CANTOR FUTURES EXCHANGE, L.P.

RULES

BY ACCESSING, OR ENTERING ANY ORDER INTO, THE CANTOR DIRECT SYSTEM, AND WITHOUT ANY NEED FOR ANY FURTHER ACTION, UNDERTAKING OR AGREEMENT, A PARTICIPANT AND ITS AUTHORIZED TRADERS AGREE (I) TO BE BOUND BY, AND COMPLY WITH, THE RULES OF THE EXCHANGE, 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 EXCHANGE WITH RESPECT TO ANY AND ALL MATTERS ARISING FROM, RELATED TO, OR IN CONNECTION WITH, THE STATUS, ACTIONS OR OMISSIONS OF SUCH PARTICIPANT AND ITS AUTHORIZED TRADERS. SEE CHAPTER III AND THE RELATED DEFINITIONS IN THESE RULES.

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CHAPTER I
DEFINITIONS; INTERPRETATION; AMENDMENTS

I-1. Defined Terms

Unless otherwise specifically provided in the Rules of the Exchange or the context otherwise requires, the terms defined in this Section I-1 shall for all purposes of the Rules of the Exchange have the meanings specified herein.

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

The term "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 VII. If less than 3 individuals from the Regulatory Oversight Committee are eligible to serve on the Appeals Panel pursuant to Rule VII-16, the Appeals Panel shall be a panel solely comprised of those individuals from the Regulatory Oversight 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 Compliance Director pursuant to Rule VII-16. Members of the Compliance Department of the Exchange 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.

Applicable Law

The term "Applicable Law" means, with respect to any Person, any statute, law, regulation, Rule or ordinance of any governmental authority applicable to such Person, including the CEA, CFTC Regulations, NFA Rules, and margin rules adopted by the Board of Governors of the Federal Reserve System.

Assistant Secretary

The term "Assistant Secretary" means any individual appointed by the Board of Directors from time to time to serve as an assistant secretary of the Exchange.

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Authorized Trader

The term "Authorized Trader" means any natural person who is authorized by a Participant to place Orders on the Cantor Direct System.

Block Trade

The term "Block Trade" has the meaning set forth in Rule IV-16.

Block Trade Contract

The term "Block Trade Contract" has the meaning set forth in Rule IV-16.

Block Trader ID

The term "Block Trader ID" shall have the meaning ascribed to it in Rule IV-16.

Board of Directors

The term "Board of Directors" means the Board of Directors of the Exchange constituted from time to time in accordance with the Cantor Futures Exchange, L.P. Operating Agreement and the Limited Liability Company Agreement of Cantor Futures Exchange Holdings, LLC, dated as of November 14, 2006.

Business Day

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

Cancel Order

The term "Cancel Order" means an Order that cancels fully an existing buy or sell order.

Cancel Replace Order

The term "Cancel Replace Order" means an order to cancel fully an existing buy or sell Order and replace it with a new Order for a different quantity or price.

Cantor Direct System

The term "Cantor Direct System" means the proprietary order entry and execution system operated by Cantor and used by the Exchange for the placement and

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execution of Orders or the collection and transmission of information relating to Contracts. Participants (and their Authorized Traders) will access the Cantor Direct System directly via the Internet.

CEA

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

CFTC

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

CFTC Regulation

The term "CFTC Regulation" means any rule, regulation, order or directive and any interpretation thereof adopted from time to time by the CFTC.

Clearinghouse

The term "Clearinghouse" means Cantor Clearinghouse, L.P. (including its successors), a limited partnership organized under the laws of the State of Delaware, or such other third-party clearing organization as the Exchange may designate in the future to provide clearing services with respect to any or all of its Contracts.

Compliance Department

The term "Compliance Department" has the meaning set forth in Rule VII-1(c).

Compliance Director

The term "Compliance Director" means an individual appointed by the Exchange who (i) does not have a relationship with the Exchange or any parent or subsidiary thereof of a type described in Rule II-6(b), (ii) is knowledgeable about futures trading and futures market operations as well as CFTC Regulations, and (iii) reports directly to the Regulatory Oversight Committee.

Contract

The term "Contract" means any forward, swap, Future or option (including an Option on Futures), and any other agreement, contract or transaction, which has been approved by the Exchange as generally eligible for trading on the Exchange pursuant to these Rules.

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Contract Rules

The term "Contract Rules" means, with respect to any Contract, the rules or other trading protocols containing specifications for such Contract, as adopted, amended, supplemented or otherwise modified from time to time by the Exchange.

Control

The term "Control" means the power to exercise a controlling influence over the management or policies of a Person, unless such power is solely the result of an official position with such 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 more than 25% of the voting power in the election of directors of any other corporation 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, shall be presumed to control such corporation. The terms "controlling" or "controlled" shall have meanings correlative to the foregoing.

DBOR

The term "DBOR" means, with respect to any film title that is the subject of a DBOR Contract, the total gross domestic box office receipts in the United States and Canada in U.S. dollars as compiled by Rentrak Theatrical and/or Nielsen EDI and published in Variety Magazine (or such other publicly available sources as may be designated by the Exchange from time to time).

DBOR Contract

The term "DBOR Contract" means the Contracts specified as such in the DBOR Contract Rules. For the avoidance of doubt, a DBOR Contract is a Contract relating to the specified portion of an identified film title's DBOR, as measured by the sum of the daily box office receipts in the United States and Canada, in accordance with these Rules and the DBOR Contract Rules, during the first four weeks after the film title's initial release; *provided*, that the Exchange may from time to time amend this definition in the DBOR Contract Rules.

DBOR Contract Rules

The term "DBOR Contract Rules" means the Contract Rules applicable to DBOR Contracts, as may be amended from time to time by the Exchange.

Director of Hearings

The term "Director of Hearings" means the individual appointed by the NFA on behalf of the Exchange from time to time to act as its director of hearings.

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Disciplinary Panel

The term "Disciplinary Panel" has the meaning set forth in Rule VII-9.

DPM

The term "DPM" means any designated primary market maker approved by the Exchange from time to time in accordance with, and with the duties and responsibilities set forth in, Rule V-11.

Equilibrium Price

The term "Equilibrium Price" means the price of a Contract determined in accordance with the application of the Exchange's proprietary pricing algorithm, as described in Rule IV-23.

EFP

The term "EFP" means any exchange for physical transaction entered into in accordance with Rule IV-15, a component of which is not executed on the Exchange and a component or all of which involves a Contract.

EFS

The term "EFS" has the meaning set forth in Rule IV-17(a).

Emergency

The term "Emergency" means any occurrence or circumstance that, in the opinion of the Board of Directors, requires immediate action and threatens or may threaten the fair and orderly trading in, or the liquidation of or delivery pursuant to, any Contract. An Emergency may include, without limitation, any of the following:

(a) Any manipulative activity or attempted manipulative activity;

(b) Any actual, attempted or threatened corner, squeeze, congestion or undue concentration of positions;

(c) Any circumstance that may materially adversely affect the performance of Contracts, including any failure of the payment system;

(d) Any action taken by the Federal or any foreign government, any other governmental body, or any other exchange or trading facility (foreign or domestic), in each case that may have a direct adverse effect on trading on the Exchange;

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(e) Any circumstance that may have a severe, adverse effect upon the physical functions of the Exchange, including fire or other casualty, bomb threats, terrorist acts, substantial inclement weather, power failures, communications breakdowns, computer system breakdowns, malfunctions of plumbing, heating, ventilation and air conditioning systems and transportation breakdowns;

(f) The bankruptcy or insolvency of any Participant or the imposition of any injunction or other restraint by any government agency, court or arbitrator upon a Participant, that may affect the ability of such Participant to perform on its Contracts;

(g) Any circumstance in which it appears that any Participant or any other Person has failed to perform its Contracts, is insolvent, or is in such financial or operational condition or is conducting business in such a manner that such Person cannot be permitted to continue in business without jeopardizing the safety of other Participants, the Exchange or the Clearinghouse; and

(h) Any other unusual, unforeseeable and adverse circumstance with respect to which it is impracticable for the Exchange to submit in a timely fashion a reviewable Rule to the CFTC.

End of Trading

The term "End of Trading" means 5:00 P.M. on each Trading Day or such other time as the Exchange may from time to time prescribe. The End of Trading is the time as of which such actions as are specified in these Rules or the relevant Contract Rules as taking place at the end of a Trading Day, such as determination Settlement Prices, will occur.

Entity

The term "Entity" means any Person other than a natural person (e.g., a corporation, partnership, sole proprietorship or trust).

Exchange

The term "Exchange" means Cantor Futures Exchange, L.P. (including its successors), a limited partnership organized under the laws of the State of Delaware, and when used with reference to the administration of any Rule of the Exchange, means either the Board of Directors or the Officer, employee, agent, committee or delegee to whom appropriate authority to administer such provision has been delegated by the Board of Directors.

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Exchange Official

The term "Exchange Official" means any Officer of, or individual employed directly by, the Exchange.

Executive Committee

The term "Executive Committee" means the committee of the Board of Directors constituted in accordance with Rule II-3.

First Trading Day

The term "First Trading Day" means the first Trading Day on which the relevant Contract trades on the Exchange, as described in the applicable Contract Rules.

Future

The term "Future" means any contract for the purchase or sale of any commodity or financial instrument for future delivery or settlement, as the case may be.

General Partner

The term "General Partner" means Cantor Futures Exchange Holdings, LLC, the general partner of the Exchange.

Hearing Panel Committee

The term "Hearing Panel Committee" means the Exchange committee whose members are drawn from the NFA's Hearing Committee.

Last Trading Day

The term "Last Trading Day" means the last Trading Day on which the relevant Contract trades on the Exchange, as described in the applicable Contract Rules.

Limit Order

The term "Limit Order" has the meaning set forth in Rule IV-5(i).

Market Maker

The term "Market Maker" means any Participant that has been appointed by the Exchange to perform certain market-making functions with respect to one or

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more specified Contracts pursuant to an agreement between such Participant and the Exchange.

Market Order

The term "Market Order" has the meaning set forth in Rule IV-4(ii).

Matched Trade

The term "Matched Trade" has the meaning set forth in Rule IV-4(e).

Master Order Book

The term "Master Order Book" means the book maintained by the Exchange containing all bids and offers on Contracts entered in an Opening Auction for such Contracts or in continuous trading market with respect to such Contract.

NFA

The term "NFA" means the National Futures Association, and includes any successor organization.

Officer

The term "Officer" shall have the meaning ascribed to it in Rule II-8.

Opening Auction

The term "Opening Auction" means a two-sided, single price auction conducted by the Exchange on the First Trading Day with respect to any Contract at the times specified in the applicable Contract Rules for the purpose of determining the Equilibrium Price with respect to the applicable Contract.

Operating Agreement

The term "Operating Agreement" means the Limited Partnership Agreement of the Exchange, dated as of November 14, 2006, as amended, supplemented or otherwise modified from time to time.

Option on Futures

The term "Option on Futures" means any option to buy or sell any Future traded subject to the Rules of the Exchange.

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Order

The term “Order” means any order to buy or sell a Contract on or subject to the Rules of the Exchange.

Original Margin

The term “Original Margin” shall have the meaning assigned to such term in the Rules of the Clearinghouse.

Participant

The term “Participant” means any Person that has been granted, and continues to have, Trading Privileges, or otherwise remains subject to the jurisdiction of the Exchange under these Rules.

Passwords

The term “Passwords” has the meaning set forth in Rule V-9(b).

Person

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

President

The term “President” means the individual appointed by the Board of Directors from time to time to serve as president of the Exchange.

Public Director

The term “Public Director” has the meaning ascribed to it in Rule II-6(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 the CFTC Regulations as the CFTC may adopt from time to time.

Regulatory Services Agreement

The term “Regulatory Services Agreement” shall have the meaning ascribed to it in Rule II-12.

Regulatory Oversight Committee

The term “Regulatory Oversight Committee” means the committee of the Board of Directors constituted in accordance with Rule II-4.

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Responsible Agent

The term "Responsible Agent" shall have the meaning ascribed to it in Rule V-9(a).

Rules of the Clearinghouse

The term "Rules of the Clearinghouse" means the constitutive documents and any rules, regulations, interpretations, stated policies or instruments corresponding to any of the foregoing, in each case as adopted or amended from time to time by the Clearinghouse relating to the Exchange or any or all of the Contracts for which such Clearinghouse has been designated by the Exchange.

Rules of the Exchange

The term "Rules of the Exchange" means any Rule adopted or amended, from time to time, by the Exchange.

Secretary

The term "Secretary" means the individual appointed by the Board of Directors from time to time to serve as secretary of the Exchange.

Settlement Price

The term "Settlement Price" means, with respect to any Contract, the price established at the end of each Trading Day, in accordance with procedures from time to time specified by the Exchange.

Supervised Persons

The term "Supervised Persons" shall mean any directors, officers or employees or Authorized Traders of any Participant.

Trading Account

The term "Trading Account" shall mean, with respect to each Participant, each account established and maintained by such Participant at the Exchange through which the Participant's Authorized Traders will trade Contracts.

Trading Day

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

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Trading Hours

The term "Trading Hours" means, with respect to any Contract, the hours during which the Exchange is regularly open for the trading of such Contract, as set forth in the relevant Contract Rules.

Trading Privileges

The term "Trading Privileges" means, with respect to Participants and their respective Authorized Traders, the right (a) to transmit Orders for certain or all Contracts in electronic form directly to the Cantor Direct System and (b) to enter into the Cantor Direct System EFPs and Block Trades involving certain or all Contracts, subject to the specific requirements and conditions applicable thereto.

Treasurer

The term "Treasurer" means the individual appointed by the Board of Directors from time to time to serve as treasurer of the Exchange.

Vice President

The term "Vice President" means any individual appointed by the Board of Directors from time to time to serve as a vice president of the Exchange.

I-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, Rule or Appendix refers to a Chapter or Rule of, or Appendix to, 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, appendix or any other subdivision;

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

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

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

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

I-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.

I-4. Amendment of Rules

New Rules of the Exchange may be adopted, and existing Rules of the Exchange may be amended or repealed, by the Board of Directors. All such new Rules of the Exchange, 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 Exchange.

I-5. Contract Rules

(a) 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.

(b) Notwithstanding the generality of Rule I-5(a) or anything to the contrary in Rule III-3, the Contract Rules for each individual Contract may specify:

(i) different classes of Participants eligible to trade such Contracts. Each such class of Participants shall have the rights and obligations specified by the Contract Rules for each such Contract; and

(ii) whether such Contract may be settled via cash settlement, physical delivery of the underlying commodity, or by any other means, as applicable.

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CHAPTER II
GOVERNANCE OF THE EXCHANGE

II-1. Board of Directors

(a) The business and affairs of the Exchange shall be managed by the Board of Directors in accordance with the Cantor Futures Exchange, L.P. Operating Agreement and Applicable Law.

(b) At all times, at least 35% of the members of the Board of Directors shall be Public Directors.

(c) The number of directors on the Board of Directors shall be a number not less than 5 and not more than 9, as determined by the General Partner, appointed in accordance with Rule II-1(d).

(d) The appointment of the members of the Board of Directors will be made by the General Partner. Cantor Fitzgerald, L.P., the sole member of the General Partner, shall make such appointments on behalf of the General Partner.

II-2. Standing Committees

(a) The Board of Directors shall initially have two standing committees: the "Executive Committee" and the "Regulatory Oversight Committee".

(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, as promptly as possible after each annual meeting of the Exchange. 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 the Board of Directors shall designate the chairperson of each standing committee.

(c) Each standing committee shall assist in the supervision, management and control of the affairs of the Exchange within its particular area of responsibility.

(d) 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

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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 conference or similar communications equipment by means of which all members participating in such meeting can hear each other.

(e) 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, (ii) the President or (iii) the chairperson of the standing committee in question.

II-3. Executive Committee

The Executive Committee of the Board of Directors shall consist of the chairperson of the Board of Directors, the President (as *ex officio* member) and such additional individuals, who shall be members of the Board of Directors, as may be appointed from time to time by the chairperson of, and approved by, the Board of Directors. At least thirty-five (35%) percent of the members of the Executive Committee shall be Public Directors. The Executive Committee shall have general supervision over the property, business and affairs of the Exchange, subject to the authority of the Board of Directors. It shall make such recommendations to the Board of Directors as will, in its judgment, best promote the interests of the Exchange. The Executive Committee shall also have such other powers and perform such other duties as the Board of Directors may delegate to it from time to time.

Without limiting the generality of the foregoing, the Executive Committee shall have authority (and may delegate such authority) to: (a) monitor compliance with the Rules of the Exchange or any interpretation thereof and with the rules, regulations, resolutions and stated policies of the Board of Directors or any committee of the Board of Directors or of the Exchange by Participants or Authorized Traders; (b) approve any applicant to become a Participant in accordance with Rule III-3; (c) inquire into the business conduct and financial condition of Participants or Authorized Traders and require detailed financial reports and such other operational reports as it may deem advisable of any Participant related to its futures trading; (d) suspend, revoke, limit, condition, restrict or qualify a Participants' Trading Privileges in accordance with Chapter VII; (e) prohibit any trading activities by a Participant that are excessive in relation to such Participant's capital; and (f) exercise any other functions expressly assigned to it in these Rules.

II-4. Regulatory Oversight Committee

The Regulatory Oversight Committee of the Board of Directors shall consist only of Public Directors, who shall be members of the Board of Directors, and shall be appointed from time to time by the chairperson of, and approved by, the Board

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of Directors. The Regulatory Oversight Committee shall oversee the Exchange's regulatory program on behalf of the Board of Directors. It shall make such recommendations to the Board of Directors as will, in its judgment, best promote the interests of the Exchange. The Regulatory Oversight Committee shall also have such other powers and perform such other duties as the Board of Directors may delegate to it from time to time.

The Board of Directors shall confirm one member of the Regulatory Oversight Committee as the committee's chairperson. The Chairperson of the Regulatory Oversight Committee shall determine the agenda for the committee and shall cast the tie-breaking vote on any matter where the voting members of the committee are equally divided.

Without limiting the generality of the foregoing, the Regulatory Oversight Committee shall have authority to: (a) monitor the Exchange's regulatory program for sufficiency, effectiveness and independence, (b) oversee all facets of the Exchange's regulatory program, including trade practice and market surveillance; audits, examinations, and other regulatory responsibilities with respect to Participants (including ensuring compliance with financial integrity, financial reporting, sales practice, recordkeeping, and other requirements); and the conduct of investigations, (c) review the size and allocation of the regulatory budget and resources; and the number, hiring and termination, and compensation of regulatory personnel, (d) supervise the Exchange's Compliance Director, who will report directly to the Regulatory Oversight Committee, (e) prepare an annual report assessing the Exchange's self-regulatory program for the Board of Directors and the CFTC, which sets forth the regulatory program's expenses, describes its staffing and structure, catalogues disciplinary actions taken during the year, and reviews the performance of disciplinary committees and panels, (f) recommend changes that would ensure fair, vigorous, and effective regulation, (g) review regulatory proposals and advise the Board of Directors as to whether and how such changes may impact regulation, and (h) exercise any other functions expressly assigned to it in these Rules.

II-5. Additional Committees and Panels

(a) The Board of Directors may create such additional standing committees of the Board of Directors as it may from time to time deem necessary or advisable. Members of such committees must be members of the Board of Directors, *provided* that the President may be a voting *ex officio* member of any such standing committee.

(b) In addition to the standing committees, the Board of Directors may from time to time constitute and appoint, by Rule or resolution, special committees of the Board of Directors and designate their composition, responsibilities and powers. The provisions regarding standing committees in Rule II-2 shall apply *mutatis mutandis* to any such special committees. At least

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35% of the members of each special committee designated by the Board of Directors shall be Public Directors.

(c) The Exchange may create additional committees of the Exchange, or panels, for such purposes as may from time to time be necessary or advisable. Members of each such committee may be members of the Board of Directors, Participants, Authorized Traders 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 Exchange).

II-6. Eligibility

(a) No Person may serve as an Officer of the Exchange, or a member of the Board of Directors, the Executive Committee or any other disciplinary committee, arbitration panel or oversight panel of the Exchange or as Compliance Director if such Person:

(i) 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 disciplinary offense;

(ii) 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 disciplinary offense;

(iii) 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 absence of such findings, any of the acts charged included a disciplinary offense;

(iv) 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;

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(v) 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; or

(vi) 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.

(b) To qualify as a Public Director, an individual must be found, by action of the Board of Directors, to have no relationship with the Exchange that reasonably could affect the independent judgment or decision making of the Director. In addition, a Director shall not be considered a "Public Director" if any of the following circumstances exist:

(i) within the last year, the individual or any member of his or her immediate family has been a director, officer or employee of the Exchange or any of its affiliates. Solely for purposes of this Rule II-6, the term "affiliate" shall mean parents or subsidiaries of the Exchange or entities that share a common parent with the Exchange.

(ii) within the last year, the individual or any member of his or her immediate family has been a member of the Exchange, or a person employed by or affiliated with a member. Solely for purposes of this Rule II-6, the term "member" is defined according to Section 1a(24) of the CEA and Regulation 1.3(q) promulgated by the CFTC thereunder. Therefore, any Participant would be considered a "member" of the Exchange. In this context, a person is "affiliated" with a member if he or she is an officer or director of the member, or if he or she has any other relationship with the member such that his or her impartiality could be called into question in matters concerning the member.

(iii) within the last year, the individual or any immediate family member of the individual, or a firm with which such individual or his or her immediate family member is affiliated**,** as described in Rule II-6(b)(ii) above, received more than $100,000 in combined annual payments from the Exchange or its affiliates, or from a member or any person or entity affiliated with a member of the Exchange. Compensation for services as a Director shall not count towards the $100,000 payment limit, nor shall deferred compensation for services prior to becoming a Director, so long as such compensation is in no way contingent, conditioned or revocable.

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(c) Public Directors may also serve as directors of any parent company of the Exchange if the Public Directors otherwise meet the definition of "Public Director" in this Rule II-6.

(d) For purposes of this Rule II-6, the terms "self-regulatory organization", "disciplinary committee", "arbitration panel", "oversight panel", "final decision", "disciplinary offense", and "settlement agreement" have the meanings set forth in CFTC Regulation 1.63(a).

II-7. Power of the Board of Directors to Review Decisions

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, special committees of the Board of Directors formed pursuant to Rule II-5(b) and officers of the Exchange appointed pursuant to Rule II-8 (other than the Regulatory Oversight Committee).

II-8. Officers

The Board of Directors shall appoint a President, one or more Vice Presidents, a Secretary, a Treasurer, one or more Assistant Secretaries, one or more Assistant Treasurers and such other officers (each such person, an "Officer") as it may deem necessary or appropriate from time to time, in each case for such term and on such other conditions as it sees fit. Any officer of the Exchange may also be a director, officer, partner or employee of Cantor Fitzgerald, L.P. or any of its affiliates.

II-9. Restrictions on Certain Persons Who Possess Material, Non-Public Information

(a) None of (i) any Officer of the Exchange, (ii) any member of the Board of Directors or any committee established by the Board of Directors or the Exchange (including but not limited to the Disciplinary Panel and the Appeals Panel), (iii) the Compliance Director or any other employee or agent of the Exchange 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 Officer, employee or agent of the Exchange, and no member of the Board of Directors or any committee established by the Board of Directors of the Exchange, shall (i) trade in any Contract, or any underlying or related commodity interest, if such Person is in possession of material non-public information concerning such Contract or any underlying or related commodity interest or (ii) disclose to any other Person material, non-public information, however obtained (including, without limitation, material non-public information obtained by an employee or agent of the Exchange in connection with such

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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 underlying or related commodity interest.

(c) Any Officer, Director, Compliance Director or employee or agent of the Exchange who violates any provision of this Rule II-9 shall indemnify the Exchange for, and hold the Exchange harmless against, any losses, damages or costs that the Exchange may incur as a result of such violation.

(d) Notwithstanding anything to the contrary in this Rule II-9, the applicable Contract Rules for each Contract traded on the Exchange may impose additional prohibitions on the use of or trading on material non-public information by any Person.

(e) For purposes of this Rule II-9, the terms "material information," "non-public information" and "commodity interest" shall have the meanings ascribed to them in CFTC Regulation 1.59 or in the applicable Contract Rules, as the case may be.

II-10. Conflicts of Interest

(a) *Definitions*. For purposes of this Rule II-10, the following definitions shall apply:

(i) The term "family relationship of a Person" shall mean such Person's spouse, former spouse, parent, stepparent, child, stepchild, sibling, stepbrother, stepsister, grandparent, grandchild, uncle, aunt, nephew, niece or in-law.

(ii) The term "Board" shall mean the Board of Directors, and any committee thereof duly authorized to take action or to recommend the taking of action on behalf of the Exchange.

(iii) The term "member's affiliated firm" shall mean a firm in which a member of the relevant deliberating body is an employee or a "principal", as defined in CFTC Regulation 3.1(a).

(iv) The term "named party in interest" shall mean a Person or entity that is identified by name as a subject of any matter being considered by the Board, a disciplinary committee or oversight panel.

(v) The term "significant action" shall mean any of the following types of actions or Rule changes that are implemented without the CFTC's prior approval:

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(A) Any actions or Rule changes which address an "Emergency", as defined in Chapter I of these Rules; and

(B) Any changes in margin levels that are designed to respond to extraordinary market conditions or otherwise likely to have a substantial effect on prices in any Contract.

(b) *Named Party in Interest Conflict.*

(i) *Prohibition.* No Officer of the Exchange, Compliance Director or member of the Board of Directors or any standing committee, "disciplinary committee" or "oversight panel" (both as defined in CFTC Regulation 1.69) shall knowingly participate in such body's deliberations or voting in any matter involving a named party in interest where such member (A) is a named party in interest, (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, (D) has a family relationship with a named party in interest or (E) has any other significant, ongoing business relationship with a named party in interest, excluding relationships limited to executing Contracts opposite each other.

(ii) *Recusal*. Where the Compliance Director has or may have one of the relationships listed in paragraph (b)(i) of this Rule II-10 with a named party in interest, the Compliance Director shall recuse himself or herself from the matter giving rise to the conflict and the Board of Directors shall appoint an individual meeting all the requirements of a Compliance Director to serve as Compliance Director for the specific matter giving rise to the conflict.

(iii) *Disclosure.* Prior to consideration of any matter involving a named party in interest, each member of the deliberating body (other than the Compliance Director whose recusal is required pursuant to clause (ii) above) shall disclose to the President, or his or her designee, whether such member has or may have one of the relationships listed in paragraph (b)(i) of this Rule II-10 with a named party in interest.

(iv) *Procedure and Determination.* The President, or his or her designee, shall determine whether any member of the relevant deliberating body is subject to a conflicts restriction under this paragraph (b). Such determination shall be based upon a review of the following information:

(A) information provided by such member pursuant to clause (ii) above; and

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(B) any other source of information that is held by or reasonably available to the Exchange.

(c) *Financial Interest in a Significant Action Conflict.*

(i) *Prohibition*. No Officer of the Exchange, Compliance Director or member of the Board of Directors or any standing committee, "disciplinary committee" or "oversight panel" (both as defined in CFTC Regulation 1.69) shall participate in such body's deliberations and 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 Exchange or non-Exchange positions that could reasonably be expected to be affected by the significant action under consideration, as determined pursuant to this paragraph (c).

(ii) *Recusal*. Where the Compliance Director has or may have a direct and substantial financial interest in the result of the vote on any significant action based upon either Exchange or non-Exchange positions that could reasonably be expected to be affected by the significant action under consideration, the Compliance Director shall recuse himself or herself from the matter giving rise to the conflict and the Board of Directors shall appoint an individual meeting all the requirements of a Compliance Director to serve as Compliance Director for the specific matter giving rise to the conflict.

(iii) *Disclosure*. Prior to consideration of any significant action, each member of the deliberating body (other than the Compliance Director whose recusal is required pursuant to clause (ii) above) who does not choose to abstain from deliberations and voting shall disclose to the President, or his or her designee, position information known to such member with respect to any particular Contracts that are under consideration, and any other positions which the deliberating body reasonably expects could be affected by the significant action, as follows:

(A) gross positions held at the Exchange in such member's personal accounts or "controlled accounts", as defined in CFTC Regulation 1.3(j);

(B) gross positions held at the Exchange in accounts in which such member is a "principal", as defined in CFTC Regulation 3.1(a); and

(C) any other types of positions, whether maintained at the Exchange or elsewhere, held in such member's personal accounts or the proprietary accounts of such member's affiliated

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firm, that the Exchange reasonably expects could be affected by the significant action.

(iv) *Procedure and Determination*. The President, or his or her designee, shall determine whether any member of the relevant deliberating body is subject to a conflicts restriction under this paragraph (c) based upon a review of the most recent large trader reports and clearing records available to the Exchange, information provided by such member with respect to positions pursuant to clause (ii) above and any other source of information that is held by and reasonably available to the Exchange, taking into consideration the exigency of the significant action being contemplated. A member of a deliberating body shall be subject to the conflicts restriction in clause (i) above if the review by the President, or his or her designee, identifies a position in such member's personal or controlled accounts or accounts in which such member is a principal as specified in subclauses (iii)(A), (B) and (C) above.

(v) *Deliberation Exemption*. Any Officer of the Exchange, member of the Board, a "disciplinary committee" or "oversight panel" (both as defined in Commission Regulation 1.69) who would otherwise be required to abstain from deliberations and voting pursuant to this paragraph (c) (excluding the Compliance Director) may participate in deliberations, but not voting, if the deliberating body, after considering the factors specified below, determines that such participation would be consistent with the public interest, *provided, however,* that before reaching any such determination, the deliberating body shall fully consider the position information specified in clause (ii) above which is the basis for such member's 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 in deliberations is necessary to achieve a quorum; and

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

(d) *Documentation*. The minutes of any meeting to which the conflicts determination procedures set forth in this Rule II-10 apply shall reflect the following information:

(i) the names of all members of the relevant deliberating body who attended such meeting in person or who otherwise were present by electronic means;

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(ii) the name of any member of the relevant deliberating body 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; and

(iii) information on the position information that was reviewed for each member of the relevant deliberating body.

II-11. Regulatory Cooperation

The Exchange 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 Exchange may consider necessary or appropriate or as the CFTC may require.

II-12. Regulatory Services Agreement with NFA

The Exchange has contracted with NFA to provide certain regulatory services to the Exchange pursuant to a regulatory services agreement (the "Regulatory Services Agreement"). In accordance with the Regulatory Services Agreement, NFA may perform certain surveillance, investigative, and regulatory functions under the Rules of the Exchange and the Exchange may provide information to NFA in connection with the performance by NFA of those functions. Without limitation of the foregoing, any of the powers or functions of the Exchange under these Rules may be delegated to the NFA pursuant to the Regulatory Services Agreement in such manner and on such terms as the Exchange and the NFA may mutually agree.

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CHAPTER III
OWNERSHIP AND TRADING PRIVILEGES

III-1. Participants and Trading Accounts

(a) Notwithstanding anything to the contrary in these Rules, each Participant shall be permitted to maintain one and only one Trading Account until such time as the Exchange, in its sole discretion, determines that Participants shall be permitted to maintain more than one Trading Account.

(b) Each Participant and its Authorized Traders shall have the right to access the Cantor Direct System, including the right to place Orders for each of such Participant's Trading Accounts.

(c) In the event that the Exchange determines that Participants may be permitted to maintain more than one Trading Account, as described in Rule III-1(a), each Participant shall designate each of its Authorized Trader to trade any or all of its Trading Accounts, provided that a Participant shall at all times be responsible for all of its Trading Accounts as set forth under these Rules.

(d) Subject to the requirements and procedures set forth in this Chapter III, Trading Privileges shall be offered to all applicants eligible to be Participants as determined by the Exchange from time to time, subject to any limitations or restrictions from time to time imposed by the Exchange. Trading Privileges are non-transferable, non-assignable and may not be sold or leased.

(e) By virtue of obtaining Trading Privileges, a Participant shall not obtain any equity or other interest in the Exchange, including voting rights or rights to receive any dividends or other distributions, whether arising from a dissolution, merger, consolidation involving the Exchange or otherwise.

(f) For the avoidance of doubt, and notwithstanding anything to the contrary in these Rules, under no circumstances shall any employees, officers or directors of the Exchange be permitted to have Trading Privileges.

III-2. Authorized Traders

(a) Each Participant that is an Entity shall be required to appoint one or more individuals to act as its Authorized Trader or Authorized Traders, as applicable. Participants that are natural persons may act as their own Authorized Trader or may appoint a third party as his or her Authorized Trader, pursuant to a power of attorney or other instrument, in a form prescribed or approved by the Exchange, providing such third party with discretionary trading authority with respect to the Participant's Trading Account.

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(b) Each Authorized Trader that is an employee of a Participant that is an Entity, and any Participant that is a natural person acting as his or her own Authorized Trader pursuant to Rule III-2(a) above, (i) must be a natural person, (ii) may have Trading Privileges with respect to the Trading Account or Trading Accounts, as the case may be, of one and only one Participant, and (iii) must satisfy any other requirements as may be prescribed by the Exchange from time to time. A Participant that authorizes a third party to trade for its Trading Account on a discretionary basis pursuant to a power of attorney or other instrument must identify a specific natural person as its Authorized Trader with respect to such Trading Account.

(c) Each Participant may at any time revoke an authorization granted by it to any Authorized Trader by disabling such authorization in the Cantor Direct System.

(d) Without limiting the foregoing, each Authorized Trader will consent, in a form satisfactory to the Exchange, to abide by the Rules of the Exchange and Applicable Law prior to accessing the Cantor Direct System, and each Participant will ensure on an ongoing basis that (i) none of its Authorized Traders 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 Traders will be technically proficient, (iii) each of its Authorized Traders will conduct its business in a fair and equitable manner, and (iv) each of its Authorized Traders will conduct its business in accordance with the Rules of the Exchange.

III-3. Eligibility

(a) Participants are eligible to hold either long or short positions in Contracts only for their proprietary Trading Accounts on a direct basis. In addition, Participants must: (i) satisfy all requirements generally applicable to Participants and Authorized Traders under these Rules and any applicable Contract Rules; (ii) satisfy such financial criteria as may be prescribed by the Exchange from time to time; (iii) have sufficient technical and operational capabilities to fulfill any other obligations applicable to Participants or their Authorized Traders as may from time to time be required by the Exchange; and (iv) satisfy such other requirements or criteria as may from time to time be adopted by the Exchange.

(b) Notwithstanding anything to the contrary in Rule III-3(a), the Exchange shall have the right to establish more than one class of Participants in connection with the trading of particular Contracts, subject to and in accordance with the applicable Contract Rules.

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(c) Each applicant to become a Participant that is a natural person must: (A) maintain a United States bank account in his or her own name that the applicant will use to receive funds from the applicant's Trading Account and as a vehicle for funding the applicant's Trading Account, (B) have attained the age of majority in the individual's place of residence, (C) appoint one or more Authorized Traders pursuant to Rule III-2, and (D) satisfy such other requirements or criteria as may from time to time be adopted by the Exchange.

(d) Each applicant to become a Participant that is an Entity must: (A) be duly organized and in good standing in its jurisdiction of organization, (B) maintain a United States bank account in the name of the entity that the applicant will use to receive funds from the applicant's Trading Account, (C) have the legal authority and be duly authorized and empowered to become a Participant and to effect transactions on the Exchange, (D) appoint one or more Authorized Traders pursuant to Rule III-2, and (E) satisfy such other requirements or criteria as may from time to time be adopted by the Exchange.

(e) Notwithstanding anything in the foregoing paragraphs (c) or (d) to the contrary:

(i) In considering any applicant for status as a Participant or as an Authorized Trader of a Participant, the Exchange 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

(ii) The Exchange may limit trading in particular Contracts to specific Participants, based upon financial, regulatory or other criteria established by the Exchange.

(f) The Exchange in its sole discretion may deny (or may condition) the grant of Trading Privileges of any Participant or any Authorized Trader:

(i) if such Person is unable satisfactorily to demonstrate a capacity to adhere to all applicable Rules of the Exchange, Rules of the Clearinghouse and CFTC Regulations, including, to the extent applicable, those concerning record-keeping, reporting, finance and trading procedures;

(ii) if such Person would bring the Exchange into disrepute; or

(iii) for such other causes as the Exchange may determine from time to time.

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(g) The Exchange in its sole discretion may condition or revoke a Participant's Trading Privileges or, in the case of an Authorized Trader condition or revoke its association with a Participant, if any of the circumstances specified in the preceding paragraph (f) exist with respect to such Participant or Authorized Trader, or such Participant or Authorized Trader:

(i) fails to meet any of the qualification requirements for Trading Privileges or association after such Trading Privileges or association have been approved;

(ii) fails to meet any condition placed by the Exchange on such Trading Privileges or association; or

(iii) violates any agreement with or Rule of the Exchange.

(h) Futures commission merchants or other intermediaries shall not be permitted to submit trades in Contracts for execution on behalf of customers.

III-4. Application for Trading Privileges

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

(b) Each applicant to become a Participant shall:

(i) submit to the Exchange executed forms of all application documents;

(ii) pay to the Exchange such initial fee as may be prescribed by the Exchange from time to time; and

(iii) agree in written or electronic form to abide by these Rules and Applicable Law.

Upon the Exchange's approval of an applicant's Participant application and upon the Exchange's confirmation that the initial fee payable by the applicant has been paid to the Exchange, the applicant shall become a Participant and obtain Trading Privileges.

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III-5. Fees

The Board of Directors shall have the sole authority to set the times and amounts of any fees to be paid by Participants, which fees shall be paid to the Exchange when due.

If a Participant fails to pay when due any Exchange fees or other amounts due on such Participant, and such payment obligation remains unsatisfied for 30 Business Days after its due date, the Exchange may suspend, revoke, limit, condition, restrict or qualify the Trading Privileges of such Participant and its Authorized Traders as it deems necessary or appropriate.

III-6. Limitations of Trading Privileges

(a) Notwithstanding anything in Rule III-3 to the contrary, the Exchange may at any time suspend, revoke, limit, condition, restrict or qualify the Trading Privileges of any Participant or Authorized Trader if, in the sole discretion of the Board of Directors, such action is in the best interests of the Exchange.

(b) Any such sanction imposed on a Participant or Authorized Trader pursuant to Rule III-6(a) may be appealed by such Participant or Authorized Trader in accordance with the provisions of Chapter VII; *provided*, *however*, that such sanction shall continue in effect during the appeal.

(c) Notwithstanding the generality of Rule III-6(a) or Rule III-6(b), upon the suspension or revocation of a Participant's status as a Participant of the Clearinghouse, the Trading Privileges of a Participant and its Authorized Traders shall automatically be suspended or revoked, as the case may be, by the Exchange.

III-7. Application of Rules and Jurisdiction Following Termination

(a) By accessing, or entering any Order into, the Cantor Direct System, and without any need for any further action, undertaking or agreement, a Participant and its Authorized Traders agree (i) to be bound by, and comply with, the Rules of the Exchange, the Rules of the Clearinghouse and Applicable Law, in each case to the extent applicable to it, and (ii) to become subject to the jurisdiction of the Exchange with respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Participant and its Authorized Traders.

(b) Any Participant and its Authorized Traders whose Trading Privileges are revoked or terminated shall remain bound by the Rules of the Exchange, the Rules of the Clearinghouse and Applicable Law, in each case to the extent applicable to it, and subject to the jurisdiction of the Exchange with

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respect to any and all matters arising from, related to, or in connection with, the status, actions or omissions of such Participant and its Authorized Traders prior to such revocation or termination.

III-8. Recording of Communications

The Exchange may record conversations and retain copies of electronic communications between officers, employees or agents of the Exchange, on one hand, and Participants or Authorized Traders, on the other hand. Any such recordings may be retained by the Exchange in such manner and for such periods of time as the Exchange may deem necessary or appropriate but in no event less than the retention periods necessary to comply with Commission Rule 1.35. The NFA will have access to such recordings to the extent required to perform certain regulatory services to the Exchange pursuant to the Regulatory Services Agreement.

III-9. Notices

The Exchange shall publish a notice with respect to each addition to, modification of, or clarification of, the Rules of the Exchange or of any action to implement any Rules of the Exchange, in a form and manner that is reasonably designed to enable each Participant and its Authorized Traders to become aware of and familiar with, and to implement any necessary preparatory measures to be taken by it with respect to, such addition or modification, prior to the effective date thereof; *provided* that any failure of the Exchange to so publish a notice shall not affect the effectiveness of the addition or modification in question. For purposes of publication in accordance with the first sentence of this Rule III-9, it shall be sufficient (without limiting the discretion of the Exchange as to any other reasonable means of communication) if a notice is published on the Exchange's website.

III-10. Communications between the Exchange and Participants

Each Participant must provide the Exchange with the current electronic mail address for each of its Authorized Traders and its Responsible Agent and immediately (and in any event within 24 hours) update each such address whenever it changes. All communications between the Exchange and the Participant (and its Authorized Traders and/or Responsible Agent) will be transmitted by electronic mail and/or posted on the Exchange website. Each Participant will be responsible for promptly reviewing and, if necessary, responding to all electronic communications from the Exchange. The NFA will have access to such communications to the extent required to perform certain regulatory services to the Exchange pursuant to the Regulatory Services Agreement.

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CHAPTER IV
TRADING STANDARDS

IV-1. Contracts Traded on the Exchange

The Exchange shall determine which Contracts are available for trading subject to the Rules of the Exchange from time to time and, subject to the provisions of Rule IX-1, approve rules containing the specifications for such Contracts, *provided* that certifications or applications with respect to such Contracts shall be submitted to the CFTC as required by the CEA and CFTC Regulations.

IV-2. Trading Days and Trading Hours

(a) The Exchange shall from time to time determine (a) the Trading Days during any particular calendar year and (b) the Trading Hours with respect to any particular Contract. All time references shall be based on local time prevailing in The City of New York, New York, unless otherwise expressly set forth in the relevant Contract Rules. Opening times start on the first second of the minute cited. Closing times end on the first second of the minute cited. Trading Hours may vary among different Contracts. No Participant may make any bid or offer for, or engage in any transaction in, any Contract before or after such hours.

(b) Trading will be suspended during periods the Exchange schedules for routine maintenance and during any announced periods of non-routine maintenance. In the event that trading is suspended either for routine or non-routine maintenance, notice will be given to Participants as promptly as practicable both by posting of a notice on the Exchange's website and by e-mail directly to each Participant.

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

IV-3. Order Entry

The Authorized Traders of each Participant shall enter Orders by electronic transmission to, and shall be required to provide the information required on the order entry page of, the Cantor Direct System. The Exchange shall maintain an electronic record of those entries. Each Participant shall be responsible for any and all Orders in each of its Trading Accounts to be entered by any of its Authorized Traders.

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IV-4. Financial Requirements for Order Entry and Executions

(a) Participants are required to have sufficient funds on deposit with the Clearinghouse such that any executed Orders will "PASS" the credit check as described in Rule IV-4(e).

(b) To facilitate compliance with Rule IV-4(a), the Exchange shall establish a maximum Order size for each Trading Account of each Participant based upon the Participant's Available Funds (as defined in the Rules of the Clearinghouse), the size of the Participant's Participant Clearing Account, the Participant's trading behavior, and any other factors that the Exchange deems relevant.

(c) The Exchange shall review the maximum Order size for each Trading Account within 15 days of the end of each calendar quarter and at any other time at which the Participant deposits funds or withdraws funds from the Participant's Participant Clearing Account. The maximum Order size for any Trading Account may be revised by the Exchange at any of the foregoing times, or at any time that the Exchange determines it necessary to make any such revision based on market conditions, a Participant's trading activity or other reasons as the Exchange deems appropriate.

(d) Notwithstanding the imposition of the limits described in Rule IV-4(b) and Rule IV-4(c), the Participant shall remain solely responsible for compliance with the Rules of the Exchange and the Rules of the Clearinghouse.

(e) When a bid and offer for Contracts are matched on the trading facilities of the Exchange (each such occurrence, a "Matched Trade"), the Clearinghouse shall undertake an immediate credit check prior to such matched trade being confirmed to any of the purchaser, the seller or the Clearinghouse. The credit check procedures shall be as follows:

(i) For liquidating Orders, or any portion of a matched trade that represents a liquidating quantity, the credit check shall "PASS".

(ii) For the establishment of new positions or an increase in size of existing positions, or any portion of a liquidating trade that would create a new position or add to an existing position, the credit check shall PASS if and only if the funds immediately available in the applicable Participant Clearing Account are greater than or equal to the Original Margin required to establish the new position or increase an existing position.

(iii) The credit check will "FAIL" if the funds immediately available in the applicable Participant Clearing Account are less than the Original Margin required to establish the new position or increase an

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existing position. In such case, the size of the matched trade shall be reduced such that the minimum quantity of Contracts that would PASS the credit check, if any, based on the level of Original Margin in the applicable Participant Clearing Account, will be matched. Any remaining portion of the purchaser's or seller's Order that would have passed the credit check had the purchaser or seller's Order originally been limited to such amount shall be restored with its original price and time priority to the Master Order Book and any remaining portion of the purchaser's or seller's Order that failed the credit check shall be cancelled. For the avoidance of doubt, if any part of an Order "FAILS" under this Rule IV-4(e), the placing of such Order shall be deemed to be a violation of this Rule for which penalties may be imposed under Rule IV-4(f) below.

(f) If a standing Limit Order "FAILS", as described in Rule IV-4(e) above, then the Exchange will immediately notify the Participant of such event via email and the following penalties shall immediately be assessed by the Exchange on the Participant Clearing Account of the corresponding Participant:

(i) $10.00 for each Order that was cancelled in whole or in part; plus

(ii) $1.00 per Contract in each Order cancelled in whole or in part; plus

(iii) $100.00 if Orders in respect of such Participant's Trading Account were cancelled in whole or in part on three or more of the last 360 Trading Days.

(g) Notwithstanding anything in these Rules to the contrary, an inquiry as provided in Rule VII-2 shall be conducted upon:

(i) The entry of any Order or series of Orders that, when taken in the aggregate, could reasonably be expected to result in Orders being cancelled as described in IV-4(e) for any Participant; or

(ii) The third instance of Orders being cancelled pursuant to Rule IV-4(e) for any Participant.

(h) Furthermore, notwithstanding anything in these Rules to the contrary, within 180 Trading Days of the occurrence of:

(i) the first three violations of this Rule IV-4, a summary hearing pursuant to Chapter VII hereof shall be conducted with respect to such Participant;

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(ii) the fourth occurrence of a violation of this Rule IV-4, a Participant will have its Trading Privileges summarily suspended for a period of 30 days;

(iii) the fifth occurrence of a violation of this Rule IV-4, a Participant will have its Trading Privileges summarily suspended for a period of 180 days; and

(iv) the sixth occurrence of a violation of this Rule IV-4, a Participant will have its Trading Privileges summarily revoked;

provided that, unless determined otherwise by the Board in its sole discretion, a Participant shall not be deemed to have violated this rule IV-4 more than one time for violations that occur within the same 60 minute period.

IV-5. Acceptable Orders

At the discretion of the Exchange, the following types of Orders, as well as any other types that may be approved from time to time, may be entered into the Cantor Direct System by Participants (via their Authorized Traders) with respect to a Contract:

(i) *Limit Orders.* A "Limit Order" is an Order to purchase or sell a Contract at a specified price or better. A Limit Order will be executed when entered to the extent that there are opposite Orders open in the Cantor Direct System, with any balance to remain as an open Order until it is executed or is cancelled, or until it expires at the End of Trading on the Trading Day designated on such Order.

(ii) *Market Orders*. A "Market Order" is an Order to purchase or sell a Contract at the best price available in the Cantor Direct System at the time the Order is entered. A Market Order will be executed when entered to the extent that there are opposite Orders open in the Cantor Direct System, with any balance cancelled.

IV-6. Modification and Cancellation of Orders

Any Order that has been entered into the Cantor Direct System may be modified or cancelled unless and until it has been executed or has otherwise expired. Any such modification or cancellation requires that a Cancel Replace Order or Cancel Order, as the case may be, with respect to the original order be entered into the Cantor Direct System. Such modification or cancellation will become effective upon the issuance of an acknowledgement by the Cantor Direct System of the Cancel Order or Cancel Replace Order, as the case may be.

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IV-7. Execution of Orders by the Cantor Direct System

Orders to buy or sell any Contract are subject to the minimum trading requirements specified in the relevant Contract Rules and any margin requirements as imposed from time to time in the relevant Contract Rules or by the Clearinghouse. All Orders are matched with each other and executed electronically through the Cantor Direct System in accordance with an algorithm that gives first priority to Orders at the best price and priority among Orders entered at the same price based on their time of entry into the Cantor Direct System, with the Order first entered receiving first priority. Without limiting the generality of the foregoing, the algorithm to match Orders entered in the Cantor Direct System is based upon the following principles:

(a) An Order at a better price will always have priority over Orders at inferior prices. As among Orders at the same price, an Order with time priority will be executed before Orders that have been entered after the Order with time priority. An Order with time priority will not lose such priority if the quantity of the Order is subsequently reduced. However, an Order will lose its time priority if the price of the Order is changed.

(b) After the commencement of Trading Hours on a Trading Day for a particular Contract (or, with respect to any Contract which trades on a 24 hour, continuous basis, after the commencement of trading on the first Trading Day for such Contract), time priority will be assigned to the first Order at a price that betters the best price prevailing when the Order is received. Only one buy Order and one sell Order can have time priority at any given time. Orders with time priority will be matched first regardless of their respective sizes.

(c) An Order will not lose time priority with respect to Orders at the same price if and when an Order at a better price is entered, but it will lose price priority.

(d) Once an Order with time priority has been filled, the algorithm described herein will be applied to the remaining Orders at the same price. Thus, the Order received immediately after the Order that initially had time priority will be assigned time priority and be the next Order to be executed at such price.

Notwithstanding anything in these Rules to the contrary, the Exchange may at any time use a different matching algorithm for a particular Contract by giving notice of such algorithm to all Participants at least 10 Trading Days before such algorithm is implemented.

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IV-8. Daily Settlement Price Determination

(a) The daily Settlement Price of each Contract, for purposes of determining any amounts of margin due on Open Contract Positions, will be established by the Exchange as soon as practicable after the End of Trading on each Trading Day.

(b) Subject to the provisions of Rule IV-7(c) and Rule IV-7(d), the Settlement Price of a Contract shall equal the last reported trading price of such Contract on the applicable Trading Day; *provided, however*, that, as of the End of Trading, if (i) the best bid is above or (ii) the best offer is below the last reported trading price of such Contract on such Trading Day, the Settlement Price shall be equal to such bid or offer price.

(c) If there were no trades of such Contracts on such Trading Day, or if a Trading Day is not a Business Day, then the Settlement Price shall equal the Settlement Price at the End of Trading on the prior Trading Day.

(d) In the case of the First Trading Day of any Contract, the Settlement Price, for the purpose of commencing continuous trading on the Exchange at the conclusion of the Opening Auction, if such an Opening Auction is conducted, shall equal the Equilibrium Price of such Contract.

(e) Pursuant to CFTC Regulation 16.01(b)(3), the Exchange shall make readily available to the public, in printed form at the office of the Exchange and on its website, this Rule IV-8 as the method used by the Exchange in determining nominal prices and Settlement Prices. Discretion may be used by the Exchange in determining the Settlement Prices in those instances when bids, offers, or trades normally used in the calculation of Settlement Prices are deemed by the President as not representative of closing market conditions.

IV-9. Market Crossing

The Exchange may from time to time adopt procedures for facilitating crossing of orders through the Cantor Direct System.

IV-10. Information Regarding Orders

The Exchange will make information regarding Orders (including prices bid or offered), trades and any other matters it may deem appropriate available to Participants, Authorized Traders and other Persons at such times and in such manner (whether through the Cantor Direct System, a ticker, financial information services or otherwise) as it may consider necessary or advisable from time to time.

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Each Participant, Authorized Trader or other Person receiving any such information through the Cantor Direct System may redistribute such information only to such extent and in such manner as may be permitted by the Board of Directors from time to time. Employees and agents of the Exchange shall have access to the offices of any Participant and each of its Authorized Traders during regular business hours in order to observe the compliance by such Participant and its Authorized Traders with the immediately preceding sentence.

IV-11. Errors

(a) If an Order was incorrectly executed or rejected by the Cantor Direct System, a Participant or its Authorized Trader may, within ten minutes thereafter, request review of the Order by providing the confirmation number for the Order and stating the grounds for the disagreement.

(b) Upon receipt by the Exchange of a request for review of an Order and the accompanying confirmation number, the Exchange will, within three Business Days thereafter, review its electronic audit trail to determine if the Cantor Direct System correctly interpreted and executed the Order.

(c) If the review described in Rule IV-11(b) reveals that the Order was incorrectly handled, then the Order in question shall be cancelled in the Trading Accounts of all affected Participants.

(d) If the review described in Rule IV-11(b) reveals that the Order was correctly handled, then no adjustment shall be made in the Trading Accounts of any Participants.

(e) Notwithstanding anything to the contrary in this Rule IV-9, if the Exchange determines its sole discretion that the execution of any trade was the result of Orders being incorrectly processed by the Cantor Direct System, or any other cause beyond the control of any Participant, then the Exchange may cancel such trade in the Trading Accounts of all affected Participants.

IV-12. Position Limits

(a) Position limits shall be established by the Exchange from time to time. Such position limits may be specific to a particular Contract, as set forth in the relevant Contract Rules, or delivery month or may be established on an aggregate basis among Contracts. Except as specified in paragraph (b) and (c) below, no Person shall control, or trade in, any number of Contracts that exceeds any position limits so established by the Exchange. Except as specified in paragraph (b) and (c) below, no Person shall be permitted to enter into any transaction on the Exchange that would cause such Person to exceed any position limits.

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(b) A Participant may apply to the Exchange, in accordance with paragraph (d) below, for certain qualified hedge transactions to be exempt from the position limits that would otherwise apply. For purposes of this Rule IV-12, the term "qualified hedge transaction" shall include any transaction or position in a particular Contract that represents a substitute for transactions to be made or positions to be taken at a later time in the instrument underlying such Contract or that is otherwise appropriate to the reduction of risks arising in connection with commercial or investment activities related to the instrument underlying such Contract, *provided* that the transaction entered into or position taken on the Exchange is economically appropriate to reduce risks arising from:

(i) any potential change in the value of assets that a Participant or one or more of its Affiliates owns, produces, manufacturers, processes or merchandises, or to which such person otherwise has exposure in connection with a commercial or investment activity, or anticipates owning, producing, manufacturing, processing, or merchandising, or to which such person otherwise has exposure in connection with a commercial or investment activity;

(ii) any potential change in the value of liabilities that a Participant or one or more of its Affiliates owes or anticipates incurring;

(iii) any potential change in the value of services that a Participant or one or more of its Affiliates provides, purchases or anticipates providing or purchasing; or

(iv) any other good cause shown, as determined by the Exchange, in its sole discretion.

(c) On the basis of an application to the Exchange in accordance with paragraph (d) below, and such supplemental information as the Exchange may request, the Exchange will determine whether to approve a particular transaction as an arbitrage or spread transaction. In granting any such approval, the Exchange may impose such limitations as it may deem necessary or appropriate in light of the liquidity of the markets involved and the financial condition and business circumstances of the Participant and one more of its Affiliates. Subject to any such limitations, transactions approved in accordance with the immediately preceding sentence shall be exempt from the position limits that would otherwise apply.

(d) Any application for an exemption from position limits for a hedging, arbitrage or spread transaction must be made by the relevant Participant wishing to enter into the transaction or wishing to take the position at issue to the Exchange in such form, and within such time limits, as the Exchange may from

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time to time prescribe. Without limiting the foregoing, any such application must include the following:

(i) If a qualified hedge transaction, an arbitrage transaction or a spread transaction, a representation that such transaction or position constitutes a qualified hedge transaction, an arbitrage transaction or a spread transaction, as the case may be, and is not used in an attempt to violate or avoid any Rule of the Exchange;

(ii) If a qualified hedge transaction, a representation that such transaction or position is necessary or advisable as an integral part of the business of such Participant or one or more of its Affiliates, which representation shall also include a description of such business;

(iii) If an arbitrage or spread transaction, an undertaking that the prospective arbitrageur or spreader will specify the extent of the current or planned activity in the cash market underlying the Contract for which such exemption is requested by the Participant or one or more of its Affiliates;

(iv) If an arbitrage or spread transaction, a representation that the positions involved are moved in an orderly manner and not initiated or liquidated in a manner calculated to cause unreasonable price fluctuations or unwarranted price changes;

(v) A representation that such Participant or one more of its Affiliates has complied with any applicable federal requirement relating to hedging, arbitrage or spread transactions, as the case may be, and has obtained any and all necessary approvals from the CFTC;

(vi) A schedule of the maximum number of Contracts, long and short, that such Participant intends to enter into for hedging, arbitrage or spread transaction purposes, as the case may be;

(vii) An agreement that such Participant will comply with any additional limits on its trading as the Exchange may from time to time impose; and

(viii) An agreement by such Participant to submit promptly a supplemental statement explaining any change in circumstances that may affect the nature of its positions.

Any exemption from the speculative position limits for hedging purposes must be renewed annually, by filing a renewal application in accordance with this paragraph (d).

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(e) In determining whether any Participant has exceeded the position limits established by the Exchange, all positions in Trading Accounts for which such Participant or any of its Affiliates, by power of attorney or otherwise, directly or indirectly controls trading shall be included. Position limits shall apply to positions held by two or more Persons acting pursuant to an express or implied agreement or understanding in the same manner as if such positions were held by a single Person.

(f) The Exchange shall have the authority to review and rescind any exemption granted by him or her pursuant to paragraphs (b) and (c) above at any time in its sole discretion.

(g) For purposes of paragraph (e) above, "control" is presumed to exist when the Person in question makes investment decisions for the Trading Account or Trading Accounts in question or materially influences, directly or indirectly, the actions of any Person who makes such investment decisions. In addition, "control" will be presumed to exist in the following circumstances:

(i) Among all parties to a joint Trading Account who have authority to act on behalf of such Trading Account;

(ii) Among all general partners to a partnership Trading Account;

(iii) If a Person (A) holds an ownership interest of 10 percent or more in the Person holding the Trading Account or Trading Accounts in question, or (B) shares in 10 percent or more of the profits or losses related to such Trading Account or Trading Accounts;

(iv) If the Persons holding the Trading Account or Trading Accounts in question have common directors or management; or

(v) If a Person has the authority to execute transactions in the Trading Account or Trading Accounts in question.

Any presumption of control on the basis of the foregoing circumstances can be rebutted by proving that such circumstances do not exist or by showing other circumstances which negate the presumption of control. Initial determinations of "control" shall be made by the President or his or her designee.

IV-13. Price Limits

(a) On each Trading Day, the amount by which the price of a Contract may increase or decrease is limited to an amount specified in the applicable Contract Rules, provided that, in each case, the Exchange shall have the

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authority, under extraordinary market circumstances, to set daily price limits at different levels if, in the reasonable judgment of the Exchange, such action is warranted for the protection of the market and Participants.

(b) Price limits with respect to any Contract will be determined as soon as practicable following the End of Trading each Trading Day based on the then-applicable Settlement Price. A Contract will not be allowed to trade beyond the price limit until after new price limits are established following the End of Trading on the next succeeding Trading Day.

IV-14. Reportable Positions

(a) The Exchange shall meet the requirements of paragraphs (a) through (h) of CFTC Regulation 17.00 as they apply to trading in any Contracts that qualify as "exclusively self-cleared contracts" within the meaning of CFTC Regulation 15.00.

IV-15. EFP Transactions

(a) A *bona fide* EFP may, subject to the relevant Contract Rules, be entered into by an Authorized Trader with respect to any Contract in accordance with the applicable trading increments set forth in the relevant Contract Rules, at a price mutually agreed upon by the parties to such transaction. Contingent EFP transactions are not permitted. Each EFP must contain the following three essential elements:

(i) a Futures transaction and a cash transaction that are integrally related;

(ii) an exchange of Futures for the underlying commodity where the commodity contract provides for the transfer of ownership of the commodity to the cash buyer upon performance of the terms of such contract, with delivery to take place within a reasonable time thereafter, in accordance with prevailing cash market practice; and

(iii) separate Persons, such that the Trading Accounts involved on each side of the EFP have different beneficial ownership or are under separate control.

(b) In every EFP, one party must be the buyer of the commodity and the seller of the corresponding Futures and the other party must be the seller of the commodity and the buyer of the corresponding Futures. Prices reported of the commodity and the corresponding Futures must correspond to prevailing market levels of each. Further, the quantity of the commodity traded in an EFP

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must be substantially equivalent to the quantity of the commodity represented by the Futures portion of the transaction.

(c) EFP transactions must be reported to the Exchange in a manner prescribed from time to time by the Exchange. EFP transactions executed during Trading Hours must be reported to the Exchange within 30 minutes of agreement by the parties and no later than 15 minutes prior to the End of Trading for such Contract on such Trading Day.

(d) EFP transactions executed after the End of Trading must be reported within 15 minutes after the opening of the next Trading Day with respect to the underlying Contract.

(e) For EFP transactions between the Authorized Traders of two Participants, the Exchange requires the Participants granting Trading Privileges to each of the Authorized Traders to report the transaction.

(f) The Exchange will review the information submitted by the Participants for the EFP transaction and will post the transaction to the Cantor Direct System if the transaction details are complete and accurate in accordance with this Rule. The Exchange will immediately publicize information identifying the transaction as an EFP trade and identifying the relevant Contract, contract month, quantity and, if applicable, whether the transaction involved a put or a call and the strike price.

(g) Each Participant involved in an EFP shall maintain records evidencing compliance with the criteria set forth in this Rule IV-15. Upon request, such Participant shall provide documentation evidencing the underlying cash transaction to the Exchange or the NFA.

(h) EFP transactions are not permitted during the last Trading Day for a Contract delivery month.

(i) EFP prices will not trigger unexecuted Orders.

(j) Notwithstanding anything to the contrary in this Rule IV-15, an EFP may only be executed with respect to Contracts for which such transactions are expressly permitted by the applicable Contract Rules.

IV-16. Block Trading

(a) Participants may, subject to the relevant Contract Rules, enter into transactions outside the Cantor Direct System, at prices mutually agreed, with respect to Contracts that have been designated by the Exchange for such

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purpose (each, a "Block Trade Contract"), *provided* that all of the following conditions are satisfied (each such transaction, a "Block Trade"):

(i) Each buy or sell Order underlying a Block Trade must (A) state explicitly that it is to be, or may be, executed by means of a Block Trade, (B) be for at least such minimum number of Contracts as may from time to time be specified by the Exchange, and CFTC Regulations and (C) meet any other applicable CFTC Regulations governing block trades.

(b) Prior to entering into a Block Trade, an Authorized Trader of one participating Participant must apply for a unique identifying number (a "Block Trader ID") by such means as prescribed by the Exchange from time to time. Once issued, the Block Trader ID number will be valid for a period of 5 minutes only. Block Trades will only be accepted from Authorized Traders accessing the Cantor Direct System with a valid Block Trader ID.

(c) Each party to a Block Trade shall comply with all applicable Rules of the Exchange other than those which by their terms only apply to trading through the Cantor Direct System.

(d) When negotiating or executing a Block Trade, an Authorized Trader must ensure that the price quoted for a Block Trade represents a fair price. When determining a fair price, an Authorized Trader should take into account the prevailing bids and offers and volume currently available in the Cantor Direct System.

(e) Block Trades must be reported to the Exchange in a manner prescribed from time to time by the Exchange. Block Trades must be reported to the Exchange within 5 minutes after the completion of negotiations, but may not be submitted any later than 5 minutes prior to the End of Trading with respect to the underlying Contract.

(f) For Block Trades between two Participants, the Exchange requires both Participants to report the Block Trade.

(g) The Exchange will review the information submitted by the Participant(s) for the Block Trade and will post the Block Trade to the Cantor Direct System if the details are complete and accurate in accordance with this Rule. The Exchange will immediately publicize information identifying the trade as a Block Trade and identifying the relevant Contract, contract month, price or premium, quantity and, if applicable, whether the transaction involved a put or a call and the strike price.

(h) Block Trades are not permitted during the last Trading Day for a Contract delivery month.

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(i) Block Trade prices will not trigger unexecuted Orders.

(j) Each Participant that is party to a Block Trade shall record the following details on its order ticket: the Contract (including the expiry month) to which such Block Trade relates; the number of Contracts traded; the price of execution or premium; the time of execution; the identity of the counterparty; the underlying instrument, whether the transaction involved a put or a call and the strike price. Upon request by the Exchange, such Participant shall produce satisfactory evidence, including the order ticket referred to in the preceding sentence, that the Block Trade meets the requirements set forth in this Rule IV-16.

(k) Under no circumstances shall Participants be permitted to aggregate Orders across multiple Trading Accounts or multiple Participants in order to meet any applicable minimum size for a Block Trade.

(l) Any Block Trade in violation of these requirements shall constitute conduct which is inconsistent with just and equitable principles of trade.

(m) Notwithstanding anything to the contrary in this Rule IV-16, a Block Trade may only be executed (i) by Participants that are "Eligible Contract Participants," as defined under the CEA and CFTC Regulations, and (ii) with respect to Contracts for which such transactions are expressly permitted by the applicable Contract Rules.

IV-17. Exchange of Futures for, or in connection with, Swap Transaction

(a) An exchange of futures for, or in connection with, a swap transaction ("EFS") may, subject to the relevant Contract Rules, be entered into by an Authorized Trader. An EFS consists of two bona fide, discrete, but related, transactions: a purchase and sale of Futures and a related swap transaction. At the time an EFS is effected, the buyer and seller of the Futures must be the seller and the buyer, respectively, of the swap. Prices reported of the Futures and the related swap transaction must correspond to prevailing market levels of each. The swap component of an EFS shall involve the commodity underlying the Futures, or a derivative, by-product or related product of such commodity. The quantity of such commodity covered by the swap must be approximately equivalent to such quantity covered by the Futures. The swap component of an EFS must comply with the requirements of the CEA and CFTC Regulations thereunder. Contingent EFS transactions are not permitted.

(b) Notification of each EFS shall be given to and posted by the Exchange, in the manner from time to time specified by the Exchange, on the Trading Day on which such EFS is effected (or, in the case of an EFS entered into after the end of any Trading Day with respect to a particular Contract, then

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on the next succeeding Trading Day). Each EFS shall be cleared in accordance with normal procedures, shall be clearly identified and marked in the same manner as an EFP, and shall be recorded by the Exchange and by the Participants involved.

(c) In addition to the notification required by paragraph (b) above, a report of each EFS shall be submitted to the Exchange by each Participant involved in clearing the Futures component of such EFS. Such report shall identify the EFS as having been effected under this Rule IV-17, and shall contain the following information: a statement that the swap component of the EFS complied with the requirements of the CEA and CFTC Regulations thereunder at the time the EFS was entered into, a statement that the EFS has resulted or will result in a change of payments or other such change, the kind and quantity of the Futures component, the price at which the Futures component is to be cleared, the name of each Participant involved in the EFS, and such other information as the Exchange may require. Such report shall be submitted to the Exchange no later than 12:00 p.m. on the date that is two Trading Days after the date on which the relevant EFS is effected.

(d) The Exchange has the right to require the parties to an EFS to demonstrate that such EFS is legitimate and satisfies the requirements set forth in paragraph (a) above. Upon request by the Exchange, all documentary evidence relating to an EFS, including a master swap agreement and any schedules and other documents related thereto, shall be obtained by the Participants involved in such EFS from the parties thereto, and made available by such Participants for examination by the Exchange.

(e) Notwithstanding anything to the contrary in this Rule IV-17, an EFS may only be executed with respect to Contracts for which such transactions are expressly permitted by the applicable Contract Rules.

IV-18. Transfers of Positions

(a) A Participant and its Authorized Traders may transfer positions between their Trading Accounts in order to:

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

(ii) transfer an existing Contract from one Trading Account to another of the same Participant where no change in ownership is involved; or

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

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(b) The provisions of Rule IV-18(a) shall apply to any Trading Account maintained by a Participant with control over one or more Trading Accounts, whether or not such Trading Accounts are controlled by the same Authorized Trader of such Participant.

(c) Upon written request, the Exchange may, in its sole discretion, allow the transfer of a position as a result of a merger, asset purchase, consolidation, or similar non-recurring transaction for a Person that is an organization.

(d) The Exchange will transfer positions pursuant to this Rule IV-18 at the same prices that appear on the books of the transferring Participant, and the transfer will indicate the date when the original trade was made.

IV-19. Emergencies

(a) *General*. In the event of an Emergency, the President or any individual designated by the President may place into immediate effect a temporary emergency rule, which may remain in effect for up to 30 Trading Days and which may provide for, or may authorize the Board of Directors or any committee thereof to undertake, actions necessary or appropriate to respond to the Emergency, including such actions as:

(i) limiting trading to liquidation only, in whole or in part;

(ii) changing the delivery month or extending or shortening the term of any Contract;

(iii) changing delivery points or the means of delivery provided in any relevant Contract Rules;

(iv) imposing or modifying position or price limits with respect to a particular Contract;

(v) ordering the liquidation of Contracts, the fixing of a Settlement Price or any reduction in positions;

(vi) ordering the exercise of Options on Futures;

(vii) extending, limiting or changing the hours of trading;

(viii) suspending or curtailing trading in any or all Contracts or modifying circuit breakers;

(ix) requiring Participants to meet special margin requirements; or

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(x) modifying or suspending any provision of the Rules of the Exchange or the Rules of the Clearinghouse.

Any such action placed into effect in accordance with the preceding sentence shall be reviewed by the Board of Directors as soon as practicable under the circumstances and may be revoked, suspended or modified by the Board of Directors.

(b) *Physical Emergency*. If, in the judgment of the President, or any individual designated by the President and approved by the Board of Directors, the physical functions of the Exchange are, or are threatened to be, severely and adversely affected by a physical emergency, such Person shall have authority to take such action as he or she may deem necessary or appropriate to respond to such physical emergency, including closing the Exchange, delaying the opening of trading in one or more Contracts or suspending trading in or extending trading hours for one or more Contracts. In the event that any action has been taken pursuant to the immediately preceding sentence, any Person who is authorized to take such action may order the removal of any restriction previously imposed pursuant to such sentence, upon a determination by such Person that the physical emergency that gave rise to such restriction has sufficiently abated to permit the physical functions of the Exchange to continue in an orderly manner. Any order by any Person pursuant to this sentence shall be subject to review, modification or reversal by the Board of Directors. In the event that trading is suspended in any or all Contracts, unexecuted Orders for the suspended Contracts that are currently resting in the Cantor Direct System will automatically be cancelled and must be resubmitted by the Participants upon resumption of trading in the affected Contracts.

(c) *Notification and Recording*. The Exchange will notify the CFTC of any action taken, or proposed to be taken, pursuant to this Rule IV-19 in accordance with CFTC Regulation § 40.6. The decision-making process with respect to, and the reasons for, any such action will be recorded in writing.

(d) *Conflicts of Interest*. The conflict of interest provisions set forth in Rule II-10 and the related documentation requirements set forth in Rule II-10 shall apply, with any such modifications or adaptations as may be necessary or appropriate under the circumstances, to the taking of any action under this Rule IV-19 by the President, or his or her designee.

IV-20. 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 IV-20, NEITHER THE EXCHANGE (INCLUDING ITS AFFILIATES AND

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ANY CONTRACTORS AND SUB-CONTRACTORS PROVIDING SERVICES TO THE EXCHANGE) NOR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES OR AGENTS SHALL BE LIABLE TO ANY OTHER PERSON, INCLUDING ANY PARTICIPANT OR PERSON ASSOCIATED WITH A PARTICIPANT (INCLUDING ANY AUTHORIZED TRADER), FOR ANY LOSSES, DAMAGES, COSTS OR EXPENSES (INCLUDING LOSS OF PROFITS, LOSS OF USE, DIRECT, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES), ARISING FROM (A) ANY FAILURE OR MALFUNCTION, INCLUDING ANY INABILITY TO ENTER OR CANCEL ORDERS, OF THE CANTOR DIRECT SYSTEM OR ANY EXCHANGE SERVICES OR FACILITIES USED TO SUPPORT THE CANTOR DIRECT SYSTEM, OR (B) 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 CANTOR DIRECT SYSTEM OR ANY EXCHANGE SERVICES OR FACILITIES USED TO SUPPORT THE CANTOR DIRECT 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 EXCHANGE (INCLUDING ITS AFFILIATES AND ANY CONTRACTORS AND SUBCONTRACTORS PROVIDING SERVICES TO THE EXCHANGE), RELATING TO THE CANTOR DIRECT SYSTEM OR ANY EXCHANGE SERVICES OR FACILITIES USED TO SUPPORT THE CANTOR DIRECT SYSTEM, INCLUDING WARRANTIES OF MERCHANTABILITY AND WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE OR USE. THE SERVICES OF THE EXCHANGE ARE BEING PROVIDED ON AN “AS IS” BASIS AT THE SOLE RISK OF THE PARTICIPANT AND ANY PERSON ASSOCIATED WITH THE PARTICIPANT (INCLUDING ANY AUTHORIZED TRADER). NEITHER THE EXCHANGE (INCLUDING ITS AFFILIATES AND ANY CONTRACTORS AND SUBCONTRACTORS PROVIDING SERVICES TO THE EXCHANGE) NOR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES OR AGENTS MAKE ANY WARRANTY WITH RESPECT TO, AND NO SUCH PARTY SHALL HAVE ANY LIABILITY TO ANY PARTICIPANT OR ANY PERSON ASSOCIATED WITH A PARTICIPANT (INCLUDING ANY AUTHORIZED TRADER) FOR, THE ACCURACY, TIMELINESS, COMPLETENESS, RELIABILITY, PERFORMANCE OR CONTINUED AVAILABILITY OF THE CANTOR DIRECT SYSTEM OR THE EXCHANGE, DELAYS, OMISSIONS OR INTERRUPTIONS IN EXCHANGE SERVICES OR THE CREDITWORTHINESS OF ANY OTHER PARTICIPANT OR ANY PERSON ASSOCIATED WITH A PARTICIPANT

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(INCLUDING ANY AUTHORIZED TRADER). THE EXCHANGE SHALL HAVE NO DUTY OR OBLIGATION TO VERIFY ANY INFORMATION DISPLAYED ON THE CANTOR DIRECT SYSTEM OR OTHERWISE. EACH PARTICIPANT AND EACH PERSON ASSOCIATED WITH A PARTICIPANT (INCLUDING ANY AUTHORIZED TRADER) ACKNOWLEDGES AND AGREES THAT THE EXCHANGE (INCLUDING ITS AFFILIATES AND ANY CONTRACTORS AND SUBCONTRACTORS PROVIDING SERVICES TO THE EXCHANGE) DOES NOT AND SHALL NOT SERVE AS THE PRIMARY BASIS FOR ANY DECISIONS MADE BY SUCH PARTICIPANT OR PERSON ASSOCIATED WITH A PARTICIPANT (INCLUDING ANY AUTHORIZED TRADER), AS THE CASE MAY BE, AND IS NOT AN ADVISOR OR FIDUCIARY OF SUCH PARTICIPANT OR PERSON ASSOCIATED WITH A PARTICIPANT (INCLUDING ANY AUTHORIZED TRADER), AS THE CASE MAY BE.

EXCEPT AS OTHERWISE PROVIDED IN THESE RULES, ANY LIABILITY OF THE EXCHANGE (OTHER THAN LIABILITY THAT IS EXCLUDED PURSUANT TO THE PRECEDING TWO PARAGRAPHS OF THIS RULE IV-20) WILL BE LIMITED TO DIRECT, OUT-OF-POCKET LOSSES DIRECTLY CAUSED BY THE ACTS OR OMISSIONS OF THE EXCHANGE OR ITS DIRECTORS, OFFICERS, EMPLOYEES OR AGENTS; PROVIDED THAT THE TOTAL COMBINED AGGREGATE LIABILITY OF THE EXCHANGE AND ITS DIRECTORS, OFFICERS, EMPLOYEES OR AGENTS TO ANY ONE PARTICIPANT SHALL NOT, TAKEN TOGETHER WITH ANY LIABILITY OF THE CLEARINGHOUSE TO SUCH PARTICIPANT RESULTING FROM THE ACTS OR OMISSIONS OF THE CLEARINGHOUSE OR ITS DIRECTORS, OFFICERS, EMPLOYEES OR AGENTS, EXCEED $25,000 FOR ALL LOSSES FROM ALL CAUSES SUFFERED ON A SINGLE CALENDAR DAY; $50,000 FOR ALL LOSSES SUFFERED FROM ALL CAUSES IN A SINGLE CALENDAR MONTH; AND $500,000 FOR ALL LOSSES SUFFERED FROM ALL CAUSES IN A SINGLE CALENDAR YEAR.

ANY DISPUTE ARISING OUT OF THE USE OF THE CANTOR DIRECT SYSTEM OR EXCHANGE SERVICES OR FACILITIES USED TO SUPPORT THE CANTOR DIRECT SYSTEM IN WHICH THE EXCHANGE (INCLUDING ITS AFFILIATES AND ANY CONTRACTORS AND SUBCONTRACTORS PROVIDING SERVICES TO THE EXCHANGE) OR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES OR AGENTS IS A PARTY SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. ANY ACTIONS, SUITS OR PROCEEDINGS AGAINST ANY OF THE FOREGOING MUST BE BROUGHT WITHIN TWO YEARS FROM THE TIME THEY FIRST ARISE, AND ANY SUCH ACTION, SUIT OR PROCEEDING MAY BE BROUGHT IN ANY FEDERAL OR STATE COURTS LOCATED IN THE BOROUGH OF MANHATTAN, THE CITY OF NEW YORK. THIS PROVISION SHALL IN NO WAY CREATE A CAUSE OF ACTION AND SHALL NOT AUTHORIZE ANY ACTION THAT WOULD OTHERWISE BE PROHIBITED BY RULES OF THE EXCHANGE.

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ANY PARTICIPANT OR PERSON ASSOCIATED WITH A PARTICIPANT (INCLUDING ANY AUTHORIZED TRADER) WHO FAILS TO PREVAIL IN A LAWSUIT OR OTHER LEGAL PROCEEDING INSTITUTED BY SUCH PERSON AGAINST THE EXCHANGE (INCLUDING ITS AFFILIATES) OR ANY OF ITS DIRECTORS, COMMITTEE MEMBERS, OFFICERS, EMPLOYEES, AGENTS OR CONTRACTORS, AND RELATED TO THE BUSINESS OF THE EXCHANGE, WILL PAY TO THE EXCHANGE ALL REASONABLE EXPENSES, INCLUDING ATTORNEYS' FEES, INCURRED BY THE EXCHANGE IN THE DEFENSE OF SUCH PROCEEDING TO THE EXTENT THAT SUCH EXPENSES EXCEED FIFTY THOUSAND DOLLARS ($50,000.00). THIS PROVISION WILL NOT APPLY TO DISCIPLINARY ACTIONS BY THE EXCHANGE, ADMINISTRATIVE APPEALS OF EXCHANGE 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 IV-20 SHALL IN NO WAY LIMIT THE LIABILITY OF ANY PERSON ARISING FROM ANY VIOLATION OF SUCH PERSON OF THE CEA OR CFTC REGULATIONS THEREUNDER.

IV-21. Opening Auctions

(a) The trading of a particular Contract on the Exchange may be preceded by an Opening Auction. Any such Opening Auction will be conducted in accordance with these Rules and the applicable Contract Rules and will be used to determine the opening price of such Contract on the First Trading Day. The Opening Auction will be a two-sided, single price auction conducted by the Exchange on the First Trading Day at the times specified in the applicable Contract Rules. At the close of the Opening Auction, the Exchange will apply its proprietary pricing algorithm, as described in Rule IV-22(d) below, to the bids and offers submitted during the Opening Auction to determine the Equilibrium Price at which trading in the relevant Contract will commence on the First Trading Day.

(b) The Opening Auction will be open to all Participants; Participants may submit either offers or bids for Contracts at the times specified in the applicable Contract Rules. All entries must include the intention to bid or offer, quantity, and price limit.

(i) The minimum quantity Order in the Opening Auction is one Contract.

(ii) Orders will remain in the Exchange's Master Order Book and will be available for execution after the close of the Opening Auction, subject to their original price/time priority.

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(iii) Bids and offers received by the Exchange may be cancelled by Participants prior to the execution of the Opening Auction, which shall be on the First Trading Day at the time specified in the applicable Contract Rules.

(c) Bids and offers submitted in the Opening Auction will become binding on Participants immediately upon submission. At the time Orders are submitted in the Opening Auction, the Clearinghouse will deduct Original Margin, as if the Participant's Orders were filled in their entirety, from each applicable Participant Clearing Account (as defined in the Rules of the Clearinghouse). Original Margin rates for the Opening Auction will be equal to an amount specified in the applicable Contract Rules. Failure to have sufficient funds on deposit with and available to the Clearinghouse will cause the Exchange to reduce the Order quantity until the required Original Margin is less than or equal to the Participant's available funds.

(d) The pricing of contracts in the Opening Auction shall be determined as follows:

(i) If zero Contracts are matched and no bids and no offers are received during an Opening Auction, there will be no Equilibrium Price. Under such circumstances, the Exchange will, in its reasonable judgment, establish the opening trading price, margin rates, and price limits with respect to such Contract, taking into account such factors and considerations as it deems appropriate.

(ii) If zero Contracts are matched and there are Orders on only one side of the market (bid or offer), then the Equilibrium Price will be equal to the best price on that side (highest bid or lowest offer).

(iii) If zero Contracts are matched and there are Orders on both sides of the market (bid and offer) then the Equilibrium Price will be equal to the midpoint of the best unmatched bid and offer prices.

(iv) If Contracts are matched and the last matching lies between any remaining best unmatched bids and offers, then the Equilibrium Price will be equal to the last matching price at which a Contract was matched.

(v) If Contracts are matched and the last matching price lies below the remaining best unmatched bid or above the remaining best unmatched offer, then the Equilibrium Price is set equal to the corresponding best unmatched bid or offer.

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(e) The following shall apply to post-Opening Auction Contract allocations, cancelled Orders and announcements:

(i) After the completion of the Opening Auction, the Exchange will allocate the matched Contracts among Participants at the Equilibrium Price, irrespective of the bid price or offer price submitted with the Order. Quantities will be allocated to Participants at the Equilibrium Price in accordance with the time priority of their Orders.

(ii) All unmatched bids and offers entered in connection with an Opening Auction will be carried over and applied to regular trading in the applicable Contract following the execution of the Opening Auction.

(iii) After the allocations of Contracts are complete, each Participant who participated in the Opening Auction will be notified of the Equilibrium Price, the volume and open interest of Contracts cleared and the status of their Orders (e.g., “Filled”, “Cancelled”, “Active”).

IV-22. Daily and Weekly Reports

(a) The Exchange will post on its website the current volume, open interest, last Settlement Price and Price Limits for all active Contracts on each Trading Day.

(b) The Exchange will publish additional reports from time to time in accordance with, and as specified in, the applicable Contract Rules.

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CHAPTER V
OBLIGATIONS OF PARTICIPANTS

V-1. Books and Records; Cooperation in Proceedings

(a) Each Participant that is registered with any self-regulatory association shall prepare and keep current all books, ledgers and other similar records required to be kept by it pursuant to the CEA, CFTC Regulations and the Rules of the Exchange, and shall prepare and keep current such other books and records and adopt such forms as the Exchange may from time to time prescribe. Such books and records shall be made available to the Exchange, the CFTC, the Department of Justice and their respective authorized representatives upon request.

(b) Each Participant that is registered with any self-regulatory association shall keep all books and records required to be kept by it pursuant to these Rules for a period of five years from the date on which they are first prepared, unless otherwise provided in these Rules or required by law. Such books and records shall be readily accessible during the first two years of such five-year period. During such five-year period, all such books and records shall be made available for inspection by, and copies thereof shall be delivered to, the Exchange and its authorized representatives, including but not limited to the NFA, upon request.

(c) Each Participant that is not registered with the CFTC or any self-regulatory organization shall prepare and keep current all books, ledgers and other similar records in a form and substance as the Exchange may from time to time prescribe. Such books and records shall be made available to the Exchange, the CFTC, the Department of Justice and their respective authorized representatives upon request.

V-2. Minimum Financial Reporting Requirements and Reports

Each Participant that is registered with any self-regulatory association shall comply with the provisions of Applicable Law relating to minimum financial and related reporting and recordkeeping requirements. A copy of any notice or written report that a Participant is required to file with the CFTC pursuant to CFTC Regulation 1.12 shall be concurrently provided to the Exchange. A Participant that violates any of the aforementioned CFTC Regulations shall be deemed to have violated this Rule V-2.

V-3. Authority of the President to Impose Restrictions

Whenever a Participant is subject to the early warning requirements set forth in CFTC Regulation 1.12, the President or his or her designee may impose such

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conditions or restrictions on the business and operations of such Participant as the President or his or her designee may deem necessary or appropriate for the protection of other Participants or the Exchange.

V-4. Minimum Financial Requirements

(a) Each Participant shall be required to satisfy such minimum financial requirements as may be established from time to time by the Exchange.

(b) Each Participant must notify the President or his or her designee immediately upon becoming aware that it fails to satisfy the minimum financial requirements applicable to it.

(c) Unless and until a Participant is able to demonstrate to the Board of Directors that it is in compliance with the minimum financial requirements applicable to it, such Participant may not engage in any transactions subject to the Rules of the Exchange, except for the purpose of closing open positions.

V-5. Trade Confirmations

(a) The Exchange shall furnish, or cause to be furnished, to each Participant that enters into a trade, no later than 12:00 Noon on the Trading Day immediately following the day on which such trade is entered into, an e-mail confirmation of such trade in such form as the Exchange may from time to time prescribe, indicating the Contract bought or sold, the price, quantity, time of execution and such other information as the Exchange may require. In the case of an Option on Futures trade, such confirmation shall also indicate: (i) the amount of the premium and all other commissions, costs and fees, separately listed; (ii) the Option on Futures series; and (iii) the expiration date of the Option on Futures.

(b) Promptly upon the expiration or exercise of any Option on Futures, the Exchange must furnish to each Participant holding such Option on Futures an e-mail confirmation statement, which shall include the date of such occurrence, a description of such Option on Futures, and in the case of exercise, the details of the Future position resulting therefrom.

(c) Notwithstanding paragraphs (a) and (b) above: (i) a trade that is executed for a commodity pool needs to be confirmed only to the operator of such pool.

V-6. Account Statements

The Exchange shall furnish or cause to be furnished to each Participant as soon as practicable after the end of each month, a monthly statement of account via e-

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mail. Each such statement shall indicate, at a minimum, the Participant's initial balance, closing balance, commissions and fees incurred, income received and trades made.

V-7. Risk Disclosure Statement

A risk disclosure statement in the form approved by the Exchange for purposes of CFTC Regulation 1.55 and any other disclosure statement from time to time required by the Exchange is included in the application form to become a Participant and shall be completed by the Participants where required under CFTC Regulations.

V-8. Fraudulent or Misleading Communications

No Participant shall make any fraudulent or misleading communications relating to the purchase or sale of any Contract.

V-9. System Security

(a) Each Participant 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 use of the Cantor Direct System by the Authorized Traders of such Participant. Each Participant that is a natural person shall serve as its own Responsible Agent. The Exchange 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 (i) have full control over access to the Cantor Direct System by the Participant (including its Authorized Traders) represented by such Responsible Agent and (ii) be able to access, and, if required, modify and withdraw, any and all Orders placed, or purported to be placed, by the Authorized Traders of such Participant. The Responsible Agent or Responsible Agents of any Participant shall also be solely responsible for any and all communications between the Exchange and such Participant, and any and all notices or other communications sent to such Responsible Agent or Responsible Agents by the Exchange shall be binding on such Participant. Each Participant shall notify the Exchange promptly of any change regarding any of its Responsible Agents.

(b) Each Participant shall (i) be solely responsible for controlling and monitoring the use of all user identification codes and passwords to access the Cantor Direct System (collectively, "Passwords") issued to its Authorized Traders and Responsible Agents by the Exchange, (ii) provide such Passwords only to its Authorized Traders and Responsible Agents, and (iii) shall notify the Exchange promptly upon becoming aware of any unauthorized disclosure or use of the Passwords or access to the Exchange or of any other reason for deactivating Passwords. Each Participant, on behalf of itself and its Authorized Traders, shall be bound by any actions taken through the use of its Passwords (other than any

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such actions resulting from the fault or negligence of the Exchange), including the execution of transactions, whether or not such actions were authorized by such Participant or any of its Supervised Persons or executed by anyone other than an Authorized Trader of such Participant.

(c) Notwithstanding anything to the contrary in Rule V-9(b), each Authorized Trader shall have his or her own unique Passwords that may be used only by such Authorized Trader and solely for the purpose of submitting Orders in respect of the Trading Account for which the Authorized Trader has Trading Privileges.

V-10. Market Maker Programs

The Exchange may from time to time adopt one or more programs under which one or more Participants or Authorized Traders may be designated as Market Makers with respect to one or more Contracts, and may be granted certain benefits in return for assuming obligations in order to provide liquidity and orderliness in the market or markets for such Contract or Contracts. Any such program may provide for any or all of the following:

(a) qualifications, including any minimum net capital requirements, that any such Market Maker must satisfy;

(b) the procedure by which Participants or Authorized Traders may seek and receive designation as Market Makers;

(c) the obligations of such Market Makers, including any applicable minimum bid and offer commitments; and

(d) the benefits accruing to such Market Makers, including priority in the execution of transactions effected by Participants or Authorized Traders in their capacity as Market Makers, reduced transaction fees or the receipt of compensatory payments from the Exchange.

V-11. DPMs

(a) Without limiting the generality of Rule V-10, the Exchange may from time to time approve such number of Participants as DPMs, and allocate to such DPMs such number and types of Contracts, as it may deem necessary or appropriate. Any and all such approvals or allocations may be reviewed, conditioned or terminated at any time in accordance with this Rule V-11.

(b) A Participant desiring to act as a DPM shall file an application with the Exchange in such form as the Exchange may from time to time prescribe. DPMs shall be selected by the Exchange from among the applications from time

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to time on file with the Exchange, based on the Exchange's judgment as to which applicant or applicants is or are most qualified to perform the functions of a DPM. Factors to be considered in making such selection may include, but are not limited to, any one or more of the following:

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

(ii) each applicant's operational capacity;

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

(iv) the number and experience of support personnel of each applicant who will be performing functions related to its DPM business;

(v) if applicable, the regulatory history of, and history of adherence to the Rules of the Exchange, rules of other self-regulatory organizations and Applicable Law by, each applicant and affiliates, in particular its DPM Designees;

(vi) the willingness and ability of each applicant to promote the Exchange as the marketplace of choice;

(vii) the market performance commitments of each applicant;

(viii) if applicable, any performance evaluations conducted pursuant to the Rules of the Exchange or rules of other self-regulatory organizations; and

(ix) in the event that one or more affiliates of any applicant are or were at any time affiliates of any other DPM, adherence by such other DPM to the requirements set forth in the Rules of the Exchange regarding responsibilities and obligations of DPMs during the time period while such affiliate or affiliates held such position or positions with such other DPM.

(c) In approving any applicant as a DPM, the Exchange may place one or more conditions or limitations on the approval, including but not limited to:

(i) conditions concerning the capital, operations or personnel of such applicant, satisfaction of market performance commitments or benchmarks by such applicant, and the number or types of Contracts which may be allocated to such applicant; and

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(ii) limitations regarding the time period for which such applicant is approved as a DPM (which time period may be subsequently extended by the Exchange at its sole discretion).

(d) Each Participant approved as a DPM shall retain such status until (x) it resigns as a DPM and the Exchange relieves such Participant of its obligations to act as a DPM, (y) the Exchange suspends or terminates such DPM's status or (z) if applicable, the time period referred to in paragraph (c)(ii) above expires. In any of the foregoing circumstances, the Exchange shall have discretion to do one or both of the following:

(i) approve an interim DPM, pending the final approval of a new DPM pursuant to the regular procedures for DPM approval; and

(ii) allocate on an interim basis to one or more other DPMs the Contracts that were allocated to the DPM whose status is affected by such circumstances, pending a final allocation of such Contracts pursuant to paragraph (e) below.

Neither an interim approval nor an allocation made pursuant to this paragraph (d) shall constitute a prejudgment with respect to the final approval or allocation.

(e) In allocating Contracts to DPMs approved in accordance with paragraphs (b) and (c) above, the Exchange may: (i) consider any relevant information, including but not limited to performance, volume, capacity, market performance commitments, operational factors, efficiency, competitiveness and recommendations of committees of the Board of Directors or of the Exchange; (ii) place one or more conditions or limitations of the type specified in paragraph (c) above on the approval; or (iii) allocate any Contract to more than one DPM, such that the different DPMs serve at the same time but with respect to different contract months or in different time zones, or such that each of the DPMs serves as the DPM for such Contract on a rotating basis.

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

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

(ii) any change in, or transfer of, Control of a DPM; and

(iii) any merger, sale of assets or other business combination or reorganization involving a DPM.

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

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

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

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

(iii) if such Participant fails to (A) comply with any conditions previously placed upon its approval as a DPM or its allocation of Contracts or (B) perform its obligations under paragraph (j) below; or

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

(i) Each applicant for approval as a DPM pursuant to paragraph (b) above shall be given an opportunity to present any matter which it wishes the Exchange to consider in conjunction with the application. Prior to taking any remedial action against a DPM pursuant to paragraph (h) above, such DPM shall

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

(j) DPMs shall have such rights and obligations as the Exchange may specify in connection with their approval or prescribe from time to time in policies or procedures.

V-12. Investment of Certain Participant Account Funds

Participant funds on deposit with the Exchange and funds in the Trading Accounts of such Participants (i.e., the account containing the funds paid by Participants to purchase or sell Contracts and which are to be used to pay Participants at expiration of Contracts) will be segregated in accordance with the CFTC's Regulations. The Exchange may invest such funds subject to the limitations and conditions set forth in CFTC Regulation 1.25. The Exchange will pay interest to Participants' Trading Accounts at a rate to be determined by the Exchange on funds in Participants' Trading Accounts in excess of an amount to be determined by the Exchange. The Exchange will retain all profit from investment of the Participant funds not paid to Participants in accordance with the preceding sentence.

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CHAPTER VI
BUSINESS CONDUCT

VI-1. Rule Violations

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

VI-2. Fraudulent Acts

(a) No Participant, Authorized Trader or, if applicable, any other Supervised Persons shall engage in any fraudulent act or engage in any scheme to defraud, deceive or trick in connection with or related to any trade on or other activity related to the Exchange or the Clearinghouse.

(b) Notwithstanding anything to the contrary in these Rules, neither the prohibitions on trading described in Rule VI-12 nor any other provisions of these Rules will supersede any applicable prohibitions on fraud and manipulation, whether such prohibitions are prescribed by law, regulation or the Rules of the Exchange or the Rules of the Clearinghouse. 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 trading of all Contracts. The Exchange and the Clearinghouse each retain the right to take any appropriate disciplinary actions against Participants as permitted by the Rules of the Exchange or the Rules of the Clearinghouse, as applicable.

VI-3. Fictitious Transactions

No Participant, Authorized Trader or, if applicable, any other Supervised Person shall create fictitious transactions or execute any such Order with knowledge of its nature.

VI-4. Market Demoralization

Orders entered into the Cantor Direct System for the purpose of upsetting the equilibrium of the market in any Contract or creating a condition in which prices do not or will not reflect fair market values are prohibited, and any Participant, Authorized Trader and, if applicable, any other Supervised Person who makes or assists in entering any such Order with knowledge of the purpose thereof or who, with such knowledge, in any way assists in carrying out any plan or scheme for the entering of any such Order, will be deemed to have engaged in an act detrimental to the Exchange.

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VI-5. Market Manipulation

Any manipulation of the market in any Contract is prohibited.

VI-6. Prohibition of Misstatements

It shall be an offense to make any misstatement of a material fact to the Exchange (including the Board of Directors, any committee thereof or any panel of any such committee, any Exchange Official or any committee of the Exchange) or to the NFA (including any members of its staff).

VI-7. Adherence to Law

No Participant, Authorized Trader or, if applicable, any other Supervised Person shall engage in conduct in violation of Applicable Law, the Rules of the Exchange or the Rules of the Clearinghouse (insofar as the Rules of the Clearinghouse relate to the reporting or clearance of any transaction in Contracts).

VI-8. Use of Trading Privileges

No Participant, Authorized Trader or, if applicable, any other Supervised Person may use its Trading Privileges or access the Exchange in any way which could be expected to bring disrepute upon such Participant or the Exchange.

VI-9. Supervision

Each Participant shall be responsible for establishing, maintaining and administering reasonably supervisory procedures to ensure that its Supervised Persons comply with Applicable Law, the Rules of the Exchange and the Rules and the Clearinghouse, shall be responsible for supervising its Supervised Persons and may be held accountable for the actions of such Supervised Persons.

VI-10. Disclosing Orders

Except in accordance with any policies or procedures for pre-execution discussion from time to time adopted by the Exchange, no Participant shall disclose to any Person any Order placed by any other Person, except to an Exchange Official or a member of the staff of the CFTC, the NFA, or the Department of Justice, respectively.

VI-11. Pre-Execution Discussions

(a) Authorized Traders seeking to execute a pre-negotiated transaction must wait for a reasonable period of time, which shall be presumed to be not less than 15 seconds after the initial Order is submitted to the Cantor Direct System, before submitting the opposite side Order.

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(b) Except in the case of transactions effected pursuant to Rule VI-11(a), no Authorized Traders shall enter through the Cantor Direct System into a pre-discussed or pre-arranged transaction.

VI-12. Prohibition on Trading on Material Non-Public Information

(a) Subsequent to the commencement of an Opening Auction with respect to any Contract, if any, any person in possession of any material non-public information regarding the commodity underlying such Contract (including, in the case of DBOR Contracts, information regarding the underlying film title) is prohibited from trading in such Contracts until such information has been disseminated in a manner that makes it generally available or accessible to the public, through the news media, the Internet or otherwise. Such material non-public information includes, but is not limited to, the following: (i) changes in the scheduled release date of the relevant film; (ii) the actual number of theaters in which the film will be shown; (iii) changes in the promotion or advertising budgets of a film; and (iv) actual box office receipt statistics once a film has been released.

(b) Participants that are Entities shall be required to adopt policies and procedures adequately designed to ensure that its officers, directors, employees and agents, including its Authorized Traders, do not trade on the basis of material non-public information in violation of Rule VI-12(a).

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CHAPTER VII
DISCIPLINE AND ENFORCEMENT

VII-1. General

(a) All Participants and Authorized Traders shall be subject to the Exchange's jurisdiction. All Participants and Authorized Traders are subject to this Chapter VII 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 of the Exchange or any provision of Applicable Law for which the Exchange possesses disciplinary jurisdiction.

(b) The Exchange 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 VII.

(c) The Exchange may delegate any or all of its powers or responsibilities under this Chapter VII to the NFA (acting in its compliance role, the "Compliance Department") and the Disciplinary Panel, which may take any actions on behalf of the Exchange that the Exchange is permitted to take hereunder. In the event of any such delegation, references to the Exchange in this Chapter VII shall be construed to be references to the Compliance Department or the Disciplinary Panel, as the case may be.

(d) No member of the staff of the Exchange 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 member of the Board of Directors 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 member of the Board of Directors is not a member of the relevant Appeals Panel.

(e) Any Participant or Authorized Trader 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 VII.

(f) (i) Pursuant to this Chapter VII, the Exchange may hold a Participant liable for, and impose sanctions against such Participant, for such Participant's own acts and omissions that constitute a violation;

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(ii) a Participant liable for, and impose sanctions against such Participant, for the acts and omissions of each Authorized Trader authorized by, and each other agent or representative of, such Participant that constitute a violation as if such violation were that of the Participant;

(iii) an Authorized Trader liable for, and impose sanctions against him or her, for such Authorized Trader's own acts and omissions that constitute a violation; and

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

(g) Pursuant to this Chapter VII, the Exchange may in its sole discretion, and subject to the conditions specified in Rule III-3(g), review an appeal by any applicant of the Exchange's decision to deny or otherwise limit Trading Privileges of such applicant pursuant to the Rules of the Exchange; *provided*, *however*, that any such decision by the Exchange to deny or otherwise limit applicant's Trading Privileges shall continue in effect during such review.

VII-2. Inquiries and Investigation

(a) The Compliance Department will, in conjunction with NFA, investigate any matter within the Exchange's disciplinary jurisdiction that is brought to such department's attention. All such investigations must be completed in a timely manner, as determined in the reasonable judgment of the Exchange. 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 Exchange.

(b) The Compliance Department has the authority to:

(i) initiate and conduct inquiries and investigations;

(ii) prepare investigative reports and make recommendations concerning initiating disciplinary proceedings;

(iii) prosecute alleged violations within the Exchange's disciplinary jurisdiction; and

(iv) represent the Exchange on appeal from any disciplinary proceeding, summary imposition of fines, summary suspension or other summary action.

(c) Each Participant or Authorized Trader:

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(i) is obligated to appear and testify and respond in writing to interrogatories within the time period required by the Compliance Department in connection with: (A) any Rule of the Exchange; (B) any inquiry or investigation; or (C) 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 Exchange;

(ii) 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: (A) any Rule of the Exchange; (B) any inquiry or investigation; or (C) 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 Exchange; and

(iii) 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.

VII-3. Reports of Investigations

(a) 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 Exchange'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.

(b) 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 (iv) initiating disciplinary proceedings. An informal disposition (including the issuance of a warning letter) will not constitute a finding of a violation or a sanction.

VII-4. Review of Investigative Reports

(a) The Compliance Director will review promptly each completed investigation report to determine whether a reasonable basis exists to believe

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that a violation within the Exchange's jurisdiction has occurred or is about to occur. Such determination will be made by the Compliance Director within 10 Business Days of receipt of the applicable investigation report.

(b) If the Compliance Director determines that additional investigation or evidence is needed to decide whether a reasonable basis exists to believe that a violation within the Exchange's jurisdiction has occurred or is about to occur, the Compliance Director will direct the Compliance Department to conduct further investigation.

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

(i) the commencement of disciplinary proceedings because a reasonable basis exists to believe that a violation within the Exchange's jurisdiction has occurred or is about to occur;

(ii) the informal disposition of the investigation (by issuing a warning letter or otherwise) if the Compliance Director determines that a violation of the Rules of the Exchange or any applicable Contract Rules may have occurred but that formal disciplinary proceedings are unwarranted; or

(iii) 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 Exchange's jurisdiction has occurred or is about to occur.

VII-5. Notice of Charges and Opportunity to Respond

(a) If the Compliance Director authorizes disciplinary proceedings pursuant to Rule VII-4, the Compliance Department will prepare in accordance with Rule VII-5 and serve in accordance with Rule VII-7, a notice of charges within 20 Business Days thereafter.

(b) A notice of charges will:

(i) state the acts, practices or conduct that the respondent is alleged to have engaged in;

(ii) state the Rule of the Exchange or provision of Applicable Law alleged to have been violated or about to be violated;

(iii) state the proposed sanctions;

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(iv) 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 20 Business Days after service of the notice of charges;

(v) advise the respondent of its right to a hearing and its right to have counsel present;

(vi) 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 VII-5(b)(iv), which will not be less than 20 Business Days after service of the notice of charges;

(vii) 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

(viii) 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 VII-5(b)(iv), the Compliance Director shall, within 10 Business Days after receipt of the written statement, advise the respondent:

(i) of the Compliance Director's decision to drop any or all of the potential charges;

(ii) 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

(iii) that the respondent shall have 20 Business Days to submit an answer to the notice of charges, as described in Rule VII-6.

VII-6. Answer to Notice of Charges

(a) If the respondent determines to answer a notice of charges, the respondent must file answers within 20 Business Days after being served with such notice, or within such other time period determined appropriate by the Compliance Director.

(b) To answer a notice of charges, the respondent must in writing:

(i) specify the allegations that the respondent denies or admits;

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(ii) specify the allegations that the respondent does not have sufficient information to either deny or admit;

(iii) specify any specific facts that contradict the notice of charges;

(iv) specify any affirmative defenses to the notice of charges; and

(v) sign and serve the answer on the Director of Hearings.

(c) 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.

VII-7. Service of Notice of Charges

(a) Any notice of charges or other documents contemplated to be served pursuant to this Chapter VII 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 Exchange, 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 Exchange.

VII-8. 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 Exchange 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

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will forward the offer to the Compliance Director with a recommendation on whether to accept or reject the offer. If the Compliance Director conditionally accepts an offer of settlement, the settlement will become final upon the expiration of 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.

VII-9. Disciplinary Panel

(a) A disciplinary panel consisting of five individuals selected by the Board of Directors from the Exchange's Hearing Panel Committee (with one individual acting as chairman) (the "Disciplinary Panel"), will conduct hearings in connection with any disciplinary proceedings, to make findings and impose sanctions pursuant to this Chapter VII. 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 at least one individual who would qualify as a Public Director (if the individual was a director of the Exchange), except in cases limited to decorum, attire, or the timely submission of accurate records required for clearing or verifying each day's transactions. Members of the Compliance Department of the Exchange shall not be eligible to serve on a Disciplinary Panel.

(b) Within 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 the reasons identified in Rule II-10 or for any other reasonable grounds, by serving written notice on the Compliance Director and providing a copy thereof to the Director of Hearings. 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 Compliance Director 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.

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VII-10. Convening Hearings of Disciplinary Proceedings

(a) All disciplinary proceedings (except for summary impositions of fines pursuant to Rule VII-17) 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.

(b) After reasonable notice to each respondent, the Disciplinary Panel will promptly (but in no event later than 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.

(c) 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 Exchange will provide guidance to the chairman of the Disciplinary Panel on the conduct of the hearing.

(d) Except for procedural and evidentiary matters decided by the chairman of the Disciplinary Panel pursuant to paragraph (c) above and Rule VII-11, unless each respondent otherwise consents, the entire Disciplinary Panel must be present during the entire hearing and any related deliberations.

VII-11. 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 Exchange 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 Exchange will have no obligation to disclose, any information

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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:

(i) 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

(ii) 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 VII-11, 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 Participant or Authorized Trader and the personal finances of the Person providing the information.

VII-12. Conducting Hearings of Disciplinary Proceedings

(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 VII-6, 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:

(i) present evidence and facts determined relevant and admissible by the chairman of the Disciplinary Panel;

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(ii) call and examine witnesses; and

(iii) 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 VII-6.

(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 Exchange will require all Participants and Authorized Traders that are called as witnesses to appear at the hearing and produce evidence. The Exchange 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 of the Exchange 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 VII-6. In connection with considering apparent violations pursuant to this paragraph (e), the Disciplinary Panel may request that the Compliance Department provide the Panel with any additional information.

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

(g) The Exchange 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

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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.

VII-13. 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 Exchange will serve a copy of the order of the disciplinary proceedings on the respondent and the Compliance Department. The order will include:

(i) the notice of charges or summary of the allegations;

(ii) the answer, if any, or a summary of the answer;

(iii) a brief summary of the evidence introduced at the hearing;

(iv) findings of fact and conclusions concerning each allegation, including each specific Rule of the Exchange and provision of Applicable Law that the respondent is found to have violated;

(v) the imposition of sanctions, if any, and the effective date of each sanction; and

(vi) notice of the respondent's right to appeal pursuant to Rule VII-16.

(c) Unless a timely notice of appeal is filed pursuant to Rule VII-16, the order of the disciplinary proceedings will become final upon the expiration of 20 Business Days after the order is served on the respondent and a copy thereof is provided to the Compliance Department.

VII-14. Sanctions

(a) After notice and opportunity for hearing in accordance with these Rules, the Exchange will impose sanctions if a Participant or Authorized Trader is found to have violated or to have attempted to violate a Rule of the Exchange or provision of Applicable Law for which the Exchange possesses disciplinary jurisdiction. The Exchange may impose one or more of the following sanctions or

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remedies: (i) censure; (ii) limitation on Trading Privileges, association with a Participant or other activities, functions or operations; (iii) suspension of Trading Privileges or association with a Participant for a period not to exceed 12 months; (iv) fine (subject to paragraph (b) below); (v) restitution or disgorgement; (vi) termination of Trading Privileges; or (vii) any other sanction or remedy deemed to be appropriate.

(b) The Exchange may impose a fine of up to $500,000 for each violation. If a fine or other amount is not paid within 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 Exchange has sole discretion to select the bank on whose quotations to base the prime rate. Each Participant will be responsible for paying any fine or other amount imposed on, but not paid by, any Authorized Trader authorized by, or other agent or representative of, such Participant.

VII-15. 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 Exchange if the Panel concludes that the Exchange 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 Exchange to an amount that the Panel 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 Exchange or the respondent will pay any costs ordered to be paid by it by the Disciplinary Panel within 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.

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VII-16. Appeal from Disciplinary Panel Decision, Summary Impositions of Fines and Other Summary Actions

(a) Each respondent found by the Disciplinary Panel to have violated a Rule of the Exchange or a provision of Applicable Law or who is subject to any summary fine imposed pursuant to Rule VII-17 or any summary action imposed pursuant to Rule VII-17 may appeal the decision within 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 Compliance Director. 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.

(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:

(i) the decision was arbitrary, capricious, an abuse of discretion, or not in accordance with the Rules of the Exchange;

(ii) the decision exceeded the authority or jurisdiction of the Disciplinary Panel, the Compliance Director or the Exchange;

(iii) the decision failed to observe required procedures;

(iv) the decision was unsupported by the facts or evidence; or

(v) the imposed sanctions, remedies or costs are inappropriate or unsupported by the record.

(c) The Compliance Director 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 20th day after filing a notice of appeal, the appellant must file with the Compliance Director and serve on the Compliance Department a brief supporting the notice of appeal and documents supporting the brief. On or before the 20th 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 10th 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 Compliance Director and to the respondent/appellant a transcript of

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the hearing, any exhibits introduced at the hearing, the notice of appeal and briefs filed to support and oppose the appeal.

(e) Within 30 Business Days after the last submission filed pursuant to paragraph (c) above, the Compliance Director will appoint the Appeals Panel to consider and determine the appeal. No member of the Disciplinary Panel that originally heard the matter may be a member of the Appeals Panel on such 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 Compliance Director, 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 Compliance Director that is under review, as the case may be, meets one of the criteria listed in Rule VII-16(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 of the Exchange, or remanding the matter to the same or a different Disciplinary Panel for further disciplinary proceedings or for reconsideration by the Compliance Director. 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 VII-16(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:

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(i) Arbitrary, capricious, or an abuse of the discretion of the Disciplinary Panel or the Compliance Director, as the case may be;

(ii) In excess of the authority or jurisdiction of the Disciplinary Panel or the Compliance Director, as the case may be; or

(iii) Based on a clearly erroneous application or interpretation of the Rules of the Exchange or the applicable Contract 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 of the Exchange 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 Exchange and will not be subject to appeal within the Exchange.

(l) Within 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 VII-16 or for any other reasonable grounds, by serving written notice on the Compliance Director and providing a copy thereof to the Director of Hearings. 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 Compliance Director 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.

VII-17. Summary Imposition of Fines

(a) The Compliance Director may summarily impose a fine against a Participant or Authorized Trader for failing:

(i) to make timely payments of margin, options premiums, fees, cost, charges or fines to the Exchange or the Clearinghouse;

(ii) to make timely and accurate submissions to the Exchange of notices, reports or other information required by the Rules of the Exchange; and

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(iii) to keep any books and records required by the Rules of the Exchange.

(b) The Compliance Department, acting on behalf of the Compliance Director, will give notice of any fine imposed pursuant to this Rule VII-17 to each Participant or Authorized Trader subject thereto. The notice will specify (i) the violations of the Rules of the Exchange 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 20 Business Days of serving the notice of fine, the Participant or Authorized Trader, as the case may be, must either pay the fine or file notice of an appeal pursuant to Rule VII-16. Unless timely notice of appeal is filed pursuant to Rule VII-16, the fine will become final upon the expiration of 20 Business Days after the notice of fine is served on the Participant or Authorized Trader, as the case may be.

(c) The Exchange, in its sole discretion, may deduct the amount of any fine imposed pursuant to Rule VII-17(b) directly from the Participant's Trading Account; *provided*, that the Exchange 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 Trading Account of such Participant.

(d) The Exchange will set the amount of any fines imposed pursuant to this Rule VII-17, with the maximum fine for each violation not to exceed $5,000. Summary imposition of fines pursuant to this Rule VII-17 will not preclude the Exchange from bringing any other action against the Participant or Authorized Trader, as the case may be.

VII-18. Summary Suspensions and Other Summary Actions

(a) Notwithstanding anything in the Rules of the Exchange to the contrary, the Compliance Director may summarily suspend, revoke, limit, condition, restrict or qualify the Trading Privileges of a Participant or Authorized Trader, and may take other summary action against any Participant or Authorized Trader in accordance with the Rules of the Exchange; *provided*, *however*, that (i) notwithstanding any such suspension, revocation, limitation, condition, restriction or qualification, the Authorized Traders of such Participant, or the Authorized Trader on behalf of the Participant that granted such Authorized Trader its Trading Privileges, as the case may be, shall be permitted to enter Orders solely for the purpose of liquidating the Open Contract Positions of such Participant while the applicable suspension, revocation, limitation, condition, restriction or qualification is in effect, and (ii) the Compliance Director must reasonably believe that the business, conduct or activities of the Participant or Authorized Trader in question is not in the best interests of the Exchange or the marketplace, including based on any of the following: (x) statutory disqualification from registration as provided in CEA Section 8a(2) or (3); (y) non-

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payment of fees, costs, charges, fines or arbitration awards; or (z) the reasonable belief that immediate action is necessary to protect the public or the best interests of the Exchange.

(b) Whenever practicable, the Compliance Department, acting on behalf of the Compliance Director, shall provide prior written notice to the party against whom any action in accordance with paragraph (a) shall be taken. If prior notice is not practicable, the Exchange will give notice at the earliest possible opportunity to the respondent against whom the action is brought. The Compliance Department, acting on behalf of the Compliance Director, will prepare a notice of summary action (which will state the action, the reasons for the action, and the effective time, date and duration of the action) and serve the notice on such party.

(c) Unless timely notice of appeal is filed pursuant to Rule VII-16, the summary action will become final upon the expiration of 20 Business Days after the notice of action is served on the respondent.

(d) At the request of the Exchange or the Clearinghouse, a respondent against whom a summary action is brought pursuant to this Rule VII-18 must provide books and records over which the respondent has access or control and must furnish information to, or appear or testify before, the Exchange or the Clearinghouse in connection with the enforcement of any Rule of the Exchange or Rule of the Clearinghouse.

(e) A respondent whose Trading Privileges are suspended, revoked, limited, conditioned, restricted or qualified pursuant to this Rule VII-18 may apply for reinstatement by filing with the Compliance Department a written request stating the applicant's reasons for seeking reinstatement. The Exchange will not consider a respondent's request for reinstatement if the respondent (i) owes any fines, fees, charges or costs to the Exchange, (ii) continues to fail to appear at disciplinary proceedings without good cause or (iii) 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 Compliance Director 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 Exchange may require any Participant or any Authorized Trader to appear as witnesses and produce evidence if the Appeals Panel determines that the evidence is relevant.

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(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 Trading Privileges, or association with a Participant, 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 VII-18(d) above. The Appeals Panel's order may not be appealed.

VII-19. Rights and Responsibilities after Suspension or Termination

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

(b) When the Trading Privileges of a Participant are, or the association of an Authorized Trader with a Participant is, terminated, all of its rights and Trading Privileges will terminate, except for the right of the Participant or Authorized Trader in question to assert claims against others, as provided in the Rules of the Exchange. A terminated Participant or Authorized Trader may only seek to reinstate its Trading Privileges by applying for Trading Privileges pursuant to Rule III-4. The Exchange will not consider the application of a terminated Participant or Authorized Trader if such Participant or Authorized Trader, 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.

(c) A suspended or terminated Participant or Authorized Trader remains subject to the Rules of the Exchange and the jurisdiction of the Exchange 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

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suspended or terminated Participant or an Authorized Trader still had Trading Privileges or was still associated with a Participant, as the case may be.

VII-20. Notice to the Respondent, the Commission and the Public

(a) The Exchange will provide written notice of disciplinary proceedings to the parties and the CFTC consistent with CFTC Regulations. Whenever the Exchange suspends, expels, fines or otherwise disciplines, or denies any Person access, to the Exchange, the Exchange will make the public disclosures required by CFTC Regulations.

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CHAPTER VIII
ARBITRATION

VIII-1. General

Except as otherwise provided in the Rules of the Exchange, Participants and Authorized Traders must arbitrate all controversies arising in connection with their Exchange business between or among themselves. Notwithstanding the foregoing, this Rule VIII-1 does not require arbitration of claims alleging employment discrimination (including sexual harassment) in violation of Applicable Law.

VIII-2. Forum

NFA will conduct any and all arbitrations of a type described in Rule VIII-1.

VIII-3. Applicable Arbitration Rules

Any and all arbitrations of a type described in Rule VIII-1 above will be conducted pursuant to NFA's Member Arbitration Rules.

VIII-4. Penalties

(a) Any failure on the part of any Participant or Authorized Trader 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 of the Exchange and subjects such Participant or Authorized Trader to disciplinary proceedings pursuant to Chapter VII.

(b) The Exchange may summarily suspend, pursuant to Chapter VII, a Participant or Authorized Trader that fails to satisfy an arbitration award rendered in any arbitration pursuant to this Chapter VIII.

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CHAPTER IX
CONTRACTS

IX-1. Contract Specifications

Each Contract will meet such specifications, and all trading in such Contract will be subject to such procedures and requirements, as set forth in the rules governing such Contract.

IX-2. Contract Modifications

The specifications for, and the procedures and requirements for trading, any Contract may not be modified in any respect without the prior approval of the Exchange.

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CHAPTER X
CLEARING

X-1. Rules of Clearinghouse

The clearing services provided by the Clearinghouse with respect to any Contract, and the rights and obligations of purchasers and sellers under cleared Contracts (including, without limitation, rights and obligations in respect of clearing and settlement, variation margin payments and performance at maturity, and in the case of Options on Futures, upon exercise thereof), shall be governed by the Rules of Clearinghouse.

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