Member application and upon the Clearinghouse's confirmation that the initial fee payable by the applicant has been paid to the Clearinghouse, if any, the applicant shall become a Clearing Member and obtain Clearing Privileges.

(d) If the Clearinghouse denies an applicant's Clearing Member application, the applicant may appeal the decision by filing with the Compliance Department a petition for review of such application denial or trading limitation. The petition should describe in detail the reasons why the application should be granted. The petition must be filed within thirty (30) Business Days from the date upon which notice of the denial of the applicant's Clearing Member application was provided by the Clearinghouse. The decision of the Compliance Department will be final. An applicant whose Clearing Member application has been denied by the Compliance Department will not be eligible for reapplication during the six months immediately following such denial.

3.3. Participant Accounts

(a) Direct Clearing Members

1. The Clearinghouse will establish an account on its books and records in the name and on behalf of Direct Clearing Members. The Direct Clearing Member will be responsible for all clearing activity, transactions and other activity in or through its Account and for all amounts due with respect to any such clearing activity, transactions or other activity, including but not limited to required amounts of margin and premiums. Each Direct Clearing Member and its Authorized Users shall have the right to access the PMUS Direct System.

2. The Clearinghouse has the authority to establish more than one Account per Direct Clearing Member, if the Clearinghouse deems it to be appropriate.

3. All funds deposited by a Direct Clearing Member with the Clearinghouse on behalf of the Direct Clearing Member's own account shall be held in a Member Property Account. Such funds from Direct Clearing Members shall be segregated by the Clearinghouse and treated as belonging to Direct Clearing Members.

(b) FCM Clearing Members

1. All futures customer funds deposited by an FCM Clearing Member with the Clearinghouse on behalf of futures customers protected by CFTC Regulation 1.20 shall be held in accordance with the CEA and CFTC Regulation 1.20 in an account identified as "Customer Segregated." All Cleared Swaps Customer Collateral deposited by an FCM Clearing Member with the Clearinghouse on behalf of Cleared Swaps Customers shall be held in accordance with the CEA, CEA section 4d(f), and Part 22 of the CFTC Regulations in an account identified as "Cleared Swaps Customer Collateral." Such funds and collateral shall be segregated by the Clearinghouse and treated as belonging to the applicable customers of the FCM Clearing Member.

2. An FCM Clearing Member shall satisfy the segregation acknowledgement letter requirements of the CEA and CFTC Regulation 1.20 for futures customer deposits held at the Clearinghouse and the segregation acknowledgement letter requirements of the CEA and Part 22 of the CFTC Regulations for Cleared Swaps Customer Collateral deposits held at the Clearinghouse.

3.4. Authorized Users

(a) Each Entity Clearing Member shall be required to appoint one or more individuals to act as its Authorized User or Authorized Users, as applicable. Individual Clearing Members may act as their own Authorized User or may appoint a third party as his or her Authorized User, pursuant to a power of attorney or other instrument, in a form prescribed or approved by the Clearinghouse, providing such third party with authority to supervise clearing activities with respect to the Clearing Member's Account. The third party to which an individual Clearing Member grants authority may be a related person of the Clearing Member, or any unaffiliated party.

(b) Each Authorized User with authority to supervise clearing activities with respect to the Clearing Member's Account (i) must be a natural person and (ii) must satisfy any other requirements as may be prescribed by the Clearinghouse from time to time.

(c) Without limiting the foregoing, each Authorized User must consent, in a form satisfactory to the Clearinghouse, to abide by the Rules and Applicable Law prior to accessing the Clearing System, and each Entity Clearing Member will ensure on an ongoing basis that (i) none of its Authorized Users is subject to a disqualification pursuant to any Applicable Law (unless an appropriate exemption has been obtained with respect thereto), (ii) each of its Authorized Users will be technically proficient, (iii) each of its Authorized Users will conduct its business in a fair and equitable manner, and (iv) each of its Authorized Users will conduct its business in accordance with the Rules.

(d) The Clearinghouse may withdraw or suspend the registration of any Authorized User if the Clearinghouse determines that:

1. an Authorized User has failed, or has caused the Entity Clearing Member to fail, to comply with the Rules of the Clearinghouse;

2. an Authorized User is not properly performing the responsibilities of an authorized representative of a Entity Clearing Member;

3. an Authorized User has failed to comply with the conditions set forth in paragraph (c) of this Rule;

4. an Authorized User's trading privileges on any Exchange have been revoked; or

5. it is in the best interests of maintaining a fair and orderly market to do so.

(e) If the Entity Clearing Member withdraws or the Clearinghouse suspends the registration of any Authorized User, the Entity Clearing Member must ensure that such Authorized User does not submit any transactions for clearing into the Clearing System.

(f) The registration of an Authorized User will be withdrawn upon the written request of either the Authorized User or the Entity Clearing Member for which an Authorized User is registered. Such written request shall be submitted in a manner prescribed by the Clearinghouse. Until such written request is received and processed by the Clearinghouse, or an Authorized User's registration is suspended or withdrawn pursuant to paragraph (d) of this Rule, a Entity Clearing Member will be responsible for all activity of such Authorized User(s) related to the Clearinghouse.

3.5. Amounts Payable by Clearing Members

(a) The Clearinghouse shall have the authority to establish the amounts of any fees to be paid by Clearing Members, and the timing of payment of such fees, and such fees shall be paid when due. In addition, the Clearinghouse shall have the authority to impose minimum withdrawal amounts, fees for inactivity or other fees as it deems appropriate. may post an updated fee schedule on its website from time to time. Clearing Members are deemed to have notice of any changes made to such fee schedule that are posted on the Clearinghouse website.

(b) Unless the Clearinghouse, at its discretion, elects not to do so in any particular instance, the Clearinghouse will withdraw the relevant fees directly from each Clearing Member's Account. The Clearing Member agrees to pay, and authorizes the Clearinghouse to withdraw from its Account: (i) any fees or charges associated with any transactions cleared on behalf of the Clearing Member on the Clearinghouse at such rate as is posted on the Clearinghouse's website; (ii) any costs or expenses incurred by the Clearinghouse in connection with the Clearing Member's clearing activity on the Clearinghouse, including, but not limited to, any non-sufficient funds charges or charges imposed by the Clearinghouse's Settlement Bank; (iii) any other charges agreed upon between the Clearing Member and the Clearinghouse; and (iv) any other fines or penalties that may be imposed by the Clearinghouse from time to time.

(c) If a Clearing Member fails to pay when due any Clearinghouse fees or other amounts due by such Clearing Member, and such payment obligation remains unsatisfied for thirty (30) Business Days after its due date, the Clearinghouse as it deems necessary or appropriate, may suspend, revoke, limit, condition, restrict or qualify Clearing Privileges of such Clearing Member and its Authorized Users. Moreover, the Clearinghouse may submit any amounts owed by a Clearing Member in excess of thirty (30) Business Days to a third party collection agency. The

Clearinghouse reserves the right to pursue any and all allowable legal action, whether criminal or civil, against the Clearing Member to recover losses incurred as the result of fraud or misconduct, including attorney's fees and other legal expenses, and any other remedies permitted by law.

3.6. General Obligations for all Clearing members

(a) By accessing, or entering any transaction for clearing into the Clearing System, and without any need for any further action, undertaking or agreement, a Clearing Member and its Authorized Users agree (i) to be bound by, and comply with, the Rules and Applicable Law, and (ii) to submit to the jurisdiction of the Clearinghouse with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Clearing Member and its Authorized Users. Any Clearing Member and its Authorized Users whose Clearing Privileges are revoked or terminated shall remain bound by the Rules and Applicable Law and subject to the jurisdiction of the Clearinghouse with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Clearing Member and its Authorized Users prior to such revocation or termination.

(b) Each Clearing Member shall be required to satisfy such minimum financial requirements as may be established from time to time by the Clearinghouse.

(c) All Clearing Member communications with the Clearinghouse, including keystrokes entered by the Clearing Member on the Clearinghouse, emails and telephone calls, may be recorded without further notice, and such recordings may be provided to regulatory authorities (subject to and in compliance with Applicable Laws) and used as evidence in the event of any dispute. Such recordings will be and remain the sole property of the Clearinghouse and will, in the absence of manifest error, be accepted by the Clearing Member as evidence of the communications so recorded. The period of retention of such recordings shall be as required by Applicable Law or any such longer period as may be determined by the Clearinghouse in its sole discretion. Further, such recordings may be used for the Clearinghouse's own purposes (including, without limitation, for purposes of monitoring levels of activities in categories of transactions) and not for the Clearing Member's benefit.

(d) Each Clearing Member must also cooperate promptly and fully with the Clearinghouse, its agents, and/or the CFTC in any investigation, call for information, inquiry, audit, examination, or proceeding. Such cooperation shall include providing the Clearinghouse with access to information on the activities of such Clearing Member in any referenced or related market that provides the underlying prices for any the Clearinghouse Contract or that is otherwise related to the pricing or trading of any Contract.

(e) Each Clearing Member consents to allow the Clearinghouse to provide all information the Clearinghouse has in its possession or control regarding the Clearing Member, including the Clearing Member's trading activity, to the CFTC or any other regulatory agency, law enforcement authority, or judicial tribunal, including (as may be required by information sharing agreements or other contractual, regulatory, or legal provisions) foreign regulatory or self-regulatory bodies, law enforcement authorities, or judicial tribunals.

(f) The Rulebook, all amendments thereto and notices and policies thereunder, as well as the specifications for the Contracts from time to time cleared on the Clearinghouse, will be publicly available on the Clearinghouse website. Each Clearing Member and each Clearing

Member's Authorized Users(s) will be automatically bound by any notices, interpretations, guidance, Rule changes or other material posted by the Clearinghouse on its website, without any further action by the Clearing Member or Authorized User(s). Each Clearing Member and Authorized User is required to review the "Notices" section of the Clearinghouse website to make themselves aware of material changes to these Rules or other notices that may affect their rights and obligations as a Clearing Member of the Clearinghouse. As mentioned above, the Clearinghouse shall publish a notice with respect to each addition to, modification of, or clarification of, the Rules, any action to implement any Rules, or any notices, interpretations or guidance, in a form and manner that is reasonably designed to enable each Clearing Member to become aware of and familiar with, and to implement any necessary preparatory measures to be taken by it with respect to, such material, prior to the effective date thereof; *provided* that any failure of the Clearinghouse to so publish a notice shall not affect the effectiveness of the material in question. For purposes of publication in accordance with the first sentence of this Rule 3.6, it shall be sufficient (without limiting the discretion of the Clearinghouse as to any other reasonable means of communication) if a notice is published on the Clearinghouse's website.

(g) Each Clearing Member must provide the Clearinghouse with the current electronic mail address for each of its Authorized Users and immediately (and in any event within 24 hours) update each such address whenever it changes. All communications between the Clearinghouse and the Clearing Member (and its Authorized Users) will be transmitted by email and/or posted on the Clearinghouse website.

(h) Each Clearing Member must diligently supervise all activities of the Clearing Member's officers, employees and/or agents, including all Authorized Users, relating to transactions effected on the Clearinghouse. Any violation of these Rules by any officer, employee or agent of a Clearing Member, including its Authorized Users, may constitute a violation of the Rules by such Clearing Member.

(i) A Direct Clearing Member is not required to engage in clearing activity or maintain a minimum balance in its Account after initial funding. Notwithstanding the foregoing, the Clearinghouse has the authority to impose minimum withdrawal amounts or fees for inactivity, which will, if imposed, be posted on the Clearinghouse website from time to time.

(j) Recordkeeping

1. Each Clearing Member must maintain audit trail information as required by the CEA and CFTC Regulations, including, but not limited to, CFTC Regulations 1.31 and 1.35 if applicable, and must be able to produce this data in a standard format upon request from the Clearinghouse.

2. [Reserved].

3. The books and records required to be kept under subparagraphs (i) and (ii) above shall be readily available for inspection, at any time, on a routine or non-routine basis and promptly provided to the Clearinghouse, the NFA, the CFTC, the SEC or the U.S. Department of Justice, upon request, in each case in the form and manner required under these Rules, and/or the CEA and CFTC Regulations.

(k) Each FCM Clearing Member must also:

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

2. Have written risk management policies and procedures in place to ensure it is able to perform certain basic risk and operational functions at all times and to make information regarding its risk management policies, procedures and practices available to the Clearinghouse or the CFTC upon request. At a minimum, the following areas must be addressed in the Clearing Member's policies and procedures, taking into account the Clearing Member's business and products offered for clearing;

3. Monitor the credit risks of accepting trades, including give-up trades, of its Customers;

4. Monitor the risks associated with proprietary trading;

5. Limit the impact of significant market moves through the use of tools such as stress testing or position limits;

6. Maintain the ability to monitor account activity on an intraday and overnight basis;

7. Ensure order entry systems, including third party systems connected to any exchange, include the ability to set automated credit controls or position limits or requiring a firm employee to enter orders; and defining sources of liquidity for increased settlement obligations;

8. Maintain an adequate accounting system, internal accounting controls, and procedures for safeguarding Customer and firm assets, where applicable. This includes, but is not limited to, the following:

    A. Preparation and maintenance of complete and accurate reconciliations for all accounts;

    B. Resolution of reconciling items in a timely manner; and

    C. Prevention of a material inadequacy as defined in CFTC Regulation 1.16(d)(2)

9. File any information requested by the Clearinghouse within the time period specified in the request and shall, at all times have the ability to provide to the Clearinghouse in an acceptable form a complete set of back-office system reports (including, at a minimum, the equity run, open position listing, day trade listing, end-of-day gross positions of each individual customer account within each customer origin of the Clearing Member, cash adjustments listing and debit equity listing, if applicable). Such reports shall be available to the Clearinghouse no later than 8:00 a.m. on the Business Day following the report date;

10. At all times, have the ability to provide promptly to the Clearinghouse upon request a listing of each of its Customers' method of access to the Exchange, including front end applications and network connections; and

11. Ensure that each FCM Customer's trades and positions carried by the FCM Clearing Member at the DCO are fully collateralized at all times. For purposes of determining whether a Customer's trades and positions are fully collateralized, the FCM Clearing Member may include as collateral the Customer's unrealized gains, net of the Customer's unrealized losses with respect to such trades and positions.

3.7. Notices Required of Clearing Members

(a) Each Clearing Member must immediately notify the Clearinghouse in writing upon becoming aware:

1. that the Clearing Member, any of the Clearing Member's officers, employees, agents or any of the Clearing Member's Authorized Users has had access or trading privileges or clearing privileges suspended, or Clearing Member status is denied, in any commodity, futures, securities, or swaps exchange, or any other trading platform or regulatory self-regulatory agency;

2. that the Clearing Member, any of the Clearing Member's officers, employees, agents or any of the Clearing Member's Authorized Users has been convicted of, pled guilty or no contest to, or entered a plea agreement to, any felony in any domestic, foreign or military court;

3. that the Clearing Member, any of the Clearing Member's officers, employees, agents or any of the Clearing Member's Authorized Users has been convicted of, plead guilty or no contest to, or entered a plea agreement to a misdemeanor in any domestic, foreign or military court which involves:

    A. embezzlement, theft, extortion, fraud, fraudulent conversion, forgery, tax evasion, counterfeiting, false pretenses, bribery, gambling, racketeering, or misappropriation of funds, securities or properties; or

    B. any transaction in or advice concerning swaps, futures, options on futures, leveraged transactions or securities;

4. that the Clearing Member, any of the Clearing Member's officers, employees, agents or any of the Clearing Member's Authorized Users has been subject to, or associated with a firm that was subject to regulatory proceedings before any governmental or regulatory agency;

5. that the Clearing Member, any of the Clearing Member's officers, employees, agents or any of the Clearing Member's Authorized Users

is currently a party to any investigation or proceeding, the resolution of which could result in an event described in Rule 3.7(a)(1)-(4);

6. of any other material change in any information contained in the Clearing Member's application to become a Clearing Member on the Clearinghouse;

7. of becoming subject to early warning reporting under CFTC Regulation 1.12;

8. of becoming the subject of a bankruptcy petition, receivership proceeding, or the equivalent, or being unable to meet any financial obligation as it becomes due; or

9. of information that concerns any financial or business developments that may materially affect the Clearing Members' ability to continue to comply with participation requirements.

Upon the receipt of such notice, the Clearinghouse may take any action it determines to be appropriate, in its sole discretion with respect to such Clearing Member, including but not limited to the revocation of such Clearing Member's Clearing Privileges.

(b) An FCM Clearing Member must immediately notify the Clearinghouse in writing of:

1. Any reduction in adjusted net capital as reported on its Form 1-FR or net capital as reported on its FOCUS Report from the most recent filing of such report;

2. Any failure of the Clearing Member to remain in compliance with the minimum capital or "early warning" requirements of any Government Agency or Self-Regulatory Organizations, or such Clearing Member knows or has reason to believe that its adjusted net capital has fallen below the Clearinghouse's minimum capital requirements;

3. Any damage to, or failure or inadequacy of, the systems, facilities or equipment of the Clearing Member used to perform the Clearing Member's obligations under or in connection with Contracts or Customer Accounts that is not promptly remedied;

4. If such Clearing Member fails to comply with additional accounting, reporting, financial and/or operation requirements prescribed by the Clearinghouse;

5. Any failure to maintain funds in any Customer Account sufficient to comply with applicable CFTC Regulations;

6. Any planned material reduction in equity capital (and, in all cases, any planned reduction in equity capital that would cause a reduction in excess adjusted net capital, excess net capital or excess liquid capital of 30% or more), including the incurrence of a contingent liability which would materially affect the Clearing Member's capital or other representations contained in the latest financial statement submitted to the Clearinghouse should such liability become fixed; provided that no such notice shall be required in the case of a reduction in capital resulting from (1) the repayment or prepayment of subordinated liabilities for which notice has been given pursuant to applicable CFTC or SEC requirements, or (2) any futures or securities transaction in the ordinary course of business between a Clearing Member and any affiliate where the Clearing Member makes payment to or on behalf of such affiliate for such transaction and then receives payment from such affiliate for such transaction within two Business Days from the date of the transaction;

7. Any change in the FCM Clearing Member's fiscal year or its public accountants;

8. If any Person directly or indirectly becomes a 5% direct owner of the FCM Clearing Member;

9. Any changes in its name, business address, its telephone or facsimile number, electronic mail address, or any number or access code for any electronic communication device used by it to communicate with the Clearinghouse; or

10. Any external audit findings (including reviews by the Clearing Member's designated Self-Regulatory Organization).

(c) An FCM Clearing Member must provide at least thirty days' prior written notice to the Clearinghouse , unless it is impractical to do so—in which case it shall provide written notice as promptly as possible, where applicable, of:

1. Any proposed change in the organizational or ownership structure or management of the FCM Clearing Member, including any merger, combination or consolidation between the FCM Clearing Member and another Person;

2. The assumption or guaranty by the FCM Clearing Member of all or substantially all of the liabilities of another Person in connection with a direct or indirect acquisition of all or substantially all of that Person's assets;

3. The sale of all or a significant portion of the FCM Clearing Member's business or assets to another Person;

4. A change in the direct or indirect beneficial ownership of 20% or more of the FCM Clearing Member;

5. Any change in the FCM Clearing Member's systems provider or facilities manager used by the FCM Clearing Member to process transactions in Contracts; or

6. Any planned changes to the FCM Clearing Member's risk management processes or systems.

(d) Upon the receipt of a notice of the type set forth in this Rule, the Clearinghouse shall review the continuing eligibility of the Clearing Member for clearing eligibility and take any or all of the actions as permitted by these Rules.

3.8. Omnibus and Carrying Broker Accounts

(a) Each FCM Clearing Member shall maintain a complete list of all omnibus and carrying broker accounts maintained on its books. Such list shall be promptly provided to the Clearinghouse upon request. Information for each such account must include account name, number and address, and classification of the account as either Customer or house.

(b) Each FCM Clearing Member carrying an omnibus account shall at all times reflect in its records the gross long and short positions held in such omnibus account.

(c) Each FCM Clearing Member that maintains an omnibus account with another FCM Clearing Member shall also bear financial responsibility to the Clearinghouse for that omnibus account.

3.9. Financial Requirements of FCM Clearing Members

(a) FCM Clearing Members must at all times maintain minimum regulatory capital in excess of the greater of (i) $5,000,000, and (ii) the capital requirements imposed by any

Government Agency, Self-Regulatory Organization or other examining authority or regulator to which it is subject by statute, regulation or agreement. The Clearinghouse may prescribe additional capital requirements with respect to any FCM Clearing Member.

(b) FCM Clearing Members shall:

1. Submit a monthly Form 1-FR-FCM or a FOCUS Report and supplementary information schedule, in the form prescribed by the CFTC, including an unaudited monthly Form 1-FR-FCM or FOCUS Report as of the FCM Clearing Member's fiscal year-end, within the time set forth in CFTC Regulation 1.10. A FCM Clearing Member must include with its Form 1-FR-FCM or FOCUS Report a Statement of Income (Loss) for the period between the date of the most recent 1-FR-FCM or FOCUS or, at the option of the FCM Clearing Member, the most recent certified 1FR- FCM or FOCUS filed with the Clearinghouse and the date for which the report is made;

2. Submit a certified Form 1-FR-FCM or FOCUS Report as of the Clearing Member's fiscal year-end within the time requirements set forth in CFTC Regulation 1.10. A FCM Clearing Member must include with its certified Form 1-FR-FCM or FOCUS Report, a reconciliation from the certified Form 1-FR-FCM or FOCUS Report to the monthly Form 1-FR-FCM or FOCUS Report as of the same date or a statement that no material differences were noted.

(c) The Clearinghouse may prescribe additional accounting, reporting, and other financial and/or operational requirements, and FCM Clearing Members must comply with such requirements.

(d) Financial statement filing requirements under this Rule must be met through the Clearinghouse-approved electronic transmission, except for certified Form 1-FR-FCMs or FOCUS Reports, which shall be submitted in physical form. FCM Clearing Members must provide any reports or information pertaining to their financial resources to the CFTC upon request.

(e) Exceptions to the financial and reporting requirements of this Rule may be granted by the Board, in consultation with the Chief Compliance Officer, for good cause if it is determined that such exceptions will not jeopardize the financial integrity of the Clearinghouse.

3.10. Disaster Recovery and Business Continuity for FCM Clearing Members

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

1. The FCM Clearing Member must have procedures in place to allow it to continue to operate during periods of stress with minimal disruption to either the Clearinghouse or its Customers. The FCM Clearing Members must perform periodic testing, including testing with the

Clearinghouse when so requested, of disaster recovery and business continuity plans, duplication of critical systems at back up sites and periodic backup of critical information; and

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

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

(c) FCM Clearing Members must participate in coordinated testing of their disaster recovery and business continuity policies and procedures at least annually. An FCM Clearing Member can fulfill this requirement by participating in an industry-wide testing event in which the Clearinghouse or the Exchange also participates.

3.11. Segregation of Customer Funds and Assets for FCM Clearing Members

(a) Each FCM Clearing Member must comply with the requirements of the CEA and CFTC Regulations regarding segregation of customer funds and collateral from the FCM Clearing Member's own funds or assets, including, but not limited to, CFTC Regulations 1.20 through 1.30, 1.32, Part 22 and 30.7, as applicable.

(b) The Clearinghouse shall comply with the applicable segregation requirements of Section 4d of the CEA and CFTC Regulations with respect to customer funds held by the Clearinghouse.

(c) As used in this Rule 3.11, "customer funds" has the same meaning as in CFTC Regulation 1.3 or Cleared Swaps Customer Collateral as defined in CFTC Regulation 22.1, as applicable.

(d) No FCM Clearing Member may use, permit the use of, or cause the use of the customer funds, collateral, or property of one Customer to purchase, margin, guarantee, secure, transfer, adjust, settle, or otherwise support the Contracts, Open Contract Positions, obligations, or credit of any other Customer, the FCM Clearing Member, any proprietary account of the FCM Clearing Member, or any other Person.

(e) To the extent an FCM Clearing Member permits a Customer to use any amount as collateral for such Customer's Contracts, Open Contract Positions, or related obligations in excess of such Customer's ledger balance, as defined in CFTC Regulation 190.08, the FCM Clearing Member must support the excess amount with the FCM Clearing Member's own residual interest. Such residual interest may be maintained in the FCM Clearing Member's Customer Account at the Clearinghouse's depository or in another futures customer segregated account maintained by the FCM Clearing Member in accordance with the CEA and CFTC Regulations.

(f) Each FCM Clearing Member must maintain books, records, policies, procedures, systems, and controls reasonably designed to demonstrate compliance with this Rule 3.11, including customer-level records of ledger balances, margin or collateral requirements, undermargined amounts, and residual interest. Each FCM Clearing Member must provide such

records or certifications to the Clearinghouse promptly upon request.

(g) If the Clearinghouse determines, or has reason to believe, that an FCM Clearing Member has failed to comply with this Rule 3.11, the Clearinghouse may take any action permitted under these Rules, including rejecting Contracts for clearing, limiting or conditioning Clearing Privileges, requiring additional information or certifications, restricting withdrawals, ordering the FCM Clearing Member to reduce or liquidate positions, suspending Clearing Privileges, or initiating disciplinary proceedings.

3.12. Responsible Agents

(a) Each Clearing Member that is an Entity shall at all times have at least one employee or agent (each, a "**Responsible Agent**") designated as its administrator with respect to the clearing of Contracts by the Authorized Users of such Clearing Member. Each Clearing Member that is a natural person shall serve as its own Responsible Agent. The Clearinghouse may prescribe such qualification standards for Responsible Agents as it may from time to time determine necessary or advisable. Among other things, each Responsible Agent shall have full control over access to the Clearing System by the Clearing Member (including its Authorized Users) represented by such Responsible Agent. The Responsible Agent(s) of any Clearing Member shall also be solely responsible for any and all communications between the Clearinghouse and such Clearing Member, and any and all notices or other communications sent to such Responsible Agent(s) by the Clearinghouse shall be binding on such Clearing Member. Each Clearing Member shall notify the Clearinghouse promptly of any change regarding any of its Responsible Agents.

(b) Each Clearing Member shall (i) be solely responsible for controlling and monitoring the use of all User IDs and passwords to access the PMUS Direct System (issued to its Authorized Users and Responsible Agent(s) by the Clearinghouse, (ii) provide such User IDs and passwords only to its Authorized Uses and Responsible Agent(s), and (iii) shall notify the Clearinghouse promptly upon becoming aware of any unauthorized disclosure or use of the User IDs or passwords or access to the Clearinghouse or of any other reason for deactivating User IDs or passwords. Each Clearing Member, on behalf of itself and its Authorized Users, shall be bound by any actions taken through the use of its User IDs and passwords (other than any such actions resulting from the fault or negligence of the Clearinghouse), including the execution of transactions, whether or not such actions were authorized by such Clearing Member or any of its supervised persons or executed by anyone other than an Authorized User of such Clearing Member.

(c) Notwithstanding anything to the contrary in Rule 3.7(b), each Authorized User shall have his or her own unique User IDs and passwords that may be used only by such Authorized User and solely for the purpose of submitting transactions for clearing in respect of the Account for which the Authorized User has Clearing Privileges.

3.13. [Reserved]

3.14. Limitation of Liability

EXCEPT AS OTHERWISE PROVIDED IN THESE RULES, AND EXCEPT IN INSTANCES WHERE THERE HAS BEEN A FINDING OF WILLFUL MISCONDUCT OR GROSS NEGLIGENCE, IN WHICH CASE THE PARTY FOUND TO HAVE ENGAGED IN

SUCH CONDUCT CANNOT AVAIL ITSELF OF THE PROTECTIONS IN THIS RULE 3.14, NEITHER THE CLEARINGHOUSE (INCLUDING ITS AFFILIATES AND ANY CONTRACTORS AND SUB-CONTRACTORS PROVIDING SERVICES TO THE CLEARINGHOUSE) NOR ANY CLEARINGHOUSE PERSONNEL SHALL BE LIABLE TO ANY OTHER PERSON, INCLUDING ANY CLEARING MEMBER OR PERSON ASSOCIATED WITH A CLEARING MEMBER, FOR ANY LOSSES, DAMAGES, COSTS OR EXPENSES (INCLUDING LOSS OF PROFITS, LOSS OF USE, DIRECT, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES), ARISING FROM (I) ANY FAILURE OR MALFUNCTION OF THE CLEARING SYSTEM OR ANY EXCHANGE SERVICES OR CLEARINGHOUSE SERVICES OR FACILITIES USED TO SUPPORT THE CLEARING SYSTEM, OR (II) 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 CLEARING SYSTEM OR ANY EXCHANGE SERVICES OR CLEARINGHOUSE SERVICES OR FACILITIES USED TO SUPPORT THE CLEARING SYSTEM. THE FOREGOING SHALL APPLY REGARDLESS OF WHETHER A CLAIM ARISES IN CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY OR OTHERWISE. FURTHERMORE, THERE SHALL BE NO LIABILITY BASED UPON, OR IN CONNECTION WITH, ANY QUOTE OR OTHER INFORMATION IF NO CORRELATIVE PURCHASE OR SALE OF A CONTRACT IS MADE, AND IF A CORRELATIVE PURCHASE OR SALE OF A CONTRACT IS MADE, ANY LIABILITY SHALL BE LIMITED IN AMOUNT TO THE AGGREGATE PRICE OF THE CONTRACTS PURCHASED OR SOLD.

THERE ARE NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS PROVIDED BY THE CLEARINGHOUSE (INCLUDING ITS AFFILIATES AND ANY CONTRACTORS AND SUBCONTRACTORS PROVIDING SERVICES TO THE CLEARINGHOUSE), RELATING TO THE CLEARING SYSTEM OR ANY EXCHANGE SERVICES OR CLEARINGHOUSE SERVICES OR FACILITIES USED TO SUPPORT THE CLEARING SYSTEM, INCLUDING WARRANTIES OF MERCHANTABILITY AND WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE OR USE. THE SERVICES OF THE CLEARINGHOUSE ARE BEING PROVIDED ON AN "AS IS" BASIS AT THE SOLE RISK OF THE CLEARING MEMBER AND ANY PERSON ASSOCIATED WITH THE CLEARING MEMBER. NEITHER THE CLEARINGHOUSE (INCLUDING ITS AFFILIATES AND ANY CONTRACTORS AND SUBCONTRACTORS PROVIDING SERVICES TO THE CLEARINGHOUSE) NOR ANY THE CLEARINGHOUSE PERSONNEL MAKE ANY WARRANTY WITH RESPECT TO, AND NO SUCH PARTY SHALL HAVE ANY LIABILITY TO ANY CLEARING MEMBER OR ANY PERSON ASSOCIATED WITH A CLEARING MEMBER FOR, THE ACCURACY, TIMELINESS, COMPLETENESS, RELIABILITY, PERFORMANCE OR CONTINUED AVAILABILITY OF THE CLEARING SYSTEM OR THE CLEARINGHOUSE, DELAYS, OMISSIONS OR INTERRUPTIONS IN CLEARINGHOUSE SERVICES OR THE CREDITWORTHINESS OF ANY OTHER CLEARING MEMBER OR ANY PERSON ASSOCIATED WITH A CLEARING MEMBER . THE CLEARINGHOUSE SHALL HAVE NO DUTY OR OBLIGATION TO VERIFY ANY INFORMATION DISPLAYED ON THE CLEARING SYSTEM OR OTHERWISE. EACH CLEARING MEMBER AND EACH PERSON ASSOCIATED WITH A CLEARING MEMBER ACKNOWLEDGES AND AGREES THAT THE CLEARINGHOUSE (INCLUDING ITS AFFILIATES AND ANY CONTRACTORS AND SUBCONTRACTORS PROVIDING SERVICES TO THE CLEARINGHOUSE) DOES NOT AND SHALL NOT SERVE AS THE PRIMARY BASIS FOR ANY DECISIONS MADE BY SUCH CLEARING

MEMBER OR PERSON ASSOCIATED WITH A CLEARING MEMBER, AS THE CASE MAY BE, AND IS NOT AN ADVISOR OR FIDUCIARY OF SUCH CLEARING MEMBER OR PERSON ASSOCIATED WITH A CLEARING MEMBER, AS THE CASE MAY BE.

EXCEPT AS OTHERWISE PROVIDED IN THESE RULES, ANY LIABILITY OF THE CLEARINGHOUSE (OTHER THAN LIABILITY THAT IS EXCLUDED PURSUANT TO THE PRECEDING TWO PARAGRAPHS OF THIS RULE 3.14) WILL BE LIMITED TO DIRECT, OUT-OF-POCKET LOSSES DIRECTLY CAUSED BY THE ACTS OR OMISSIONS OF THE CLEARINGHOUSE OR CLEARINGHOUSE PERSONNEL; PROVIDED THAT THE TOTAL COMBINED AGGREGATE LIABILITY OF THE CLEARINGHOUSE AND CLEARINGHOUSE PERSONNEL TO ANY ONE CLEARING MEMBER SHALL NOT EXCEED $2,500 FOR ALL LOSSES FROM ALL CAUSES SUFFERED ON A SINGLE CALENDAR DAY; $5,000 FOR ALL LOSSES SUFFERED FROM ALL CAUSES IN A SINGLE CALENDAR MONTH; AND $50,000 FOR ALL LOSSES SUFFERED FROM ALL CAUSES IN A SINGLE CALENDAR YEAR.

ANY CLEARING MEMBER OR PERSON ASSOCIATED WITH A CLEARING MEMBER WHO FAILS TO PREVAIL IN A LAWSUIT OR OTHER LEGAL PROCEEDING INSTITUTED BY SUCH PERSON AGAINST THE CLEARINGHOUSE OR CLEARINGHOUSE PERSONNEL, AND RELATED TO THE BUSINESS OF THE CLEARINGHOUSE, WILL PAY TO THE CLEARINGHOUSE ALL REASONABLE EXPENSES, INCLUDING ATTORNEYS' FEES, INCURRED BY THE CLEARINGHOUSE IN THE DEFENSE OF SUCH PROCEEDING TO THE EXTENT THAT SUCH EXPENSES EXCEED FIFTY THOUSAND USDs $50,000.00. THIS PROVISION WILL NOT APPLY TO DISCIPLINARY ACTIONS BY THE CLEARINGHOUSE, ADMINISTRATIVE APPEALS OF THE CLEARINGHOUSE ACTIONS OR IN ANY SPECIFIC INSTANCE WHERE THE BOARD OF DIRECTORS HAS GRANTED A WAIVER OF THIS PROVISION.

NOTWITHSTANDING ANY OF THE FOREGOING PROVISIONS, THIS RULE 3.14 SHALL IN NO WAY LIMIT THE LIABILITY OF ANY PERSON ARISING FROM ANY VIOLATION OF SUCH PERSON OF THE CEA OR CFTC REGULATIONS THEREUNDER.

3.15. [Reserved]

3.16. Clearing Members and Authorized User Access

(a) During the Participant application process, an applicant, to become a Participant, will be required to register a user identification ("**User ID**") and password.

(b) The Clearing Member will be required to enter the User ID and password to log onto and access Clearing System. Each time the Clearing Member submits its unique User ID and password to the Clearinghouse in order to log onto the Clearing System, the Clearing Member affirms that it understands, and agrees to be bound by, these Rules and other policies and procedures of the Clearinghouse, as amended.

(c) Each Authorized User shall maintain a unique User ID and password, distinct from the User ID and password of the Clearing Member but identified as related to the Clearing Member with which the Authorized User is associated. The Clearing Member will only provide the User IDs to its officers, employees or agents who are designated as, and authorized as,

Authorized Users. The Clearinghouse reserves the right to revoke or modify a User ID at any time without prior notice.

(d) The Clearing Member will be responsible for protecting its User IDs and passwords, and with respect to itself, the ID(s) and password(s) of its Authorized User(s), from improper disclosure. In addition, a Clearing Member may not knowingly or negligently permit any Person not authorized by the Clearinghouse and by the Clearing Member to use the User ID and password to access the secure portion of the Clearinghouse website, including the Clearing System. The Clearing Member is required to immediately notify the Clearinghouse if it knows, or has reason to believe, that its User ID or the User ID and/or password of any Authorized User have been disclosed to any Person not authorized by the Clearinghouse and the Clearing Member to use such User ID and/or password.

(e) The Clearing Member authorizes the Clearinghouse to rely upon any instruction received through use of its User IDs without further inquiry, and the Clearinghouse shall not be liable to the Clearing Member for any actions taken based on instructions received through such User IDs, even if such instructions were not authorized by the Clearing Member. The Clearing Member will be liable for any and all costs, expenses, losses or other amounts that may result from actions taken, including transactions cleared through the Clearinghouse, by any person, authorized or not, using its User ID and password or the ID and/or password of any Authorized User. The Clearinghouse will not be responsible in any way for unauthorized transactions in a Clearing Member's Account.

(f) The Clearing Member is responsible for contracting with an internet service provider through which it will access the Clearinghouse website and for having a backup service provider if reasonably necessary. The Clearing Member is also responsible for maintaining an internet connection speed adequate for its needs. The Clearinghouse will not be responsible in any way for any transactions submitted for clearing that were delayed because of failure of the Clearing Member's internet service provider or slowness of its internet connection speed. No communication from a Clearing Member will be deemed to have been received by the Clearinghouse until that communication is logged by the Clearinghouse server.

CHAPTER IV
[RESERVED]

CHAPTER V
CLEARING

5.1. Submission and Acceptance of Trades for Clearing

(a) Clearing Members are required to have sufficient funds on deposit with the Clearinghouse such that any transactions submitted for clearing will be accepted by the Clearinghouse.

(b) To facilitate compliance with Rule 5.1(a), an Exchange, in its sole discretion and from its own funds, may advance funds for immediate use to a Direct Clearing Member's Account, *provided* that it shall have no obligation to do so and *provided further* that:

1. Such advance is administrative in nature due to the normal course timing of banking transactions and is not a loan.

2. Such Clearing Member has submitted a bona-fide funds deposit request.

3. Such funds deposit request is being processed in the normal course of banking transactions by the Clearinghouse.

4. Such advanced amount shall not exceed the deposit request amount.

Notwithstanding anything to the contrary herein, the Clearinghouse may, in its sole discretion, decline to accept any such transfer of funds and require the Clearing Member to deposit any additional amounts determined by the Clearinghouse to be necessary.

(c) Upon submission of Contracts for clearing, the Clearinghouse will automatically review the Clearing Member's Account to ensure that the Clearing Member can fully margin or collateralize the transaction, and pay any premiums or other amounts due upon execution or settlement of such transaction, prior to execution of the transaction. If the Clearing Member's Account does not have the necessary funds and/or collateral for the Contracts, the Clearinghouse will not accept the Contract for clearing.

(d) For trades executed competitively on or subject to the rules of an Exchange:

1. The Clearinghouse will coordinate with all Exchanges to establish automated systems that will accept or reject for clearing all Contracts that are listed for clearing by the Clearinghouse.

2. The Clearinghouse will accept for clearing all Contracts that satisfy all of the following conditions:

A. The Contract is traded on an Exchange;

B. The Contract was certified by an Exchange under Part 40 of the CFTC's Regulations, and the CFTC has not exercised its right to block under CFTC Regulation 40.11; and

C. The Contract satisfies the criteria of the Clearinghouse, including, but not limited to, applicable risk filters, which shall be non-discriminatory across Exchanges. The Clearinghouse will also coordinate with all Exchanges to integrate and be able to apply such criteria in a fully automated system, and if that is impracticable, the Clearinghouse will apply the criteria as quickly as would be technologically practicable if fully automated systems were used.

(e) Upon the successful acceptance of Contracts submitted for clearing, the Clearinghouse shall immediately, through the process of Novation, be substituted as and assume the position of Seller and Purchaser. Upon such substitution, the Seller and Purchaser shall have no obligations to each other, and such Clearing Members shall be deemed to have bought the Contract from or sold the Contract to the Clearinghouse, as the case may be, and the Clearinghouse shall have all the rights and be subject to all the liabilities of such Clearing Members with respect to such transactions. Where an FCM Clearing Member acts to clear a Contract made for the account

of a Customer, the FCM Clearing Member becomes obligated to the Clearinghouse, and the Clearinghouse becomes obligated to the FCM Clearing Member, with respect to such Contract in the same manner and to the same extent as if the Contract were for the account of the FCM Clearing Member. The Clearing Members of the Contract are deemed to consent to the Novation by submitting the applicable orders on an Exchange and the Clearinghouse consents to the Novation by accepting the Contracts submitted for clearing. Such substitution shall be effective in law for all purposes.

(f) Contracts with the same terms and conditions submitted to the Clearinghouse for clearing are economically equivalent within the Clearinghouse and may be offset with each other within the Clearinghouse.

(g) Upon acceptance of a Contract by the Clearinghouse for clearing:

1. The original transaction is extinguished;

2. The original Contract is replaced by an equal and opposite Contract between the Clearinghouse and each Clearing Member;

3. All terms of a cleared Contract must conform to the applicable Contract Rules; and

4. The Clearinghouse is irrevocably authorized to transfer premiums and/or Settlement Amounts to the appropriate Clearing Members in accordance with the applicable Contract Rules and this Rulebook.

(h) All payments to Clearing Members and collections from Clearing Members in connection with the clearing and settlement of Contracts are irrevocable and any and all amounts paid to the Clearinghouse in satisfaction of the obligations of Clearing Members in connection with Contracts are unconditionally deposited with the Clearinghouse and exclusively within the control of the Clearinghouse.

(i) If a Contract is rejected for clearing by the Clearinghouse for any reason, such Contract is void ab initio.

(j) All positions will be carried on a gross basis by the Clearinghouse until such time as the Clearinghouse, in its sole discretion, determines to provide offset at the earlier of an end-of-day netting process or at position settlement.

5.2. Procedures for Deposits and Withdrawals from Accounts

(a) Procedures for Deposits

1. A Clearing Member must submit a deposit notification to the Clearinghouse before the Clearing Member may deposit funds with the Clearinghouse. A Clearing Member must have sufficient funds at its designated financial institution before such Clearing Member submits a deposit notification to the Clearinghouse. Only USD will be accepted in satisfaction of Clearing Members' obligations in connection with Contracts cleared through the Clearinghouse.

2. Deposits are available for a Clearing Member's use with respect to Clearing Privileges, no later than three (3) Settlement Bank Business Days after the Clearinghouse has received notification from its Settlement Bank such funds have been deposited with the Clearinghouse, unless an Exchange has made an advance pursuant to Rule 5.1(b).

3. Clearing Members are responsible for all transfers of funds to their Accounts and any reversal of such transfer constitutes a violation of these Rules unless remediated in a manner acceptable to the Clearinghouse in its sole discretion.

4. All deposits, transfers, or other funding of a Clearing Member's Account shall be effected solely from financial accounts or payment methods that (i) are held in the name of such Clearing Member and (ii) Clearing Member has ownership and control of financial accounts or payment methods.

5. Except as otherwise expressly permitted by the Clearinghouse pursuant to Rule 5.2(a)(7), no Clearing Member shall fund its Account using assets, payment methods, or financial accounts that are held in the name of any third party.

6. Each Clearing Member represents and warrants, on a continuing basis, that (i) all funds deposited into its Account originate from financial accounts or payment methods that satisfy the requirements of Rule 5.2(a)(4) and (ii) it has legal and ownership of, and control over, such funding sources.

7. The Clearinghouse may, in its sole discretion, permit funding from accounts not strictly satisfying Rule 5.2(a)(4) including in connection with (i) Customer Accounts maintained by an FCM Clearing Member, subject to applicable segregation requirements, (ii) affiliated entities where ownership and control structures are transparent and approved, or (iii) other circumstances deemed appropriate by the Clearinghouse. Any such exception shall be documented in writing and subject to such conditions, controls, and disclosures as the Clearinghouse may require.

8. The Clearinghouse may require Clearing Members to provide documentation, certifications, or other evidence sufficient to verify compliance with this Rule. Failure to provide such evidence may result in rejection or reversal of deposits, suspension of funding privileges, or other action pursuant to the Rules.

9. Any funds deposited in violation of this Rule may, in the Clearinghouse's discretion, be rejected or returned, subject to restriction or hold, and/or treated as a violation subject to disciplinary proceedings under the Rules.

(b) Withdrawals from Accounts

1. Clearing Members may only withdraw amounts in excess of any Original Margin held by the Clearinghouse.

2. Only a Clearing Member or its Authorized User(s) may submit a withdrawal notification to the Clearinghouse before the Clearinghouse initiates a transfer of funds to a Clearing Member. Upon receipt of a withdrawal notification, the Clearinghouse will immediately reduce the Clearing Member's Account balance by the amount of the withdrawal notification.

3. Clearing Members are responsible for providing accurate account numbers to allow the Clearinghouse to effect transfers to the Clearing Members. Withdrawal notifications to account numbers different from the originating account number are not permitted except as provided by the Clearinghouse in its sole discretion.

4. the Clearinghouse will notify its Settlement Bank no later than three (3) Settlement Bank Business Days after a Clearing Member has submitted a withdrawal notification to transfer such funds to such Clearing Member.

5. If a Clearing Member fails to adhere to the withdrawal procedures set forth herein, as applicable, the Clearinghouse will take reasonable measures to effect the withdrawal; however, if the Clearinghouse is unable to effect the withdrawal, the Clearing Member's collateral may become the sole property of the Clearinghouse, to the extent permitted by Applicable Law and pursuant to the procedures and disclosures posted on the Clearinghouse website. the Clearinghouse may apply the collateral against the Clearing Member's obligations.

6. Notwithstanding the foregoing, the Clearinghouse may, in its sole discretion, decline to permit any withdrawal of funds requested by a Clearing Member if it deems such action necessary for the protection of the Clearinghouse.

5.3. Settlement of Contracts

(a) The Clearinghouse shall maintain, on its system, a record of each Clearing Member's account balances and Contracts.

(b) On the Settlement Date, the Clearinghouse will notify all Clearing Members of the Settlement Amount.

(c) After the notice period on the last Trading Day of expiring Contracts that are options, the Clearinghouse will delete all such Contracts that have not been exercised from each Clearing Member's Account.

(d) Payment of Settlement Amounts or any other delivery under any Contract shall be made in accordance with the relevant Contract Rules and these Rules, provided that nothing herein shall prevent Clearing Members from entering into arrangements to settle any

Contract between each other on terms different from those set forth in the relevant Contract Rules, subject to compliance with the Rules in all respects.

5.4. Investment and Use of Clearing Member Account Assets

Subject to compliance with the applicable regulations of the CFTC, all cash and other property in the Clearing Member's Account or otherwise held by the Clearinghouse on the Clearing Member's behalf may, from time to time, without notice to the Clearing Member, be co-mingled with the property of other Clearing Members or be invested by the Clearinghouse, separately or with any other property, consistent with CFTC Regulation 1.25 and 39.15(e). the Clearinghouse shall have no obligation to inform the Clearing Member of any such investments or of the results or performance of such investments and shall be entitled to retain any profits from or return on such investments.

5.5. Transfers of Positions

(a) The Clearinghouse in its sole discretion may permit the transfer of positions between Accounts:

1. to correct errors in an existing Contract, *provided* that the original trade documentation confirms the error;

2. to transfer an existing Contract through operation of law from death or bankruptcy;

3. as a result of a merger, asset purchase, consolidation, or similar non-recurring transaction for a Person that is an organization;

4. for Accounts of Clearing Members that are under the same common beneficial ownership; or

5. any other circumstances in which the Clearinghouse determines in its sole discretion that such a transfer is necessary or appropriate for any other reason.

(b) The Clearinghouse will promptly transfer all or a portion of a Customer's portfolio of positions, and related funds as necessary, from the FCM Clearing Member currently carrying the Customer Account (the "Carrying FCM Clearing Member") to another FCM Clearing Member (the "Receiving FCM Clearing Member") without requiring the close-out and re-booking of the positions prior to the requested transfer, provided that:

1. the Customer has instructed the Carrying FCM Clearing Member to make the transfer;
2. the Customer is not currently in default to the Carrying FCM Clearing Member;
3. the transferred positions will have appropriate margin at the Receiving FCM Clearing Member;
4. any remaining positions will have appropriate margin at the Carrying FCM Clearing Member; and
5. the Receiving FCM Clearing Member has consented to the transfer.

The Carrying FCM Clearing Member and Receiving FCM Clearing Member shall provide such notices, records, account identifiers, position descriptions, margin or collateral information, Customer instructions, certifications, and other information as the Clearinghouse reasonably requires to effect and document the transfer.

Any positions transferred pursuant to this Rule 5.5 will be at the original price and date that appears on the books of the Clearinghouse.

CHAPTER VI
CLEARING MEMBER CONDUCT

6.1. Prohibited Activities

(a) No Clearing Member shall engage in conduct in violation of Applicable Law or the Rules. Notwithstanding anything to the contrary in these Rules, no provision of these Rules will supersede any applicable prohibitions on fraud and manipulation, whether such prohibitions are prescribed by law, regulation or the Rules. All such prohibitions on fraud and manipulation, including, but not limited to, the antifraud provisions of the CEA and the antifraud rules promulgated by the CFTC thereunder, will remain in full force and effect with respect to, and will be fully applicable to, the clearing of all Contracts. The Clearinghouse retains the right to take any appropriate disciplinary actions against Clearing Members as permitted by the Rules, as applicable.

(b) It shall be an offense to violate any Rule regulating the conduct or business of a Clearing Member, or any agreement made with the Clearinghouse, or to engage in fraud, dishonorable or dishonest conduct, or in conduct which is inconsistent with just and equitable principles of trade.

(c) [Reserved]

(d) [Reserved]

(e) [Reserved]

(f) [Reserved]

(g) [Reserved]

(h) [Reserved]

(i) [Reserved]

(j) [Reserved]

(k) No Person shall make any misstatement of a material fact to an Exchange or the Clearinghouse (including the Board of Directors, any committee thereof or any panel of any such committee, or any Officer) or to the CFTC or the NFA (including any members of its staff), including on an application to become a Clearing Member of the Clearinghouse.

(l) No Clearing Member or Authorized User may use its Clearing Privileges or

the Clearinghouse in any way which could be expected to bring disrepute upon such Clearing Member or the Clearinghouse.

(m) No Clearing Member shall engage in any act that is detrimental to the Clearinghouse. It shall be deemed an act detrimental to the Clearinghouse to permit unauthorized use of the Clearinghouse, to assist any Person in obtaining unauthorized access to the Clearinghouse, to interfere with the operation of the Clearinghouse, to intercept or interfere with information provided thereby, or in any way to use the Clearinghouse in a manner contrary to these Rules.

(n) Each Clearing Member shall be responsible for establishing, maintaining and administering reasonable supervisory procedures to ensure that its Authorized Users comply with Applicable Law and the Rules, and shall be responsible for supervising its Authorized Users and may be held accountable for the actions of such Authorized Users.

(o) [Reserved]

(p) [Reserved]

(q) [Reserved]

(r) [Reserved]

CHAPTER VII
RULE ENFORCEMENT

7.1. Market Surveillance

The Clearing System will record and store for a period of not less than 5 years in a searchable, read-only database a record of all data entered into the Clearing System. Such records shall be maintained in a readily available manner during the first two years. PM Clearing will use this data to investigate any time it has reason to believe that inappropriate activity of any sort is taking place.

7.2. General

(a) All Clearing Members Authorized Users shall be subject to the Clearinghouse's jurisdiction. All Clearing Members and Authorized Users are subject to this Chapter 7 if they are alleged to have violated, to have aided and abetted a violation, to be violating, or to be about to violate, any Rule or any provision of Applicable Law for which the Clearinghouse possesses disciplinary jurisdiction.

(b) The Clearinghouse will conduct inquiries, investigations, disciplinary proceedings and appeals from disciplinary proceedings, summary impositions of fines, summary suspensions or other summary actions in accordance with this Chapter 7.

(c) No member of the staff of the Clearinghouse will interfere with or attempt to influence the process or resolution of any inquiry, investigation, disciplinary proceeding, appeal from a disciplinary proceeding, summary imposition of fines, summary suspension or other summary action. No Director will interfere with or attempt to influence the process or resolution of any inquiry, investigation, disciplinary proceeding, appeal from a disciplinary proceeding,

summary, imposition of fines, summary suspension or other summary action with respect to which the Director is not a member of the relevant Appeals Panel.

(d) Any Clearing Member may be represented by counsel during any inquiry, investigation, disciplinary proceeding, appeal from a disciplinary proceeding, summary imposition of fines, summary suspension or other summary actions pursuant to this Chapter 7.

(e) Pursuant to this Chapter 7, the Clearinghouse may hold:

1. a Clearing Member liable for, and impose sanctions against such Clearing Member, for such Clearing Member's own acts and omissions that constitute a violation;

2. a Clearing Member liable for, and impose sanctions against such Clearing Member, for the acts and omissions of each Authorized User authorized by, and each other agent or representative of, such Clearing Member that constitute a violation as if such violation were that of the Clearing Member;

3. an Authorized User liable for, and impose sanctions against him or her, for such Authorized User's own acts and omissions that constitute a violation; and

4. an Authorized User liable for, and impose sanctions against him or her, for the acts and omissions of each agent or representative of such Authorized User that constitute a violation as if such violation were that of the Authorized User.

7.3. Inquiries and Investigations

(a) The Compliance Department will investigate any matter within the Clearinghouse's disciplinary jurisdiction that is brought to such department's attention, including but not limited to, possible violations of the Rules or manipulation of a Contract that is cleared through the Clearinghouse. All such investigations must be completed within 12 months of the date when the Compliance Department commenced its investigation unless there are mitigating factors that may reasonably justify an investigation taking longer than 12 months, including the complexity of the investigation, the number of Clearing Members or individuals involved as potential wrongdoers, the number of potential violations to be investigated, and the volume of documents and data to be examined and analyzed by the Compliance Department. The Compliance Department will determine the nature and scope of its inquiries and investigations within its sole discretion and will function independently of any commercial interests of the Clearinghouse.

(b) The Compliance Department has the authority to:

1. initiate and conduct inquiries and investigations;

2. prepare investigative reports and make recommendations concerning initiating disciplinary proceedings;

3. prosecute alleged violations within the Clearinghouse's disciplinary jurisdiction; and

4. represent the Clearinghouse on appeal from any disciplinary proceeding, summary imposition of fines, summary suspension or other summary action.

(c) Each Clearing Member:

1. is obligated to appear and testify and respond in writing to interrogatories within the time period required by the Compliance Department in connection with: (i) any Rule; (ii) any inquiry or investigation; or (iii) any preparation by and presentation during a disciplinary proceeding or appeal from a decision in a disciplinary proceeding, summary imposition of fines, summary suspension or other summary action by the Clearinghouse;

2. is obligated to produce books, records, papers, documents or other tangible evidence in its, his or her possession, custody or control within the time period required by the Compliance Department in connection with: (i) any Rule; (ii) any inquiry or investigation; or (iii) any preparation by and presentation during a disciplinary proceeding or appeal from a decision in any disciplinary proceeding, summary imposition of fines, summary suspension or other summary action by the Clearinghouse; and

3. may not impede or delay any inquiry, investigation, disciplinary proceeding, appeal from a disciplinary proceeding, summary imposition of fines, summary suspension or other summary action.

(d) The Compliance Department will maintain a log of all investigations and their disposition. The Compliance Department will prepare a written report of each investigation, regardless of whether the evidence gathered during any inquiry or investigation forms a reasonable basis to believe that a violation within the Clearinghouse's jurisdiction has occurred or is about to occur or whether the evidence gathered results in closing the matter without further action or through summary action. Any written report of investigation will include the reasons for initiating the investigation (including a summary of the complaint, if any), all relevant facts and evidence gathered, and the recommendation of the Compliance Department. For each potential respondent, the Compliance Department will recommend either (i) closing the investigation without further action, (ii) summary action, (iii) resolving the investigation through an informal disposition, including the issuance of a warning letter or (i) initiating disciplinary proceedings. An informal disposition (including the issuance of a warning letter) will not constitute a finding of a violation or a sanction.

(e) The Chief Compliance Officer will review promptly each completed investigation report to determine whether a reasonable basis exists to believe that a violation within the Clearinghouse's jurisdiction has occurred or is about to occur. Such determination will be made by the Chief Compliance Officer within ten (10) Business Days of receipt of the applicable investigation report. If the Chief Compliance Officer determines that additional investigation or evidence is needed to decide whether a reasonable basis exists to believe that a violation within the Clearinghouse's jurisdiction has occurred or is about to occur, the Chief Compliance Officer will direct the Compliance Department to conduct further investigation.

(f) After receiving completion of an investigation, the Chief Compliance Officer will determine for each potential respondent whether to authorize:

1. the commencement of disciplinary proceedings because a reasonable basis exists to believe that a violation within the Clearinghouse's jurisdiction has occurred or is about to occur;

2. the informal disposition of the investigation (by issuing a warning letter or otherwise) if the Chief Compliance Officer determines that a violation of the Rules may have occurred but that formal disciplinary proceedings are unwarranted; or

3. the closing of the investigation without any action, and without the issuance of a warning letter, because disciplinary proceedings are not warranted and no reasonable basis exists to believe that a violation within the Clearinghouse's jurisdiction has occurred or is about to occur.

7.4. Notice of Charges and Opportunity to Respond

(a) If the Chief Compliance Officer authorizes disciplinary proceedings pursuant to Rule 7.3, the Compliance Department will prepare in accordance with this Rule 7.4 and serve in accordance with this Rule 7.4, a notice of charges within twenty (20) Business Days thereafter.

(b) A notice of charges will:

1. state the acts, practices or conduct that the respondent is alleged to have engaged in;

2. state the Rule or provision of Applicable Law alleged to have been violated or about to be violated;

3. state the proposed sanctions;

4. advise the respondent of its right to submit a written statement explaining why a disciplinary proceeding should not be instituted or one or more of the potential charges should not be brought, which statement must be submitted within twenty (20) Business Days after service of the notice of charges;

5. advise the respondent of its right to a hearing and its right to have counsel present;

6. state the period of time within which the respondent can request a hearing on the notice of charges, in lieu of submitting a written statement pursuant to Rule 7.4(b)(iv), which will not be less than twenty (20) Business Days after service of the notice of charges;

7. advise the respondent that any failure to request a hearing within the period stated, except for good cause, will be deemed to constitute a waiver of the right to a hearing; and

8. advise the respondent that any allegation in the notice of charges that is not expressly denied will be deemed to be admitted.

(c) If the respondent submits a written statement pursuant to Rule 7.4(b)(iv), the Chief Compliance Officer shall, within ten (10) Business Days after receipt of the written statement, advise the respondent:

1. of the Chief Compliance Officer's decision to drop any or all of the potential charges;

2. that the disciplinary proceedings will proceed with respect to all remaining charges in accordance with the notice of charges delivered to the respondent; and/or, as appropriate

3. that the respondent shall have twenty (20) Business Days to submit an answer to the notice of charges, as described in this Rule 7.4.

(d) If the respondent determines to answer a notice of charges, the respondent must file answers within twenty (20) Business Days after being served with such notice, or within such other time period determined appropriate by the Chief Compliance Officer. To answer a notice of charges, the respondent must in writing:

1. specify the allegations that the respondent denies or admits;

2. specify the allegations that the respondent does not have sufficient information to either deny or admit;

3. specify any specific facts that contradict the notice of charges; and

4. specify any affirmative defenses to the notice of charges.

(e) Any failure by the respondent to timely serve an answer to a notice of charges will be deemed to be an admission to the allegations in such notice. Any failure by the respondent to answer one or more allegations in a notice of charges will be deemed to be an admission of that allegation or those allegations. Any allegation in a notice of charges that the respondent fails to expressly deny will be deemed to be admitted. A general denial by the respondent, without more, will not satisfy the requirements of paragraph (b) above.

(f) Any notice of charges or other documents contemplated to be served pursuant to this Chapter 7 may be served (and service shall be deemed complete) upon the respondent either personally or by (i) leaving the same at his or her place of business or by deposit in the United States mail, postage prepaid, via registered or certified mail addressed to the respondent at the address as it appears on the books and records of the Clearinghouse, or (ii) sending the same via electronic mail to the e-mail address of the respondent as it appears on the books and records of the Clearinghouse.

7.5. Settlements

(a) A respondent or potential respondent may at any time propose in writing an offer of settlement to anticipated or instituted disciplinary proceedings. Any offer of settlement

should contain proposed findings and sanctions and be signed by the respondent or potential respondent and submitted to the Compliance Department. A respondent or potential respondent may offer to settle disciplinary proceedings without admitting or denying the findings contained in the order of the disciplinary proceedings but must accept the jurisdiction of the Clearinghouse over it and over the subject matter of the proceedings and consent to the entry of the findings and sanctions imposed.

(b) If a respondent or potential respondent submits an offer of settlement in accordance with paragraph (a) above, the Compliance Department will forward the offer to the Chief Compliance Officer with a recommendation on whether to accept or reject the offer. If the Chief Compliance Officer conditionally accepts an offer of settlement, the settlement will become final upon the expiration of twenty (20) Business Days after an order of the disciplinary proceedings consistent with the terms of the offer of settlement is served on the respondent.

(c) If an offer of settlement is accepted and the related order of disciplinary proceedings becomes final, the respondent's submission of the offer will be deemed to constitute a waiver of the right to notice, opportunity for a hearing and review and appeal under these Rules.

(d) If the offer of settlement of a respondent or potential respondent is not accepted, fails to become final or is withdrawn by the respondent or potential respondent, the matter will proceed as if the offer had not been made and the offer and all documents relating to it will not become part of the record. Neither a respondent or potential respondent nor the Compliance Department may use an unaccepted offer of settlement as an admission or in any other manner at a hearing of, or appeal from, disciplinary proceedings.

7.6. Disciplinary Panel

(a) A disciplinary panel consisting of five individuals selected by the Board of Directors (the "**Disciplinary Panel**"), will conduct hearings in connection with any disciplinary proceedings, to make findings and impose sanctions pursuant to this Chapter 7. A separate Disciplinary Panel will be established prior to the commencement of each disciplinary matter. No Disciplinary Panel shall be comprised in a manner such that any group or class of industry participants may reasonably be expected to dominate or exercise disproportionate influence on such panel. Each Disciplinary Panel shall consist of individuals who (i) would qualify as a Public Director (if the individual is a director of the Clearinghouse), except in cases limited to decorum, attire, or the timely submission of accurate records required for clearing or verifying each day's transactions and (ii) are drawn from the NFA's Hearing Committee. For the avoidance of doubt, members of the Compliance Department shall not be eligible to serve on a Disciplinary Panel.

(b) Within ten (10) Business Days of being notified of the appointment of the Disciplinary Panel, a respondent may seek to disqualify any individual named to the Disciplinary Panel for any reasonable grounds, by serving written notice on the Chief Compliance Officer. By not timely filing a request for disqualification, the respondent will be deemed to have waived any objection to the composition of a Disciplinary Panel. The Chief Compliance Officer will decide the merits of any request for disqualification within his or her sole discretion. Any such decision will be final and not subject to appeal.

(c) All disciplinary proceedings (except for summary impositions of fines pursuant to Rule 7.13) will be conducted at a hearing before the Disciplinary Panel. A hearing will

be conducted privately and confidentially unless the Disciplinary Panel decides that the hearing, or any part of it, should be held in public after giving each respondent the opportunity to present its, his or her views on holding a public hearing. Notwithstanding the confidentiality of hearings, the Disciplinary Panel may appoint an expert to attend any hearing and assist in deliberations if such expert agrees to be subject to an appropriate confidentiality agreement.

(d) After reasonable notice to each respondent, the Disciplinary Panel will promptly (but in no event later than thirty (30) Business Days following such notice) convene a hearing to conduct the disciplinary proceedings with respect to such respondent. Parties to a disciplinary proceeding include each respondent and the Compliance Department.

(e) The chairman of the Disciplinary Panel may continue, adjourn or otherwise conduct the hearing, as he or she may deem appropriate. The chairman of the Disciplinary Panel will determine all procedural and evidentiary matters, including the admissibility and relevance of any evidence proffered. In determining procedural and evidentiary matters, the chairman of the Disciplinary Panel will not be bound by any evidentiary or procedural rules or law. Once admitted during the hearing, the Disciplinary Panel may consider, and attach the weight it believes appropriate to, evidence or other materials. The Clearinghouse will provide guidance to the chairman of the Disciplinary Panel on the conduct of the hearing.

(f) Except for procedural and evidentiary matters decided by the chairman of the Disciplinary Panel pursuant to paragraph (e) above, unless each respondent otherwise consents, the entire Disciplinary Panel must be present during the entire hearing and any related deliberations.

7.7. Respondent Review of Evidence

(a) Prior to the commencement of a hearing, each respondent will be given the opportunity to review all books, records, documents, papers, transcripts of testimony and other tangible evidence in the possession or under the control of the Clearinghouse that the Compliance Department will use to support the allegations and proposed sanctions in the notice of charges or which the chairman of the Disciplinary Panel deems relevant to the disciplinary proceedings. Notwithstanding the foregoing, no respondent will have the right to review, and the Clearinghouse will have no obligation to disclose, any information protected by attorney-client privilege or any other privileges recognized by Applicable Law.

(b) If any books, records, documents, papers, transcripts of testimony, or other tangible evidence contain information that could adversely affect the competitive position of the Person providing the information or if such information might compromise other investigations being conducted by the Compliance Department, the Compliance Department may redact, edit or code such information before furnishing it to the respondent.

(c) Notwithstanding anything in paragraph (b) above to the contrary, the Compliance Department:

1. will not redact, edit or code competitive or investigative information contained in documents in a manner that would impair the respondent's ability to defend against the allegations or proposed sanctions in the notices of charges, and

2. will provide the respondent with access to the information and portions of the documents that the Compliance Department intends to rely on to support the allegations or proposed sanctions in the notice of charges.

(d) For purposes of this Rule 7.7, information that could adversely affect competitive positions include positions in Contracts currently held, trading strategies employed in establishing or liquidating positions, the identity of any Clearing Member and the personal finances of the Person providing the information.

7.8. Hearings

(a) At a hearing conducted in connection with any disciplinary proceedings, the Compliance Department will present its case supporting the allegations and proposed sanctions in the notice of charges to the Disciplinary Panel. If a respondent has timely filed an answer to the notice of charges in accordance with Rule 7.4, the respondent is entitled to attend and participate in the hearing.

(b) At a hearing conducted in connection with any disciplinary proceedings, the Disciplinary Panel or the Compliance Department and each respondent may:

1. present evidence and facts determined relevant and admissible by the chairman of the Disciplinary Panel;

2. call and examine witnesses; and

3. cross-examine witnesses called by other parties.

(c) If the respondent fails to file an answer, has filed a general denial, or if any or all of the allegations in the notice of charges are not expressly denied in the respondent's answer, the chairman of the Disciplinary Panel may limit evidence concerning any allegations not expressly denied in determining the sanctions to impose. If a respondent fails to file an answer but appears at the hearing, the respondent may not participate in the hearing (by calling or cross-examining witnesses, testifying in defense, presenting evidence concerning the notice of charges, or otherwise) unless the Disciplinary Panel determines that the respondent had a compelling reason for failing to timely file an answer. If the Disciplinary Panel determines that the respondent had a compelling reason for failing to timely file an answer, the Disciplinary Panel will adjourn the hearing and direct the respondent to promptly file a written answer in accordance with Rule 7.4.

(d) Any Person entitled, or required or called upon, to attend a hearing before a Disciplinary Panel pursuant to paragraph (b)(ii) above will be given reasonable notice, confirmed in writing, specifying the date, time and place of the hearing, and the caption of the disciplinary proceedings. the Clearinghouse will require all Clearing Members and Authorized Users that are called as witnesses to appear at the hearing and produce evidence. The Clearinghouse will make reasonable efforts to secure the presence of all other Persons called as witnesses whose testimony would be relevant.

(e) If during any disciplinary proceedings the Disciplinary Panel determines that a reasonable basis exists to believe that the respondent violated or is about to violate a Rule or a provision of Applicable Law other than the violations alleged in the notice of charges, the Disciplinary Panel may consider those apparent violations after providing the respondent with an

opportunity to answer the additional allegations in accordance with Rule 7.4. In connection with considering apparent violations pursuant to this paragraph (e), the Disciplinary Panel may request that the Compliance Department provide the Disciplinary Panel with any additional information.

(f) The Disciplinary Panel may summarily impose sanctions on any Clearing Member or Authorized User that impede or delay the progress of a hearing.

(g) The Clearinghouse will arrange for any hearing conducted in connection with disciplinary proceedings to be recorded hearing verbatim, or substantially verbatim, in a manner capable of accurate transcription. If the respondent requests a copy of all or portions of the recording of a hearing, the chairman of the Disciplinary Panel may within his or her sole discretion order the respondent to pay the costs for transcribing the recording of the hearing.

(h) No interlocutory appeals of rulings of any Disciplinary Panel or chairman of the Disciplinary Panel are permitted.

7.9. Decision of Disciplinary Panel

(a) As promptly as reasonable following a hearing, the Disciplinary Panel will issue an order rendering its decision based on the weight of the evidence contained in the record of the disciplinary proceedings. A decision by a majority of the Disciplinary Panel will constitute the decision of the Disciplinary Panel.

(b) The Clearinghouse will serve a copy of the order of the disciplinary proceedings on the respondent and the Compliance Department. The order will include:

1. the notice of charges or summary of the allegations;
2. the answer, if any, or a summary of the answer;
3. a brief summary of the evidence introduced at the hearing;
4. findings of fact and conclusions concerning each allegation, including each specific Rule and provision of Applicable Law that the respondent is found to have violated;
5. the imposition of sanctions, if any, and the effective date of each sanction; and
6. notice of the respondent's right to appeal pursuant to Rule 7.12.

(c) Unless a timely notice of appeal is filed pursuant to Rule 7.12, the order of the disciplinary proceedings will become final upon the expiration of twenty (20) Business Days after the order is served on the respondent and a copy thereof is provided to the Compliance Department.

7.10. Sanctions

(a) After notice and opportunity for hearing in accordance with these Rules, the Clearinghouse will impose sanctions if a Clearing Member is found to have violated or to have attempted to violate a Rule or provision of Applicable Law for which the Clearinghouse possesses

disciplinary jurisdiction. The Clearinghouse may impose one or more of the following sanctions or remedies: (i) censure; (ii) limitation on Clearing Privileges, association with a Clearing Member or other activities, functions or operations; (iii) suspension of Clearing Privileges or association with a Clearing Member; (iv) fine (subject to paragraph (b) below); (v) restitution or disgorgement; (i) termination of Clearing Privileges; or (vii) any other sanction or remedy deemed to be appropriate. All sanctions, including those imposed pursuant to an accepted settlement offer, shall take into account respondent's disciplinary history and remediation efforts.

(b) The Clearinghouse may impose a fine of up to $500,000 for each violation. If a fine or other amount is not paid within thirty (30) Business Days of the date that it becomes payable, then interest will accrue on the sum from the date that it became payable at the quoted prime rate plus three percent. The Clearinghouse has sole discretion to select the bank on whose quotations to base the prime rate. Each Clearing Member will be responsible for paying any fine or other amount imposed on, but not paid by, any Authorized User authorized by, or other agent or representative of, such Clearing Member.

(c) No more than one warning letter may be issued to the same Person found to have committed the same rule violation within a rolling twelve-month period.

7.11. Costs

(a) Regardless of the outcome of any disciplinary proceeding, the Disciplinary Panel may order a respondent to pay some or all of the costs associated with the disciplinary proceedings that the Disciplinary Panel believes were unnecessarily caused by the respondent. Costs may include costs associated with the inquiry or investigation, the prosecution by the Compliance Department, legal and professional assistance, the hearing and administrative and other expenses incurred by the Disciplinary Panel.

(b) The Disciplinary Panel may only award costs against the Clearinghouse if it concludes that the Clearinghouse has behaved in a manifestly unreasonable manner in the commencement or conduct of the disciplinary proceedings in question. The Disciplinary Panel must limit any award of costs against the Clearinghouse to an amount that it concludes is reasonable and appropriate, but does not exceed the respondent's costs for external legal or other external professional assistance.

(c) The Disciplinary Panel may determine the amounts and allocation of costs in any manner it may deem appropriate. The Clearinghouse or the respondent will pay any costs ordered to be paid by it by the Disciplinary Panel within thirty (30) Business Days of the later of either written notice of (i) the amount imposed by the Disciplinary Panel or (ii) the determination of an appeal by the Appeals Panel against the Disciplinary Panel's determination.

7.12. Appeals

(a) Each respondent found by the Disciplinary Panel to have violated a Rule of or a provision of Applicable Law or who is subject to any summary fine imposed pursuant to Rule 7.13 or any summary sanction imposed pursuant to Rule 7.14 may appeal the decision within twenty (20) Business Days of receiving the order of the disciplinary proceedings or the notice of summary action, as the case may be, by filing a notice of appeal with the Chief Compliance Officer. While an appeal is pending, the effect of the order of disciplinary proceedings or the summary action (including any sanctions, remedies or costs imposed thereby) shall be suspended; *provided*,

however, any summary sanction entered under Rule 7.14 shall continue in effect during the appeal.

(b) The notice of appeal must state in writing the grounds for appeal, including the findings of fact, conclusions or sanctions to which the respondent objects. An appellant may appeal the order of disciplinary proceedings or any summary decision on the grounds that:

1. the decision was arbitrary, capricious, an abuse of discretion, or not in accordance with the Rules;

2. the decision exceeded the authority or jurisdiction of the Disciplinary Panel, the Chief Compliance Officer or the Clearinghouse;

3. the decision failed to observe required procedures;

4. the decision was unsupported by the facts or evidence; or

5. the imposed sanctions, remedies or costs are inappropriate or unsupported by the record.

(c) The Chief Compliance Officer will forward copies of any notice of appeals received by it to all parties to the disciplinary proceeding or summary action, as the case may be, except the appellant. On or before the twentieth (20^{th}) Business Day after filing a notice of appeal, the appellant must file with the Chief Compliance Officer and serve on the Compliance Department a brief supporting the notice of appeal and documents supporting the brief. On or before the twentieth (20^{th}) Business Day after the date on which the appellant serves their supporting brief, the appellee must file and serve its brief in opposition. On or before the tenth (10^{th}) Business Day after the date on which the appellee serves its brief in opposition, the appellant must file and serve a brief in reply.

(d) In connection with any appeal, the Compliance Department will furnish to the Chief Compliance Officer and to the respondent/appellant a transcript of the hearing, any exhibits introduced at the hearing, the notice of appeal and briefs filed to support and oppose the appeal.

(e) Within thirty (30) Business Days after the last submission filed pursuant to paragraph (c) above, the Chief Compliance Officer will appoint the Appeals Panel to consider and determine the appeal. If less than 3 individuals from the Regulatory Oversight Committee are eligible to serve on the Appeals Panel, the Appeals Panel shall be a panel solely comprised of those individuals from the Committee that are eligible to serve on the Appeals Panel and such additional individuals meeting the requirements of Public Director who are appointed by the Chief Compliance Officer. Members of the Compliance Department of the Clearinghouse shall not be eligible to serve on the Appeals Panel. Members of a Disciplinary Panel may not serve on an Appeals Panel for the same matter.

(f) The Appeals Panel may hold a hearing to allow parties to present oral arguments. Any hearing will be conducted privately and confidentially unless the Appeals Panel decides that the hearing, or any part of it, should be held in public after giving each appellant the opportunity to present their views on holding a public hearing. Notwithstanding the confidentiality of hearings, the Appeals Panel may appoint individuals to attend any hearing and assist in the deliberations if such individuals agree to be subject to appropriate confidentiality agreements. In

determining procedural and evidentiary matters, the Appeals Panel will be bound by evidentiary or procedural rules or law.

(g) The Appeals Panel will only consider on appeal the record before the Disciplinary Panel or, in the case of a summary action, the record considered by the Chief Compliance Officer or the Chief Compliance Officer's designee, the notice of appeal, the briefs filed in support and opposition of the appeal, and any oral arguments of the parties. The Appeals Panel may only consider new evidence when the Appeals Panel is satisfied that good cause exists on why the evidence was not introduced during the disciplinary proceeding or when imposing the summary action.

(h) After completing its review, the Appeals Panel may affirm or, only if it finds that the decision of the Disciplinary Panel or the Chief Compliance Officer that is under review, as the case may be, meets one of the criteria listed in Rule 7.12(i) below, modify or reverse any order of the disciplinary proceedings or summary action under appeal, in whole or in part, including increasing, decreasing or eliminating any sanction or remedy imposed, imposing any other sanction or remedy authorized by the Rules, or remanding the matter to the same or a different Disciplinary Panel for further disciplinary proceedings or for reconsideration by the Chief Compliance Officer. The Appeals Panel may order a new hearing for good cause or if the Appeals Panel determines in its sole discretion that the appellant was not given a full and fair opportunity to make an argument in its favor and present supporting evidence.

(i) As described in Rule 7.12(h) above, the Appeals Panel may modify or reverse any order of the disciplinary proceedings or summary action under appeal only if it finds that the decision was:

1. Arbitrary, capricious, or an abuse of the discretion of the Disciplinary Panel, the Chief Compliance Officer, or the Chief Compliance Officer's designee, as the case may be;

2. In excess of the authority or jurisdiction of the Disciplinary Panel or the Chief Compliance Officer, as the case may be; or

3. Based on a clearly erroneous application or interpretation of the Rules.

(j) As promptly as reasonably possible following its review, the Appeals Panel will issue a written decision on appeal rendering its decision based on the weight of the evidence before the Appeals Panel.

The decision of the Appeals Panel will include a statement of findings of fact and conclusions for each finding, sanction, remedy and cost reviewed on appeal, including each specific Rule and provision of Applicable Law that the respondent is found to have violated, if any, and the imposition of sanctions, remedies and costs, if any, and the effective date of each sanction, remedy or cost.

(k) The Appeal Panel's written order on appeal (including findings of fact and conclusions and the imposition of sanctions, remedies and costs, and the effective date of any sanction, remedy cost) will be the final action of the Clearinghouse and will not be subject to appeal within the Clearinghouse.

(l) Within ten (10) Business Days of being notified of the appointment of the Appeals Panel, a respondent may seek to disqualify any individual named to the Appeals Panel for the reasons identified in this Rule 7.12 or for any other reasonable grounds, by serving written notice on the Chief Compliance Officer. By not timely filing a request for disqualification, the respondent will be deemed to have waived any objection to the composition of an Appeals Panel. The Chief Compliance Officer will decide the merits of any request for disqualification within his or her sole discretion. Any such decision will be final and not subject to appeal.

7.13. Summary Imposition of Fines

(a) The Chief Compliance Officer may summarily impose a fine against a Clearing Member for failing:

1. to make timely payments of margin, options premiums, fees, cost, charges or fines to the Clearinghouse;
2. to make timely and accurate submissions to the Clearinghouse of notices, reports or other information required by the Rules; and
3. to keep any books and records required by the Rules.

(b) The Compliance Department, acting on behalf of the Chief Compliance Officer, will give notice of any fine imposed pursuant to this Rule 7.13 to each Clearing Member subject thereto. The notice will specify (i) the violations of the Rules for which the fine is being imposed, (ii) the date of the violation for which the fine is being imposed and (iii) the amount of the fine. Within twenty (20) Business Days of serving the notice of fine, the Clearing Member, as the case may be, must either pay the fine or file notice of an appeal pursuant to Rule 7.12. Unless timely notice of appeal is filed pursuant to Rule 7.12, the fine will become final upon the expiration of twenty (20) Business Days after the notice of fine is served on the Clearing Member, as the case may be.

(c) The Clearinghouse, in its sole discretion, may deduct the amount of any fine imposed pursuant to Rule 7.13(b) directly from the Clearing Member's Account; *provided* that the Clearinghouse may not make such a deduction if the result would be to cause an event of default with respect to any Open Contract Positions then held in the Account of such Participant.

(d) The Clearinghouse will set the amount of any fines imposed pursuant to this Rule 7.13, with the maximum fine for each violation not to exceed $5,000. Summary imposition of fines pursuant to this Rule 7.13 will not preclude the Clearinghouse from bringing any other action against the Clearing Member, as the case may be.

7.14. Summary Suspensions and Other Summary Actions

(a) Notwithstanding anything in the Rules to the contrary, the Chief Compliance Officer or the Chief Compliance Officer's designee, upon a good faith determination that there are substantial reasons to believe that such immediate action is necessary to protect the public or the best interests of the Clearinghouse, may order that any party be denied access to the Clearinghouse, or summarily limit, condition, restrict or qualify the Clearing Privileges of a Clearing Member, and may take other summary action against any Clearing Member in accordance with the Rules; *provided*, *however*, that the Chief Compliance Officer or the Chief Compliance

Officer's designee in issuing an order denying access, may permit such party to submit Contracts for clearing solely for the purpose of liquidating the Open Contract Positions of such Clearing Member while the applicable suspension, limitation, condition, restriction or qualification of access is in effect.

(b) Promptly after an order is issued pursuant to paragraph (a), the party shall be informed of the action taken, the reasons for the action, the effective date and the duration of the action. The party shall also be informed of his or her right to appeal the action under Rule 7.12. Whenever practicable, the Compliance Department, acting on behalf of the Chief Compliance Officer, shall provide such notice prior to taking the action.

(c) Unless timely notice of appeal is filed pursuant to Rule 7.12, the summary action will become final upon the expiration of twenty (20) Business Days after the notice of action is served on the respondent.

(d) At the request of the Clearinghouse, a respondent against whom a summary action is brought pursuant to this Rule 7.14 must provide books and records over which the respondent has access or control and must furnish information to, or appear or testify before, the Clearinghouse in connection with the enforcement of any Rule.

(e) A respondent whose Clearing Privileges are suspended, limited, conditioned, restricted or qualified pursuant to this 7.14 may apply for reinstatement by filing with the Compliance Department a written request stating the applicant's reasons for seeking reinstatement. The Clearinghouse will not consider a respondent's request for reinstatement if the respondent (i) persists in the conduct which was the subject of the order denying access; (ii) owes any fines, fees, charges or costs to the Clearinghouse, (iii) continues to fail to appear at disciplinary proceedings without good cause or (iv) continues to impede the progress of disciplinary proceedings.

(f) Within a reasonable period after the filing of a request for reinstatement, the Appeals Panel will conduct a hearing to consider the request. At the hearing for reinstatement, the respondent will present its, his or her case supporting the reinstatement and the Compliance Department, acting on behalf of the Chief Compliance Officer may, in its discretion, present its case opposing or supporting the reinstatement and each may present relevant and admissible evidence and facts and call, examine and cross-examine witnesses. At the hearing for reinstatement, the Clearinghouse may require any Clearing Member to appear as witnesses and produce evidence if the Appeals Panel determines that the evidence is relevant.

(g) As promptly as reasonably possible after a reinstatement hearing, the Appeals Panel will issue an order reinstating, denying the reinstatement, or placing conditions on the reinstatement of the Clearing Privileges, or association with a Clearing Member, of the respondent. The order will include a brief summary of the evidence introduced at the reinstatement hearing; and, if applicable, findings of fact and conclusions not contained in the Appeals Panel's initial order issued pursuant to Rule 7.14(d) above. The Appeals Panel's order may not be appealed.

(h) Any decision to deny access pursuant to paragraph (a) shall not remain in effect for more than sixty (60) Business Days unless the Chief Compliance Officer or the Chief Compliance Officer's designee, upon further consideration of the circumstances giving rise to the order denying access, issues a separate order denying access for an additional period of time, not

to exceed sixty (60) Business Days. The party must be notified thereof prior to issuance of the second order, unless prior notice is impracticable. Such notice must meet the standards provided in paragraph (b). At any time, a party subject to an action under this Rule 7.14, may petition the Chief Compliance Officer or the Chief Compliance Officer's designee to reconsider an access denial pursuant to this Rule based upon materially changed circumstances.

(i) When the Clearing Privileges of a Clearing Member are, or the association of an Authorized User with a Clearing Member is, suspended for a period of 12 months or less, none of its rights and/or Clearing Privileges (including the right to hold oneself out to the public as a Clearing Member, submit Contracts for clearing, and receive Clearing Member rates for fees, costs, and charges and deposit margin at Clearing Member levels) will apply during the period of the suspension, except for the right of the Clearing Member in question to assert claims against others as provided in the Rules. Any such suspension will not relieve the Clearing Member in question of its, his or her obligations under the Rules to perform any Contracts entered into before the suspension, or for any Clearinghouse imposed fees, costs, or charges incurred during the suspension. The Clearinghouse may discipline a suspended Clearing Member under this Chapter 7 for any violation of a Rule or provision of Applicable Law committed by the Clearing Member before, during or after the suspension.

(j) When the Clearing Privileges of a Clearing Member are, or the association of an Authorized User with a Clearing Member is, terminated, all of its rights and Privileges will terminate, except for the right of the Clearing Member in question to assert claims against others, as provided in the Rules. A terminated Clearing Member may only seek to reinstate its Clearing Privileges by applying for Clearing Privileges pursuant to Rule 3. The Clearinghouse will not consider the application of a terminated Clearing Member if such Clearing Member, as the case may be, continues to fail to appear at disciplinary proceedings without good cause or continues to impede the progress of disciplinary proceedings.

(k) A suspended or terminated Clearing Member remains subject to the Rules and the jurisdiction of the Clearinghouse for acts and omissions prior to the suspension of termination, and must cooperate in any inquiry, investigation, disciplinary proceeding, appeal of disciplinary proceedings, summary suspension or other summary action as if the suspended or terminated Clearing Member or an Authorized User still had Clearing Privileges or was still associated with a Clearing Member, as the case may be.

7.15. Publication of Disciplinary Action

(a) The Clearinghouse shall provide notice to the CFTC no later than two (2) Business Days after any disciplinary action becomes final. .

(b) The Clearinghouse will make public notice of the disciplinary action by posting on its website, in accordance with CFTC Regulation 9.13, the information required by CFTC Regulation 9.11. The disciplinary action will be considered final on the date the notice of the disciplinary action is published on the Clearinghouse website.

CHAPTER VIII
DISPUTE RESOLUTION

8.1. General

(a) Any dispute, controversy or claim related to transactions executed and cleared through the PMUS Direct System, or otherwise related to participation on the PMUS Direct System shall be resolved and settled through binding arbitration in New York, New York. If the parties are able to agree on an arbitrator, the arbitration shall be conducted by a single arbitrator. If the parties are unable to agree on an arbitrator, each party shall select an arbitrator and the two arbitrators shall select a third arbitrator. Any arbitrator selected in connection with such arbitration must qualify as a Public Director (if the individual is a director of the Clearinghouse) and must have reasonable prior experience in the operation and regulation of exchanges and clearinghouses providing execution and clearing services in connection with commodity futures contracts, commodity options or swaps, and with respect to the rules of the CFTC and exchanges and clearinghouses generally. The arbitrator(s) shall determine the procedures for any arbitration held under this Rule 8.1, and shall, to the extent practicable, rely on applicable provisions of Chapter 7 with respect to such procedures, including but not limited to in connection with discovery by the parties, submission of documents and a hearing, *provided* that the arbitrator(s) shall have the authority to determine the appropriate procedures, notwithstanding the provisions of Chapter 7. The arbitrator(s) shall have the authority to award any remedy or relief that a court of competent jurisdiction could order or grant, including the issuance of an injunction. The fees and expenses of such arbitration shall be borne by the non-prevailing party, as determined by such arbitration. This provision shall not be construed in any way as creating a cause of action.

(b) Any failure on the part of any Clearing Member to arbitrate a case subject to arbitration, or the commencement by any such Person of a suit in any court prior to arbitrating a case subject to arbitration, violates the Rules and subjects such Clearing Member to disciplinary proceedings pursuant to Chapter 7, unless the parties mutually agree not to submit their dispute to arbitration.

(c) The Clearinghouse may summarily suspend, pursuant to Chapter 7, a Clearing Member that fails to satisfy an arbitration award rendered in any arbitration pursuant to this Chapter 8.

CHAPTER IX
[RESERVED]