Cboe Futures Exchange, LLC

Rulebook

BY ACCESSING, OR ENTERING ANY ORDER INTO, THE CFE SYSTEM, AND WITHOUT ANY NEED FOR ANY FURTHER ACTION, UNDERTAKING OR AGREEMENT, A TRADING PRIVILEGE HOLDER OR AUTHORIZED TRADER AGREES (I) TO BE BOUND BY, AND COMPLY WITH, THE RULES OF THE EXCHANGE, THE RULES OF THE CLEARING CORPORATION 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 TRADING PRIVILEGE HOLDER OR AUTHORIZED TRADER. SEE RULE 308(A) AND THE RELATED DEFINITIONS IN THIS RULEBOOK.

ANY PERSON INITIATING OR EXECUTING A TRANSACTION ON OR SUBJECT TO THE RULES OF THE EXCHANGE DIRECTLY OR THROUGH AN INTERMEDIARY, AND ANY PERSON FOR WHOM BENEFIT SUCH A TRANSACTION HAS BEEN INITIATED OR EXECUTED, EXPRESSLY CONSENTS TO THE JURISDICTION OF THE EXCHANGE AND AGREES TO BE BOUND BY AND COMPLY WITH THE RULES OF THE EXCHANGE IN RELATION TO SUCH TRANSACTIONS, INCLUDING, BUT NOT LIMITED TO, RULES REQUIRING COOPERATION AND PARTICIPATION IN INVESTIGATORY AND DISCIPLINARY PROCESSES. SEE RULE 308(D) FOR THE RULES OF THE EXCHANGE TO WHICH ANY PERSON SUBJECT TO THE FOREGOING SENTENCE THAT IS NOT A TRADING PRIVILEGE HOLDER OR RELATED PARTY IS BOUND AND REQUIRED TO COMPLY.

Revised as of July 2, 2019
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CHAPTER 1
DEFINITIONS

Scope of Definitions

Unless otherwise specifically provided in the Rules of the Exchange or the context otherwise requires, the terms defined in this Chapter shall for all purposes of the Rules of the Exchange have the meanings specified below.

Administrator

The term “administrator” has the meaning set forth in Rule 513(a).

Adopted April 25, 2018 (18-005).

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 Committee

The term “Appeals Committee” means the appeals committee constituted in accordance with, and with the authority and rights set forth or referred to, in Rule 211.

Amended October 17, 2012 (12-26).

Applicable Law

The term “Applicable Law” includes, but is not limited to, the CEA, Commission Regulations, margin rules adopted by the Board of Governors of the Federal Reserve System (as amended from time to time) and, to the extent applicable, the Exchange Act and Exchange Act Regulations.

Authorized Reporter

The term “Authorized Reporter” has the meaning set forth in Rule 414(i) in relation to Exchange of Contract for Related Position transactions and has the meaning set forth in Rule 415(f) in relation to Block Trades.

Adopted February 25, 2018 (17-017).

Authorized Trader

The term “Authorized Trader” means any natural person who is a Trading Privilege Holder or who is authorized by a Trading Privilege Holder to access the CFE System on behalf of the Trading Privilege Holder.

Amended October 17, 2012 (12-26); February 25, 2018 (17-017).
**Average Price System**

The term “Average Price System” means any system used by a Trading Privilege Holder that is a registered futures commission merchant to calculate and confirm to its Customers an average price for any Contract when multiple execution prices are received on any Order or series of Orders for such Contract.

**Bankruptcy Code**

The term “Bankruptcy Code” means Title 11 of the United States Code, as amended from time to time.

**BCC Panel**

The term “BCC Panel” has the meaning set forth in Rule 209.

Amended October 17, 2012 (12-26).

**BOE**

The term “BOE” means the Binary Order Entry protocol for interfacing with the CFE System.

Adopted February 25, 2018 (17-017).

**Block Trade**

The term “Block Trade” has the meaning set forth in Rule 415(a).

**Board**

The term “Board” means the board of directors of the Exchange constituted in accordance with the Constitutive Documents.

**Business Conduct Committee**

The term “Business Conduct Committee” means the business conduct committee of the Exchange constituted in accordance with, and with the authority and rights set forth or referred to in, Rule 209.

Amended October 17, 2012 (12-26).

**Business Day**

The term “Business Day” has the meaning set forth in Rule 402(a).

**Cboe Options**

The term “Cboe Options” means Cboe Exchange, Inc., a Delaware corporation (including its successors).
Cboe Global Markets

The term “Cboe Global Markets” means Cboe Global Markets, Inc., a Delaware Corporation (including its successors).

Adopted June 18, 2010 (10-05); amended October 31, 2017 (17-016).

CFE System

The term “CFE System” means (i) the electronic systems administered by or on behalf of the Exchange which perform the functions set out in the Rules of the Exchange, including controlling, monitoring and recording trading on the Exchange and (ii) any connectivity to the foregoing electronic systems that is administered by or on behalf of the Exchange, such as a communications hub in a foreign jurisdiction.

Amended February 1, 2013 (13-03); February 25, 2018 (17-017).

CFE Workstation

The term “CFE Workstation” means any computer connected directly to the CFE System, including by means of an Exchange defined protocol, for the purpose of trading Contracts.

Amended November 4, 2004 (04-20); October 17, 2012 (12-26); February 2, 2012 (13-03); February 25, 2018 (17-017).

CEA

The term “CEA” means the Commodity Exchange Act, as amended from time to time.

Chairman of the Board

The term “Chairman of the Board” means the individual designated as the chairman of the board of the Exchange in accordance with the Constitutive Documents from time to time.

Amended April 26, 2010 (10-04).

Chief Executive Officer

The term “Chief Executive Officer” means the individual serving as chief executive officer of Cboe Global Markets from time to time.

Adopted March 24, 2017 (17-005); amended October 31, 2017 (17-016).

Chief Regulatory Officer
The term “Chief Regulatory Officer” or “CRO” means the individual appointed by the Board from time to time to serve as Chief Regulatory Officer of the Exchange.

Adopted November 15, 2018 (18-025).

Class of Options

The term “Class of Options” means Options of the same category (e.g., traditional or binary) covering the same underlying Future of commodity.

Adopted February 23, 2009 (09-03).

Clearing Corporation

The term “Clearing Corporation” means The Options Clearing Corporation, a Delaware corporation (including its successors), or such other clearing organization as the Exchange may designate in the future to provide clearing services with respect to any or all of its Contracts.

Clearing Member

The term “Clearing Member” means a member of the Clearing Corporation that is a Trading Privilege Holder and that is authorized under the Rules of the Clearing Corporation to clear trades in any or all Contracts.

Commission

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

Commission Regulation

The term “Commission Regulation” means any rule, regulation, order, directive and any interpretation thereof adopted or amended from time to time by the Commission.

Commodity

The term “Commodity” has the same meaning as that term is defined under the CEA.

Adopted February 23, 2009 (09-03).

Complainant

The term “Complainant” has the meaning set forth in Rule 702(a).

Constitutive Documents
The term “Constitutive Documents” means the certificate of formation and the operating agreement of the Exchange, each as amended or otherwise modified from time to time.

**Contract**

The term “Contract” means any Future, Option or Security Future offered for trading on the Exchange. Each single leg expiration is a separate Contract. Each spread for a product is treated like a separate Contract from a system perspective. If TAS transactions are permitted in a product, each TAS single leg expiration and TAS spread for the product is treated like a separate Contract from a system perspective.

Amended February 25, 2018 (17-017); July 2, 2019 (19-012).

**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.

**Credentials**

The term “Credentials” has the meaning set forth in Rule 513(b).

Adopted February 25, 2018 (17-017).

**Customer**

The term “Customer” means any Person for whom a Trading Privilege Holder or Market Participant carries an account (other than such Trading Privilege Holder or Market Participant or any Affiliates of such Trading Privilege Holder or Market Participant) or from whom a Trading Privilege Holder or Market Participant solicits or accepts an Order.

Amended July 2, 2019 (19-012).

**Delaware LLC Act**

The term “Delaware LLC Act” means the Delaware Limited Liability Company Act, as amended from time to time.
The term “Director of Enforcement” means the individual appointed by the Exchange from time to time to serve as its director of enforcement.

**DPM**

The term “DPM” means any designated primary market maker approved by the Exchange from time to time in accordance with Rule 515 and with the duties and responsibilities set forth in Rule 515 and Exchange Policy and Procedure X.

Amended February 14, 2011 (11-04).

**DPM Designee**

The term “DPM Designee” has the meaning set forth in Rule 515(b)(iii).

**EFID**

The term “EFID” means an Executing Firm ID that is described in Rule 302(f).

Adopted February 25, 2018 (17-017).

**Emergency**

The term “Emergency” means any occurrence or circumstance which requires immediate action and threatens or may threaten the fair and orderly trading in, or the liquidation of or delivery pursuant to, any Contract or the integrity of the market, whether the need for intervention arises exclusively from the Exchange’s market or as part of a coordinated, cross-market intervention. An Emergency may include, without limitation, any of the following:

(a) Any manipulative activity or disruptive trading practices or attempted manipulative activity or disruptive trading practices;

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

(c) Any circumstance which 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 which may have a direct adverse effect on trading on the Exchange;

(e) Any circumstance which 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 Trading Privilege Holder or the imposition of any injunction or other restraint by any government agency, court or arbitrator upon a Trading Privilege Holder which may affect the ability of that Trading Privilege Holder to perform on its Contracts;

(g) Any circumstance in which it appears that a Trading Privilege Holder 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 Customer funds, other Trading Privilege Holders, the Exchange or the Clearing Corporation; 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 Commission.

Amended October 17, 2012 (12-26).

**Exchange**

The term “Exchange” means Cboe Futures Exchange, LLC, a Delaware limited liability company (including its successors), and when used with reference to the administration of any Rule of the Exchange means either the Board or the officer, employee, agent, committee or delegate to whom appropriate authority to administer such provision has been delegated. The Exchange may also be referred to as “CFE”.

Amended October 31, 2017 (17-016); February 25, 2018 (17-017).

**Exchange Act**


**Exchange Act Regulation**

The term “Exchange Act Regulation” means any rule, regulation, order, directive and any interpretation thereof adopted or amended from time to time by the Securities and Exchange Commission, including any successor agency or authority.

**Exchange of Contract for Related Position or ECRP**

The term “Exchange of Contract for Related Position” or “ECRP” means an exchange of a Contract listed on the Exchange for a Related Position, as that term is defined in Rule 414(b), that is entered into in accordance with the Rules of the Exchange.

Amended March 11, 2005 (05-09); amended February 23, 2009 (09-03); October 17, 2012 (12-26); March 13, 2019 (19-003).

**Executive Committee**
The term “Executive Committee” means the executive committee of the Board, as constituted in accordance with, and with the authority and rights set forth in, Rule 207.

Adopted September 1, 2004 (04-17).

**Exercise Price or Strike Price**

The terms “Exercise Price” and “Strike Price” shall be synonymous and mean the price at which a person may purchase or sell the underlying Future or commodity upon exercise of the Option.

Adopted February 23, 2009 (09-03).

**Ex Parte Communication**

The term “Ex Parte Communication” means any oral or written communication made without notice to all parties. A written communication is an Ex Parte Communication unless a copy thereof has been delivered to all interested parties. An oral communication is an Ex Parte Communication unless it is made in the presence of all interested parties other than those who, after receiving adequate prior notice, declined to be present.

**Expiration Date**

The term “Expiration Date” means, with respect to any Contract, the day and time set forth in the Rules of the Exchange governing such Contract for the termination or expiration of such Contract.

**Expiration Month**

The term “Expiration Month” means, with respect to any Contract, the month and year set forth in the Rules of the Exchange governing such Contract for the termination or expiration of such Contract.

**FINRA**

The term “FINRA” means the Financial Industry Regulatory Authority, and includes any successor organization.

Adopted February 23, 2009 (09-03).

**FIX**

The term “FIX” means the Financial Information Exchange protocol for interfacing with the CFE System.

Adopted February 25, 2018 (17-017).

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

**Implied Spread Bid**

The term “Implied Spread Bid” has the meaning set forth in Rule 404A(d)(i)(A).

Adopted February 25, 2018 (17-017).

**Implied Spread Offer**

The term “Implied Spread Offer” has the meaning set forth in Rule 404A(d)(i)(B).

Adopted February 25, 2018 (17-017).

**Independent Software Vendor**

The term “Independent Software Vendor” (also referred to as a “Service Bureau”) has the meaning set forth in Rule 302(g).

Adopted October 17, 2012 (12-26); February 25, 2018 (17-017).

**Lower Price Limit**

The term “Lower Price Limit” has the meanings set forth in contract specification rule chapters for products with price limits, such as in Rule 1202(i)(i).

Amended February 25, 2018 (17-017); amended February 25, 2018 (18-002).

**Market Data**

The term “Market Data” has the meaning set forth in Rule 408.

Adopted February 25, 2018 (17-017).

**Market Participant**

The term “Market Participant” has the meaning set forth in Rule 308(c).

Adopted July 2, 2019 (19-012).

**Match Capacity Allocation**

A “match capacity allocation” provides the ability to submit Orders to the CFE System within an Order rate limit designated by the Exchange. Match capacity allocations are made available in a form and manner prescribed the Exchange.

**Maximum Price**
The term “Maximum Price” has the meaning set forth in Rule 406(f).

Adopted February 25, 2018 (17-017).

**Minimum Price**

The term “Minimum Price” has the meaning set forth in Rule 406(f).

Adopted February 25, 2018 (17-017).

**Narrow-Based Stock Index Future**

The term “Narrow-Based Stock Index Future” has the meaning set forth in Rule 1901.

Adopted July 26, 2005 (05-20).

**NFA**

The term “NFA” means the National Futures Association, and includes any successor organization fulfilling similar functions under the CEA.

Adopted July 26, 2005 (05-20).

**Option**

The term “Option” means any commodity option, as that term is defined in Commission Regulation § 1.3(hh), from time to time traded subject to the Rules of the Exchange and issued or subject to issuance by the Clearing Corporation pursuant to the Rules of the Clearing Corporation.

Amended February 24, 2006 (06-04).

**Order**

The term “Order” means any Market Order, Limit Order, Spread Order, Stop Limit Order, Cancel Order, Cancel Replace/Modify Order, Day Order, Good-’til-Canceled Order, Good-‘til-Date Order, Immediate or Cancel Order or Fill or Kill Order, all having the respective meanings set forth in Rule 404, as well as any other types of Orders that may be approved by the Exchange from time to time.

Amended October 17, 2012 (12-26); January 13, 2014 (13-40); amended February 25, 2018 (17-017).

**Order Entry Operator ID**

The term “Order Entry Operator ID” has the meaning set forth in Rule 303A.

Adopted April 25, 2018 (18-005).
**Order Rate Limit**

The term “Order rate limit” has the meaning set forth in Rule 513A(h).

**Person**

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

**Pool**

The term “Pool” has the meaning set forth in Rule 305A.

Adopted May 14, 2013 (13-17).

**Pool Manager**

The term “Pool Manager” has the meaning set forth in Rule 305A.

Adopted May 14, 2013 (13-17).

**Port**

The term “port” includes different types of ports.

A “physical port” provides a physical connection to the CFE System. A physical port may provide access to multiple logical ports and match capacity allocations.

A “logical port” provides the ability within the CFE System to accomplish a specific function, such as data receipt or access to information. A logical port may also be referred to as a logical session.

A “purge port” is a type of that enables a Trading Privilege Holder through a single purge request to:

(a) cancel all or a subset of pending Orders submitted through multiple match capacity allocations, and

(b) at the option of the Trading Privilege Holder submitting the purge request, also cause the CFE System to reject or cancel back to the sender all or a subset of new Orders, until a reset request is received by the CFE System.

Ports are made available in a form and manner prescribed the Exchange.

Adopted February 25, 2018 (17-017).

**Portal**

The term “Portal” has the meaning set forth in Rule 513(a).
Adopted February 25, 2018 (17-017).

**Premium**

The term “Premium” means the amount agreed upon between the purchaser and seller for the purchase or sale of an Option.

Adopted February 23, 2009 (09-03); amended February 25, 2018 (17-017).

**Pre-Opening Notice**

The term “Pre-Opening Notice” has the meaning set forth in Rule 405A(a)(iii)(C)(1).

Adopted February 25, 2018 (17-017).

**President**

The term “President” means the individual serving as president of Cboe Global Markets from time to time.

Amended October 17, 2012 (12-26); October 31, 2017 (17-016).

**Public Director**

The term “Public Director” has the meaning set forth in Rule 201(b).

Adopted April 26, 2010 (10-04).

**Regulatory Oversight Committee**

The term “Regulatory Oversight Committee” means the regulatory oversight committee of the Board, as constituted in accordance with, and with the authority and rights set forth in, Rule 208.

Adopted April 26, 2010 (10-04).

**Related Party**

The term “Related Party” means, with respect to any Trading Privilege Holder: any partner, director, officer, branch manager, employee or agent of such Trading Privilege Holder (or any Person occupying a similar status or performing similar functions); any Person directly or indirectly Controlling, Controlled by, or under common Control with, such Trading Privilege Holder; or any Authorized Trader of such Trading Privilege Holder.

**Respondent**

The term “Respondent” has the meaning set forth in Rule 704(b).
Rule of the Clearing Corporation

The term “Rule of the Clearing Corporation” means the Certificate of Incorporation, the By-laws and any rule, interpretation, stated policy, or instrument corresponding to any of the foregoing, in each case as adopted or amended from time to time by the Clearing Corporation relating to the Exchange or any or all of the Contracts.

Rule of the Exchange

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

Secretary

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

Security Future

The term “Security Future” has the meaning set forth in Section 1a(31) of the CEA.

Adopted July 26, 2005 (05-20).

Senior Person in Charge of the Trade Desk

The term “Senior Person in Charge of the Trade Desk” means the individual in charge of the Trade Desk at the applicable time.

Adopted February 25, 2018 (17-017).

Series of Options

The term “Series of Options” means options of the same class and the same type (e.g., put or call) with the same strike price and the same Expiration Date.

Adopted February 23, 2009 (09-03).

Single Stock Future

The term “Single Stock Future” has the meaning set forth in Rule 1801.

Adopted July 26, 2005 (05-20).

Specifications Supplement

The term “Specification Supplement” has the meaning set forth in Rule 1802.

Adopted July 26, 2005 (05-20).
Spread Processing Sequence

The term “Spread Processing Sequence” has the meaning set forth in Rule 405A(a)(iii)(B).

Adopted February 25, 2018 (17-017).

Standing Committee

The term “Standing Committee” has the meaning set forth in Rule 206(a).

Subject

The term “Subject” has the meaning set forth in Rule 702(e).

Strip

The term “strip” has the meaning set forth in Rule 404(c).

Amended October 17, 2012 (12-26); December 15, 2014 (14-17).

Threshold Width

The term “Threshold Width” means, with respect to a particular Contract, a range between the highest bid and lowest offer starting at the highest bid and going up to the lowest offer that is the greater of (i) a designated percentage of the mid-point between the highest bid and lowest offer in the Contract as set forth in the rules governing the Contract and (ii) the minimum increment in the Contract. If the range between the highest bid and lowest offer is less than or equal to the Threshold Width amount, a Threshold Width is deemed to exist and is not exceeded. If there is no bid or no offer, a Threshold Width is deemed not to exist and is deemed to be exceeded.

Adopted May 24, 2015 (15-12); amended February 25, 2018 (17-017).

Trade at Settlement or TAS Transaction

The term “Trade at Settlement” or “TAS” transaction has the meaning set forth in Rule 404A(a).

Adopted November 4, 2011 (11-23).

Trade Desk

The term “Trade Desk” means the office established by the Exchange to assist Trading Privilege Holders and Authorized Traders in connection with their trading subject to the Rules of the Exchange.

Adopted February 25, 2018 (17-017).

Trading Hours
The term “Trading Hours” has the meaning set forth in Rule 402(a).

**Trading Privilege Holder**

The term “Trading Privilege Holder” means any Person holding Trading Privileges. Trading Privilege Holders shall be deemed to be members of the Exchange for purposes of the CEA and Commission Regulations thereunder.

**Trading Privileges**

The term “Trading Privileges” means a permit conferred by the Exchange on any Person in accordance with Rule 305 to access the CFE System to trade in Contracts and to enter into Exchange of Contract for Related Position transactions and Block Trades in Contracts in accordance with the Rules of the Exchange.

Amended June 30, 2015 (15-17); amended February 25, 2018 (17-017).

**Treasurer**

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

**Upper Price Limit**

The term “Upper Price Limit” has the meanings set forth in contract specification rule chapters for products with price limits, such as in Rule 1202(i)(i).

Adopted February 25, 2018 (17-017); amended February 25, 2018 (18-002).

**Volume-Based Tie Breaker or VBTB**

The term “Volume-Based Tie Breaker” or “VBTB” has the meaning set forth in Rule 405A(d)(i).

Adopted February 25, 2018 (17-017).

**Vice President**

The term “Vice President” means any individual appointed by the Board from time to time to serve as a vice president of the Exchange.
CHAPTER 2
GOVERNANCE OF THE EXCHANGE

General

201. Management by the Board

(a) Cboe Global Markets, the sole limited liability company member of the Exchange, has vested the power to manage, operate and set policies for the Exchange exclusively in the Board. The Board shall consist of at least five individuals elected by Cboe Global Markets. At least thirty-five percent of the directors on the Board shall be Public Directors. Cboe Global Markets shall designate one of the directors on the Board to serve as Chairman of the Board. The individuals elected to the Board by Cboe Global Markets and the director designated as Chairman of the Board by Cboe Global Markets shall hold office for such term as may be determined by Cboe Global Markets or until their respective successors are chosen. Members of the Board may be removed from, and substitute or additional members of the Board may be appointed to, the Board, at any time by Cboe Global Markets. The Chairman of the Board may be removed from that position, and a different member of the Board may be designated as Chairman of the Board, at any time by Cboe Global Markets. Each member of the Board is designated a “manager” of the Exchange within the meaning of the Delaware LLC Act.

(b) A “Public Director” is a member of the Board with the following qualifications:

(i) To qualify as a Public Director of the Exchange, an individual must first be found, by the Board, on the record, to have no relationship with the Exchange that reasonably could affect the independent judgment or decision making of the individual as a Public Director.

(ii) In addition, an individual shall not qualify as a Public Director if any of the following circumstances exist:

(A) The individual is, or was within the last year, an officer or employee of the Exchange or an officer or employee of any affiliate of the Exchange;

(B) The individual is, or was within the last year, a Trading Privilege Holder or an officer or director of a Trading Privilege Holder;

(C) The individual, or a firm with which the individual is an officer, director or partner, receives, or received within the last year, more than $100,000 in combined annual payments from the Exchange, or any affiliate of the Exchange, for legal, accounting or consulting services. Compensation for services as a
director of the Exchange or as a director of an affiliate of the Exchange does not count toward the $100,000 payment limit, nor does deferred compensation for services prior to becoming a director, so long as such compensation is in no way contingent, conditioned or revocable.

(D) Any of the above relationships in this paragraph (b)(ii) apply to a member of the director’s “immediate family,” i.e., spouse, parents, children and siblings.

(iii) Public Directors of the Exchange may also serve as directors of Exchange affiliates if the individuals otherwise meet the definition of Public Director in this Rule 201(b).

(iv) For purposes of this Rule 201(b), “affiliate” includes parents or subsidiaries of the Exchange or entities that share a common parent with the Exchange.

(v) The Exchange shall disclose to the Commission which members of the Board are Public Directors, and the basis for those determinations.

(c) Meetings of the Board shall be held at the principal place of business of the Exchange or at any other place that the Chairman of the Board may determine from time to time. Members of the Board may participate in such meetings by conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at such a meeting. The presence of at least 50% of the members of the Board shall constitute a quorum for the transaction of business; provided that members of the Board that are recused with respect to a particular issue nevertheless shall be deemed present for the purpose of determining the existence of a quorum. Board meetings shall be held in accordance with the schedule established by the Board. Special meetings of the Board may be called by the Chairman of the Board, and shall be called by the Secretary upon the written request of any two members of the Board. The Secretary shall give at least one hour’s notice of such meetings to each member of the Board.

(d) Decisions of the Board shall require the approval of a majority of the members of the Board voting at a meeting; provided that should the Board be unable to render a decision due to a tie in the vote, then Cboe Global Markets, as the sole limited liability company member of the Exchange, may make the decision in lieu of the Board. The Board also may make decisions, without holding a meeting, in either of the following ways:

(i) The Board may make decisions by written consent of all of the members of the Board. Any such written consent may be executed in any number of counterparts, each such counterpart being deemed to be an original instrument, and all such counterparts together constituting the
same consent. Written consent also may be transmitted by means of “electronic transmission” as described in the Delaware LLC Act.

(ii) The members of the Board may be individually polled to vote on issues (x) requiring prompt action or action prior to the next regularly scheduled Board meeting and (y) where the calling of a special Board meeting, in the opinion of the Chairman of the Board or the President, would be impractical. Any such poll may be conducted by telephone, by means of electronic transmission, and/or in person. An attempt shall be made to contact each Board member in any such poll. A poll reaching at least 50% of the members of the Board shall be sufficient to constitute a quorum of the Board and the approval of a majority of the members of the Board voting in such a poll shall constitute requisite Board action, even if all Board members are not reached in connection with the poll. The results of any such poll shall be reported at the next physical meeting of the Board.

The Board may establish such other rules and procedures not inconsistent with the foregoing for its deliberations as it may deem necessary or desirable.

(e) The Board shall have the power by itself or through agents, and shall be authorized and empowered on behalf and in the name of the Exchange, to carry out all of the objects and purposes of the Exchange and to perform all acts and enter into and perform all acts and other undertakings that it may in its discretion deem necessary or advisable in that regard. A member of the Board acting individually in his or her capacity shall have the power to act for or bind the Exchange to the extent authorized to do so by the Board. The Chairman of the Board, the President and the Secretary have been designated as authorized persons, within the meaning of the Delaware LLC Act, to execute and file any amendments to, or restatements of, the Exchange’s certificate of formation with the secretary of state of the State of Delaware and any applicable filings as a foreign limited liability company in any State where such filings may be necessary or desirable. The Board may confer upon any officer of the Exchange elected in accordance with the procedures described in paragraph (e) below, any of the powers of the Board.

(f) The Board shall have the power to elect such officers of the Exchange as it may deem necessary or appropriate from time to time. All officers of the Exchange elected by the Board shall hold office for such terms as may be determined by the Board or until their respective successors are chosen. Any officer, other than the Chief Executive Officer and the President, may be removed from his or her position as an officer of the Exchange at any time either with or without cause by the Chief Executive Officer, the President or the affirmative vote of a majority of the members of the Board then in office. Each of the officers of the Exchange shall have the powers and duties prescribed by the Board and, unless otherwise prescribed by the Board, shall have such further powers and duties as ordinarily pertain to that office.
202. Liability; Indemnification

(a) Except as otherwise provided by the Delaware LLC Act, neither Cboe Global Markets, solely by reason of being the sole limited liability company member of the Exchange, nor any director, officer, employee or agent of the Exchange, solely by reason of acting in such capacity (including a Person having more than one such capacity), shall be personally liable for any expenses, liabilities, debts or obligations of the Exchange, whether arising in contract, tort or otherwise.

(b) The Exchange shall, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, indemnify and hold harmless any Person who was or is made or is threatened to be made a party or is otherwise involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (a “proceeding”), by reason of the fact that he or she is or was a director, officer or member of a committee of the Board or the Exchange, or, while a director or officer of the Exchange, is or was serving at the request of the Exchange as a director or officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise or non-profit entity, including service with respect to employee benefit plans (collectively “Covered Person”) against all liability and loss suffered and expenses (including attorneys’ fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such Covered Person in connection with a proceeding; provided, however, that no Covered Person shall be entitled to indemnification in connection with the proceeding (i) if that indemnification is impermissible under the CEA or the regulations thereunder, (ii) unless the Covered Person acted in good faith, not in a wanton and willful manner, and in a manner the Covered Person reasonably believed to be in or not opposed to the best interests of the Exchange, and (iii) with respect to any criminal proceeding, unless the Covered Person had no reasonable cause to believe the Covered Person's conduct was unlawful. Notwithstanding the preceding sentence, except as otherwise provided in paragraph (c) of this Rule 202, the Exchange shall be required to indemnify a Covered Person in connection with a proceeding (or part thereof) commenced by such Covered Person only if the commencement of such proceeding (or part thereof) by the Covered Person was authorized in the specific case by the Board.

(c) Expenses (including attorneys’ fees) incurred by a Covered Person in defending a proceeding, including appeals, shall, to the extent not prohibited by law, be paid by the Exchange in advance of the final disposition of such proceeding; provided, however, that the Exchange shall not be required to advance any expenses to a Person against whom the Exchange directly brings an action, suit or proceeding alleging that such Person (i) committed an act or omission not in good faith or (ii) committed an act of intentional misconduct or a knowing violation of law. Additionally, an advancement of expenses incurred by a Covered Person shall be made only upon delivery to the Exchange of an
undertaking, by or on behalf of such Covered Person, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal or otherwise in accordance with Delaware law that such Covered Person is not entitled to be indemnified for such expenses under this Rule 202.

(d) If a claim for indemnification (following the final disposition of such action, suit or proceeding) or advancement of expenses under this Rule 202 is not paid in full within thirty days after a written claim therefor by the Covered Person has been received by the Exchange, the Covered Person may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim to the fullest extent permitted by law. In any action the Exchange shall have the burden of proving that the Covered Person is not entitled to the requested indemnification or advancement of expenses under applicable law.

(e) The provisions of this Rule 202 shall be deemed to be a contract between the Exchange and each Covered Person who serves in any such capacity at any time while this Rule 202 is in effect, and any repeal or modification of any applicable law or of this Rule 202 shall not affect any rights or obligations then existing with respect to any state of facts then or theretofore existing or any action, suit or proceeding theretofore or thereafter brought or threatened based in whole or in part upon any such state of facts.

(f) Persons not expressly covered by the foregoing provisions of this Rule 202, such as those (i) who are or were employees or agents of the Exchange, or are or were serving at the request of the Exchange as employees or agents of another corporation, partnership, joint venture, trust or other enterprise, or (ii) who are or were directors, officers, employees or agents of a constituent corporation absorbed in a consolidation or merger in which the Exchange was the resulting or surviving corporation, or who are or were serving at the request of such constituent corporation as directors, officers, employees or agents of another corporation, partnership, joint venture, trust or other enterprise, may be indemnified or advanced expenses to the extent authorized at any time or from time to time by the Board.

(g) The rights conferred on any Covered Person by this Rule 202 shall not be deemed exclusive of any other rights to which such Covered Person may be entitled by law or otherwise, and shall continue as to a Person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such Person.

(h) The Exchange’s obligation, if any, to indemnify or to advance expenses to any Covered Person who was or is serving at its request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, enterprise or nonprofit entity shall be reduced by any amount such Covered Person may collect as indemnification or advancement of expenses from such other corporation, partnership, joint venture, trust, enterprise or non-profit entity.
(i) Any repeal or modification of the foregoing provisions of this Rule 202 shall not adversely affect any right or protection hereunder of any Covered Person in respect of any act or omission occurring prior to the time of such repeal or modification.

(j) The Exchange may purchase and maintain insurance, at its expense, to protect itself and any director, manager, officer, trustee, employee or agent of the Exchange or another corporation, or of a partnership, limited liability company, joint venture, trust or other enterprise against any expense, liability or loss (as such terms are used in this Rule 202), whether or not the Exchange would have the power to indemnify such Person against such expense, liability or loss under the Delaware LLC Act.

Amended June 18, 2010 (10-05); October 31, 2017 (17-016).

203. Effectiveness of Rules

Unless otherwise specified by the Board, all Rules of the Exchange and amendments thereto from time to time adopted by the Board or its designee shall become effective on such date (after any required filing with the Commission and required period prior to effectiveness or any approval thereof by the Commission) as may be determined by the Exchange.

Amended August 13, 2013 (13-30).

204. Eligibility

(a) No Person may serve as a member of the Board, the Business Conduct Committee, any BCC Panel or any other disciplinary committee or oversight panel of the Exchange if such Person:

   (i) was found within the prior three years by a final decision of a self-regulatory organization, an administrative law judge, a court of competent jurisdiction or the Commission to have committed a disciplinary offense;

   (ii) entered into a settlement agreement within the prior three years in which any of the findings or, in the absence of such findings, any of the acts charged included a disciplinary offense;

   (iii) currently is suspended from trading on any contract market, is suspended or expelled from membership with 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 Commission that such Person committed a disciplinary offense; or,
(B) a settlement agreement in which any of the findings or, in the absence of such findings, any of the acts charged included a disciplinary offense;

(iv) currently is subject to an agreement with the Commission or any self-regulatory organization not to apply for registration with the Commission or membership in any self-regulatory organization;

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

(vi) currently is 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 Exchange Act; or

(vii) is subject to a basis for refusal to register a Person under Section 8a(2) of the CEA.

(b) For purposes of this Rule 204, the terms “arbitration panel,” “disciplinary committee,” “disciplinary offense,” “final decision,” “oversight panel,” “self-regulatory organization” and “settlement agreement” have the definitions set forth in Commission Regulation § 1.63(a).

Amended October 17, 2012 (12-26); June 30, 2015 (15-17).

205. Officers

The Chief Executive Officer shall be the individual serving as chief executive officer of Cboe Global Markets from time to time, and the President shall be the individual serving as president of Cboe Global Markets from time to time. The Board shall appoint one or more Managing Directors or Vice Presidents, a Secretary, a Treasurer, a Chief Regulatory Officer, a General Counsel and such other officers 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 be a director, officer or employee of Cboe Global Markets or Cboe Options.

Amended June 18, 2010 (10-05); October 17, 2012 (12-26); March 24, 2017 (17-005); October 31, 2017 (17-016).

Committees

206. Standing Committees

(a) The Board shall have such “Standing Committees” as the Board may from time to time appoint.
(b) Except as otherwise specifically provided in these Rules, the members of Standing Committees shall be members of the Board and appointed by the Chairman of the Board, subject to the approval of the Board, 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. Subject to the approval of the Board, the Chairman of the Board shall also designate the chairman 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. Subject to the control and supervision of the Board, each Standing Committee shall recommend for adoption such Rules of the Exchange or amendments thereto as it may deem necessary or advisable for the orderly conduct of its business, and administer the Rules of the Exchange within its particular area of responsibility.

(d) Except as may be otherwise provided in the Constitutive Documents, and subject to the authority of the Board, each Standing Committee shall determine the manner, form and time of conducting its proceedings. Each Standing Committee may act at a meeting, through a quorum composed of a majority of all its members then in office; provided that a quorum shall not exist unless at least two members of any such Standing Committee are present; provided, further, that members of a Standing Committee that are recused with respect to a particular issue nevertheless shall be deemed present for the purpose of determining the existence of a quorum. The decision of a majority of those voting at a meeting at which a quorum is present shall be the decision of the Standing Committee; provided that should the Standing Committee be unable to render a decision due to a tie in the vote, then the Board shall make the decision in lieu of the Standing Committee. Any or all members of any Standing Committee may participate in any meeting thereof by conference telephone or similar communications equipment by means of which all members participating in such meeting can hear each other. Alternatively, each Standing Committee may act without a meeting in either of the following ways:

(i) The Standing Committee may act without a meeting if all of its members consent in writing to the action in question.

(ii) The members of the Standing Committee may be individually polled to vote on issues (x) requiring prompt action or action prior to the next regularly scheduled meeting of the Standing Committee and (y) where the calling of a special meeting of the Standing Committee, in the opinion of the Chairman of the Standing Committee or the President, would be impractical. Any such poll may be conducted by telephone, by means of electronic transmission, and/or in person. An attempt shall be made to contact each member of the Standing Committee in any such poll. A poll reaching at least 50% of the members of the Standing Committee shall be sufficient to constitute a quorum of the Standing Committee and the approval of a majority of the members of the
Standing Committee voting in such a poll shall constitute requisite Committee action, even if all members of the Standing Committee are not reached in connection with the poll. The results of any such poll shall be reported at the next physical meeting of the Standing Committee.

(e) In the event of the absence or disqualification of any member of a Standing Committee from any meeting thereof, the Chairman of the Board or the President, in the order of their availability, may appoint another qualified individual to act at the relevant meeting in the place of such absent or disqualified member.

Amended February 18, 2005 (05-08); April 26, 2010 (10-04); March 5, 2014 (14-03).

207. Executive Committee

The Executive Committee shall consist of the Chairman of the Board and one or more other members of the Board appointed by the Chairman of the Board with the approval of the Board. At least thirty-five percent of the directors on the Executive Committee shall be Public Directors. The Chairman of the Board shall be the Chairperson of the Executive Committee. The Executive Committee shall have and may exercise all of the powers and authority of the Board in the management of the business and affairs of the Exchange, except that it shall not have any power or authority to amend the Constitutive Documents, adopt any agreement of merger or consolidation, approve the sale, lease or exchange of all or substantially all of the Exchange’s property and assets or approve the dissolution of the Exchange or a revocation of a dissolution.

Adopted September 1, 2004 (04-17).

208. Regulatory Oversight Committee

(a) The Regulatory Oversight Committee shall consist of at least two Public Directors appointed by the Chairman of the Board with the approval of the Board. All members of the Regulatory Oversight Committee must be Public Directors. The Chairman of the Board shall designate one of the members of the Regulatory Oversight Committee as the Chairperson of the Regulatory Oversight Committee with the approval of the Board. The Regulatory Oversight Committee shall have the authority granted by the Rules of the Exchange and the Board.

(b) The Regulatory Oversight Committee shall oversee the regulatory program of the Exchange on behalf of the Board of Directors. The Board shall delegate sufficient authority, dedicate sufficient resources, and allow sufficient time for the Regulatory Oversight Committee to fulfill its mandate.

(c) The Regulatory Oversight Committee shall:

(i) Monitor the regulatory program of the Exchange for sufficiency, effectiveness and independence;
(ii) Oversee all facets of the regulatory program of the Exchange, including trade practice and market surveillance; audits, examinations and other regulatory responsibilities with respect to Trading Privilege Holder organizations (including ensuring compliance with financial integrity, financial reporting, sales practice, recordkeeping and other requirements); and the conduct of investigations;

(iii) Review the size and allocation of the regulatory budget and resources of the Exchange; and the number, hiring and termination, and compensation of regulatory personnel of the Exchange;

(iv) Supervise the Chief Regulatory Officer, who will report directly to the Regulatory Oversight Committee, in relation to Exchange regulatory functions;

(v) Prepare an annual report assessing the self-regulatory program of the Exchange for the Board and the Commission, which sets forth the expenses of the regulatory program, describes its staffing and structure, catalogues disciplinary actions taken during the year, and reviews the performance of the Business Conduct Committee and its panels in relation to Exchange disciplinary matters;

(vi) Recommend changes that would ensure fair, vigorous and effective regulation; and

(vii) Review regulatory proposals and advise the Board as to whether and how such changes may impact regulation.

Adopted April 26, 2010 (10-04).

209. Business Conduct Committee

The functions and responsibilities of the Business Conduct Committee shall be assumed by the business conduct committee of Cboe Options, as appointed from time to time by Cboe Options. The Business Conduct Committee shall not include any Exchange regulatory staff. The Business Conduct Committee shall have the authority and rights assigned to it in Chapter 7, which shall be exercised in each instance by a panel of the Business Conduct Committee (each such panel, a “BCC Panel”). Each BCC Panel shall consist of no fewer than three members of the Business Conduct Committee, each of whom shall be appointed by the chairman of the Business Conduct Committee. At least one member of the Business Conduct Committee and of each BCC Panel shall be an individual who would qualify as a Public Director as defined in Rule 201(b)(ii). No group or class of industry participants shall dominate or exercise disproportionate influence on the Business Conduct Committee or any BCC Panel. No member of a BCC Panel that considers whether to accept a settlement or letter of consent in a disciplinary matter under Chapter 7 shall be a member of the BCC Panel that conducts a hearing or summary proceedings in that matter under Chapter 7. No BCC Panel shall include any member of the Business Conduct Committee that has a financial, personal or other direct interest in the matter under consideration.
210. **Reserved**

Amended June 30, 2015 (15-17).

211. **Appeals Committee**

The functions and responsibilities of the Appeals Committee shall be assumed by the appeals committee of Cboe Options, as appointed from time to time by Cboe Options. The Appeals Committee shall have the authority and rights assigned to it in Chapter 9.

Amended October 31, 2017 (17-016); May 29, 2019 (19-009).

212. **Exchange Committees; Special Committees of the Board**

(a) The Exchange may create such Exchange committees as it may from time to time deem necessary or advisable. Members of such committees may be members of the Board, Trading Privilege Holders or general partners, shareholders or LLC members (as applicable) or officers or employees of Trading Privilege Holders, Authorized Traders or other individuals who are considered to be qualified, subject to any regulatory requirements. Except as may be otherwise provided in the Constitutive Documents, and subject to the authority of the Board, each such committee shall determine the manner, form and time of conducting its proceedings. The vote of a majority of the members of any such committee voting at a meeting at which a quorum is present shall be the act of such committee. Alternatively, each such committee may act without a meeting in either of the following ways:

(i) The committee may act without a meeting by written consent of a majority of its members.

(ii) The members of the committee may be individually polled to vote on issues (x) requiring prompt action or action prior to the next regularly scheduled meeting of the committee and (y) where the calling of a special meeting of the committee, in the opinion of the chairman of the committee or the President, would be impractical. Any such poll may be conducted by telephone, by means of electronic transmission, and/or in person. An attempt shall be made to contact each member of the committee in any such poll. A poll reaching at least 50% of the members of the committee shall be sufficient to constitute a quorum of the committee and the approval of a majority of the members of the committee voting in such a poll shall constitute requisite committee action, even if all members of the committee are not reached in connection with the poll. The results of any such poll shall be reported at the next physical meeting of the committee.
(b) In addition to the Standing Committees, the Board may from time to time constitute and appoint, by rule or resolution, special committees of the Board and designate their composition, responsibilities and powers.

(c) The provisions regarding Standing Committees in Rule 206 shall apply to any Exchange committees or special committees of the Board formed pursuant to paragraph (a) or (b) above with any such modifications or adaptations as may be necessary or appropriate under the circumstances.

Amended January 21, 2005 (05-01); February 18, 2005 (05-08); April 26, 2010 (10-04).

213. Power of the Board to Review Exchange Decisions

The Board shall have the power and authority to call for review, and to affirm, modify, suspend or overrule, any and all decisions and actions or inactions of Standing Committees, Exchange committees and special committees of the Board formed pursuant to Rules 206 through 212; all officers of the Exchange appointed pursuant to Rule 205; and all other employees, representatives, or agents of the Exchange. Where applicable, this Board power and authority shall be subject to specific procedures set forth in the Rules of the Exchange.

Amended February 24, 2006 (06-04); April 26, 2010 (10-04); June 18, 2010 (10-05).

Confidentiality and Conflicts of Interest

214. Confidentiality and Conflicts of Interest

(a) No member of the Board or any committee established by the Board or the Rules of the Exchange shall use or disclose any material non-public information, obtained in connection with such member’s participation in the Board or such committee, for any purpose other than the performance of his or her official duties as a member of the Board or such committee.

(b) No officer, employee or agent of the Exchange shall (i) trade in any commodity interest or security if such officer, employee or agent has access to material non-public information concerning such commodity interest or security or (ii) disclose to any other Person material non-public information obtained in connection with such employee’s, officer’s or agent’s employment, if such employee, officer or agent could reasonably expect that such information may assist another Person in trading any commodity interest or security.

(c) Exchange employees shall be subject to Exchange policies and procedures regarding the acceptance of any gift, gratuity, compensation or any other form of remuneration from any Trading Privilege Holder or any Related Party of a Trading Privilege Holder.

(d) The Exchange enforcement staff may not include any Trading Privilege Holder, Related Party of a Trading Privilege Holder or individual whose interests conflict with the Exchange’s enforcement duties. A member of the Exchange
enforcement staff may not operate under the direction or control of any Person or Persons with Trading Privileges on the Exchange.

(e) For purposes of this Rule 214, the terms “employee,” “material information,” “non-public information,” “related commodity interest” and “commodity interest” shall have the meanings ascribed to them in Commission Regulation § 1.59 and the term “security” shall have the meaning ascribed to it in Section 3(a)(10) of the Exchange Act.

Amended July 26, 2005 (05-20); April 26, 2010 (10-04); October 17, 2102 (12-26); March 13, 2019 (19-003).

215. Conflicts of Interest - Named Party in Interest or Financial Interest in Significant Action

(a) Named Party in Interest Conflict.

(i) Prohibition. No member of the Board, the Business Conduct Committee, any BCC Panel or any other “disciplinary committee” or “oversight panel” (both as defined in Commission Regulation § 1.69) of the Exchange 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) has any other significant, ongoing business relationship with a named party in interest, excluding relationships limited to executing Futures or Options transactions opposite each other or to clearing Futures or Options transactions through the same Clearing Members or (D) has a family relationship with a named party in interest. For purposes of this clause (i), a “family relationship” exists between a named party in interest and a member if such party is the member’s spouse, former spouse, parent, stepparent, child, sibling, stepbrother, stepsister, grandparent, grandchild, uncle, aunt, nephew, niece or in-law.

(ii) Disclosure. Prior to consideration of any matter involving a named party in interest, each member of the deliberating body who does not choose to abstain from deliberations and voting shall disclose to the General Counsel, or his or her designee, whether such member has one of the relationships listed in clause (i) above with a named party in interest.

(iii) Procedure and Determination. The General Counsel, or his or her designee, shall determine whether any member of the relevant deliberating body who does not choose to abstain from deliberations and voting is subject to a conflicts restriction under this paragraph (a). Such determination shall be based upon a review of the following information:

(A) information provided by such member pursuant to clause (ii) above; and
(B) any other source of information that is held by and reasonably available to the Exchange.

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

(i) **Prohibition.** No member of the Board, the Business Conduct Committee, any BCC Panel or any other “disciplinary committee” or “oversight panel” (both as defined in Commission Regulation § 1.69) of the Exchange 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 clause (iii) below. For purposes of this clause (i), the term “significant action” means (A) any action or rule change that addresses a specific Emergency or (B) any change in margin level that are designed to respond to extraordinary market conditions or that otherwise are likely to have a substantial effect on prices in any Contract.

(ii) **Disclosure.** Prior to consideration of any significant action, each member of the deliberating body who does not choose to abstain from deliberations and voting shall disclose to the General Counsel, or his or her designee, position information that is known to such member with respect to any particular contract expiration or expirations 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 Commission Regulation § 1.3(j);

(B) gross positions held at the Exchange in proprietary accounts, as defined in Commission Regulation § 1.17(b)(3), at such member’s affiliated firm;

(C) gross positions held at the Exchange in accounts in which such member is a principal, as defined in Commission Regulation § 3.1(a);

(D) net positions held at the Exchange in Customer accounts, as defined in Commission Regulation § 1.17(b)(2), at such member’s affiliated firm; and

(E) 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 firm, that the Exchange reasonably expects could be affected by the significant action.
(iii) **Procedure and Determination.** The General Counsel, or his or her designee, shall determine whether any member of the relevant deliberating body who does not choose to abstain from deliberations and voting is subject to a conflicts restriction under this paragraph (b). Such determination shall be based upon a review of the following information:

(A) the most recent large trader reports and clearing records available to the Exchange;

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

(C) 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.

(D) Unless the deliberating body establishes a lower position level, a member thereof shall be subject to the prohibition set forth in clause (i) above if the review by the General Counsel, 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 (ii)(A), (C) and (E), in excess of an aggregate number of 10 lots of Futures and Options converted to Futures equivalents, taken together, or a position in the accounts of such member’s affiliated firm as specified in subclauses (ii)(B), (D) and (E), in excess of an aggregate number of 100 lots of Futures and Options converted to Futures equivalents, taken together.

(iv) **Deliberation Exemption.** Any member of the Board, the Business Conduct Committee, any BCC Panel or any other “disciplinary committee” or “oversight panel” (both as defined in Commission Regulation § 1.69) of the Exchange who would otherwise be required to abstain from deliberations and voting pursuant to clause (i) above 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 the 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.
(c) **Documentation.** The minutes of any meeting to which the conflicts determination procedures set forth in this Rule 215 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;

(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;

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

(iv) any determination made in accordance with clause (iv) of paragraph (b) above.

Amended April 26, 2010 (10-04); October 17, 2012 (12-26), December 15, 2014 (14-17).

**Regulation**

216. **Regulatory Cooperation and Information-Sharing Agreements**

The Exchange may from time to time enter into such agreements with domestic or foreign self-regulatory organizations, associations, boards of trade, swap execution facilities, trading venues 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 Commission may require. The Exchange may be a direct party to these information sharing agreements or be party to these information sharing agreements as a third party beneficiary to information sharing agreements entered into by Exchange affiliates. The Exchange is authorized to provide information to any such organization, association, board of trade, swap execution facility, trading venue or regulator that is a party to an information sharing agreement with the Exchange, in accordance with the terms and subject to the conditions set forth in such agreement. Without limiting the generality of the foregoing, the Exchange shall have the capacity to carry out international information-sharing agreements as the Commission may require.

Amended July 26, 2005 (05-20); October 17, 2012 (12-26); December 3, 2017 (17-018).

217. **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. In accordance that Agreement, NFA may perform certain surveillance, investigative, and regulatory functions under the Rules of the Exchange. The Exchange may provide information to
and receive information from NFA in connection with the performance by NFA of those functions.

Adopted April 10, 2006 (06-06); October 17, 2102 (12-26).

218. **Regulatory Services Provided by The Options Clearing Corporation**

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

Adopted October 17, 2012 (12-26).

219. **Communications Regarding Regulatory Matters**

Trading Privilege Holders and Related Parties shall not discuss with Exchange directors or non-regulatory personnel issues, questions, concerns, or complaints about regulatory matters (as defined in Exchange Policy and Procedure XIII), except to the extent permitted by the Rules of the Exchange.

Adopted October 17, 2012 (12-26).

**Minutes**

220. **Minutes**

The Board and each Board or Exchange committee shall keep minutes of each of its meetings which reflect all of the decisions made by the Board or committee at that meeting.

Adopted September 10, 2010 (10-06); October 17, 2012 (12-26).
CHAPTER 3
MEMBERSHIP AND TRADING PRIVILEGES

Classes of Interest

301. LLC Members

All equity interests in the Exchange shall be held by the LLC members of the Exchange from time to time, and all voting rights related to such interests shall be exercised by such LLC members in accordance with the Rules of the Exchange.

302. Trading Privilege Holders

(a) Each Trading Privilege Holder shall have the right to access the CFE System, including the right to place Orders for each of its proprietary accounts and, if otherwise registered in any required capacity (if so required) to place Orders for the accounts of Customers.

(b) Subject to the requirements and procedures set forth in this Chapter 3, Trading Privileges shall be offered to all applicants from time to time approved by the Exchange as eligible to be Trading Privilege Holders, subject to any limitations or restrictions from time to time imposed by the Exchange.

(c) Trading Privileges are non-transferable, non-assignable and may not be sold or leased, except that a Trading Privilege Holder may, with the prior written consent of the Exchange, transfer Trading Privileges to a Trading Privilege Holder organization or organization approved to be a Trading Privilege Holder: (i) which is an Affiliate; or (ii) which continues substantially the same business without regard to the form of the transaction used to achieve such continuation, e.g., merger, sale of substantially all assets, reincorporation, reorganization or the like.

(d) By virtue of obtaining Trading Privileges, a Trading Privilege Holder 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 or consolidation involving the Exchange or otherwise.

(e) A Trading Privilege Holder may access the CFE System through a direct connection to the CFE System or through an Independent Software Vendor with a direct connection to the CFE System. Trading Privilege Holders and Independent Software Vendors must comply with the technical specifications and requirements for establishing a direct connection to the CFE System that are prescribed by the Exchange in order to put in place a direct connection to the CFE System.

(f) A Trading Privilege Holder may obtain one or more EFIDs from the Exchange in a form and manner prescribed by the Exchange. An EFID is a unique identifier assigned by the Exchange to a Trading Privilege Holder that is utilized by the CFE System to identify the clearing number for the execution of Orders, Block Trades, and Exchange of Contract for Related Position transactions.
submitted to the Exchange with that EFID. Each EFID corresponds to a single Trading Privilege Holder and a single clearing number of a Clearing Member with the Clearing Corporation. A Trading Privilege Holder may obtain EFIDs for multiple clearing numbers (including multiple clearing numbers of different Clearing Members and multiple clearing numbers of the same Clearing Member) and may obtain multiple EFIDs for the same clearing number. In order to obtain and utilize an EFID that is effective for use in identifying the clearing number of a Clearing Member for the execution of Orders submitted to the Exchange with that EFID, a Trading Privilege Holder must have an effective letter of guarantee from that Clearing Member that is on file with the Exchange in accordance with Rule 1101. A Trading Privilege Holder will have the ability, in a form and manner prescribed by the Exchange, to designate which of the Trading Privilege Holder’s EFIDs may be utilized for each of the Trading Privilege Holder’s match capacity allocations to the CFE System. If an Order is routed through a match capacity allocation with an EFID that is not enabled for that match capacity allocation, the Order will be rejected or canceled back to the sender.

(g) An Independent Software Vendor (also referred to as a Service Bureau) is an organization that (i) provides connectivity to the CFE System on behalf of one or more Trading Privilege Holders for trading activities of the Trading Privilege Holder(s) and/or (ii) obtains connectivity to the CFE System in order to receive data made available by the Exchange that is specific to a particular Trading Privilege Holder or Clearing Member on behalf of the applicable Trading Privilege Holder(s) or Clearing Member(s). The Exchange may prescribe certification and documentation requirements and specifications relating to the establishment and maintenance of CFE System connectivity that must be satisfied in order to act as an Independent Software Vendor. An Independent Software Vendor capacity is not a Trading Privilege Holder capacity, and an Independent Software Vendor is not required to be a Trading Privilege Holder. An Independent Software Vendor may act in other capacities in relation to the Exchange provided that it does so in a form and manner as may be prescribed by the Exchange and in accordance with any applicable Rules of the Exchange. If an Independent Software Vendor is a Trading Privilege Holder, it must access the Exchange through its own EFID(s), logical port(s) and match capacity allocation(s) when acting in its capacity as a Trading Privilege Holder. Logical port(s) and match capacity allocation(s) established by an Independent Software Vendor in its capacity as an Independent Software Vendor may not be used by the Independent Software Vendor itself for its own trading activities or the receipt of its own data. Each Trading Privilege Holder that accesses the CFE System through the services of an Independent Software Vendor is subject to all of the Rules of the Exchange that apply to Trading Privilege Holders, including, without limitation, audit trail and order entry requirements with respect to Orders submitted through the connectivity provided by the Independent Software Vendor and the requirement that a Trading Privilege Holder be guaranteed by a Clearing Member in accordance with Rule 1101. No Person other than a Trading Privilege Holder may receive connectivity to the CFE System from an Independent Software Vendor for trading activities (except that it is permissible for an Independent Software Vendor to provide connectivity to the CFE System to
another Independent Software Vendor solely for purposes of enabling one or more Trading Privilege Holders to access the CFE System for trading activities).

(h) Any Trading Privilege Holder that receives connectivity to the CFE System through an Independent Software Vendor for trading activities must do so through its own EFID(s) and through one or more logical port(s) and match capacity allocation(s) that are not utilized by any other Trading Privilege Holder. If a Trading Privilege Holder receives connectivity to the CFE System through more than one Independent Software Vendor for trading activities, the Trading Privilege Holder must do so through different logical port(s) and match capacity allocation(s) for each of those Independent Software Vendors. In order for a Trading Privilege Holder to utilize its own EFID for an Order that is submitted to the CFE System through connectivity to the CFE System provided by another Person, that other Person must be an Independent Software Vendor and the Order must be submitted through the connectivity provided by that other Person in its capacity as an Independent Software Vendor. An Independent Software Vendor that obtains connectivity to the CFE System in order to receive data on behalf of a Trading Privilege Holder or Clearing Member must do so through one or more logical port(s) and match capacity allocation(s) that are not utilized for any other Trading Privilege Holder or Clearing Member or for receipt of the Independent Software Vendor’s own data. If a Trading Privilege Holder or Clearing Member utilizes more than one Independent Software Vendor for the receipt of data, different logical port(s) and match capacity allocations must be used for each of those Independent Software Vendors.

(i) Other than as permitted by this Rule 302 in relation to Independent Software Vendors that provide connectivity to the CFE System on behalf of one or more Trading Privilege Holders, no Person other than a Trading Privilege Holder and its Authorized Traders may have a direct electronic connection to the CFE System for trading activities. Without limiting the generality of the foregoing, no Person, such as a Customer, that is not a Trading Privilege Holder or Authorized Trader may enter Orders directly into the CFE System for execution. Instead, any Order entered by a Person, such as a Customer, that is not a Trading Privilege Holder or Authorized Trader must pass through a Trading Privilege Holder’s system(s) and be processed in a material manner by the Trading Privilege Holder’s system(s) before receipt of the Order by the CFE System. In addition to a Trading Privilege Holder’s own system(s), a Trading Privilege Holder’s system(s) shall be deemed to include for this purpose a hosted system environment of an Independent Software Vendor that the Independent Software Vendor makes available for use by a Trading Privilege Holder and that is controlled by the Trading Privilege Holder, including in relation to access to the environment and risk control parameters applied within the environment. Solely passing through a Trading Privilege Holder’s network connection is not sufficient to satisfy the requirement that an Order pass through and be processed in a material manner by a Trading Privilege Holder’s system(s). No Trading Privilege Holder or Related Party shall facilitate or assist in providing a Person that is not a Trading Privilege Holder or Authorized Trader with a direct electronic connection to the CFE System for trading activities.
303. Authorized Traders

Each Trading Privilege Holder may from time to time permit one or more individuals to act as its Authorized Traders. Each Authorized Trader shall satisfy such requirements as may be prescribed by the Exchange from time to time. Without limiting the generality of the foregoing, each Trading Privilege Holder shall ensure that each of its Authorized Traders shall be technically proficient and shall conduct its business in a fair and equitable manner.

Amended March 16, 2017 (17-004).

303A. Order Entry Operator IDs

(a) Each Trading Privilege Holder, in a form and manner prescribed by the Exchange, shall include an Order Entry Operator ID with every Order (including, without limitation, every Cancel Order and Cancel Replace/Modify Order) from that Trading Privilege Holder that is submitted to the CFE System. Any Order submitted to the CFE System that does not contain an Order Entry Operator ID in a form and manner prescribed by the Exchange will be rejected or canceled back to the sender by the CFE System.

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

(i) Each Order Entry Operator ID shall represent

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

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

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

(c) Order Entry Operator IDs are subject to the following requirements in relation to Automated Trading Systems:
(i) For purposes of this Rule 303A, an Automated Trading System is a system that automates the generation and routing of Orders.

(ii) Each Order originating from an Automated Trading System that is submitted to the CFE System shall include an Order Entry Operator ID for that Automated Trading System.

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

(iv) If a natural person utilizes a front-end trading system with automated functionality (such as spreading functionality) and the use of that functionality is ancillary to the natural person’s manual trading, an Order Entry Operator ID is not required to be used for that front-end trading system. In that event, the natural person’s Order Entry Operator ID may be used for the submission of Orders originating from that front-end trading system. If, however, the automated functionality of the front-end trading system generates a majority of the natural person’s Orders, that front-end trading system shall be treated as an Automated Trading System for purposes of this Rule 303A and an Order Entry Operator ID for the front-end trading system must be included in each Order generated by the front-end trading system in order to differentiate those Orders from manual Orders submitted by the natural person.

(d) Each Trading Privilege Holder shall comply with the following issuance, recordkeeping, and reporting requirements related to Order Entry Operator IDs:

(i) Each Order Entry Operator ID issued for a natural person or Automated Trading System for inclusion with any Order from the Trading Privilege Holder that is submitted to the CFE System shall be unique, and shall not be associated with more than one natural person or Automated Trading System, at the Clearing Member level. Each Trading Privilege Holder and any Clearing Member utilized by the Trading Privilege Holder shall coordinate as necessary in order to ensure that this requirement is satisfied.

(ii) Each Trading Privilege Holder shall collect and maintain accurate, complete, and up-to-date records with the following information for each Order Entry Operator ID issued for a natural person or Automated Trading System for inclusion with any Order from the Trading Privilege Holder that is submitted to the CFE System:

(A) a clear identification of whether the Order Entry Operator ID is issued for a natural person or Automated Trading System;
(B) if the Order Entry Operator ID is issued for a natural person, the name, address, telephone and e-mail contact information, and position or relationship to the Trading Privilege Holder of the natural person;

(C) if the Order Entry Operator ID is issued for an Automated Trading System, the name, address, telephone and e-mail contact information, and position or relationship to the Trading Privilege Holder of the head operator of the Automated Trading System;

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

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

(iv) Each Trading Privilege Holder shall promptly report to the Exchange in a form and manner prescribed by the Exchange any new or changed information regarding Order Entry Operator IDs that are identified to the Trading Privilege Holder by the Exchange as being subject to this reporting requirement.

Adopted July 20, 2011 (11-18). Amended February 16, 2012 (12-01); August 23, 2012 (12-17); March 16, 2017 (17-004); February 25, 2018 (17-017); July 2, 2019 (19-012).

Trading Privilege Holders

304. Eligibility for Trading Privileges

(a) Each Person that wishes to obtain Trading Privileges must (i) to the extent required by Applicable Law, be registered or otherwise permitted by the appropriate regulatory body or bodies to conduct business on the Exchange and (ii) be guaranteed by a Clearing Member in the manner described in Rule 1101. In addition, the Exchange may deny (or may condition) the grant of Trading Privileges, or may prevent a Person from becoming associated (or may condition an association) with a Trading Privilege Holder as a Related Party for the same reasons for which the NFA may deny or revoke registration of a futures commission merchant or if such Person:
(i) is unable satisfactorily to demonstrate a capacity to adhere to all applicable Rules of the Exchange, Rules of the Clearing Corporation, Commission Regulations (and, to the extent the Person applies for Trading Privileges with respect to Security Futures, applicable Exchange Act Regulations), including those concerning record-keeping, reporting, finance and trading procedures;

(ii) is subject to any statutory disqualification (unless an appropriate exemption has been obtained thereto);

(iii) would bring the Exchange into disrepute; or

(iv) for such other cause as the Exchange reasonably may decide.

(b) The Exchange shall deny the grant of Trading Privileges where an applicant has failed to meet any requirements for such grant.

(c) The Exchange may determine not to permit a Trading Privilege Holder to keep its Trading Privileges or not permit a Person associated with a Trading Privilege Holder as a Related Party to maintain the Person’s association with the Trading Privilege Holder, or may condition such Trading Privileges or association, as the case may be, if such Trading Privilege Holder or Person:

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

(ii) becomes subject to any statutory disqualification (unless an appropriate exemption has been obtained with respect thereto);

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

(iv) violates any agreement with the Exchange.

(d) Any decision made by the Exchange pursuant to this Rule 304 must be consistent with the provisions of this Rule and the provisions of the CEA.

Any applicant who has been denied Trading Privileges or association with a Trading Privilege Holder or granted only conditional Trading Privileges or association, pursuant to this Rule 304, and any Trading Privilege Holder or Person associated with a Trading Privilege Holder who is not permitted to keep its Trading Privileges or maintain the Person’s association with the Trading Privilege Holder or whose Trading Privileges or association are conditioned pursuant to this Rule 304, may appeal the Exchange’s decision in accordance with the provisions of Chapter 9. No determination of the Exchange to discontinue or condition a Person’s Trading Privileges or association with a Trading Privilege Holder
pursuant to this Rule 304 shall take effect until the review procedures under Chapter 9 have been exhausted or the time for review has expired.

Any applicant to become a Trading Privilege Holder who has been denied Trading Privileges pursuant to this Rule 304 shall not be eligible for re-application during the six months immediately following such denial.

Amended September 1, 2004 (04-17); July 26, 2005 (05-20); June 18, 2010 (10-05); October 17, 2012 (12-26); June 30, 2015 (15-17); March 16, 2017 (17-004).

305. Application for Trading Privileges

(a) Each applicant for Trading Privileges shall submit an application to the Exchange in a form and manner prescribed by the Exchange. The Exchange may investigate in a form and manner determined by the Exchange any applicant; any executive officers, authorized signatories or administrators of an applicant; and any executive officers, authorized signatories or administrators added by a Trading Privilege Holder subsequent to being approved as a Trading Privilege Holder. Each applicant shall promptly update the application materials if any of the information provided therein becomes inaccurate or incomplete after the date of submission and prior to any approval of the application.

(b) Upon completion of the application process, the Exchange shall determine whether to approve or disapprove the application, unless there is a just cause for delay. One such just cause for delay is when an applicant for Trading Privileges is the subject of an inquiry, investigation, or proceeding conducted by a self-regulatory organization or governmental authority that involves the applicant’s fitness to be a Trading Privilege Holder. In such instance, the Exchange may defer taking action on the application until the matter has been resolved.

(c) Each Person approved as a Trading Privilege Holder shall agree in writing to abide by the Rules of the Exchange.

(d) If the application process is not completed within six months of submission of an application to be a Trading Privilege Holder, the application shall be deemed to be withdrawn.

(e) Each applicant to be a Trading Privilege Holder must become effective in that status within 90 days of the date of the applicant’s approval for that status.

(f) An applicant to be a Trading Privilege Holder shall become an effective Trading Privilege Holder upon (i) satisfying the applicable requirements to obtain Trading Privileges and (ii) release of Trading Privileges to that Trading Privilege Holder by the Exchange.

(g) Each Trading Privilege Holder that is not registered or notice-registered with the NFA and that is not a Cboe Options trading permit holder shall promptly update the following information on file with the Exchange through the submission of application materials by the Trading Privilege Holder and updates
to those materials pursuant to this Rule 305(g) if that information becomes inaccurate or incomplete:

(i) disciplinary history information;

(ii) executive officer information; and

(iii) information regarding ownership interests in the Trading Privilege Holder.

Amended February 17, 2004 (04-05); July 26, 2005 (05-20); June 18, 2010 (10-05); August 13, 2013 (13-30); June 30, 2014 (14-15); June 30, 2015 (15-17); October 31, 2017 (17-016); February 25, 2018 (17-017); April 25, 2018 (18-005).

305A. Pooled Investment Vehicles

With respect to an any pooled investment vehicle (“Pool”) and any entity that acts as an operator, investment manager, investment advisor or in any other similar managerial or advisory capacity to, and/or that otherwise exercises discretionary authority on behalf of, a Pool (“Pool Manager”) that is approved for Trading Privileges, (i) the term “Trading Privilege Holder” shall be deemed to include the Pool together with the Pool Manager(s) and (ii) the Pool and the Pool Manager(s) are each subject to the Rules of the Exchange (including, without limitation, the requirements of Rule 305B) and to the jurisdiction of the Exchange as applicable to Trading Privilege Holders. If an entity serves as a Pool Manager of multiple Pools, a separate approval must be obtained from the Exchange for each Pool that intends to avail itself of the benefits of Trading Privileges on the Exchange, including any Trading Privilege Holder fee rates for transactions on the Exchange on behalf of the Pool.


305B. Foreign Trading Privilege Holders

(a) Each Trading Privilege Holder shall be organized under the laws of, and be solely responsible for ensuring that the location of any CFE Workstation is in, the United States or a foreign jurisdiction expressly approved by the Exchange. Any approval by the Exchange of a foreign jurisdiction may (i) be limited to one or more specified categories of Trading Privilege Holders or Trading Privilege Holder activities and/or (ii) be contingent upon the satisfaction of specified conditions by any Trading Privilege Holder organized under the laws of, or with a CFE Workstation in, the foreign jurisdiction.

(b) Any Trading Privilege Holder organized under the laws of, or with a CFE Workstation in, a foreign jurisdiction (“Foreign Trading Privilege Holder”) shall:

(i) ensure the availability of an individual fluent in English and knowledgeable about the Trading Privilege Holder’s futures business and financial matters to assist the representatives of the Exchange during examinations;
(ii) maintain in English and U.S. dollars any books and records required to be kept by the Trading Privilege Holder under the Rules of the Exchange;

(iii) prior to acting as agent for a Customer from a foreign jurisdiction in relation to an Exchange Contract, obtain written consent from that Customer that permits the Trading Privilege Holder to provide information regarding the Customer and the Customer’s activities in Exchange Contracts to the Exchange in response to a regulatory request for information pursuant to the Rules of the Exchange; and

(iv) be subject to the jurisdiction of the federal courts of the United States and the courts of Illinois.

(c) In accordance with Commission Regulation § 15.05, the Exchange will serve as an agent of a Foreign Trading Privilege Holder, or a Customer of a Foreign Trading Privilege Holder for whom transactions were executed, for purposes of accepting delivery and service of any communication issued by or on behalf of the Commission to the Foreign Trading Privilege Holder, or a Customer of the Foreign Trading Privilege Holder, in each case with respect to any transactions executed by the Foreign Trading Privilege Holder on the Exchange.

(d) The Exchange may withdraw the approval of a foreign jurisdiction at any time. In that event, any Trading Privilege Holder organized under the laws of, or with any CFE Workstations located in, that foreign jurisdiction on the date of the approval withdrawal shall have three months from that date to come into compliance with Rule 305B(a). If the Trading Privilege Holder does not come into compliance with Rule 305B(a) within that three month time period, the Exchange may terminate the Trading Privileges of that Trading Privilege Holder.

Adopted February 1, 2013 (13-03). Amended May 14, 2013 (13-17); June 17, 2013 (13-26); June 30, 2014 (14-15) February 25, 2018 (17-017); April 25, 2018 (18-005).

306. Dues, Assessments and Fees

(a) The Exchange shall have the sole power to set the dates and amounts of any dues, assessments or fees to be levied on Trading Privilege Holders, which dues, assessments or fees shall be paid to the Exchange when due.

(b) If a Trading Privilege Holder fails to pay when due any Exchange dues, assessments or fees levied on such Trading Privilege Holder, and such payment obligation remains unsatisfied for six consecutive months after its due date, the Exchange may suspend, revoke, limit, condition, restrict or qualify the Trading Privileges of such Trading Privilege Holder as it deems necessary or appropriate.
307. Emergency Disciplinary Actions and Limitations of Trading Privileges

Notwithstanding anything in Rule 304 to the contrary, the Exchange may at any time impose a sanction or take other summary action against any Trading Privilege Holder or Related Party of a Trading Privilege Holder if, necessary to protect the best interest of the marketplace, including, without limitation, for the protection of Customers, Trading Privilege Holders, Clearing Members or the Exchange. Any such sanction or other summary action may include, without limitation, revoking, suspending, limiting, conditioning, restricting, denying or qualifying the access to the Exchange, the Trading Privileges or the activities, functions and operations of a Trading Privilege Holder or Related Party of a Trading Privilege Holder. One instance in which the Exchange may take action under this Rule 307 is if a Trading Privilege Holder or Related Party is or becomes subject to a statutory disqualification. The following procedures shall be applicable to any such action:

(i) If practicable, a Respondent shall be served with a notice before the action is taken, or otherwise at the earliest possible opportunity. The notice shall state the action, briefly state the reasons for the action, and state the effective time and date, and the duration of the action.

(ii) The Respondent shall be entitled to be represented in all proceedings subsequent to the imposition of the emergency action by legal counsel or any representative of the Respondent’s choosing, except for any member of the Exchange’s Board of Directors or Business Conduct Committee, any Exchange employee or any Person substantially related to the emergency action, such as a material witness or a Respondent.

(iii) The Respondent may make a written request in accordance with Rule 704(c) for access to books, documents or other evidence concerning the emergency action that are in the possession or under the control of the Exchange, except that the sixty day time period in Rule 704(c) shall not be applicable and any such request must be made within 10 days from the date of service of the notice of the emergency action.

(iv) The Respondent shall have 10 days from the date of service of the notice of the emergency action to request a hearing regarding the emergency action by providing written notice of the request to the Secretary. In the event that the Respondent requests a hearing regarding the emergency action, the hearing shall be held as soon as reasonably practicable.

(v) The hearing shall be conducted before a BCC Panel pursuant to Rule 706, except that the BCC Panel may determine in accordance with paragraph (a)(iv) above to shorten the fifteen day and five day time periods in Rule 706(b).
(vi) Promptly following the hearing, the BCC Panel shall render a written decision based upon the weight of the evidence contained in the record of the proceeding and shall serve notice of the decision upon the Respondent pursuant to Rule 712 and upon the Exchange. The decision shall include a description of the summary action taken; the reasons for the summary action; a summary of the evidence produced at the hearing; a statement of findings and conclusions; a determination that the summary action should be affirmed, modified or reversed; and a declaration of any action to be taken pursuant to the determination, and the effective date and duration of such action.

(vii) The decision issued by the BCC Panel shall be subject to the review procedures under Rule 710.

Amended July 26, 2005 (05-20); October 17, 2012 (12-26); May 15, 2015 (15-13).

308. Consent to Exchange Jurisdiction

(a) By accessing, or entering any Order into, the CFE System, and without any need for any further action, undertaking or agreement, a Trading Privilege Holder or Authorized Trader agrees (i) to be bound by, and comply with, the Rules of the Exchange, the Rules of the Clearing Corporation 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 Trading Privilege Holder or Authorized Trader.

(b) Any Trading Privilege Holder or Authorized Trader whose Trading Privileges are revoked or terminated, whether pursuant to Rule 307 or Chapter 7, shall remain bound by the Rules of the Exchange, the Rules of the Clearing Corporation and Applicable Law, in each case to the extent applicable to it, and 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 Trading Privilege Holder or Authorized Trader prior to such revocation or termination.

(c) Any Person initiating or executing a transaction on or subject to the Rules of the Exchange directly or through an intermediary, and any Person for whose benefit such a transaction has been initiated or executed, expressly consents to the jurisdiction of the Exchange and agrees to be bound by and comply with the Rules of the Exchange in relation to such transactions, including, but not limited to, rules requiring cooperation and participation in investigatory and disciplinary processes. Any Person subject to this Rule 308(c) shall be referred to as a “Market Participant”.

(d) Any Market Participant that is not a Trading Privilege Holder or Related Party is bound by and required to comply with the following Rules of the Exchange for purposes of Rule 308(c) to the same extent that a Trading Privilege Holder or Related Party is bound by and required to comply with those Rules of

(e) For the avoidance of doubt:

(i) Every Person in the chain of custody of an Order submitted to the Exchange that is not a Trading Privilege Holder or Authorized Trader, commencing with the original initiation of the Order until its receipt by the Exchange, shall be deemed to be a Market Participant.

(ii) Every Authorized Reporter for Exchange of Contract for Related Position transactions and Block Trades shall be deemed a Market Participant.

(iii) A Market Participant is bound by and required to comply with the Rules of the Exchange set forth in Rule 308(d) to the same extent that a Trading Privilege Holder or Related Party is bound by and required to comply with those provisions regardless of whether or not those provisions reference Market Participants.

(f) A Trading Privilege Holder or Market Participant remains obligated to comply with the Rules of the Exchange, the Rules of the Clearing Corporation and Applicable Law, in each case to the extent applicable to that party, regardless of any use of a third party to assist the Trading Privilege Holder or Market Participant with that compliance and regardless of any non-performance by the third party in providing that assistance.

Amended August 20, 2012 (12-16); October 17, 2012 (12-26); March 18, 2013 (13-10); June 30, 2014 (14-15); June 13, 2016 (16-010); February 25, 2018 (17-017); July 2, 2019 (19-012).

Exchange Communications

309. Recording of Conversations

The Exchange may record conversations between officers, employees or agents of the Exchange, on one hand, and Trading Privilege Holders (including their Related Parties) 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.

310. Notices

(a) Except as otherwise provided by the Rules of the Exchange, any notice required to be given by the Rules of the Exchange or otherwise shall be deemed to have been given:
in person upon delivery of the notice in person to the Person to whom such notice is addressed;

(ii) by mail upon deposit of the notice in the United States mail, enclosed in a postage prepaid envelope;

(iii) by messenger or overnight courier service upon provision of the notice to the messenger or courier service, provided that the delivery method does not require payment of the messenger or courier service fee to deliver the notice by the Person to whom the notice is addressed;

(iv) by facsimile machine upon acknowledgment by the facsimile machine used to transmit the notice of the successful transmission of the notice;

(v) by electronic mail upon electronic transmission of the notice; and

(vi) by telephone when received.

Any such notice must be addressed to its intended recipient at the intended recipient’s address (including the intended recipient’s business or residence address, facsimile number, electronic address, or telephone number, as applicable) as it appears on the books and records of the Exchange, or if no address appears on such books and records, then at such address as shall be otherwise known to the Exchange, or if no such address appears on such books and records, then in care of the registered agent of the Exchange in the State of Delaware.

The Exchange may serve notice with respect to a matter on counsel for a Trading Privilege Holder or other Person on behalf of that Trading Privilege Holder or other Person provided that: (i) the Trading Privilege Holder or other Person has previously instructed the Exchange in writing to serve that counsel with any notices relating to that matter; and (ii) the counsel has previously notified the Exchange in writing that the counsel agrees to accept service of any notices relating to that matter on behalf of the Trading Privilege Holder or other Person and of a mailing address and an email address for service of those notices. If a counsel has provided a notice to the Exchange pursuant to the preceding sentence with respect to a matter, the Exchange may continue to serve that counsel on behalf of the Trading Privilege Holder or other Person with respect to that matter unless and until the counsel notifies the Exchange in writing that the counsel is no longer representing the Trading Privilege Holder or other Person with respect to that matter or that the counsel consents to service on the Trading Privilege Holder or other Person directly with respect to that matter.

(b) The Exchange shall publish each addition to, or modification of, the Rules of the Exchange, in a form and manner that is reasonably designed to enable each Trading Privilege Holder to become aware of and familiar with, and to implement any necessary preparatory measures with respect to, such addition or
modification, prior to the effective date thereof; *provided* that any failure of the Exchange to do so shall not affect the effectiveness of the addition or modification in question. Notwithstanding and without limiting the generality of Rule 310(a), such publication shall be deemed notice to Trading Privilege Holders of the applicable addition to, or modification of, the Rules of the Exchange. Each Trading Privilege Holder shall undertake reasonable measures to make its respective Authorized Traders aware of the Rules of the Exchange. For purposes of publication in accordance with the first sentence of this Rule 310(b), it shall be sufficient (without limiting the discretion of the Exchange as to any other reasonable means of communication) if the applicable addition to, or modification of, the Rules of the Exchange (i) is published on the Exchange’s website and (ii) the Exchange provides a mechanism for Trading Privilege Holders to receive notice of the posting to the Exchange’s website of additions to, and modifications of, the Rules of the Exchange.

Amended March 17, 2010 (10-03); October 17, 2012 (12-26); July 31, 2013 (13-29); February 25, 2018 (18-002).
CHAPTER 4
TRADING PROCEDURES AND STANDARDS

General

401. Contracts Traded on Cboe Futures Exchange

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

Amended October 31, 2017 (17-016).

402. Trading Hours

(a) The Exchange shall from time to time determine (i) on which days the Exchange shall be regularly open for business in any Contract (“Business Days”) and (ii) during which hours trading in any Contract may regularly be conducted on such days (“Trading Hours”). Trading Hours shall include any regular and extended trading hours under the rules governing the relevant Contract. Except to the extent expressly permitted by the Rules of the Exchange, no Trading Privilege Holder (including its Authorized Traders) shall engage in any transaction in any Contract before or after such hours.

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

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

Amended July 26, 2005 (05-20); April 6, 2011 (11-09); October 17, 2012 (12-26); August 13, 2013 (13-30).

Entry and Execution of Orders

403. Order Entry and Maintenance of Front-End Audit Trail Information

(a) All Orders shall be entered into the CFE System by electronic transmission through a CFE Workstation, and the Exchange shall maintain an electronic record of those entries. Each Trading Privilege Holder (including its Authorized Traders) shall be responsible in every respect for any and all Orders entered by it (including its Related Parties) and for compliance by its Related Parties with this Rule 403. Prior to entering any Order, the relevant Related Party shall connect to the CFE System in a form and manner prescribed by the Exchange. Each Order must contain the following information: (i) whether such Order is a buy or sell Order; (ii) Order type; (iii) price or premium (if the Order is not a Market Order); (iv) quantity; (v) Contract identifier or product and contract
expiration(s); (vi) Client Order ID; (vii) EFID; (viii) Order Entry Operator ID; (ix) Clearing Corporation origin code (C for Customer or F for Firm); (x) Customer Type Indicator code; (xi) manual Order indicator; (xii) account designation (which shall be the account number of the account of the party for which the Order was placed, except that a different account designation may be included in the case of a bunched Order processed in accordance with Rules 406(g) and 605 or in the case of an Order for which there will be a post-trade allocation of the resulting trade(s) to a different clearing member); (xiii) in the case of Orders for Options, either Contract identifier or each of strike price, type of option (put or call) and expiration; and (xiv) such additional information as may be prescribed from time to time by the Exchange. Any Order that does not contain required information in a form and manner prescribed by the Exchange will be rejected or canceled back to the sender by the CFE System.

(b) With respect to Orders received by a Trading Privilege Holder (including its Authorized Traders) which are immediately entered into the CFE System, no record needs to be kept by such Trading Privilege Holder, except as may be required pursuant to Rule 501 and Applicable Law. However, if a Trading Privilege Holder (including its Authorized Traders) receives Orders which cannot be immediately entered into the CFE System, such Trading Privilege Holder must prepare an order form in a non-alterable written medium, which shall be time-stamped and include the account designation, date and other required information. Each such form must be retained by the Trading Privilege Holder for at least five years from the time it is prepared. Any such Orders must be entered into the CFE System, in the order they were received, as soon as they can be entered into the CFE System.

(c) Each Clearing Member and each Trading Privilege Holder that is a Futures Commission Merchant or Introducing Broker shall maintain front-end audit trail information for all electronic Orders entered by that party into the CFE System, including all related modifications and cancellations. Each Clearing Member shall also maintain, or cause to be maintained, front-end audit trail information for all electronic Orders entered into the CFE System by any Trading Privilege Holder for which the Clearing Member is identified in the Order submission by EFID as the Clearing Member for the execution of the Order, including all related modifications and cancellations. This audit trail must contain all Order entry, modification, cancellation and response receipt time(s) as well as all Financial Information Exchange interface (“FIX”) tag information and fields or Binary Order Entry (“BOE”) Order message information, as applicable. Notwithstanding any of the provisions of this Rule 403(c), each Trading Privilege Holder is obligated to comply with the provisions of Commission Regulation §1.35 as applicable to that Trading Privilege Holder.

Amended February 17, 2004 (04-04); July 20, 2011 (11-18); October 17, 2012 (12-26); December 15, 2014 (14-17); September 1, 2015 (15-014); June 23, 2016 (16-011); February 25, 2018 (17-017).
404. Acceptable Orders

At the discretion of the Exchange, any of the following types of Orders, as well as any other types that may be approved from time to time, may be entered into the CFE System with respect to any Contract:

(a) **Market Order.** A “Market Order” is an Order to buy or sell a stated number of Contracts at the best price(s) available on the Exchange and to cancel any remaining portion of the Order that is not executed upon receipt of the Order.

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

(c) **Spread Order.** A “Spread Order” is an Order to simultaneously purchase, sell or purchase and sell at least two Contracts in a form permitted by the Exchange. A “strip” is a type of Spread Order that is exclusively for the purchase or exclusively for the sale of at least two Contracts in a form permitted by the Exchange. A Spread Order must be a Limit Order and may not be submitted as a Market Order, Stop Limit Order or Fill or Kill Order.

(d) **Stop Limit Order.** A “Stop Limit Order” is an Order to buy or sell when a Contract trades at a specified trigger price. A Stop Limit Order to buy becomes a Limit Order to buy a stated number of Contracts at a specified limit price, or at a better price, when the relevant Contract trades at or above the trigger price of the Order. A Stop Limit Order to sell becomes a Limit Order to sell a stated number of Contracts at a specified limit price, or at a better price, when the relevant Contract trades at or below the trigger price of the Order. If an Order is traded in a sequence of transactions at multiple price points and one of those price points is the trigger price for a Stop Limit Order, the Stop Limit Order is not triggered until the sequence of transactions with that Order is concluded (including if subsequent transactions occur in that sequence after the transaction with that Order at the trigger price). Block Trades and Exchange of Contract for Related Position transactions do not trigger Stop Limit Orders.

A Stop Limit Order is not entered into the Order book or reflected in the disseminated depth of the Order book until the Stop Limit Order is triggered when the relevant Contract trades at the trigger price as described above. When a Stop Limit Order is triggered, its time priority in the Order Book is based on its trigger time and not its entry time. If multiple Stop Limit Orders are triggered at the same time, the time priority in the Order Book as between those Stop Limit Orders is based on their entry times.

(e) **Cancel Order.** A “Cancel Order” is an Order that cancels, partially or fully, an existing individual buy or sell Order. A Cancel Order shall also be deemed to include a mass cancel or purge request submitted through the use of CFE System functionality that enables a Trading Privilege Holder to cancel all or a subset of a Trading Privilege Holder’s pending Orders with a single message.
(f) **Cancel Replace/Modify Order.** A “Cancel Replace/Modify Order” is an Order to cancel a buy or sell Order and replace it with a new Order.

(g) **Time in Force.** An Order entered into the CFE System, other than a Cancel Order, is required to have one of the following time in force conditions:

   (i) **Day Order.** A “Day Order” is an Order for any Contract that, unless executed or canceled, remains as an executable Order in the CFE System until the end of the Business Day on which it is entered. The end of the Business Day for this purpose is when Trading Hours for the applicable Contact end on that Business Day.

   (ii) **Good-‘til-Canceled Order.** A “Good-‘til-Canceled Order” is an Order that, unless executed, remains in the CFE System until it is canceled or the Contract to which it relates expires, whichever occurs first.

   (iii) **Good-‘til-Date Order.** A “Good-‘til-Date Order” is an Order that, unless executed, remains in the CFE System until the earlier to occur of the date and time specified in the Order, the Order is canceled or the Contract to which the Order relates expires.

   (iv) **Immediate or Cancel Order.** An “Immediate or Cancel Order” is an Order with respect to which any remaining portion of the Order that is not executed upon receipt is canceled. An Immediate or Cancel Order may include a specified minimum quantity. If a minimum quantity is included, an Immediate or Cancel Order will be canceled in its entirety if the specified minimum quantity is not executed upon receipt of the Order. A Stop Limit Order may not be submitted as an Immediate or Cancel Order.

   (v) **Fill or Kill Order.** A “Fill or Kill Order” is an Order which is canceled unless executed in its entirety upon receipt of the Order. A Spread Order and Stop Limit Order may not be submitted as a Fill or Kill Order.

Amended October 17, 2012 (12-26); January 13, 2014 (13-40), December 15, 2014 (14-17); February 25, 2018 (17-017).

### 404A. Trade at Settlement Transactions

(a) A Trade at Settlement (“TAS”) transaction is a transaction in a Contract at a price or premium equal to the daily settlement price, or a specified differential above or below the daily settlement price, for the Contract on a Business Day. The actual TAS transaction price or premium is determined subsequent to the transaction based upon the daily settlement price of the Contract.

(b) The rules governing a Contract shall specify if TAS transactions are permitted in that Contract. If TAS transactions are permitted in a Contract, the rules governing the Contract shall set forth the extent to which TAS transactions
in that Contract may occur on the CFE System, as spread transactions, as Block Trades and/or as Exchange of Contract for Related Position transactions; the trading hours for TAS transactions in that Contract; the permissible price range from the daily settlement price for each of the permitted types of TAS transactions in that Contract; and the permissible minimum increment for each of the permitted types of TAS transactions in that Contract. The CFE System treats each TAS single leg expiration and TAS spread like a unique Contract from a system perspective and assigns each a unique Contract identifier.

(c) During the time period between Exchange Business Days for a product, the entry into the CFE System of a TAS Order in that product prior to the time at which the CFE System disseminates the first Pre-Opening Notice under Rule 405A(a) for TAS Orders in that product is prohibited. The CFE System disseminates a Pre-Opening Notice for each TAS Contract, and the first Pre-Opening Notice for a TAS Contract in a product is the Pre-Opening Notice that establishes the time at which TAS Orders may be submitted for all TAS Contacts in that product. TAS Contracts in a product include TAS single leg Contract expirations and TAS spreads in that product.

(d) TAS Orders in a Contract will interact only with other TAS Orders in the Contract and will not interact with non-TAS Orders in the Contract. The same execution priorities that are applicable to non-TAS Orders in a Contract shall also apply with respect to TAS Orders in the Contract, unless otherwise specified in the rules governing the Contract.

(e) All TAS Orders are required to be Day Orders, Immediate or Cancel Orders or Fill or Kill Orders. TAS Market Orders, TAS Stop Limit Orders, TAS Good-‘til-Canceled Orders and TAS Good-‘til-Date Orders are not permitted.

(f) If TAS spread transactions are permitted in a Contract, the provisions of Rule 406A shall be applicable to those transactions, except that any TAS spread is required to be a two-legged spread in which the leg with the earlier expiration is a sell leg and the leg with a later expiration is a buy leg and the ratio of the number of contracts in each leg is 1:1.

(g) A Threshold Width is always deemed to exist and deemed not exceeded for TAS transactions because TAS transactions may only occur within a permissible price range.

Adopted November 4, 2011 (11-23). Amended October 17, 2012 (12-26); December 15, 2014 (14-17); May 24, 2015 (15-12); August 6, 2015 (15-021); June 3, 2016 (16-009); June 13, 2016 (16-010); February 25, 2018 (17-017); August 12, 2018 (18-011).

405. Modification and Cancellation of Orders

Any Order that has been entered into the CFE System may be modified or canceled, unless and until the Order has been fully executed, by any means allowed by the CFE System (such as by means of a Cancel Replace/Modify Order, Cancel Order,
Exchange risk controls, or Exchange Match Trade Prevention functionality, to the extent allowed by the CFE System).

Amended February 25, 2018 (17-017).

405A. Opening Process

(a) Queuing Period.

(i) The Exchange shall designate a period of time that precedes the opening of trading in a Contract during which the CFE System is in a queuing state. During the queuing state, the CFE System accepts Orders, Cancel Orders and Cancel Replace/Modify Orders in that Contract, subject to the limitations set forth in paragraph (h) below.

(ii) The queuing state at the beginning of a Business Day for non-TAS single leg Contract expirations and non-TAS spreads in a product commences at the time designated by the Exchange as the start time of the queuing period in that product plus a randomized time period from zero to three seconds. If TAS transactions are permitted in a product, the queuing state at the beginning of a Business Day for TAS single leg Contract expirations and TAS spreads in that product commences at the time designated by the Exchange at the start time of the queuing period in a product plus a randomized time period from three seconds to six seconds. A queuing state that is not at the beginning of a Business Day for a Contract commences at the time designated by the Exchange as the start time of the queuing period. There is no difference in potential start time as between non-TAS Contracts and TAS Contracts and no randomized time period for a queuing state that is not at the beginning of a Business Day.

(iii) At the commencement of a queuing state for non-TAS single leg Contract expirations and non-TAS spreads in a product and at the commencement of a queuing state for any TAS single leg Contract expirations and TAS spreads in a product, the following sequence of events occurs with respect to the applicable group of instruments:

(A) The CFE System moves each single leg Contract expiration for a product into a queuing state in sequence by nearest to farthest expiration. Each of these single leg Contract expirations moves into a queuing state in the foregoing sequence one after the next and not at fixed time intervals. This sequence is referred to as the “Single Leg Processing Sequence”.

(B) The CFE System next moves each spread into a queuing state based on the following criteria in order of priority, assuming spread legs are arranged in nearest to furthest expiration left-to-right:
(1) lowest number of legs (e.g., 1:1 before 1:1:1);

(2) lowest total ratio sum (e.g., 1:1:1 before 1:2:1);

(3) lowest left-to-right cumulative ratio sum, stopping at the first ratio component from left-to-right when the cumulative sums differ between spreads (e.g., 1:2 before 2:1);

(4) alphabetical order, assigning each buy leg “B” and each sell leg “S” (e.g., BBBB before BSBS before BSSB); and

(5) earliest left-to-right leg expiration, stopping at the first leg component from left-to-right when the expirations differ between legs (e.g., DEC-MAR-JUN before DEC-MAR-SEP).

Each of these spreads moves into a queuing state in the foregoing sequence one after the next and not at fixed time intervals. This sequence is referred to as the “Spread Processing Sequence”.

(C) Once all single leg Contract expirations and all spreads have moved into a queuing state:

(1) the CFE System disseminates, in the Single Leg Processing Sequence, a notice of the commencement of the queuing state (“Pre-Opening Notice”) for each single leg Contract expiration; and

(2) the CFE System next disseminates, in the Spread Processing Sequence, a Pre-Opening Notice for each spread.

(iv) Orders accepted by the CFE System during a queuing state are not executable during a queuing state.

(v) A queuing period is utilized when a Contract moves from a suspended state to an open state for trading. At the determination of the senior person in charge of the Trade Desk, a queuing period may or may not be utilized when a Contract moves from a halt state to an open state for trading.

(vi) During the time period between Exchange Business Days for a product, the entry into the CFE System of a non-TAS Order in that product prior to the time at which the CFE System disseminates the first
Pre-Opening Notice under Rule 405A(a)(iii)(C) for non-TAS Orders in that product is prohibited. The CFE System disseminates a Pre-Opening Notice for each non-TAS Contract and the first Pre-Opening Notice for a non-TAS Contract in a product is the Pre-Opening Notice that establishes the time at which non-TAS Orders may be submitted for all non-TAS Contacts in that product. Non-TAS Contracts in a product include non-TAS single leg Contract expirations and non-TAS spreads in that product. The provisions of this Rule 405A(a)(vi) do not apply to Cancel Orders for non-TAS Contracts submitted while the CFE System is in a suspended state between Exchange Business Days after the restart of the CFE System during the suspended state.

(vii) As is set forth in Rule 404A(c): During the time period between Exchange Business Days for a product, the entry into the CFE System of a TAS Order in that product prior to the time at which the CFE System disseminates the first Pre-Opening Notice under Rule 405A(a)(iii)(C) for TAS Orders in that product is prohibited. The CFE System disseminates a Pre-Opening Notice for each TAS Contract, and the first Pre-Opening Notice for a TAS Contract in a product is the Pre-Opening Notice that establishes the time at which TAS Orders may be submitted for all TAS Contacts in that product. TAS Contracts in a product include TAS single leg Contract expirations and TAS spreads in that product.

(b) Processing Order. Unless unusual circumstances exist, the CFE System initiates the following opening process for each Exchange product at the opening time for the product. The opening process occurs in the following order:

(i) the CFE System matches simple Orders, without regard for Match Trade Prevention, and determines an opening trade price for each single leg Contract expiration for the product pursuant to paragraph (c) below;

(ii) the CFE System next matches Spread Orders with other Spread Orders, without regard for matching between Spread Orders and simple Orders and for Match Trade Prevention, and determines an opening trade price for each spread in the product pursuant to paragraph (d) below;

(iii) the CFE System next disseminates for each single leg Contract expiration in the product an Open Trading Notice and all opening prints, if any, pursuant to paragraph (e) below;

(iv) the CFE System next disseminates for each spread in the product an Open Trading Notice and all opening prints for the spread trades and the individual leg trades that comprise the spread trades, if any, pursuant to paragraph (e) below;

(v) the CFE System next releases remaining Spread Orders for spreads in an open state for trading with executable quantity not executed
as part of an opening trade, with matching between those Spread Orders and simple orders and Match Trade Prevention in effect, pursuant to paragraph (f) below; and

(vi) the CFE System next processes triggered Stop Limit Orders pursuant to paragraph (g) below.

Any incoming Orders received by the CFE System during this opening process do not participate in the opening process and are processed after all of the above steps of the opening process have been completed.

(c) Single Leg Contract Expiration Processing. The opening process addresses simple Orders that are in the Order book at the commencement of the opening process and determines an opening trade price for each single leg Contract expiration for a product in the following manner:

(i) If there are no bids and offers that are at the same price as each other or that are crossed with one another, there will be no opening trade.

(ii) If there is a bid and an offer or bids and offers that are at the same price as each other or that are crossed with one another, there will be one or more opening trades at a single opening trade price executed in the following manner:

(A) Orders with bids and offers that are at the same price as each other or that are crossed with one another will be matched at a single opening trade price in accordance with price-time priority, without regard for Match Trade Prevention. Price-time priority is used for this purpose regardless of whether a different allocation method otherwise applies to the applicable Contract, and pro rata priority or a trade participation right priority does not apply for this purpose.

(B) The opening trade price for these matched trades will be determined in the following manner:

(1) The opening trade price will be the price that maximizes the number of matched contracts.

(2) If multiple prices exist that maximize the number of matched contracts, the price among those prices which has the lowest absolute imbalance between total bid size and total offer size will be the opening trade price.

(3) If multiple prices exist that maximize the number of matched contracts and have the same absolute imbalance between total bid size and total offer size, the midpoint of the minimum and maximum of these multiple
prices will be the opening trade price. If the midpoint is not at a minimum increment for the applicable Contract, the midpoint will be rounded up to the nearest minimum increment for that Contract.

(iii) The opening bid and offer prices for a Contract are the highest remaining bid and lowest remaining offer following the completion of the matching of the bids and offers that are at the same price as each other or that are crossed with one another, if any.

(iv) Following the determination of the opening trade price and opening trade(s), if any, for a Contract, the Contract moves into an open state for trading.

(v) The CFE System determines the opening trade price and opening trade(s), if any, for each single leg Contract expiration for a product and moves each of these Contracts into an open state for trading in the Single Leg Processing Sequence.

(vi) If the width between the opening bid and opening offer prices for a single leg Contract expiration exceeds the applicable Threshold Width for the relevant Contract, each spread containing that Contract will remain in a queuing state and not be opened during the initial opening process, as further described in paragraph (d) below.

(d) Spread Processing. Following the matching of simple Orders and the determination of opening trade prices for single leg expirations for a product, the opening process conducts the matching of Spread Orders for that product that were in the Order book at the commencement of the opening process. A spread will remain in a queuing state and the CFE System will not utilize the opening process set forth in this Rule 405A to open the spread if the width between the opening bid and opening offer prices for any individual leg of the spread exceeds the applicable Threshold Width for that individual leg. For all other spreads for a product, the opening process determines an opening trade price for each of these spreads in the following manner:

(i) For purposes of this process, the terms “Implied Spread Bid”, “Implied Spread Offer” and “Volume-Based Tie Breaker” (“VBTB”) have the following definitions:

(A) Implied Spread Bid.

(1) The Implied Spread Bid for a spread is calculated by determining an implied net bid price for the spread using as inputs to the calculation the highest bid price for each individual leg of the spread to be bought and the lowest offer price for each individual leg of the spread to be sold and multiplying each of those prices by the
respective ratio of the individual leg to the other legs of the spread.

(2) In the event that there is no bid price for an individual leg of the spread to be bought, the Minimum Price for the product is used as the input to the Implied Spread Bid calculation in lieu of the highest bid price for that leg.

(3) In the event that there is no offer price for an individual leg of the spread to be sold, the Maximum Price for the product is used as the input to the Implied Spread Bid calculation in lieu of the lowest offer price for that leg.

(4) As a result, an Implied Spread Bid will always be deemed to exist.

(5) In the event that a Lower Price Limit is in effect for a product, and the input to the Implied Spread Bid calculation for the highest bid price for an individual leg of a spread to be bought is less than the Lower Price Limit, the Lower Price Limit for the product is used instead as that input.

(6) In the event that an Upper Price Limit is in effect for a product, and the input to the Implied Spread Bid calculation for the lowest offer price for an individual leg of a spread to be sold is more than the Upper Price Limit, the Upper Price Limit for the product is used instead as that input.

(B) Implied Spread Offer.

(1) The Implied Spread Offer for a spread is calculated by determining an implied net offer price for the spread using as inputs to the calculation the lowest offer price for each individual leg of the spread to be bought and the highest bid price for each individual leg of the spread to be sold and multiplying each of those prices by the respective ratio of the individual leg to the other legs of the spread.

(2) In the event that there is no offer price for an individual leg of the spread to be bought, the Maximum Price for the product is used as the input to the Implied Spread Offer calculation in lieu of the lowest offer price for that leg.
(3) In the event that there is no bid price for an individual leg of the spread to be sold, the Minimum Price for the product is used as the input to the Implied Spread Offer calculation in lieu of the highest bid price for that leg.

(4) As a result, an Implied Spread Offer will always be deemed to exist.

(5) In the event that an Upper Price Limit is in effect for a product, and the input to the Implied Spread Offer calculation for the lowest offer price for an individual leg of a spread to be bought is more than the Upper Price Limit, the Upper Price Limit for the product is used instead as that input.

(6) In the event that a Lower Price Limit is in effect for a product, and the input to the Implied Spread Offer calculation for the highest bid price for an individual leg of a spread to be sold is less than the Lower Price Limit, the Lower Price Limit for the product is used instead as that input.

(C) VBTB. The VBTB for a spread is the midpoint between the Implied Spread Bid and the Implied Spread Offer rounded up to the nearest minimum increment.

(ii) If there are no bids and offers that are at the same price as each other or that are crossed with one another, there will be no opening trade.

(iii) If there is a bid and an offer or bids and offers that are at the same price as each other or that are crossed with one another, there will be one or more opening trades at a single opening trade price executed in the following manner:

(A) Orders with bids and offers that are at the same price as each other or that are crossed with one another will be matched at a single opening trade price in accordance with price-time priority, without regard for matching between Spread Orders and simple Orders and for Match Trade Prevention. Price-time priority is used for this purpose regardless of whether a different allocation method otherwise applies to the applicable spread, and pro rata priority or a trade participation right priority does not apply for this purpose.

(B) The opening trade price for these matched trades will be determined in the following manner:
(1) The opening trade price will be the price that maximizes the number of matched contracts.

(2) If multiple prices exist that maximize the number of matched contracts, the price among those prices which has the lowest absolute imbalance between total bid size and total offer size will be the opening trade price.

(3) If multiple prices exist that maximize the number of matched contracts and minimize the absolute imbalance between total bid size and total offer size, the VBTB is within the range of prices that maximizes the number of matched contracts and minimizes the absolute imbalance between total bid size and total offer size, the opening trade price will be the VBTB.

(4) If multiple prices exist that maximize the number of matched contracts and minimize the absolute imbalance between total bid size and total offer size, and the VBTB is outside the range of prices that maximizes the number of matched contracts and minimizes the absolute imbalance between total bid size and total offer size, the opening trade price will be the price among those prices that is closest to the VBTB.

(5) If the opening trade price would be below the Implied Spread Bid or above the Implied Spread Offer, there will be no opening trade and the spread will remain in a queuing state until the spread is opened in accordance with Rule 405A(i) below.

(iv) The opening bid and offer prices for a spread are the highest remaining bid and lowest remaining offer following the completion of the matching of the bids and offers that are at the same price as each other or that are crossed with one another, if any.

(v) Following the determination of the opening trade price and opening trade(s), if any, for a spread, the spread moves into an open state for trading.

(vi) The CFE System determines the opening trade price and opening trade(s), if any, for spreads for a product and moves each of these spreads into an open state for trading in the Spread Processing Sequence.

(vii) No Spread Orders for a spread will be matched or traded unless and until the width of the prevailing market for each individual leg of the spread does not exceed the applicable Threshold Width for the relevant Contract. A spread will remain in a queuing state, or return to a queuing state after it is opened, during any time period in which the width
of the prevailing market for any individual leg of the spread exceeds the applicable Threshold Width for the relevant Contract. The CFE System will utilize the opening process set forth in this Rule 405A, as applicable, to open or reopen the spread at such time that there is no longer any individual leg of the spread for which the Threshold Width is exceeded. Executions resulting from the opening or reopening of a spread in this manner are not disseminated as opening trades.

(e) **Opening Disseminations.** Following the completion of the process to determine the opening trade prices and opening trades for all single leg Contract expirations for a product and the process to determine the opening trade prices and opening trades for all spreads for a product:

(i) The CFE System disseminates for each single leg Contract expiration for the product:

   (A) a notice of commencement of open trading in the Contract (“Open Trading Notice”); and

   (B) last sale reports for each of the individual opening trades.

(ii) This information is disseminated for each single leg Contract expiration in the Single Leg Processing Sequence.

(iii) The CFE System next disseminates for each spread for a product that does not remain in a queuing state:

   (A) an Open Trading Notice; and

   (B) for each of the spread opening trades,

      (1) last sale reports for each of the individual leg trades that comprise the spread trade, with an indication that the last sale is part of a spread trade, and

      (2) the spread trade.

(iv) This information is disseminated for each spread in the Spread Processing Sequence.

(v) The disseminations pursuant to this paragraph (e) are referred to as the “Opening Disseminations”.

(f) **Spread and Simple Order Matching.** Following the Opening Disseminations for single leg expirations and spreads that do not remain in a queuing state, the opening process addresses the remaining Spread Orders for spreads that are in an open state for trading. These remaining Spread Orders include any remaining executable quantity of Spread Orders that were in the
Order book at the commencement of the opening process which were not executed as part of an opening trade. These Spread Orders are addressed in the following manner:

(i) The Spread Orders are released for potential execution by spread in the Spread Order Processing Sequence. The release of Spread Orders for each spread is done based on time priority.

(ii) When released, a Spread Order is matched with any simple Orders that are able to be matched with the Spread Order, with Match Trade Prevention in effect. The allocation method for this matching is the same as the allocation method that otherwise applies in the applicable spread.

(iii) Any resulting trades between Spread Orders and simple Orders are not disseminated as opening trades.

(iv) To the extent that the execution of a Spread Order with simple orders causes the width of the prevailing market for a single leg Contract that is the component of one or more spreads to exceed the applicable Threshold Width for the relevant Contract, the CFE System places all of the spreads containing that Contract in a queuing state following those executions.

(g) **Stop Limit Orders.** Following the matching of Spread Orders with simple Orders, the CFE System processes any Stop Limit Orders that are triggered by trades during the opening process from the processing of single leg trades, single leg prints as part of spread trades and single leg trades with spreads. Triggered Stop Limit Orders are either executed if the applicable Stop Limit Order is marketable against the resulting market, with Match Trade Prevention in effect, or booked. Stop Limit Order executions may be at a price different from the opening trade price and are not marked as opening trades. The allocation method for the processing of these Stop Limit Orders is the same as the allocation method that otherwise applies to the applicable Contract.

(h) **Order Submission Limitations Around Opening.** The CFE System will not accept Market Orders, Immediate or Cancel Orders or Fill or Kill Orders in a Contract until the Contract is in an open state for trading following the completion of the opening process. These Order types will only be accepted by the CFE System in a Contract when that Contract is in an open state for trading. Additionally, the rules governing a Contract may further restrict the time period during which the Exchange will accept Market Orders in that Contract.

(i) **Opening of Certain Spreads Not Opened During Opening Process.** After completion of the opening process, one or more spreads may remain in a queuing state because the price of the spread generated by the opening process would be below the Implied Spread Bid or above the Implied Spread Offer. For these spreads, the following process is used to transition the spreads to an open state for trading:
(i) The CFE System attempts to open the spread a designated number of times spaced at a designated time interval, each as determined by the Exchange, utilizing the opening process set forth in this Rule 405A, as applicable. During the interval between the Opening Disseminations and the first subsequent attempted opening and between any subsequent attempted openings, Spread Orders for the spread are accepted for queuing and for participation in any subsequent attempted opening.

(ii) If the CFE System is not able to open the spread during these subsequent attempted openings, the CFE System moves the spread to an open state for trading and releases the Spread Orders for the spread for potential execution based on time priority.

(j) Re-openings and Delayed Openings. The opening process set forth in this Rule 405A is also be utilized whenever the Exchange reopens trading in a Contract within the same Business Day or there is a delayed opening of a Contract. Executions resulting from a reopening are not disseminated as opening trades.

(k) Opening Conditions. If a condition is present within the CFE System that prevents a Contract from moving into an open state for trading or prevents the opening process set forth in this Rule 405A from being utilized, the senior person in charge of the Trade Desk may authorize moving the Contract into an open state for trading in the interest of a fair and orderly market or in the event of unusual market conditions.

(l) Dissemination of Messages. The Exchange disseminates the Pre-Opening Notices and Open Trading Notices pursuant to this Rule 405A as part of the Exchange Market Data that is disseminated by the Exchange.

Adopted May 24, 2015 (15-12). Amended June 30, 2015 (15-17); February 25, 2018 (17-017); August 12, 2018 (18-011).

406. Execution of Orders by CFE System

(a) Base Allocation Methods. An Order that is executable upon receipt by the CFE System will execute at the best price then available in the Order book in accordance with the applicable allocation method under this Rule, except that Rule 405A governs the allocation method during the opening process. At the discretion of the Exchange, any of the following base allocation methods shall apply to the execution of Orders for any Contract by the CFE System:

(i) Price-Time Priority. Under this method, Orders for any Contract are prioritized according to price and time. If at any time there are two or more such Orders at the best price then available, such Orders are executed in the order in which they were entered into the Order book.

(ii) Pro Rata Priority. Under this method, Orders for any Contract are prioritized according to price. If at any time there are two or
more Orders at the best price then available, the executable quantity of Contracts is allocated to those Orders on a pro rata basis taking into account the relative sizes of those Orders. If the application of the pro rata priority method would result in the allocation to one or more Orders of a number of contracts that is not a whole number, that number will be rounded up to the next whole number if the fractional portion of that number is 0.5 or greater and will be rounded down to the previous whole number if the fractional portion of that number is less than 0.5. Any residual quantity that cannot be allocated through rounding is allocated to Orders based on the following criteria in order of priority:

(1) Orders that were rounded down (with an Order rounded down having priority over an Order rounded up or not rounded);

(2) Order size (with a larger size Order having priority over a smaller size Order); and

(3) time of entry (with an Order entered into the Order book earlier in time having priority over an Order entered into the Order book later in time).

(b) Trade Participation Right Priority Overlay. In addition to the base allocation methods set forth in paragraph (a) above, the Exchange may determine that a trade participation right priority overlay shall apply to the execution of Orders for any Contract by the CFE System. Lead Market Makers (“LMMs”) or a DPM may be granted a trade participation right in accordance with any program adopted pursuant to Rule 514 or Rule 515, which right may provide for priority of Orders placed by LMMs or a DPM over other Orders, up to the applicable participation right percentage. In granting a trade participation right to LMMs or a DPM, the following principles shall be followed:

(i) LMMs or a DPM shall be afforded trade participation priority over Orders placed by others when an Order in a Contract from one or more LMMs or the DPM is at the best bid/offer in that Contract at the time of the execution of the relevant transaction. An LMM’s or DPM’s Order must be at the best bid/offer at the time of the execution of the relevant transaction for the LMM or DPM to receive a trade participation right.

(ii) An LMM or DPM may not be allocated a total quantity through a trade participation right that is greater than the Order quantity of the LMM or DPM at the best bid/offer.

(iii) An LMM or DPM will receive any allocation resulting from a trade participation right and any further allocation resulting from the application of the base allocation method to the LMM’s or DPM’s remaining Order quantity at the best bid/offer after the application of the trade participation right.
(iv) If the application of a trade participation right would result in allocation to one or more LMMs or a DPM of a number of contracts that is not a whole number, that number will be rounded up to the next whole number if the fractional portion of that number is 0.5 or greater and will be rounded down to the previous whole number if the fractional portion of that number is less than 0.5.

(v) If there is more than one LMM with an Order at the best bid/offer, the trade participation right will be allocated among those LMMs by either price-time priority or pro rata priority, as designated by the Exchange in the applicable LMM program adopted pursuant to Rule 514.

(vi) The following provisions shall apply if a trade participation right is allocated by price-time priority among multiple LMMs with Orders at the best bid/offer:

(A) The trade participation right percentage is applied to the quantity of the Order to be executed to determine the quantity of the collective LMM participation entitlement.

(B) The quantity of the collective LMM participation entitlement is allocated to the LMMs with Orders at the best bid/offer in accordance with price-time priority.

(vii) The following provisions shall apply if a trade participation right is allocated by pro rata priority among multiple LMMs with Orders at the best bid/offer:

(A) The trade participation right percentage is applied to the quantity of the Order to be executed to determine the quantity of the collective LMM participation entitlement.

(B) The quantity of the collective LMM participation entitlement is allocated to the LMMs with Orders at the best bid/offer in accordance with pro rata priority.

(c) Market Orders. The CFE System shall, in a form and manner prescribed by the Exchange, reject or cancel back to the sender any Market Order that does not satisfy any of the following conditions:

(i) A Market Order for a Contract must be received by the CFE System when that Contract is in an open state for trading.

(ii) A Market Order for a Contract must be received by the CFE System during regular trading hours for that Contract.

(d) Cancel Replace/Modify Orders and Cancel Orders.
(i) If the quantity of an existing Order is decreased by means of a Cancel Replace/Modify Order, the replacement Order retains the priority position of the existing Order with the decreased quantity. If the quantity of an existing Order is increased or the price of an existing Order is changed by means of a Cancel Replace/Modify Order, the replacement Order is placed in priority position behind all Orders in the Order book at the same price with respect to time priority.

(ii) If the expected size of an existing Order designated within a Cancel Replace/Modify Order to cancel and replace that existing Order does not match the actual size of the existing Order, the CFE System decreases the size of the replacement Order by the difference between the designated expected size of the existing Order and the actual size of the existing Order. If the decreased size of the replacement Order would be zero or less than zero, the existing Order is canceled by the CFE System and the replacement Order is rejected or canceled back to the sender by the CFE System.

(e) Simple Orders. A simple Order may trade with one or more other simple Orders upon its receipt (or in the case of a Stop Limit Order upon being triggered). Any portion of a simple Order that is not executed with one or more other simple Orders upon its receipt (or in the case of a Stop Limit Order upon being triggered) and that rests in the Order book is then eligible to trade with either simple Orders or Spread Orders. A simple Market Order, simple Immediate or Cancel Order and simple Fill or Kill Order may only execute against other simple Orders and will not execute against any Spread Orders. Rule 406A(b) sets forth additional provisions relating to Spread Order execution.

(f) Minimum Prices and Maximum Prices. Each product will have a Minimum Price and Maximum Price designated by the Exchange, and the Exchange shall disseminate those values to Trading Privilege Holders in a form and manner determined by the Exchange. The Minimum Price and Maximum Price are CFE System limitations on the limit price of a Limit Order. The Minimum Price is the minimum limit price of an Order in the applicable product. The Maximum Price is the maximum limit price of an Order in the applicable product. CFE System will reject or cancel back to the sender any simple Order with a limit price that is below the Minimum Price or that is above the Maximum Price. The CFE System will reject or cancel back to the sender any Spread Order with a limit price that is below the Implied Spread Bid or above the Implied Spread Offer calculated utilizing as inputs to the calculation the Minimum Prices and Maximum Prices of the individual legs of the spread (like would be done in the calculation if there were no bid price or offer price for each individual leg, as applicable).

(g) Bunched Orders. Subject to compliance with Rule 605 and the sales practice rules referred to therein, each Trading Privilege Holder may enter, or permit its Related Parties to enter (as applicable), a bunched Order for more than one discretionary Customer account or Pool account into the CFE System by
using a designation specific to the allocation group and account controller rather than including each of the individual account numbers in such Order, provided such Trading Privilege Holder has filed or is filing an allocation scheme for such Order in accordance with applicable Commission requirements.

(h) Trade Acknowledgments. An acknowledgment of each executed Order will be forwarded to the parties on each side of the trade resulting from the Order.

Amended November 4, 2004 (04-20); March 2, 2009 (09-04); June 1, 2009 (09-12); November 1, 2013 (13-38); December 15, 2014 (14-17); June 30, 2015 (15-17); February 25, 2018 (17-017); April 25, 2018 (18-005).

406A. Trading of Spread Orders

(a) Spread Order Processing.

(i) The following types of Spread Orders may be submitted to the CFE System:

(A) Spread Orders, other than spreads that are processed as Block Trades and Exchange of Contract for Related Position transactions, are required to have the following permissible ratios:

(1) two-legged spreads where the ratio of the number of Contracts in one leg to the number of Contracts in the other leg is 1:1, 1:2 and 2:1;

(2) three-legged spreads where the ratio is 1:1:1 or 1:2:1;

(3) four-legged spreads where the ratio is 1:1:1:1;

(4) and any other spread type from time to time approved by the Exchange.

(B) Spreads that are processed as TAS transactions and spread transactions in S&P 500 Variance futures are required to be two-legged spreads that are not strips where the ratio of the number of Contracts in one leg to the number of Contracts in the other leg is 1:1.

(C) Spreads that are processed as Block Trades and Exchange of Contract for Related Position transactions are not required to satisfy the above permissible ratios.

(D) Trading Privilege Holders do not have the capability to create spread types within the CFE System. If a Trading Privilege Holder would like a type of spread with a permissible ratio to be created that is not already available in the
CFE System, the Trading Privilege Holder should contact the Trade Desk to request creation of the spread.

(ii) A Spread Order may only include Contract legs of the same Exchange product and may not include Contract legs of different Exchange products.

(iii) The CFE System will treat each defined spread like a unique Contract from a system perspective and will assign each a unique Contract identifier.

(iv) Spread Orders may have any of the acceptable Order types set forth in Rule 404, except that Spread Orders may not be submitted as Market Orders, Stop Limit Orders or Fill or Kill Orders.

(v) Spreads open for trading in the manner set forth in Rule 405A.

(vi) A spread will remain in a queuing state prior to being opened for trading, or return to a queuing state after being opened for trading, during any time period in which the width of the prevailing market for any individual leg of the spread exceeds the applicable Threshold Width for the relevant Contract. The CFE System will utilize the opening process set forth in Rule 405A(d)(vii) to open or reopen the spread at such time that there is no longer any individual leg of the spread for which the Threshold Width is exceeded.

(vii) The CFE System disseminates Spread Order bids and offers as net prices.

(viii) Once a Spread Order is executed, the CFE System will:

(A) disseminate to the Trading Privilege Holder that placed the Spread Order fill reports for the spread in its entirety and the individual legs;

(B) submit the transaction to clearing as separate trades in the individual legs of the spread;

(C) disseminate last sale reports for the individual legs of the spread trade, with an indication that each last sale for an individual leg is part of a spread trade, as part of the Exchange Market Data that is disseminated by the Exchange; and

(D) disseminate a last sale report for the spread trade, as part of the Exchange Market Data that is disseminated by the Exchange.

(b) Spread Order Execution.
(i) The base allocation method and priority overlay applicable to a Contract shall apply to Spread Orders in the Contract unless otherwise specified in the rules governing that Contract.

(ii) A Spread Order may be fully or partially executed against an opposite side Spread Order that is residing in the CFE System as long as:

(A) the price of the trade in each leg of the spread would occur at the prevailing best bid price, the prevailing best offer price, or between the prevailing best bid price and prevailing best offer price in that individual Contract leg; and

(B) the width of the prevailing market for each leg of the spread does not exceed the applicable Threshold Width for the relevant Contract.

(iii) A Spread Order may be fully or partially executed against individual Orders in the legs of the spread that are residing in the CFE System as long as:

(A) the Spread Order is not able, or is no longer able, to execute against Spread Orders residing in the CFE System pursuant to subparagraph (b)(ii) above;

(B) the Spread Order can be executed in full (or partially executed while maintaining the ratio of the Spread Order for the unexecuted portion) against the individual leg Orders residing in the CFE System; and

(C) the width of the prevailing market for each leg of the spread does not exceed the applicable Threshold Width for the relevant Contract.

(iv) If more than one Spread Order is able to execute against an individual leg Order, the determination of which Spread Order(s) will execute against the individual leg Order will be based on priority as determined by the Spread Processing Sequence as applied to the applicable spreads and in order of time priority within each of the applicable spreads.

(v) Spread Orders will always trade in ratio. When trading with other Spread Orders, Spread Orders will only trade with opposite side Spread Orders with the same components and ratios.

(vi) The CFE System will treat a Spread Order as having an adjusted limit price as described below in the following two circumstances.
(A) The first circumstance is in the event that:

(1) a Spread Order is not able, or is no longer able, to execute against Spread Orders and individual leg Orders residing in the CFE System pursuant to subparagraphs (b)(ii) and (b)(iii) above, and

(2) the limit price of the Spread Order is crossed with the opposite side Implied Spread Bid or Implied Spread Offer.

(B) The second circumstance is in the event that:

(1) a Lower Price Limit or Upper Price Limit is in effect for a product,

(2) the Lower Price Limit or Upper Price Limit is used as an input to the calculation of an Implied Spread Bid or Implied Spread Offer in that product, and

(3) the limit price of the Spread Order is crossed with an opposite side Implied Spread Bid or Implied Spread Offer calculated using a Lower Price Limit or Upper Price Limit.

(C) If either of the above two circumstances occurs with respect to a Spread Order, the following shall take place during the time period in which that circumstance exists:

(1) the limit price of the Spread Order will be treated by the CFE System as having been changed to the price of the opposite side Implied Spread Bid or Implied Spread Offer;

(2) as the opposite side Implied Spread Bid or Implied Spread Offer changes while the original limit price of the Spread Order remains crossed with the opposite side Implied Spread Bid or Implied Spread Offer, the limit price of the Spread Order will be treated as having been changed to the price of the then prevailing opposite side Implied Spread Bid or Implied Spread Offer; and

(3) the Spread Order will be handled by the CFE System in the same manner as it otherwise would be handled with the one exception that it will be treated as having the adjusted limit price.

(D) Any Spread Orders that are treated as having an adjusted limit price in the second circumstance above at the point
in time at which a Lower Price Limit or Upper Price Limit is in no longer in effect for a product (such as when the product moves directly from extended trading hours to regular trading hours) are transitioned back to being treated as having their original limit prices in the Spread Processing Sequence as applied to the applicable spreads and within each of the applicable spreads in order of time priority.

Amended October 31, 2017 (17-016); February 25, 2018 (17-017).

406B. Match Trade Prevention

(a) **Match Trade Prevention Modifiers.** Any incoming Order designated with a Match Trade Prevention ("MTP") modifier is prevented from executing against a resting opposite side Order also designated with an MTP modifier and originating from the same EFID, Trading Privilege Holder identifier, or trading group identifier (any such identifier, a "Unique Identifier"). The MTP modifier on the incoming Order controls the interaction between two Orders marked with MTP modifiers.

(b) **MTP Cancel Newest.** An incoming Order marked with the MTP Cancel Newest ("MCN") modifier does not execute against an opposite side resting Order marked with any MTP modifier originating from the same Unique Identifier. The incoming Order with the MCN modifier (or the remaining portion of that Order if it has already been partially executed against one or more other Orders) is rejected or canceled back to the sender by the CFE System at the point it would have executed against the resting Order with the MTP modifier. The resting order marked with the MTP modifier remains in the Order book.

(c) **MTP Cancel Oldest.** An incoming Order marked with the MTP Cancel Oldest ("MCO") modifier does not execute against an opposite side resting Order marked with any MTP modifier originating from the same Unique Identifier. The resting Order with the MTP modifier (or the remaining portion of that Order if it has already been partially executed against one or more other Orders) is canceled back to the sender by the CFE System at the point it would have executed against the incoming Order with the MCO modifier. The incoming order with the MCO modifier may trade with other Orders, rest in the Order book, or be handled in accordance with its instructions (such as in the case of an Immediate or Cancel Order with respect to which any remaining quantity is canceled).

(d) **MTP Cancel Both.** An incoming Order marked with the MTP Cancel Both ("MCB") modifier will not execute against an opposite side resting Order marked with any MTP modifier originating from the same Unique Identifier. Both Orders (or the remaining portions of those Orders if they have already been partially executed against one or more other Orders) are rejected or canceled back to the sender(s) by the CFE System.

(e) **Spread Orders.** MTP functionality applies to Spread Orders in the following manner:
(i) With respect to the execution of a Spread Order against another Spread Order, MTP functionality applies as described in paragraphs (a), (b) and (c) above.

(ii) With respect to the execution of a Spread Order against a simple Order, a Spread Order marked with an MTP modifier will not execute against a simple Order marked with any MTP modifier originating from the same Unique Identifier. The Spread Order (or the remaining portion of the Spread Order if it has already been partially executed against one or more other Orders) is rejected or canceled back to the sender by the CFE System at the point it would have executed against the simple Order with the MTP modifier. This is the case regardless of which MTP modifier(s) are marked on the Spread Order and the simple Order. The simple Order with the MTP modifier is not rejected or canceled back to the sender by the CFE System by the MTP functionality regardless of which MTP modifier(s) are marked on the Spread Order and the simple Order.

(f) Use of MTP Functionality. Although the use of Exchange MTP functionality is not mandatory, the failure of a Trading Privilege Holder to utilize Exchange MTP functionality will be deemed an aggravating factor if the Trading Privilege Holder is found to have engaged in wash trading that otherwise would have been prevented by using Exchange MTP functionality.

Adopted April 7, 2014 (13-39); February 25, 2018 (17-017).

407. Crossing Trades

(a) A Trading Privilege Holder or Authorized Trader that wishes to cross two or more original Orders, including without limitation a solicited Order, must, for the time period prescribed by the rules governing the relevant Contract, expose to the market at least one of the Orders that it intends to cross. The required time period for such exposure and the eligible size of an Order that may be entered pursuant to this Rule 407 shall be as set forth in the rules governing such Contract.

(b) If the exposed Order has not been completely filled by the end of the exposure period, then the Trading Privilege Holder or Authorized Trader, as applicable, may enter the opposite Order(s) to cross the balance of the exposed Order.

(c) A Trading Privilege Holder or Authorized Trader that wishes to cross an Order for a Customer shall exercise due diligence in the handling and execution of the Order in accordance with Rule 512.

Amended March 6, 2008 (08-01); February 21, 2013 (13-07).
408. Market Data and Related Agreements

The Exchange will make information regarding trades completed on the Exchange, prices bid or offered on the Exchange and any other matters it may deem appropriate (collectively, “Market Data”) available at such times and in such manner (whether through the CFE System, one or more financial information vendors or otherwise) as the Exchange may consider necessary or appropriate from time to time. The Exchange may require Trading Privilege Holders, financial information vendors, Independent Software Vendors, extranet service providers, and other Persons that receive Market Data from the Exchange to execute one or more market data, connectivity or similar agreements with the Exchange in a form and manner prescribed by the Exchange.

Amended April 19, 2005 (05-12); March 1, 2012 (12-06); June 30, 2014 (14-13); February 25, 2018 (17-017).

409. Requirements for Average Price System Transactions

A Trading Privilege Holder that is a registered futures commission merchant receiving multiple execution prices on an Order or series of Orders for any Contract may use an Average Price System to calculate and confirm to any Customer an average price for such Contract, provided all of the following requirements are satisfied:

(a) Such Customer shall have requested such Trading Privilege Holder to use an Average Price System;

(b) Each individual transaction with respect to such Contract shall be submitted to, and cleared by, the Clearing Corporation at the price at which it was executed;

(c) Such Trading Privilege Holder shall compute the weighted mathematical average price by (i) multiplying the number of Contracts purchased or sold at each execution price by that price, (ii) adding the results together and (iii) dividing the sum by the total number of Contracts purchased or sold; provided that for any series of Orders, the average price may be computed based on the average price of each Order in that series; provided, further, that a Trading Privilege Holder may confirm to its Customer either the actual average price or an average price rounded up (in the case of a buy Order) or down (in the case of a sell Order) to the closest minimum price fluctuation; provided, further, if the average price computation yields an amount that cannot be expressed in whole one-cent increments, any amount that is less than one cent may be retained by the Trading Privilege Holder;

(d) Such Trading Privilege Holder shall (i) possess records to support the computations described in paragraph (c) above and the allocations to Customer accounts, (ii) maintain such records in accordance with applicable Commission Regulations and (iii) make such records available for inspection by affected Customers upon request;

(e) In the case of multiple execution prices on a series of Orders for any Contract, each such Order shall be for the same account or group of accounts and
for the same commodity and expiration (except in the case of a Spread Order, where each leg may be for a different expiration);

(f) Such Trading Privilege Holder shall ensure that prices for transactions for any of its proprietary accounts are not averaged with prices for transactions executed on behalf of Customers;

(g) Such Customer shall have received appropriate disclosure regarding the method used to calculate the average price; and

(h) Such Trading Privilege Holder shall identify each transaction for which the execution price is computed pursuant to an Average Price System on each confirmation statement and monthly statement on which such transaction is reported to the Customer.

Amended December 15, 2014 (14-17.)

410. Application and Closing Out of Offsetting Positions

Any Trading Privilege Holder of the Exchange that is registered with the Commission as a futures commission merchant must comply with the provisions of Commission Regulation § 1.46.

410A. Reporting Open Interest Information to the Clearing Corporation

Each Clearing Member shall report to the Clearing Corporation, on each Business Day, gross position adjustment information as necessary to identify the actual open interest in each Clearing Member account at the Clearing Corporation based on the trading activity for that Business Day, to the extent required by and in accordance with the rules of the Clearing Corporation. Gross position adjustment information is not required to be reported to the Clearing Corporation pursuant to this Rule 410A for Market Maker accounts at the Clearing Corporation or for transactions with respect to which a Trading Privilege Holder has designated as part of the applicable Order submission to the Exchange whether the transaction is opening or closing.

Adopted April 3, 2015 (15-06).

411. Errors of Trading Privilege Holders

(a) If a Trading Privilege Holder discovers an error in the handling of an Order for a Customer after the relevant trade is completed, and the Order cannot be executed in the market at a price which is better than or equal to that at which the Order should have been executed, such Trading Privilege Holder shall do one or more of the following:

(i) Execute the Order in the market and make an appropriate cash adjustment to the Customer such that the Customer effectively receives a price that is equal to or better than the price at which its Order should have been executed; or
(ii) Notwithstanding any other provision of these Rules to the contrary, execute a spread transaction in the market where one leg is for such Customer’s account and the other leg is for the account of such Trading Privilege Holder; provided that, as a result of such spread transaction, the Customer shall receive a price equal to or better than the price at which its Order should have been executed. Any such spread transaction must be reported to the Exchange.

Any violation of this Rule 411 for the purpose of taking advantage of an Order or Orders shall constitute conduct which is inconsistent with just and equitable principles of trade.

(b) This Rule 411 shall not be construed to contravene any instructions received by a Trading Privilege Holder from a Customer with respect to any Order prior to its execution, but shall be construed to permit execution of Orders under the conditions described in paragraph (a) above, without prior instructions from a Customer.

Amended November 4, 2004 (04-20); July 26, 2005 (05-20).

Position Limits and Accountability, Position Information, Price Limits and Final Settlement Prices

412. Position Limits

(a) The Exchange shall designate for each Contract whether it is subject to position limits or to position accountability. This Rule 412 governs Contracts that are subject to position limits.

(b) Position limits shall be as established by the Exchange from time to time as permitted by Commission Regulations 150 and 41.2 as applicable. Such position limits may be specific to a particular Contract or contract expiration or may be established on an aggregate basis among Contracts or contract expiration. Except as specified in paragraphs (c) and (d) below, Trading Privilege Holders shall not control, or trade in, any number of Contracts that exceed any position limits so established by the Exchange. Once established, any such position limits shall be deemed to constitute a part of each Trading Privilege Holder’s account and clearing agreement. Except as specified in paragraphs (c) and (d) below, no Trading Privilege Holder shall be permitted to enter, or place an Order to enter, into any transaction on the Exchange that would cause such Trading Privilege Holder to exceed any position limits.

(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 grant a position limit exemption for one or more bona fide hedge transactions, risk management transactions or arbitrage or spread transactions. For purposes of this Rule 412, the term “bona fide hedge transaction” means any transaction or position in a particular Contract that satisfies the requirements of Commission Regulation 1.3(z).
(d) Any application for a position limit must be made by the relevant Trading Privilege Holder to the Exchange in such form, and within such time limits, as the Exchange may from time to time prescribe. Without limiting the generality of the foregoing, any such application must include the following:

(i) If a qualified bona fide hedge transaction, a representation that such transaction or position satisfies the requirements of Commission Regulation 1.3(z), which representation shall also describe how the transaction would satisfy the requirements of Commission Regulation 1.3(z);

(ii) If a risk management transaction, a representation that the position held by a Trading Privilege Holder that typically buys, sells or holds positions in the underlying cash market, a related cash market or a related over-the-counter market for which the underlying market has a high degree of demonstrated liquidity relative to the size of the positions and where there exist opportunities for arbitrage which provide a close linkage between the futures or options market and the underlying market;

(iii) If an arbitrage or spread transaction, an undertaking that the prospective arbitrageur or spreader will specify the extent of the Trading Privilege Holder’s current or planned activity in the cash market underlying the Contract for which such exemption is requested;

(iv) A representation that the bona fide hedge, risk management, arbitrage or spread transaction will not be used in an attempt to violate or avoid any Rule of the Exchange;

(v) A representation that the positions involved shall be established and liquidated in an orderly manner based upon the characteristics of the market for which the exemption is sought;

(vi) A representation that such Trading Privilege Holder has complied with any applicable federal requirements, including compliance with all applicable Commission regulations relating to bona fide hedging, risk management, arbitrage or spread transactions;

(vii) A schedule of the maximum number of Contracts, long and short, that such Trading Privilege Holder intends to enter into for bona fide hedging, risk management, arbitrage or spread transaction purposes;

(viii) An agreement that such Trading Privilege Holder will comply with any terms, conditions or limitations imposed by the Exchange with respect to the exemption;

(ix) An agreement by such Trading Privilege Holder to promptly submit a supplemental statement explaining any change in circumstances that may affect the nature of its positions;
(x) An agreement by such Trading Privilege Holder to promptly notify the Exchange of any material change to the information provided in any application; and

(xi) A representation that the Exchange may, at any time, rescind, limit or condition any exemption.

(e) The following provisions (which are equivalent to the provisions under Rule 412A(f) in relation to position accountability levels) shall be applicable with respect to the aggregation of positions for purposes of position limits established by the Exchange:

(i) For the purpose of applying position limits established by the Exchange, unless an exemption set forth in Rule 412(e)(iii) applies, all positions in accounts for which any Person, by power of attorney or otherwise, directly or indirectly controls trading or holds a 10 percent or greater ownership or equity interest must be aggregated with the positions held and trading done by that Person. For the purpose of determining the positions in accounts for which any Person controls trading or holds a 10 percent or greater ownership or equity interest, positions or ownership or equity interests held by, and trading done or controlled by, two or more Persons acting pursuant to an expressed or implied agreement or understanding shall be treated the same as if the positions or ownership or equity interests were held by, or the trading were done or controlled by, a single Person.

(ii) Notwithstanding the provisions of Rule 412(e)(iii), for the purpose of applying position limits established by the Exchange, any Person that, by power of attorney or otherwise, holds or controls the trading of positions in more than one account or pool with substantially identical trading strategies, must aggregate all such positions (determined pro rata) with all other positions held and trading done by that Person and the positions in accounts which the Person must aggregate pursuant to Rule 412(e)(i).

(iii) The following exemption provisions shall apply with respect to the aggregation of positions for the purpose of applying position limits established by the Exchange:

(A) Notwithstanding the provisions of Rule 412(e)(i), but subject to the provisions of Rule 412(e)(ii) and to compliance with the requirements of this Rule 412(e)(iii), the aggregation requirements of Rule 412(e)(i) shall not apply if and to the extent that (as further described in this Rule 412(e)(iii)):

(1) an exemption recognized by the Commission under Commission Regulation 150.4(b) to the aggregation of positions for purposes of position limits is
applicable; and

(2) a Trading Privilege Holder has received approval from the Exchange to apply that exemption.

The provisions of Commission Regulation 150.4(b) are incorporated by reference into this Rule 412(e)(iii) and are applicable to positions in Exchange Contracts under the Rules of the Exchange for purposes of implementation of Rule 412(e) by the Exchange as if it were the Commission.

(B) A Trading Privilege Holder seeking an aggregation exemption from the Exchange under this Rule 412(e)(iii) to position limits established by the Exchange pursuant to any of the aggregation exemption provisions under Commission Regulation 150.4(b) shall file an exemption request (“Aggregation Exemption Request”) with the Exchange in a form and manner prescribed by the Exchange (regardless of whether or not a notice is required to be filed with the Commission under Commission Regulation 150.4(b) with respect to that type of exemption).

(C) An Aggregation Exemption Request shall include:

(1) an identification of the aggregation exemption provision under Commission Regulation 150.4(b) pursuant to which disaggregation is requested, a description of the relevant circumstances that warrant disaggregation and any other information as may be required by the Exchange; and

(2) a statement of a senior officer or representative of the Trading Privilege Holder certifying that the conditions set forth in the applicable aggregation exemption provision have been met.

(D) An aggregation exemption under this Rule 412(e)(iii) to position limits established by the Exchange pursuant to any of the aggregation exemption provisions under Commission Regulation 150.4(b) shall not become effective unless and until an Aggregation Exemption Request to apply that aggregation exemption has been approved by the Exchange.

(E) Upon request by the Exchange, any Trading Privilege Holder seeking an aggregation exemption under this Rule 412(e)(iii) or that has received an aggregation exemption under this Rule 412(e)(iii) shall provide any requested information to the Exchange in order to demonstrate that the Trading Privilege Holder meets or continues to meet the requirements of the
exemption.

(F) In the event of a material change to the information provided in an Aggregation Exemption Request, an updated or amended Aggregation Exemption Request detailing the material change shall promptly be filed with the Exchange in a form and manner prescribed by the Exchange.

(G) The Exchange, in its sole discretion, may determine not to grant or to amend, suspend, terminate or otherwise modify an aggregation exemption for failure to comply, to continue to comply or to adequately demonstrate compliance with the provisions of Rule 412(e) or in the interest of market integrity.

(H) The provisions of Rule 412(e) shall not apply to Security (f) The application for a position limit exemption must be submitted to and approved by the Exchange before execution of any transaction for which the exemption is requested. In granting any position limit exemption, the Exchange may impose such limitations or conditions upon the grant of the exemption as it may deem necessary or appropriate. Factors to be taken into account by the Exchange in determining whether to limit or condition a position limit exemption may include, among others, the liquidity of the markets involved, sound commercial practices and the Trading Privilege Holder’s financial condition and business circumstances. Any position limit exemption granted by the Exchange for a bona fide hedge transaction, risk management transaction or arbitrage or spread transaction shall remain in effect for the time period designated by the Exchange, unless the exemption is earlier rescinded by the Exchange. The time period for which a position limit exemption may be granted by the Exchange may be up to two years. The Exchange shall have the authority, at any time and in its sole discretion, to review and rescind, limit or condition any position limit exemption granted by it. A Trading Privilege Holder shall promptly submit to the Exchange upon request such supplemental information requested by the Exchange in connection with the review of a position limit exemption granted to the Trading Privilege Holder. A Trading Privilege Holder that has received a position limit exemption must annually file an updated position limit application not later than one year following the approval date of the most recent application. Failure to file an updated application will result in expiration of the exemption.

Amended June 6, 2005 (05-17); July 26, 2005 (05-20); October 11, 2007 (07-11); December 6, 2012 (12-29); December 15, 2014 (14-17); February 25, 2018 (17-017); May 24, 2019 (19-006).

412A. Position Accountability

(a) The Exchange shall designate for each Contract whether it is subject to position limits or is subject to position accountability. This Rule 412A governs Contracts that are subject to position accountability.
(b) The Exchange shall designate one or more position accountability levels for each Contract that is subject to position accountability.

(c) A Trading Privilege Holder shall provide notice to the Exchange in a form and manner prescribed by the Exchange prior to, or within one Business Day of exceeding, an all-expirations-combined position accountability level.

(d) If at the time of commencement of trading hours for the Business Day immediately preceding the Business Day on which a position accountability level solely for an expiring contract becomes applicable a Trading Privilege Holder either controls aggregate positions in the expiring contract in excess of that position accountability level or intends to control aggregate positions in the expiring contract in excess of that position accountability level at the time it becomes applicable, the Trading Privilege Holder shall provide notice of the foregoing to the Exchange in a form and manner prescribed by the Exchange and within the time frame designated by the Exchange. During the time period in which a position accountability level solely for an expiring contract is applicable, a Trading Privilege Holder shall provide notice to the Exchange in a form and manner prescribed by the Exchange no later than one full Business Day prior to exceeding that position accountability level.

(e) A Trading Privilege Holder that is required to provide notice to the Exchange pursuant to paragraph (c) or (d) above or that controls aggregate positions in a Contract in excess of a position accountability level during the time period in which the position accountability level is applicable shall be subject to the following provisions with respect to position accountability:

(i) The Trading Privilege Holder shall provide to the Exchange with such information as the Exchange may prescribe or request pertaining to: the nature and size of the positions, the trading strategy employed with respect to the positions, the Trading Privilege Holder’s intentions with respect to the positions, any hedging activities relating to the positions and any other information relating to the positions or the Trading Privilege Holder’s intentions with respect to the positions as the Exchange may prescribe or request;

(ii) The Exchange may, in its sole discretion, require the Trading Privilege Holder (a) not to further increase any positions that are above the applicable position accountability levels, (b) to reduce any positions that are above the applicable position accountability levels, or (c) to comply with any prospective levels or limits prescribed by the Exchange which equal or exceed the applicable position accountability levels or the size of the positions controlled by the Trading Privilege Holder;

(iii) The Trading Privilege Holder shall hold all positions in excess of the applicable position accountability levels in an account or accounts designated in writing to the Exchange and shall not transfer or
move the positions to another account absent advance written notice to
and approval by the Exchange; and

(iv) Any positions in excess of the applicable position accountability levels shall be initiated and liquidated in an orderly manner. Without limiting the generality of the foregoing, any reduction of positions as may be required by the Exchange pursuant to Rule 412A(e)(ii)(b) above shall be conducted in an orderly manner.

(f) The following provisions (which are equivalent to the provisions under Rule 412(e) in relation to position limits) shall be applicable with respect to the aggregation of positions for purposes of position accountability levels established by the Exchange:

(i) For the purpose of applying position accountability levels established by the Exchange, unless an exemption set forth in Rule 412A(f)(iii) applies, all positions in accounts for which any Person, by power of attorney or otherwise, directly or indirectly controls trading or holds a 10 percent or greater ownership or equity interest must be aggregated with the positions held and trading done by that Person. For the purpose of determining the positions in accounts for which any Person controls trading or holds a 10 percent or greater ownership or equity interest, positions or ownership or equity interests held by, and trading done or controlled by, two or more Persons acting pursuant to an expressed or implied agreement or understanding shall be treated the same as if the positions or ownership or equity interests were held by, or the trading were done or controlled by, a single Person.

(ii) Notwithstanding the provisions of Rule 412A(f)(iii), for the purpose of applying position accountability levels established by the Exchange, any Person that, by power of attorney or otherwise, holds or controls the trading of positions in more than one account or pool with substantially identical trading strategies, must aggregate all such positions (determined pro rata) with all other positions held and trading done by that Person and the positions in accounts which the Person must aggregate pursuant to Rule 412A(f)(i).

(iii) The following exemption provisions shall apply with respect to the aggregation of positions for the purpose of applying position accountability levels established by the Exchange:

(A) Notwithstanding the provisions of Rule 412A(f)(i), but subject to the provisions of Rule 412A(f)(ii) and to compliance with the requirements of this Rule 412A(f)(iii), the aggregation requirements of Rule 412A(f)(i) shall not apply if and to the extent that (as further described in this Rule 412A(f)(iii)):

(1) an exemption recognized by the
Commission under Commission Regulation 150.4(b) to the aggregation of positions for purposes of position limits is applicable; and

(2) a Trading Privilege Holder has received approval from the Exchange to apply that exemption.

The provisions of Commission Regulation 150.4(b) are incorporated by reference into this Rule 412A(f)(iii) and are applicable to positions in Exchange Contracts under the Rules of the Exchange for purposes of implementation of Rule 412A(f) by the Exchange as if it were the Commission.

(B) A Trading Privilege Holder seeking an aggregation exemption from the Exchange under this Rule 412A(f)(iii) to position accountability levels established by the Exchange pursuant to any of the aggregation exemption provisions under Commission Regulation 150.4(b) shall file an exemption request (“Aggregation Exemption Request”) with the Exchange in a form and manner prescribed by the Exchange (regardless of whether or not a notice is required to be filed with the Commission under Commission Regulation 150.4(b) with respect to that type of exemption).

(C) An Aggregation Exemption Request shall include:

(1) an identification of the aggregation exemption provision under Commission Regulation 150.4(b) pursuant to which disaggregation is requested, a description of the relevant circumstances that warrant disaggregation and any other information as may be required by the Exchange; and

(2) a statement of a senior officer or representative of the Trading Privilege Holder certifying that the conditions set forth in the applicable aggregation exemption provision have been met.

(D) An aggregation exemption under this Rule 412A(f)(iii) to position accountability levels established by the Exchange pursuant to any of the aggregation exemption provisions under Commission Regulation 150.4(b) shall not become effective unless and until an Aggregation Exemption Request to apply that aggregation exemption has been approved by the Exchange.

(E) Upon request by the Exchange, any Trading Privilege Holder seeking an aggregation exemption under this Rule 412A(f)(iii) or that has received an aggregation exemption under
this Rule 412A(f)(iii) shall provide any requested information to
the Exchange in order to demonstrate that the Trading Privilege
Holder meets or continues to meet the requirements of the
exemption.

(F) In the event of a material change to the information
provided in an Aggregation Exemption Request, an updated or
amended Aggregation Exemption Request detailing the material
change shall promptly be filed with the Exchange in a form and
manner prescribed by the Exchange.

(G) The Exchange, in its sole discretion, may determine
not to grant or to amend, suspend, terminate or otherwise modify
an aggregation exemption for failure to comply, to continue to
comply or to adequately demonstrate compliance with the
provisions of Rule 412A(f) or in the interest of market integrity.

(H) The provisions of Rule 412A(f) shall not apply to
Security Futures.

(g) If a Trading Privilege Holder exceeds a position accountability level as a
result of maintaining positions at more than one Clearing Member, the Trading
Privilege Holder will be deemed to have waived the confidentiality of its positions
and the identity of the Clearing Members at which the positions are maintained.

(h) To the extent that a Trading Privilege Holder does not comply with any
written or verbal instruction issued by the Exchange with respect to position
accountability levels, such non-compliance may constitute a violation of this Rule
412A.

Adopted October 11, 2007 (07-11). Amended December 6, 2012 (12-29); April 2, 2014 (14-05); May 24, 2019 (19-
006); July 2, 2019 (19-012).

412B. Ownership and Control Reports and Reportable
Positions

(a) Each Trading Privilege Holder shall, in a form and manner prescribed by
the Exchange:

(i) concurrently file with the Exchange a copy of all CFTC
Form 102 (including CFTC Form 102A and CFTC Form 102B) and CFTC
Form 71 submissions (including any attachments, related submissions, or
related information) relating to Exchange Contracts that each Trading
Privilege Holder is required to report to the Commission pursuant to
Commission regulations; and

(ii) concurrently report to the Exchange reportable positions in
Exchange Contracts that each Trading Privilege Holder is required to
report to the Commission pursuant to Commission regulations.
(b) Any Person that is not a Trading Privilege Holder and that is required to make to the Commission pursuant to Commission regulations CFTC Form 102 (including CFTC Form 102A and CFTC Form 102B) or CFTC Form 71 submissions (including any attachments, related submissions, or related information) relating to Exchange Contracts shall, in a manner and form prescribed by the Exchange:

(i) concurrently file with the Exchange copies of all CFTC Form 102 (including CFTC Form 102A and CFTC Form 102B), or CFTC Form 71 submissions (including any attachments, related submissions, or related information) relating to Exchange Contracts that the Person is required to report to the Commission pursuant to Commission regulations; and

(ii) concurrently report to the Exchange reportable positions in Exchange Contracts that the Person is required to report to the Commission pursuant to Commission regulations.

(c) Each Trading Privilege Holder that is a not a Clearing Member shall, in a form and manner prescribed by the Exchange:

(i) report to the Exchange the same information regarding the identification and reporting of special accounts relating to Exchange Contracts that each Trading Privilege Holder that is a Clearing Member is required to report to the Commission pursuant to Commission regulations:

(ii) report to the Exchange reportable positions in Exchange Contracts in special accounts that each Trading Privilege Holder that is a Clearing Member is required to report to the Commission pursuant to Commission regulations.

Adopted December 1, 2011 (11-25). Amended March 18, 2013 (13-10); September 28, 2016 (15-003), (15-022), (16-005).

413. Price Limits; Final Settlement Prices

(a) The rules governing a particular Contract shall contain any price limits that apply to trading in such Contract.

(b) In the case of any Contract that is a cash-settled security futures product (as such term is defined in Section 1a(32) of the CEA), the rules governing such Contract shall establish principles for the determination of final settlement prices that are consistent with Commission Regulation §41.25(b).

Amended July 26, 2005 (05-20).
Off-Exchange Transactions

414. Exchange of Contract for Related Position

(a) If and to the extent permitted by the rules governing the applicable Contract, a bona fide Exchange of Contract for Related Position (“ECRP”) may be entered into off of the Exchange with respect to a Contract at a price mutually agreed upon by the parties to such transaction. An Exchange of Contract for Related Position transaction must conform to the applicable trading increments for Exchange of Contract for Related Position transactions set forth in the rules governing the relevant Contract. Each Exchange of Contract for Related Position must contain the following three essential elements:

(i) a transaction in a Contract that is listed on the Exchange and a transaction in a related position or an option on the related position (known as the “Related Position”);

(ii) an exchange of Contract for the Related Position that involves an actual transfer of ownership, which must include

(1) an ability to perform the Exchange of Contract for Related Position and

(2) a transfer of title of the Contract and Related Position upon consummation of the exchange; and

(iii) separate parties, such that the accounts involved on each side of the Exchange of Contract for Related Position have different beneficial ownership or are under separate control, provided that separate profit centers of a futures commission merchant operating under separate control are deemed to be separate parties for purposes of this Rule 414.

(b) For purposes of this Rule 414, the term “Related Position” shall include, but not be limited to, a security, a derivative, any commodity as that term is defined by the CEA, or a group or basket of any of the foregoing. The Related Position being exchanged need not be the same as the underlying of the Contract transaction being exchanged, but the Related Position must have a high degree of price correlation to the underlying of the Contract transaction so that the Contract transaction would serve as an appropriate hedge for the Related Position. The Related Position being exchanged may not be a Contract traded on or subject to the Rules of the Exchange.

(c) In every Exchange of Contract for Related Position, one party must be the buyer of (or the holder of the long market exposure associated with) the Related Position and the seller of the corresponding Contract and the other party must be the seller of (or the holder of the short market exposure associated with) the Related Position and the buyer of the corresponding Contract. Further, the quantity of the Related Position traded in an Exchange of Contract for Related
Position must correlate to the quantity represented by the Contract portion of the transaction.

(d) The execution of an Exchange of Contract for Related Position transaction may not be contingent upon the execution of another Exchange of Contract for Related Position or related position transaction between the parties where the transactions result in the offset of the related position without the incurrence of market risk that is material in the context of the related position transactions.

(e) The timing of an Exchange of Contract for Related Position transaction must satisfy all of the following three requirements:

(i) The agreement to an Exchange of Contract for Related Position transaction may only occur during the Trading Hours, or a queuing period not in connection with a trading halt, for the Contract that comprises the Contract leg of the transaction, when that Contract is not halted or suspended (“Permissible Agreement Period”). For purposes of this Rule 414:

(A) Trading Hours or a queuing period for a TAS Exchange of Contract for Related Position transaction that is permitted by the rules governing the applicable Contract shall be deemed to include the time periods during which TAS transactions may be executed or TAS Orders may be entered in that Contract (and not any other time periods).

(B) Agreement to an Exchange of Contract for Related Position transaction includes, without limitation, agreement to the quantity and actual price or premium of the Contract leg of the transaction (except in the case of a TAS Exchange of Contract for Related Position transaction that is permitted by the rules governing the applicable Contract, in which case agreement to the transaction includes, without limitation, agreement upon the quantity of the Contract leg of the transaction and whether the price or premium of the Contract leg of the transaction will be the daily settlement price or an agreed upon differential above or below the daily settlement price).

(ii) Unless otherwise specified in the rules governing the relevant Contract, an Exchange of Contract for Related Position transaction must be fully reported to the Exchange without delay and by no later than thirty minutes after the transaction is agreed upon (“Reporting Deadline”). The Reporting Deadline is measured from the time the transaction is agreed upon to the time that the full report of the transaction is received by the CFE System matching engine.

(iii) An Exchange of Contract for Related Position transaction must be fully reported to the Exchange during the Trading Hours, or a queuing period, for the Contract that comprises the Contract leg of the
transaction, when that Contract is not suspended (“Permissible Reporting Period”).

Accordingly, in order to satisfy the requirements of this paragraph (e), the time periods in which an Exchange of Contract for Related Position transaction may occur are limited to those time periods in which:

(i) the transaction is agreed to within a Permissible Agreement Period; and

(ii) the transaction is able to be fully reported to the Exchange within a Permissible Reporting Period by no later than the Reporting Deadline.

Exchange of Contract for Related Position transactions in an expiring Contract on the last trading day for that Contract may not be agreed to or reported to the Exchange after the termination of Trading Hours in the expiring Contract on that trading day.

As an example of the application of the thirty minute Reporting Deadline and the Permissible Reporting Period: An Exchange of Contract for Related Position transaction involving a VX future (other than an expiring VX future on its last trading day) that is agreed upon after 3:30 p.m. and before 4:00 p.m. Monday – Friday (during the extended trading hours for VX futures that end at 4:00 p.m.) must be fully reported to the Exchange by 4:00 p.m. of the calendar day of the transaction, even though this provides less than thirty minutes to fully report the transaction. All times referenced in this example are Chicago time.

(f) Each party to an Exchange of Contract for Related Position transaction shall comply with all applicable Rules of the Exchange other than those which by their terms only apply to trading through the CFE System Order book. Trading Privilege Holders that execute or clear Exchange of Contract for Related Position transactions on behalf of Customers are responsible for ensuring that their Customers that engage in such transactions in Contracts traded on the Exchange are fully informed regarding Exchange requirements relating to Exchange of Contract for Related Position transactions. Each Contract leg trade that is a component of an Exchange of Contract for Related Position transaction shall be designated as an Exchange of Contract for Related Position in Exchange Market Data and be cleared through the Clearing Corporation as if it were a transaction executed through the CFE System Order book.

(g) Each Trading Privilege Holder that acts as agent for an Exchange of Contract for Related Position shall record the following details with respect to the Contract leg of the Exchange of Contract for Related Position on its order ticket: (i) the Contract (including the expiration); (ii) the number of contracts traded; (iii) the price of execution or premium; (iv) the time of execution (i.e., the time at which the parties agreed to the Exchange of Contract for Related Position); (v) the arrangement time, if any (i.e., the time at which the parties agreed to enter into the transaction at a later time); (vi) the identity of the counterparty; (vii) that the
transaction is an Exchange of Contract for Related Position; (viii) the account number of the Customer for which the Exchange of Contract for Related Position was executed; and (ix) the identity, quantity and price or premium of the Related Position (including the expiration, strike price, type of option (put or call) and delta in the case of an option). Every Trading Privilege Holder handling, executing, clearing or carrying Exchange of Contract for Related Position transactions or positions shall identify and mark as such by appropriate symbol or designation all Exchange of Contract for Related Position transactions or positions and all orders, records and memoranda pertaining thereto.

(h) Each Trading Privilege Holder involved in any Exchange of Contract for Related Position transaction shall either maintain records evidencing compliance with the criteria set forth in this Rule 414 or be able to obtain such records from its Customer involved in the Exchange of Contract for Related Position transaction. Such records shall include, without limitation, documentation relating to the Related Position portion of the Exchange of Contract for Related Position transaction, including those documents customarily generated in accordance with Related Position market practices which demonstrate the existence and nature of the Related Position portion of the transaction. Upon request by the Exchange and within the time frame designated by the Exchange, any such Trading Privilege Holder shall produce satisfactory evidence that an Exchange of Contract for Related Position transaction meets the requirements set forth in this Rule 414. Each Clearing Member carrying a Customer account for which an Exchange of Contract for Related Position transaction is executed shall be responsible for obtaining and submitting to the Exchange in a timely and complete manner the records of its Customers regarding the Exchange of Contract for Related Position transaction.

(i) Each Trading Privilege Holder executing an Exchange of Contract for Related Position transaction must have at least one designated individual that is pre-authorized by a Clearing Member to report Exchange of Contract for Related Position transactions on behalf of the Trading Privilege Holder ("Authorized Reporter"). To the extent required by Applicable Law, an Authorized Reporter must be registered or otherwise permitted by the appropriate regulatory body or bodies to act in the capacity of an Authorized Reporter and to conduct related activities. Only an Authorized Reporter of a Trading Privilege Holder will be allowed to report an Exchange of Contract for Related Position transaction on behalf of that Trading Privilege Holder. A Clearing Member that authorizes an Authorized Reporter to report Exchange of Contract for Related Position transactions on behalf of a Trading Privilege Holder accepts responsibility for all such transactions reported to the Exchange by that Authorized Reporter on behalf of the Trading Privilege Holder. Any designation of an Authorized Reporter or revocation of a previous designation of an Authorized Reporter, including any termination of the guarantee provided for in the preceding sentence, must be made in a form and manner prescribed by the Exchange and shall become effective as soon as the Exchange is able to process the designation or revocation. If a Clearing Member authorizes an Authorized Reporter to report Exchange of Contract for Related Position transactions on behalf of a Trading Privilege
Holder, the Clearing Member must also authorize the Authorized Reporter to report Block Trades on behalf of the Trading Privilege Holder pursuant to Rule 415. Both the parties to and Authorized Reporters for an Exchange of Contract for Related Position transaction are obligated to comply with the requirements set forth in Rule 414, and any of these parties or Authorized Reporters may be held responsible by the Exchange for noncompliance with those requirements.

(j) Each party to an Exchange of Contract for Related Position transaction is obligated to have an Authorized Reporter notify the Exchange of the terms of the transaction after the transaction is agreed upon. This notification must be made in accordance with paragraph (l) below within a Permissible Reporting Period by no later than the Reporting Deadline. All Exchange of Contract for Related Position transactions will be submitted for clearing on the Business Day during which the transaction is fully reported to the Exchange.

(k) The notification to the Exchange of an Exchange of Contract for Related Position transaction shall include (i) whether the component of the transaction in the Contract listed on the Exchange is a single leg transaction, a transaction in a spread or transaction in a strip; (ii) the Contract identifier (or product and contract expiration for a future or product, expiration, strike price and type of option (put or call) in the case of an option), price (or premium for an option) and quantity of the relevant Contract leg of the transaction and whether the relevant Contract leg is buy or sell; (iii) the time of execution (i.e., the time at which the parties agreed to the transaction); (iv) the arrangement time, if any (i.e., the time at which the parties agreed to enter into the transaction at a later time); (v) Order Entry Operator ID; (vi) EFID; (vii) account; (viii) Clearing Corporation origin code; (ix) Customer Type Indicator code; (x) the identity, quantity and price or premium of the Related Position (including the expiration, strike price, type of option (put or call) and delta in the case of an option); and (xi) any other information required by the Exchange.

(l) Authorized Reporters shall provide notification to the Exchange of Exchange of Contract for Related Position transactions by reporting them to the CFE System in a form and manner prescribed by the Exchange. The CFE System includes a mechanism, in a form and manner provided by the Exchange, for:

(i) the Authorized Reporter that is the initiator of a notification of an Exchange of Contract for Related Position transaction to enter information regarding the transaction; and

(ii) the Authorized Reporter for the contra side of the transaction to accept the notification to the Exchange of the transaction as entered by the initiating Authorized Reporter and enter contra side information for the transaction.

The Authorized Reporter that is the initiator of a notification of an Exchange of Contract for Related Position transaction may not cancel or revise the notification after it has been entered into the CFE System while it awaits acceptance by the Authorized Reporter for the contra side of the transaction. The Authorized
Reporter that is the initiator of a notification of an Exchange of Contract for Related Position transaction must enter the required information for the transaction into the CFE System and provide the reference ID generated by the CFE System to the Authorized Reporter for the contra side of the transaction promptly enough to allow a reasonable amount of time for the contra side Authorized Reporter to accept the notification to the Exchange of the transaction as entered by the initiating Authorized Reporter and enter contra side information for the transaction within a Permissible Reporting Period by no later than the Reporting Deadline. An Exchange of Contract for Related Position transaction may not be changed or canceled after it has been fully reported to the Exchange, except to the extent that the Contract leg(s) of the transaction may be busted by the Trade Desk in accordance with Policy and Procedure III.

(m) For timing purposes in connection with measuring adherence to Permissible Reporting Periods and the Reporting Deadline, an Exchange of Contract for Related Position transaction shall be deemed to have been fully reported to the Exchange when the full report of the transaction has been received by the CFE System matching engine following notification to the CFE System of required information relating to the transaction by the initiating Authorized Reporter and acceptance and notification to the CFE System of required information relating to the transaction by the contra side Authorized Reporter.

(n) The Exchange may modify a Permissible Agreement Period, Reporting Deadline, Permissible Reporting Period, and/or permissible manner of notification to the Exchange of an Exchange of Contract for Related Position transaction in the event of unusual circumstances.

(o) The CFE System will reject the submission of an Exchange of Contract for Related position transaction if the transaction would cause a net long (short) risk control pursuant to Rule 513A(c) to be exceeded for either side of the transaction.

(p) The Exchange or CFE System may reject the submission of an Exchange of Contract for Related position transaction (or bust the Contract leg of an Exchange of Contract for Related Position transaction) that does not conform, or that is reported to the Exchange in a manner that does not conform, to the requirements of this Rule. The acceptance by the Exchange or CFE System of the submission of an Exchange of Contract for Related position transaction does not constitute a determination by the Exchange that the transaction was effected or reported in conformity with the requirements of this Rule. An Exchange of Contract for Related Position transaction that is accepted and not busted or rejected by the Exchange or CFE System shall be processed and given effect, but will be subject to appropriate disciplinary action in accordance with the Rules of the Exchange if it was not effected or reported in conformity with the requirements of this Rule.

(q) Any Exchange of Contract for Related Position transaction in violation of the requirements of this Rule shall constitute conduct which is inconsistent with just and equitable principles of trade; provided, however, if the Exchange imposes
a minor rule violation fine pursuant to Rule 714 for violation of this Rule, that minor rule violation shall not be considered to constitute conduct which is inconsistent with just and equitable principles of trade.

Amended November 4, 2004 (04-20); January 21, 2005 (05-02); March 11, 2005 (05-09); March 28, 2005 (05-11); September 26, 2006 (06-13); February 23, 2009 (09-03); September 28, 2010 (10-10); April 6, 2011 (11-09); November 4, 2011 (11-23); July 18, 2012 (12-14); October 17, 2012 (12-26); March 26, 2013 (13-12); March 27, 2013 (13-13); May 3, 2013 (13-16); October 28, 2013 (13-33); November 4, 2013 (13-35); May 1, 2014 (14-08); June 23, 2014 (14-11); October 16, 2014 (14-21); December 15, 2014 (14-17); March 11, 2015 (15-004); May 4, 2015 (15-008); May 26, 2016 (16-007); June 13, 2016 (16-011); December 3, 2017 (17-018); February 25, 2018 (17-017); April 25, 2018 (18-005); November 19, 2018 (18-027); July 2, 2019 (19-012).

415. Block Trades

(a) If and to the extent permitted by the rules governing the applicable Contract, Trading Privilege Holders may enter into transactions of a minimum size off the Exchange, at prices mutually agreed, provided all of the following conditions are satisfied (such transactions, “Block Trades”):

(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 and (B) be for at least such minimum number of contracts as specified in the rules governing the applicable Contract; provided that only (x) a commodity trading advisor registered under the CEA, (y) an investment adviser registered as such with the Securities and Exchange Commission that is exempt from regulation under the CEA and Commission Regulations thereunder and (z) any Person authorized to perform functions similar or equivalent to those of a commodity trading advisor in any jurisdiction outside the United States of America, in each case with total assets under management exceeding US$25 million, may satisfy this requirement by aggregating orders for different accounts that are under management or control by such commodity trading advisor, investment adviser, or other Person. Other than as provided in the foregoing sentence, orders for different accounts may not be aggregated to satisfy Block Trade size requirements. For purposes of this Rule, if the Block Trade is executed as a Spread Order (as defined in Rule 404(c)), the total quantity of the transaction and the quantity of each leg of the transaction must meet any designated minimum sizes applicable to those types of transactions that are set forth in the rules governing the applicable Contract.

(ii) Each party to a Block Trade must qualify as an “eligible contract participant” (as such term is defined in Section 1a(18) of the CEA); provided that, if the Block Trade is entered into on behalf of Customers by (A) a commodity trading advisor registered under the Act, (B) an investment adviser registered as such with the Securities and Exchange Commission that is exempt from regulation under the Act and Commission Regulations thereunder or (C) any Person authorized to perform functions similar or equivalent to those of a commodity trading advisor in any jurisdiction outside the United States of America, in each
case with total assets under management exceeding US$25 million, then only such commodity trading advisor or investment adviser, as the case may be, but not the individual Customers, need to so qualify.

(b) The price at which a Block Trade is executed must be “fair and reasonable” in light of (i) the size of the Block Trade; (ii) the prices and sizes, at the time of agreement to the Block Trade, of Orders in the Order book for the same Contract, the same contract on other markets and similar or related contracts on the Exchange and other markets, including without limitation the underlying cash and futures markets; (iii) the prices and sizes, at the time of agreement to the Block Trade, of transactions in the same Contract, the same contract on other markets and similar or related contracts on the Exchange and other markets, including without limitation the underlying cash and futures markets; (iv) the circumstances of the parties to the Block Trade; and (v) whether the Block Trade is executed as a Spread Order.

The following guidelines shall apply in determining whether the execution price of a Block Trade that is not executed as a Spread Order is “fair and reasonable.” These guidelines are general and may not be applicable in each instance. Whether the execution price of a Block Trade is “fair and reasonable” depends upon the particular facts and circumstances.

In the event the quantity present in the Order book is greater or equal to the quantity needed to fill an Order of the size of the Block Trade, it would generally be expected that the Block Trade price would be better than the price present in the Order book. In the event the quantity present in the Order book is less than the quantity needed to fill an Order of the size of the Block Trade, it would generally be expected that the Block Trade price would be relatively close to the price present in the Order book and that the amount of the differential between the two prices would be smaller to the extent that the differential between the quantity present in the Order book and the Block Trade quantity is smaller.

(c) The timing of a Block Trade must satisfy all of the following three requirements:

(i) The agreement to a Block Trade in a Contract may only occur during the Trading Hours, or a queuing period not in connection with a trading halt for that Contract, when that Contract is not halted or suspended (“Permissible Agreement Period”). For purposes of this Rule 415:

(A) Trading Hours or a queuing period for a TAS Block Trade that is permitted by the rules governing the applicable Contract shall be deemed to include the time periods during which TAS transactions may be executed or TAS Orders may be entered in that Contract (and not any other time periods).

(B) Agreement to a Block Trade includes, without limitation, agreement to the quantity and actual price or premium
of the Block Trade (except in the case of a TAS Block Trade that is permitted by the rules governing the applicable Contract, in which case agreement to the transaction includes, without limitation, agreement upon the quantity of the Block Trade and whether the price or premium of the Block Trade will be the daily settlement price or an agreed upon differential above or below the daily settlement price).

(ii) Unless otherwise specified in the rules governing the relevant Contract, a Block Trade must be fully reported to the Exchange without delay and by no later than ten minutes after the transaction is agreed upon ("Reporting Deadline"). The Reporting Deadline is measured from the time the transaction is agreed upon to the time that the full report of the transaction is received by the CFE System matching engine.

(iii) A Block Trade in a Contract must be fully reported to the Exchange during the Trading Hours, or a queuing period, for that Contract, when that Contract is not suspended ("Permissible Reporting Period").

Accordingly, in order to satisfy the requirements of this paragraph (c), the time periods in which a Block Trade may occur are limited to those time periods in which:

(i) the transaction is agreed to within a Permissible Agreement Period; and

(ii) the transaction is able to be fully reported to the Exchange within a Permissible Reporting Period by no later than the Reporting Deadline.

Block Trades in an expiring Contract on the last trading day for that Contract may not be agreed to or reported to the Exchange after the termination of Trading Hours in the expiring Contract on that trading day.

As an example of the application of the ten minute Reporting Deadline and the Permissible Reporting Period: A Block Trade involving a VX future (other than an expiring VX future on its last trading day) that is agreed upon after 3:50 p.m. and before 4:00 p.m. Monday – Friday (during the extended trading hours for VX futures that end at 4:00 p.m.) must be fully reported to the Exchange by 4:00 p.m. of the calendar day of the transaction even though this provides less than ten minutes to fully report the transaction. All times referenced in this example are Chicago time.

(d) 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 CFE System Order book. Trading Privilege Holders that execute or clear Block Trades on behalf of Customers are responsible for ensuring that their Customers that engage in Block Trades in Contracts traded on the Exchange are fully
informed regarding Exchange requirements relating to Block Trades. Each Block Trade shall be designated as a Block Trade in Exchange Market Data and be cleared through the Clearing Corporation as if it were a transaction executed through the CFE System Order book.

(e) Each Trading Privilege Holder that is party to a Block Trade shall record the following details on its order ticket: (i) the Contract (including the expiration); (ii) the number of contracts traded; (iii) the price of execution or premium; (iv) the time of execution (i.e., the time at which the parties agreed to the Block Trade); (v) the arrangement time, if any (i.e., the time at which the parties agreed to enter into the Block Trade at a later time); (vi) the identity of the counterparty; (vii) that the transaction is a Block Trade; (viii) if applicable, the account number of the Customer for which the Block Trade was executed; and (ix) if applicable, the expiration, strike price and type of option (put or call) in the case of an option. Every Trading Privilege Holder handling, executing, clearing or carrying Block Trades or positions shall identify and mark as such by appropriate symbol or designation all Block Trades or positions and all orders, records and memoranda pertaining thereto. Upon request by the Exchange and within the time frame designated by the Exchange, any such Trading Privilege Holder 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 415. Each Clearing Member carrying a Customer account for which a Block Trade is executed shall be responsible for obtaining and submitting to the Exchange in a timely and complete manner the records of its Customer regarding the Block Trade.

(f) Each Trading Privilege Holder executing a Block Trade must have at least one designated individual that is pre-authorized by a Clearing Member to report Block Trades on behalf of the Trading Privilege Holder (“Authorized Reporter”). To the extent required by Applicable Law, an Authorized Reporter must be registered or otherwise permitted by the appropriate regulatory body or bodies to act in the capacity of an Authorized Reporter and to conduct related activities. Only an Authorized Reporter of a Trading Privilege Holder will be allowed to report a Block Trade on behalf of that Trading Privilege Holder. A Clearing Member that authorizes an Authorized Reporter to report Block Trades on behalf of a Trading Privilege Holder accepts responsibility for all such transactions reported to the Exchange by that Authorized Reporter on behalf of the Trading Privilege Holder. Any designation of an Authorized Reporter or revocation of a previous designation of an Authorized Reporter, including any termination of the guarantee provided for in the preceding sentence, must be made in a form and manner prescribed by the Exchange and shall become effective as soon as the Exchange is able to process the designation or revocation. If a Clearing Member authorizes an Authorized Reporter to report Block Trades on behalf of a Trading Privilege Holder, the Clearing Member must also authorize the Authorized Reporter to report Exchange of Contract for Related Position transactions on behalf of the Trading Privilege Holder pursuant to Rule 414. Both the parties to and Authorized Reporters for a Block Trade are obligated to comply with the requirements set forth in Rule 415, and any of these parties or Authorized
Reporters may be held responsible by the Exchange for noncompliance with those requirements.

(g) Each party to a Block Trade is obligated to have an Authorized Reporter notify the Exchange of the terms of the Block Trade after the transaction is agreed upon. This notification must be made in accordance with paragraph (i) below within a Permissible Reporting Period by no later than the Reporting Deadline. All Block Trades will be submitted for clearing on the Business Day during which the transaction is fully reported to the Exchange.

(h) The notification to the Exchange of a Block Trade shall include (i) whether the Block Trade is a single leg transaction, a transaction in a spread or a transaction in a strip; (ii) the Contract identifier (or product and contract expiration for a future or product, expiration, strike price and type of option (put or call) in the case of an option), price (or premium for an option) and quantity of the Block Trade and whether the Block Trade is buy or sell; (iii) the time of execution (i.e., the time at which the parties agreed to the transaction); (iv) the arrangement time, if any (i.e., the time at which the parties agreed to enter into the transaction at a later time); (v) Order Entry Operator ID; (vi) EFID; (vii) account; (viii) Clearing Corporation origin code; (ix) Customer Type Indicator code; and (x) any other information required by the Exchange.

(i) Authorized Reporters shall provide notification to the Exchange of Block Trades by reporting them to the CFE System in a form and manner prescribed by the Exchange. The CFE System includes a mechanism, in a form and manner provided by the Exchange, for:

(i) the Authorized Reporter that is the initiator of a notification of a Block Trade to enter information regarding the transaction; and

(ii) the Authorized Reporter for the contra side of the Block Trade to accept the notification to the Exchange of the transaction as entered by the initiating Authorized Reporter and enter contra side information for the transaction.

The Authorized Reporter that is the initiator of a notification of a Block Trade may not cancel or revise the notification after it has been entered into the CFE System while it awaits acceptance by the Authorized Reporter for the contra side of the transaction. The Authorized Reporter that is the initiator of a notification of a Block Trade must enter the required information for the transaction into the CFE System and provide the reference ID generated by the CFE System to the Authorized Reporter for the contra side of the transaction promptly enough to allow a reasonable amount of time for the contra side Authorized Reporter to accept the notification to the Exchange of the transaction as entered by the initiating Authorized Reporter and enter contra side information for the transaction within a Permissible Reporting Period by no later than the Reporting Deadline. A Block Trade may not be changed or canceled after it has been fully reported to the Exchange, except to the extent that the transaction may be busted by the Trade Desk in accordance with Policy and Procedure III.
(j) For timing purposes in connection with measuring adherence to Permissible Reporting Periods and the Reporting Deadline, a Block Trade shall be deemed to have been fully reported to the Exchange when the full report of the transaction has been received by the CFE System matching engine following notification to the CFE System of required information relating to the transaction by the initiating Authorized Reporter and acceptance and notification to the CFE System of required information relating to the transaction by the contra side Authorized Reporter.

(k) The Exchange may modify a Permissible Agreement Period, Reporting Deadline, Permissible Reporting Period, and/or permissible manner of notification to the Exchange of a Block Trade in the event of unusual circumstances.

(l) The CFE System will reject the submission of a Block Trade if the transaction would cause a net long (short) risk control pursuant to Rule 513A(c) to be exceeded.

(m) The Exchange or CFE System may bust or reject the submission of a Block Trade that does not conform, or that is reported to the Exchange in a manner that does not conform, to the requirements of this Rule. The acceptance by the Exchange or CFE System of the submission of a Block Trade does not constitute a determination by the Exchange that the transaction was effected or reported in conformity with the requirements of this Rule. A Block Trade that is accepted and not busted or rejected by the Exchange or CFE System shall be processed and given effect, but will be subject to appropriate disciplinary action in accordance with the Rules of the Exchange if it was not effected or reported in conformity with the requirements of this Rule.

(n) A Trading Privilege Holder may execute an Order placed for a non-discretionary Customer account by means of a Block Trade only if the Customer has previously consented thereto. This consent may be obtained on either a trade-by-trade basis or for all such Orders.

(o) Block Trades between affiliated parties are permitted only if the following three conditions are satisfied:

(i) the Block Trade is priced on a competitive market price, either by falling within the contemporaneous bid-ask spread on the Order book or calculated based on a contemporaneous market price in a related cash market;

(ii) each party to the Block Trade has a separate and independent legal bona fide business purpose for engaging in the Block Trade; and

(iii) each party’s decision to enter into the Block Trade is made by a separate and independent decision-maker.
An affiliated party for this purpose is a party that directly or indirectly through one or more Persons controls, is controlled by or is under common control with another party.

(p) Parties involved in the solicitation or negotiation of a Block Trade may not disclose the details of those communications to any other party for any purpose other than to facilitate the execution of the Block Trade. Parties privy to non-public information regarding a consummated Block Trade may not disclose such information to any other party prior to the public report of the Block Trade by the Exchange. A broker negotiating a Block Trade on behalf of a Customer may disclose the identity of the Customer to potential counterparties, including the counterparty with which the Block Trade is consummated, only with the permission of the Customer.

Parties to a potential Block Trade may engage in pre-hedging or anticipatory hedging of the position that they believe in good faith will result from consummation of the Block Trade, except for an intermediary that takes the opposite side of its own Customer order. In such instances, prior to the consummation of the Block Trade, the intermediary is prohibited from offsetting the position established by the Block Trade in any account which is owned or controlled by the intermediary, in which an ownership interest is held by the intermediary, or which is a proprietary account of the employer of the intermediary. The intermediary may enter into transactions to offset the position only after the Block Trade has been consummated.

The Exchange may proceed with an enforcement action when the facts and circumstances of pre-hedging suggest deceptive or manipulative conduct by any of the involved parties, including when an intermediary handling a customer order acts against its customer’s best interests.

The guidance in this paragraph (p) applies only in the context of pre-hedging of Block Trades. This guidance does not affect any requirement under the CEA or Commission Regulation.

Parties solicited to provide a two-sided Block Trade market are not deemed to be in possession of non-public information provided that side of market is not disclosed in the context of the solicitation.

The provisions of this paragraph (p) do not apply to Security Futures.

(q) It shall be a violation of this Rule for a Person to engage in the front running of a Block Trade when acting on material non-public information regarding an impending transaction by another Person, acting on non-public information obtained through a confidential employee/employer relationship, broker/customer relationship or in breach of a pre-existing duty.

(r) Any Block Trade in violation of the requirements of this Rule shall constitute conduct which is inconsistent with just and equitable principles of
trade; provided, however, if the Exchange imposes a minor rule violation fine pursuant to Rule 714 for violation of this Rule, that minor rule violation shall not be considered to constitute conduct which is inconsistent with just and equitable principles of trade.

Amended February 17, 2004 (04-01); March 26, 2004 (04-08); May 13, 2004 (04-12); March 28, 2005 (05-11); July 26, 2005 (05-20); July 31, 2007 (07-08); June 3, 2009 (09-13); March 17, 2010 (10-03); September 28, 2010 (10-10); April 6, 2011 (11-09); November 4, 2011 (11-23); July 18, 2012 (12-14); October 17, 2012 (12-26); March 26, 2013 (13-12); May 3, 2013 (13-16); October 28, 2013 (13-33); November 4, 2013 (13-35); May 1, 2014 (14-08); June 23, 2014 (14-11); December 15, 2014 (14-17); March 11, 2015 (15-004); May 4, 2015 (15-008); June 30, 2015 (15-17); May 29, 2016 (16-007); June 23, 2016 (16-011); February 2, 2017 (17-001); December 3, 2017 (17-018); February 25, 2018 (17-017); April 25, 2018 (18-005); November 19, 2018 (18-027); July 2, 2019 (19-012).

Special Circumstances

416. Error Trades

Any error trades shall be resolved in accordance with the policies and procedures from time to time adopted by the Exchange.

417. Regulatory Halts

(a) Trading in a Single Stock Future shall be halted at all times that a “regulatory halt” (as defined in Commission Regulation § 41.1(1)) has been instituted for the security underlying such Single Stock Future.

(b) Trading in a Narrow-Based Stock Index Future shall be halted at all times that a “regulatory halt” (as defined in Commission Regulation § 41.1(1)) has been instituted for one or more of the securities that constitute 50% or more of the market capitalization of the “narrow-based security index” (as such term is defined in Section 1a(25) of the CEA) underlying such Narrow-Based Stock Index Future.

(c) Trading in any Single Stock Futures contract (including any futures contract on an exchange-traded product) shall be halted whenever trading in the underlying security has been paused by the primary listing market. Trading in such Single Stock Futures contracts may be resumed when the interests of a fair and orderly market are best served by a resumption of trading, which in no circumstances will be before the Exchange has received notification that the underlying security has resumed trading on at least one national securities exchange.

(d) For purposes of this Rule 417, a regulatory halt, as defined in Commission Regulation §41.1(l) shall be effective as of the time the “halt” is instituted by the national securities exchange or national securities association. Accordingly, trades in a Single Stock Future or in a Narrow-Based Stock Index Future made after the time the underlying halt is instituted and before trading has been resumed in the affected Security Future Contract will be subject to cancellation or “bust” by the Exchange.
417A. Market-Wide Trading Halts Due to Extraordinary Market Volatility

(a) The Exchange will halt trading in all Contracts subject to this Rule and shall not reopen trading in those Contracts for the time periods specified in this Rule if there is a Level 1, 2 or 3 Market Decline. The rules governing a particular Contract shall set forth whether the Contract is subject to this Rule.

(b) For purposes of this Rule:

   (i) A “Market Decline” means a decline in price of the S&P 500 Index between 8:30 a.m. and 3:00 p.m. (all times are CT) on a trading day as compared to the closing price of the S&P 500 Index for the immediately preceding trading day. The Level 1, Level 2 and Level 3 Market Declines that will be applicable for the trading day will be the levels publicly disseminated by securities information processors.

   (ii) A “Level 1 Market Decline” means a Market Decline of 7%.

   (iii) A “Level 2 Market Decline” means a Market Decline of 13%.

   (iv) A “Level 3 Market Decline” means a Market Decline of 20%.

(c) Halts in Trading:

   (i) If a Level 1 or Level 2 Market Decline occurs after 8:30 a.m. and up to and including 2:25 p.m. or, in the case of an early scheduled close, 11:25 a.m., the Exchange shall halt trading in all Contracts subject to this Rule for 15 minutes after a Level 1 or Level 2 Market Decline. The Exchange shall halt trading based on a Level 1 or Level 2 Market Decline only once per trading day. The Exchange will not halt trading if a Level 1 or Level 2 Market Decline occurs after 2:25 p.m. or, in the case of an early scheduled close, 11:25 a.m.

   (ii) If a Level 3 Market Decline occurs at any time during the trading day, the Exchange shall halt trading in all Contracts subject to this Rule until the next trading day.

(d) If a circuit breaker is initiated in all Contracts subject to this Rule due to a Level 1 or Level 2 Market Decline, the Exchange may resume trading in each Contract any time after the 15-minute halt period.
(e) Nothing in this Rule shall be construed to limit the ability of the Exchange to halt or suspend trading in any Contract pursuant to any other Exchange rule or policy.


418. Emergencies

(a) General. If the President, or any individual designated by the President, determines on behalf of the Board that an Emergency exists, the President or such designee, as the case may be, may take or place into immediate effect a temporary Emergency action or rule. Any such action or rule may provide for, or may authorize the Exchange, the Board 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) extending or shortening, as applicable, the Expiration Date or expiration duration of any Contract;

(iii) extending the time of delivery, changing delivery points or the means of delivery provided in the rules governing any Contract;

(iv) imposing or modifying position or price limits or intraday market restrictions with respect to any Contract;

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

(vi) ordering the transfer of Contracts, and the money, securities, and property securing such Contracts, held on behalf of Customers by any Trading Privilege Holder to one or more other Trading Privilege Holders willing to assume such Contracts or obligated to do so;

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

(viii) temporarily changing the Threshold Width, risk control settings or price reasonability ranges for a Contract;

(ix) suspending, curtailing, halting or delaying the opening of trading in any or all Contracts, or modifying circuit breakers;

(x) requiring Clearing Members, Trading Privilege Holders or Customers to meet special margin requirements;

(xi) altering any settlement terms or conditions of a Contract;

(xii) modifying or suspending any provision of the Rules of the Exchange or the Rules of the Clearing Corporation or;
(xiii) providing for the carrying out of such actions through the Exchange’s agreements with a third-party provider of clearing or regulatory services.

The Exchange has the authority to independently respond to emergencies in an effective and timely manner consistent with the nature of the emergency, as long as all such actions taken by the Exchange are made in good faith to protect the integrity of the markets. Additionally, the Exchange has the authority to respond to emergencies in consultation and cooperation with the Commission and is also authorized to take such market actions as may be directed by the Commission. In situations where a Contract is fungible with a Contract on another platform, emergency action to liquidate or transfer open interest must be as directed, or agreed to, by the Commission or the Commission’s staff.

(b) Physical Emergency. If the President, or any individual designated by the President, determines on behalf of the Board that the physical functions of the Exchange are, or are threatened to be, severely and adversely affected by a Physical Emergency (such as a fire or other casualty, bomb threats, terrorist acts, substantial inclement weather, power failures, communications breakdowns, computer system breakdowns, screen-based trading system breakdowns or transportation breakdowns), such Person may take any action that he or she may deem necessary or appropriate to respond to such Physical Emergency, including such actions as:

(i) closing the Exchange;

(ii) delaying the opening of trading in one or more Contracts; or

(iii) suspending, curtailing or halting trading in or extending or shortening trading hours for one or more Contracts.

(c) In the event that any Emergency or Physical Emergency action has been taken pursuant to paragraph (a) or (b) above, any Person who is authorized to take such action may order the removal of any restriction previously imposed based upon a determination by such Person that the Emergency or Physical Emergency that gave rise to such restriction no longer exists or has sufficiently abated to permit the functions of the Exchange to continue in an orderly manner. Any Emergency or Physical Emergency action placed into effect in accordance with paragraph (a) or (b) above may be reviewed by the Board at any time and may be revoked, suspended or modified by the Board. Any rule placed into effect in accordance with paragraph (a) above may be revoked, suspended or modified by the Board.

(d) Notification and Recording. The Exchange will notify the Commission of: (i) any rule placed into effect pursuant to paragraph (a) above as soon as practicable after the decision is made to implement the rule and (ii) any action taken in response to an Emergency or Physical Emergency pursuant to paragraphs (a) or (b) above as soon as practicable after the action is taken. The Exchange
will submit to the Commission any rule placed into effect pursuant to paragraph (a) above, and information on all regulatory actions carried out by the Exchange pursuant to this Rule 418, in accordance with Commission Regulation § 40.6. The decision-making process with respect to, and the reasons for, any action taken pursuant to this Rule 418 will be recorded in writing.

(e) Conflicts of Interest. The conflict of interest provisions set forth in Rule 214(b) and the related documentation requirements set forth in Rule 214(c) 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 418 by the President, or his or her designee.

Amended May 13, 2004 (04-14); May 15, 2008 (08-05); June 18, 2008 (08-06); October 9, 2008 (08-07); January 12, 2009 (09-01); October 17, 2012 (12-26); July 23, 2015 (15-015); February 25, 2018 (17-017); March 13, 2019 (19-003).

**Limitation of Liability**

419. Limitation of Liability; Legal Proceedings

(a) EXCEPT AS OTHERWISE PROVIDED, AND EXCEPT IN INSTANCES WHERE THERE HAS BEEN A FINDING OF FRAUD OR WANTON OR WILLFUL MISCONDUCT, IN WHICH CASE THE PARTY FOUND TO HAVE ENGAGED IN SUCH CONDUCT CANNOT AVOID ITSELF OF THE PROTECTIONS IN THIS RULE 419, NEITHER THE EXCHANGE (INCLUDING ITS AFFILIATES) NOR ANY OF ITS DIRECTORS, COMMITTEE MEMBERS, OFFICERS, EMPLOYEES, AGENTS OR CONTRACTORS (“COVERED PERSONS”) SHALL BE LIABLE TO ANY OTHER PERSON, INCLUDING ANY TRADING PRIVILEGE HOLDER, AUTHORIZED TRADER OR CUSTOMER, FOR ANY LOSSES, DAMAGES, COSTS, EXPENSES OR CLAIMS (INCLUDING LOSS OF PROFITS, LOSS OF USE, DIRECT, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES) (COLLECTIVELY, “LOSSES”), ARISING FROM (A) ANY FAILURE OR MALFUNCTION OF, INCLUDING ANY INABILITY TO ENTER OR CANCEL ORDERS INTO, THE CFE SYSTEM OR ANY EXCHANGE SERVICES OR FACILITIES USED TO SUPPORT THE CFE SYSTEM, (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 CFE SYSTEM OR ANY EXCHANGE SERVICES OR FACILITIES USED TO SUPPORT THE CFE SYSTEM OR (C) ANY ACTION TAKEN OR OMITTED TO BE TAKEN IN RESPECT TO THE BUSINESS OF THE EXCHANGE, EXCEPT, IN EACH CASE, TO THE EXTENT THAT SUCH LOSSES ARE ATTRIBUTABLE TO THE WILLFUL MISCONDUCT, GROSS NEGLIGENCE OR CRIMINAL ACTS OF THE EXCHANGE (INCLUDING ITS AFFILIATES) OR ITS DIRECTORS, COMMITTEE MEMBERS, OFFICERS, EMPLOYEES, AGENTS OR CONTRACTORS ACTING WITHIN
THE SCOPE OF THEIR RESPECTIVE AUTHORITY. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, AND SUBJECT TO THE SAME EXCEPTION, NO COVERED PERSON SHALL HAVE ANY LIABILITY TO ANY PERSON FOR ANY LOSSES THAT RESULT FROM ANY ERROR, OMISSION OR DELAY IN CALCULATING OR DISSEMINATING ANY CURRENT OR CLOSING VALUE OR ANY REPORTS OF TRANSACTIONS IN OR QUOTATIONS FOR CONTRACTS, INCLUDING UNDERLYING SECURITIES. THE FOREGOING SHALL APPLY REGARDLESS OF WHETHER A CLAIM ARISES IN CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY OR OTHERWISE. THE LIMITATIONS OF LIABILITY AND DISCLAIMERS SET FORTH IN THIS RULE SHALL BE IN ADDITION TO, AND NOT IN LIMITATION OF, ANY LIMITATIONS OTHERWISE AVAILABLE UNDER APPLICABLE LAW.

THERE ARE NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS PROVIDED BY THE EXCHANGE (INCLUDING ITS AFFILIATES) RELATING TO THE CFE SYSTEM OR ANY EXCHANGE SERVICES OR FACILITIES USED TO SUPPORT THE CFE 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 EACH TRADING PRIVILEGE HOLDER’S SOLE RISK. NEITHER THE EXCHANGE (INCLUDING ITS AFFILIATES) NOR ITS DIRECTORS, COMMITTEE MEMBERS, OFFICERS, EMPLOYEES, AGENTS OR CONTRACTORS MAKE ANY WARRANTY WITH RESPECT TO, AND NO SUCH PARTY SHALL HAVE ANY LIABILITY TO ANY TRADING PRIVILEGE HOLDER FOR, THE ACCURACY, TIMELINESS, COMPLETENESS, RELIABILITY, PERFORMANCE OR CONTINUED AVAILABILITY OF THE CFE SYSTEM OR THE EXCHANGE, FOR DELAYS, OMISSIONS OR INTERRUPTIONS THEREIN OR THE CREDITWORTHINESS OF ANY OTHER TRADING PRIVILEGE HOLDER. THE EXCHANGE (INCLUDING ITS AFFILIATES) SHALL HAVE NO DUTY OR OBLIGATION TO VERIFY ANY INFORMATION DISPLAYED ON THE CFE SYSTEM OR OTHERWISE. EACH TRADING PRIVILEGE HOLDER ACKNOWLEDGES AND AGREES THAT THE EXCHANGE (INCLUDING ITS AFFILIATES) DOES NOT AND SHALL NOT SERVE AS THE PRIMARY BASIS FOR ANY DECISIONS MADE BY ANY TRADING PRIVILEGE HOLDER AND THAT THE EXCHANGE (INCLUDING ITS AFFILIATES) IS NOT AN ADVISOR OR FIDUCIARY OF ANY TRADING PRIVILEGE HOLDER.

(b) WHENEVER CUSTODY OF AN UNEXECUTED ORDER OR A MESSAGE OR OTHER DATA IS TRANSMITTED BY A TRADING PRIVILEGE HOLDER TO THE EXCHANGE AND THE EXCHANGE ACKNOWLEDGES RECEIPT OF AND ASSUMES RESPONSIBILITY FOR THE TRANSMISSION OR EXECUTION OF THE ORDER OR THE PROCESSING OF THE MESSAGE OR OTHER DATA, THE EXCHANGE MAY, IN ITS SOLE DISCRETION, COMPENSATE THE TRADING
PRIVILEGE HOLDER FOR THE LOSSES OF THE TRADING PRIVILEGE HOLDER ALLEGED TO HAVE RESULTED FROM THE FAILURE TO PROCESS THE ORDER, MESSAGE OR OTHER DATA CORRECTLY DUE TO THE ACTS OR OMISSIONS OF THE EXCHANGE OR DUE TO THE FAILURE OF ITS SYSTEMS OR FACILITIES (EACH, A “LOSS EVENT”), SUBJECT TO THE FOLLOWING LIMITS:

(i) AS TO ANY ONE OR MORE REQUESTS FOR COMPENSATION MADE BY A SINGLE TRADING PRIVILEGE HOLDER THAT AROSE ON A SINGLE TRADING DAY, THE EXCHANGE MAY COMPENSATE THE TRADING PRIVILEGE HOLDER UP TO BUT NOT EXCEEDING THE LARGER OF $100,000 OR THE AMOUNT OF ANY RECOVERY OBTAINED BY THE EXCHANGE UNDER ANY APPLICABLE INSURANCE MAINTAINED BY THE EXCHANGE; AND

(ii) AS TO THE AGGREGATE OF ALL REQUESTS FOR COMPENSATION MADE BY ALL TRADING PRIVILEGE HOLDERS THAT AROSE DURING A SINGLE CALENDAR MONTH, THE EXCHANGE MAY COMPENSATE THE TRADING PRIVILEGE HOLDERS, IN THE AGGREGATE, UP TO BUT NOT EXCEEDING THE LARGER OF $200,000 OR THE AMOUNT OF THE RECOVERY OBTAINED BY THE EXCHANGE UNDER ANY APPLICABLE INSURANCE MAINTAINED BY THE EXCHANGE.

NOTHING IN THIS RULE SHALL OBLIGATE THE EXCHANGE TO SEEK RECOVERY UNDER ANY APPLICABLE INSURANCE POLICY.

(c) NOTICE OF ALL REQUESTS FOR COMPENSATION PURSUANT TO THIS RULE SHALL BE IN WRITING IN A FORM AND MANNER PRESCRIBED BY THE EXCHANGE AND MUST BE SUBMITTED NO LATER THAN 12:00 P.M. CHICAGO TIME ON THE NEXT BUSINESS DAY FOLLOWING THE LOSS EVENT GIVING RISE TO SUCH REQUESTS. ALL REQUESTS SHALL BE IN WRITING AND MUST BE SUBMITTED IN A FORM AND MANNER PRESCRIBED BY THE EXCHANGE ALONG WITH SUPPORTING DOCUMENTATION BY 5:00 P.M. CHICAGO TIME ON THE THIRD BUSINESS DAY FOLLOWING THE LOSS EVENT GIVING RISE TO EACH SUCH REQUEST. THESE SUBMISSION TIME FRAMES SHALL COMMENCE UPON THE LATER OF THE OCCURRENCE OF THE LOSS EVENT OR WHEN THE TRADING PRIVILEGE HOLDER SUBMITTING A REQUEST FOR COMPENSATION REASONABLY SHOULD HAVE BEEN AWARE OF THE OCCURRENCE OF THE LOSS EVENT AS DETERMINED BY THE EXCHANGE. ADDITIONAL INFORMATION RELATED TO THE REQUEST AS REQUESTED BY THE EXCHANGE IS ALSO REQUIRED TO BE PROVIDED IN A FORM AND MANNER PRESCRIBED BY THE EXCHANGE. THE EXCHANGE SHALL NOT CONSIDER REQUESTS FOR WHICH TIMELY NOTICE AND
SUBMISSION HAVE NOT BEEN PROVIDED AS REQUIRED UNDER THIS PARAGRAPH (c).

(d) IF ALL OF THE GRANTED REQUESTS SUBMITTED PURSUANT TO PARAGRAPH (c) ABOVE CANNOT BE FULLY SATISFIED BECAUSE IN THE AGGREGATE THEY EXCEED THE MAXIMUM AMOUNT OF PAYMENTS AUTHORIZED IN PARAGRAPH (b)(ii) ABOVE FOR A SINGLE CALENDAR MONTH, THEN SUCH MAXIMUM AMOUNT SHALL BE ALLOCATED AMONG ALL SUCH GRANTED REQUESTS ARISING DURING THAT CALENDAR MONTH BASED UPON THE PROPORTION THAT THE AMOUNT OF EACH SUCH GRANTED REQUEST BEARS TO THE SUM OF ALL SUCH GRANTED REQUESTS. EXCEPT AS PROVIDED IN THIS RULE, REQUESTS MADE PURSUANT TO PARAGRAPH (c) ABOVE SHALL CONSTITUTE A TRADING PRIVILEGE HOLDER’S SOLE RECOUSE TO SEEK COMPENSATION FROM COVERED PERSONS RELATING TO A LOSS EVENT. ALL PAYMENTS TO TRADING PRIVILEGE HOLDERS PURSUANT TO THIS RULE WILL BE CONTINGENT UPON THE EXECUTION AND DELIVERY TO THE EXCHANGE OF A RELEASE BY THE TRADING PRIVILEGE HOLDER OF ALL CLAIMS BY IT OR ITS AFFILIATES AGAINST COVERED PERSONS FOR LOSSES THAT ARISE OUT OF, ARE ASSOCIATED WITH OR RELATE IN ANY WAY TO THE LOSS EVENT OR TO ANY ACTIONS OR OMISSIONS RELATED IN ANY WAY TO THE LOSS EVENT. FAILURE TO PROVIDE THE RELEASE WITHIN 14 DAYS OF NOTIFICATION OF THE PAYMENT AMOUNT BY THE EXCHANGE WILL VOID THE TRADING PRIVILEGE HOLDER’S ELIGIBILITY TO RECEIVE A PAYMENT PURSUANT TO THIS RULE, UNLESS THIS 14 DAY TIME PERIOD IS EXTENDED BY THE EXCHANGE AT ITS SOLE DISCRETION.

(e) IN DETERMINING WHETHER TO MAKE PAYMENT OF A REQUEST PURSUANT TO PARAGRAPH (b) ABOVE, THE EXCHANGE MAY DETERMINE WHETHER THE AMOUNT REQUESTED SHOULD BE REDUCED BASED ON THE ACTIONS OR INACTIONS OF THE REQUESTING TRADING PRIVILEGE HOLDER, INCLUDING, WITHOUT LIMITATION, WHETHER THE ACTIONS OR INACTIONS OF THE TRADING PRIVILEGE HOLDER CONTRIBUTED TO THE LOSS EVENT; WHETHER THE TRADING PRIVILEGE HOLDER MADE APPROPRIATE EFFORTS TO MITIGATE ITS LOSS; WHETHER THE TRADING PRIVILEGE HOLDER REALIZED ANY GAINS AS A RESULT OF A LOSS EVENT; WHETHER THE LOSSES OF THE TRADING PRIVILEGE HOLDER, IF ANY, WERE OFFSET BY HEDGES OF POSITIONS EITHER ON THE EXCHANGE OR ON ANOTHER AFFILIATED OR UNAFFILIATED MARKET; AND WHETHER THE TRADING PRIVILEGE HOLDER PROVIDED SUFFICIENT INFORMATION TO DOCUMENT THE REQUEST AND AS REQUESTED BY THE EXCHANGE.

(f) ALL DETERMINATIONS MADE PURSUANT TO THIS RULE BY THE EXCHANGE SHALL BE FINAL AND NOT SUBJECT TO APPEAL
UNDER CHAPTER 9 OF THE RULES OF THE EXCHANGE OR OTHERWISE. NOTHING IN THIS RULE, NOR ANY PAYMENT PURSUANT TO THIS RULE, SHALL IN ANY WAY LIMIT, WAIVE, OR PROSCRIBE ANY DEFENSES A COVERED PERSON MAY HAVE TO ANY CLAIM, DEMAND, LIABILITY, ACTION OR CAUSE OF ACTION, WHETHER SUCH DEFENSE ARISES IN LAW OR EQUITY, OR WHETHER SUCH DEFENSE IS ASSERTED IN A JUDICIAL, ADMINISTRATIVE, OR OTHER PROCEEDING.

(g) ANY DISPUTE ARISING OUT OF THE USE OF THE CFE SYSTEM OR EXCHANGE SERVICES OR FACILITIES USED TO SUPPORT THE CFE SYSTEM IN WHICH THE EXCHANGE (INCLUDING ITS AFFILIATES) OR ANY OF ITS DIRECTORS, COMMITTEE MEMBERS, OFFICERS, EMPLOYEES, AGENTS OR CONTRACTORS IS A PARTY SHALL BE SUBJECT TO THE LAWS OF THE STATE OF ILLINOIS. ANY ACTIONS, SUITS OR PROCEEDINGS AGAINST ANY OF THE ABOVE MUST BE BROUGHT, WITHIN TWO YEARS FROM THE TIME THEY FIRST ARISE, IN A FEDERAL COURT LOCATED IN COOK COUNTY, ILLINOIS, OR IF THE REQUIREMENTS FOR FEDERAL SUBJECT MATTER JURISDICTION ARE NOT MET, IN A STATE COURT LOCATED IN COOK COUNTY, ILLINOIS. THIS PROVISION SHALL IN NO WAY CREATE A CAUSE OF ACTION AND SHALL NOT AUTHORIZE AN ACTION THAT WOULD OTHERWISE BE PROHIBITED BY THE RULES OF THE EXCHANGE.

(h) NO TRADING PRIVILEGE HOLDER OR PERSON ASSOCIATED WITH A TRADING PRIVILEGE HOLDER SHALL INSTITUTE A LAWSUIT OR OTHER LEGAL PROCEEDING AGAINST THE EXCHANGE OR ANY DIRECTOR, COMMITTEE MEMBER, OFFICER, EMPLOYEE, AGENT OR CONTRACTOR OF THE EXCHANGE (INCLUDING ITS AFFILIATES), FOR ACTIONS TAKEN OR OMITTED TO BE TAKEN IN CONNECTION WITH THE OFFICIAL BUSINESS OF THE EXCHANGE (INCLUDING ITS AFFILIATES). THIS PROVISION SHALL NOT APPLY TO APPEALS OF DISCIPLINARY ACTIONS OR OTHER ACTIONS BY THE EXCHANGE AS PROVIDED FOR IN THESE RULES.

(i) ANY TRADING PRIVILEGE HOLDER OR PERSON ASSOCIATED WITH A TRADING PRIVILEGE HOLDER 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, SHALL 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 SHALL NOT APPLY TO DISCIPLINARY ACTIONS BY THE EXCHANGE, ADMINISTRATIVE APPEALS OF
EXCHANGE ACTIONS OR IN ANY SPECIFIC INSTANCE WHERE THE
BOARD HAS GRANTED A WAIVER OF THIS PROVISION.

(j) NO INDEX LICENSOR WITH RESPECT TO ANY INDEX
UNDERLYING A CONTRACT TRADED ON THE EXCHANGE AND NO
AFFILIATE OF SUCH INDEX LICENSOR MAKES ANY WARRANTY,
EXPRESS OR IMPLIED, AS TO THE RESULTS TO BE OBTAINED BY ANY
PERSON FROM THE USE OF SUCH INDEX, ANY OPENING, INTRA-DAY
OR CLOSING VALUE THEREOF, OR ANY DATA INCLUDED THEREIN
OR RELATING THERETO, IN CONNECTION WITH THE TRADING OF
ANY CONTRACT BASED THEREON OR FOR ANY OTHER PURPOSE.
THE INDEX LICENSOR AND ITS AFFILIATES SHALL OBTAIN
INFORMATION FOR INCLUSION IN, OR FOR USE IN THE
CALCULATION OF, SUCH INDEX FROM SOURCES THEY BELIEVE TO
BE RELIABLE, BUT THE INDEX LICENSOR AND ITS AFFILIATES DO
NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH
INDEX, ANY OPENING, INTRA-DAY OR CLOSING VALUE THEREOF,
OR ANY DATA INCLUDED THEREIN OR RELATED THERETO. THE
INDEX LICENSOR AND ITS AFFILIATES HEREBY DISCLAIM ALL
WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A
PARTicular PURPOSE OR USE WITH RESPECT TO SUCH INDEX, ANY
OPENING, INTRA-DAY, OR CLOSING VALUE THEREOF, ANY DATA
INCLUDED THEREIN OR RELATED THERETO, OR ANY CONTRACT
BASED THEREON. THE INDEX LICENSOR AND ITS AFFILIATES SHALL
HAVE NO LIABILITY FOR ANY DAMAGES, CLAIMS, LOSSES
(INCLUDING ANY INDIRECT OR CONSEQUENTIAL LOSSES),
EXPENSES, OR DELAYS, WHETHER DIRECT OR INDIRECT, FORESEEN
OR UNFORESEEN, SUFFERED BY ANY PERSON ARISING OUT OF ANY
CIRCUMSTANCE OR OCCURRENCE RELATING TO THE PERSON’S USE
OF SUCH INDEX, ANY OPENING, INTRA-DAY OR CLOSING VALUE
THEREOF, ANY DATA INCLUDED THEREIN OR RELATED THERETO,
OR ANY CONTRACT BASED THEREON, OR ARISING OUT OF ANY
ERRORS OR DELAYS IN CALCULATING OR DISSEMINATING SUCH
INDEX. FOR PURPOSES OF THIS RULE 419, THE TERM “INDEX
LICENSOR” INCLUDES ANY PERSON THAT GRANTS THE EXCHANGE
A LICENSE TO USE AN INDEX IN CONNECTION WITH THE TRADING
ON THE EXCHANGE OF A CONTRACT BASED ON THE INDEX AND
ANY PERSON DESIGNATED BY THE EXCHANGE AS THE SOURCE FOR
CALCULATING AND/OR REPORTING THE LEVEL OF AN INDEX
UNDERLYING A CONTRACT TRADED ON THE EXCHANGE, AND ALSO
INCLUDES, WITH RESPECT TO ANY INDEX OF WHICH THE
EXCHANGE OR AN AFFILIATE OF THE EXCHANGE IS THE
PROPRIETOR OR FOR WHICH THE EXCHANGE OR AN AFFILIATE OF
THE EXCHANGE CALCULATES AND/OR REPORTS LEVELS OF THE
INDEX, THE EXCHANGE ITSELF AND ITS AFFILIATES. FOR PURPOSES
OF THIS RULE 419, REFERENCES TO THE TERM “INDEX” SHALL ALSO
BE DEEMED TO ENCOMPASS AND APPLY TO ANY BENCHMARK
OTHER THAN AN INDEX AND TO ANY VALUE OR PRICE OF A COMMODITY.

(k) NOTWITHSTANDING ANY OF THE FOREGOING PROVISIONS, THIS RULE 419 SHALL IN NO WAY LIMIT THE LIABILITY OF ANY PERSON ARISING FROM ANY VIOLATION BY SUCH PERSON OF THE CEA OR THE COMMISSION REGULATIONS THEREUNDER.

Amended February 17, 2004 (04-03); September 26, 2013 (13-31); June 30, 2015 (15-17); December 3, 2017 (17-018); February 25, 2018 (17-017); March 13, 2019 (19-003).

Miscellaneous

420. Transfers of Positions

(a) Existing trades may be transferred either on the books of a Clearing Member or from one Clearing Member to another Clearing Member to:

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

   (ii) transfer an existing Contract from one account to another where no change in ownership is involved; or

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

(b) Upon written request, the Exchange may, in its sole discretion, allow the transfer of a position:

   (i) as a result of a merger, asset purchase, consolidation, or similar non-recurring transaction for a Person;

   (ii) as a result of an Authorized Trader moving from one Trading Privilege Holder organization to another Trading Privilege Holder organization; or

   (iii) if the President or his designee determines that allowing the transfers would be in the interest of preserving an orderly market, the protection of market participants, or the best interest of the Exchange or is otherwise warranted due to unusual or extenuating circumstance.

(c) The transfer of positions pursuant to this Rule may be effected at the:

   (i) original trade prices of the positions that appear on the books of the transferring Clearing Member, in which case the records of the transfer must indicate the original trade dates for the positions;
(ii) mark-to-market prices of the positions on the day of the transfer;

(iii) mark-to-market prices of the positions on the trading day prior to the transfer; or

(iv) the then current market price of the positions.

Each Clearing Member that is a party to a transfer of positions must make and retain records stating the nature of the transaction; the date of the transfer; the transfer prices and the date of those prices (including the “as of date,” if applicable); the name of the counter-party Clearing Member; and any other information required by the Clearing Corporation.

Adopted November 4, 2004 (04-20). Amended April 8, 2008 (08-03); March 20, 2009 (09-10); October 17, 2012 (12-26).
CHAPTER 5
OBLIGATIONS OF TRADING PRIVILEGE HOLDERS

Recordkeeping

501. Books and Records

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

(b) With respect to each Order, bid, offer or other message transmitted to the CFE System by an Authorized Trader of a Trading Privilege Holder, the Trading Privilege Holder shall keep a record of which Authorized Trader of the Trading Privilege Holder caused that Order, bid, offer or other message to be transmitted to the CFE System.

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

Amended February 17, 2004 (04-04); July 26, 2005 (05-20); October 17, 2012 (12-26); February 25, 2018 (17-017).

502. Inspection and Delivery

Each Trading Privilege Holder and Clearing Member shall keep all books and records required to be kept by it pursuant to the Rules of the Exchange for a period of five years from the date on which they are first prepared, unless otherwise provided in the Rules of the Exchange or required by law. Any such books and records exclusively created and maintained on paper shall be readily accessible during the first two years of that five-year period and any such electronic books and records shall be readily accessible during that entire 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 upon request in a form and manner prescribed by the Exchange and within the time frame designated by the Exchange and its authorized representatives.
Financial Requirements

503. Minimum Financial and Related Reporting Requirements for Registrants

Each Trading Privilege Holder and Clearing Member 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 Trading Privilege Holder or Clearing Member is required to file with the Commission pursuant to Commission Regulation § 1.12 or, if applicable, with the Securities and Exchange Commission pursuant to Exchange Act Regulation § 17a-11 shall be concurrently provided to the Exchange. A Trading Privilege Holder or Clearing Member that violates any of the aforementioned Commission Regulations or Exchange Act Regulations shall be deemed to have violated this Rule 503.

503A. Reporting by Futures Commission Merchants and Introducing Brokers

(a) Each Trading Privilege Holder that is a Futures Commission Merchant or Introducing Broker shall, in a form and manner prescribed by the Exchange, concurrently file with the Exchange a copy of all Form 1-FR-FCM, Form 1-FR-IB or FOCUS Report Part II, Part IIA or Part II CSE and Part III submissions (including any attachments or related submissions), as applicable, made by the Trading Privilege Holder.

(b) Each Trading Privilege Holder that is a Futures Commission Merchant shall, in a form and manner prescribed by the Exchange, concurrently file with the Exchange a copy of any daily Statement of Segregation Requirements and Funds in Segregation for Customers Trading on U.S. Commodity Exchanges filed with the Commission pursuant to Commission Regulation § 1.32.

(c) Each Trading Privilege Holder that is a Futures Commission Merchant shall, in a form and manner prescribed by the Exchange, concurrently file with the Exchange a copy of any daily net capital filings submitted by the Trading Privilege Holder to its Designated Self-Regulatory Organization.

(d) Each Trading Privilege Holder that is a Futures Commission Merchant and (i) is not Clearing Member or (ii) is a Clearing Member that utilizes another Clearing Member for purposes of clearing Exchange Contracts shall, in a form and manner prescribed by the Exchange, provide a report to the Exchange on a daily basis which sets forth the positions, if any, in Exchange Contracts of the Trading Privilege Holder’s customers held by any Clearing Member in the customer range at the Clearing Corporation.

(e) Each Trading Privilege Holder that is a Futures Commission Merchant shall, in a form and manner prescribed by the Exchange, concurrently file with the
Exchange a copy of any notice that is filed with the Commission pursuant to Commission Regulation § 1.23.


504. Authority of the Exchange to Impose Restrictions

Whenever a Trading Privilege Holder or Clearing Member is subject to the early warning requirements set forth in Commission Regulation § 1.12 or, if applicable, Exchange Act Regulation § 17a-11, the Exchange may impose such conditions or restrictions on the business and operations of such Trading Privilege Holder or Clearing Member, as the case may be, as the Exchange may deem necessary to protect the best interest of the marketplace, including, without limitation, for the protection of Customers, other Trading Privilege Holders, other Clearing Members or the Exchange. The procedures set forth in Rule 307(a) shall be applicable to any such action.

Adopted October 17, 2012 (12-26).

505. Treatment of Customer Funds and Securities

Any Trading Privilege Holder or Clearing Member that is required to be registered with any self-regulatory association shall comply with the provisions of Applicable Law relating to the treatment of Customer funds and the maintenance of books and records with respect thereto. A Trading Privilege Holder or Clearing Member that violates any of the aforementioned Commission Regulations or Exchange Act Regulations shall be deemed to have violated this Rule 505.

506. Additional Minimum Financial Requirements

(a) In addition to the minimum financial requirements that a Trading Privilege Holder or Clearing Member that is registered with the NFA as a futures commission merchant or introducing broker must satisfy, each Trading Privilege Holder and Clearing Member shall be required to satisfy such minimum financial requirements, and comply with such obligations related thereto, as may be established from time to time by the Exchange.

(b) Each Trading Privilege Holder and Clearing Member 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 Trading Privilege Holder or Clearing Member, as the case may be, is able to demonstrate to the Exchange that it is in compliance with the minimum financial requirements applicable to it, such Trading Privilege Holder or Clearing Member may not engage in any transactions subject to the Rules of the Exchange, except for the purpose of closing open positions.
Customer Protection

507. Registration

(a) No Trading Privilege Holder or Clearing Member of the Exchange (including any Person that is affiliated with such Trading Privilege Holder or Clearing Member), may solicit or accept from any other Person an Order for the purchase or sale of a Contract, unless such Trading Privilege Holder or Clearing Member, or its respective affiliated Person, as the case may be, is registered in any required capacity in accordance with Applicable Law.

(b) Any Trading Privilege Holder or Clearing Member that is required to be registered as a futures commission merchant, an introducing broker, a broker or a dealer shall comply with the provisions of Commission Regulations § 155.3, § 155.4 or § 41.42(a) or Exchange Act Regulation § 15c3-3, as applicable.

Amended July 26, 2005 (05-20).

508. Confirmations

Each Trading Privilege Holder and Clearing Member that enters into a trade on behalf of a Customer shall promptly furnish, or cause to be furnished, to such Customer, no later than the Business Day immediately following the day on which such trade is entered into, a written 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.

509. Customer Statements

Each Trading Privilege Holder and Clearing Member that enters into trades on behalf of Customers shall furnish, or cause to be furnished, as soon as practicable after the end of each month, a monthly statement of account to each of its Customers in accordance with applicable Commission Regulations or Exchange Act Regulations.

Amended July 26, 2005 (05-20).

510. Risk Disclosure Statement

In accordance with applicable requirements of the NFA (in the case of any Trading Privilege Holder or Clearing Member that is registered with the NFA) or the FINRA (in the case of any Trading Privilege Holder or Clearing Member that is registered with the FINRA), each Trading Privilege Holder or Clearing Member, as the case may be, shall provide its Customers with a written disclosure statement in the form approved by the Exchange for purposes of Commission Regulation § 1.55, § 33.7 or § 41.41(b), as applicable, and any other disclosure statement from time to time required by the Exchange.

Amended November 4, 2004 (04-20); July 26, 2005 (05-20); February 23, 2009 (09-03).
511. **Fraudulent or Misleading Communications**

No Trading Privilege Holder or Clearing Member shall make any fraudulent or misleading communications relating to the purchase or sale of any Contract.

512. **Responsibility for Customer Orders**

Trading Privilege Holders and Clearing Members handling Orders for Customers shall exercise due diligence in the handling and execution of such Orders. Failure to act with due diligence shall constitute negligence.

Trading Privilege Holders and Clearing Members are prohibited from directly or indirectly guaranteeing the execution of an Order or any of its terms such as the quantity or price; **provided** that this sentence shall not be construed to prevent a Trading Privilege Holder or Clearing Member from assuming or sharing in any losses resulting from an error or the mishandling of an Order.

No Trading Privilege Holder or Clearing Member shall adjust the price at which an Order was executed, nor shall it be held responsible for executing or failing to execute an Order unless such Trading Privilege Holder or Clearing Member, as the case may be, was negligent or is settling a **bona fide** dispute regarding negligence, or as otherwise permitted by the policies and procedures referred to in Rule 416.

512A. **Denial of Access**

The Exchange shall post on its website a list of any Persons that are denied access to the Exchange by the Exchange. No Trading Privilege Holder, Related Party or Market Participant shall transmit any Order to the Exchange, either directly or through an intermediary, that is for the account of any such Person denied access to the Exchange.

Adopted October 17, 2012 (12-26); July 2, 2019 (19-012).

**System Security and Integrity, Risk Controls and Business Continuity and System Specifications and Testing**

513. **System Security and Integrity**

(a) Each Trading Privilege Holder shall designate in a form and manner prescribed by the Exchange at least one individual that is an employee or agent of the Trading Privilege Holder to be an administrator with respect to the use of the CFE System by the Trading Privilege Holder (including its Authorized Traders). A Trading Privilege Holder shall keep those designations current by (i) promptly notifying the Exchange of changes to the Trading Privilege Holder’s administrators and their contact information in a form and manner prescribed by the Exchange; (ii) promptly designating a replacement administrator to the extent necessary in order to continue to have at least one administrator; and (iii) promptly verifying in a frequency, form and manner requested by the Exchange that the Trading Privilege Holder’s designated administrators and their contact information remain current. Among other things, each administrator of a Trading
Privilege Holder with direct access to the CFE System shall in a form and manner permitted by the Exchange (i) have full control over access to the CFE System by the Trading Privilege Holder (including its Authorized Traders); (ii) maintain access by the Trading Privilege Holder to an internet-based interface component of the CFE System made available to Trading Privilege Holders by the Exchange to manage Orders (“Portal”); (iii) provision access to the CFE System by Authorized Traders of the Trading Privilege Holder; and (iv) be able to contact the Trade Desk, if necessary, in order to request withdrawal, in a form and manner prescribed by the Exchange, of any and all Orders placed, or purported to be placed, by the Trading Privilege Holder (including its Authorized Traders). The Exchange may provide notices or other communications to an administrator of a Trading Privilege Holder, and any and all notices or other communications sent to the administrator by the Exchange shall be binding on that Trading Privilege Holder.

(b) Each Trading Privilege Holder shall be solely responsible for controlling and monitoring the use of all credentials for interfacing with the CFE System issued to the Trading Privilege Holder by the Exchange (“Credentials”) and shall notify the Exchange promptly upon becoming aware of any unauthorized disclosure or use of the Credentials or access to the Exchange or of any other reason for deactivating Credentials. Each Trading Privilege Holder shall be bound by any actions taken through the use of its Credentials (other than any 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 Trading Privilege Holder or any of its directors, officers or employees.

(c) The Exchange may limit the number of messages or the amount of data transmitted by Trading Privilege Holders to the CFE System in order to protect the integrity of the CFE System. In addition, the Exchange may impose restrictions on the use of any individual access to the CFE System, including temporary termination of an individual access and activation by the Exchange of the kill switch function under Rule 513A(j), if it believes such restrictions are necessary to ensure the proper performance of the CFE System or to protect the integrity of the market. Any limitations or restrictions under this paragraph (c) shall be applied in a fair and non-discriminatory manner.

(d) Without limiting the generality of the provisions of Rule 513(c), Trading Privilege Holders may utilize test symbols in the CFE System production environment solely for legitimate testing purposes.

Amended February 14, 2011 (11-04); July 20, 2011 (11-18); October 17, 2012 (12-26); February 1, 2013 (13-03); June 1, 2013 (13-21); February 25, 2018 (17-017); April 25, 2018 (18-005).

513A. Risk Controls

(a) General Provisions.

(i) The Exchange shall implement, and make available to Clearing Members and Trading Privilege Holders, risk control
mechanisms as described in this Rule 513A in a form and manner prescribed and provided by the Exchange.

(ii) Risk control mechanisms may be set by EFID, product and/or match capacity allocation depending upon the applicable risk control. Risk control settings applicable to a product apply to all contract expirations or series, as applicable, in that product (except that TAS Orders and S&P 500 Variance future stub Orders each have separate product level settings that apply only to those Order types).

(iii) The risk control mechanisms made available to Clearing Members shall enable a Clearing Member to set risk control parameters for Trading Privilege Holders in relation to Orders submitted to the CFE System with EFIDs that are linked to a clearing number for that Clearing Member. Clearing Members may also be able to set EFID risk control parameters by groups of EFIDIs depending upon the applicable risk control. Additionally, a Clearing Member will have the ability to utilize the risk control mechanisms made available to Trading Privilege Holders in relation to that Clearing Member’s own access to the CFE System.

(iv) Risk control thresholds are measured in vega notional for S&P 500 Variance futures and in variance units for S&P 500 Variance future stub positions rather than in contract size.

(b) Maximum Order Size Limits.

(i) Clearing Members and Trading Privilege Holders shall have the ability to designate maximum Order size limits by EFID and product. The most restrictive applicable maximum Order size limit that is designated shall apply.

(ii) If the quantity of an Order is greater than the applicable designated maximum Order size limit, the CFE System will reject the Order or cancel the Order back to the sender.

(iii) The quantity of a Spread Order for purposes of applying a Spread Order maximum Order size limit shall be the contract quantity of the individual leg of the Spread Order with the largest size.

(iv) If a designated maximum Order size limit is changed during a Business Day after an Order to which it would have applied has been submitted to the CFE System, the new maximum Order size limit will not be applied to that Order during that Business Day. If the Order is a Good-‘til-Canceled Order or a Good-‘til-Date Order and the Order remains in the Order book after the conclusion of that Business Day, the new maximum Order size limit will be applied to that Order prior to the start of the queuing period described in Rule 405A(a) for the next Business Day.
(v) Block Trades and Exchange of Contract for Related Position transactions shall not be subject to maximum Order size limits.

(c) *Net Long and Net Short Limits.*

(i) Clearing Members shall have the ability to designate net long and net short limits by EFID and product.

(ii) The number of contracts that are counted against a net limit on contracts bought (or sold) per Business Day is calculated by (i) determining the sum of the total contract size of currently resting buy (or sell) Orders and the total contract size of previous buy (or sell) executions during the Business Day and (ii) reducing that sum by the total contract size of previous executions during that Business Day on the opposite side. Resting Stop Limit Orders are counted as currently resting Orders for this purpose. For Spread Orders, the contract size of each individual leg is counted for this purpose.

(iii) The CFE System shall reject or cancel back to the sender any incoming Order that, if it were to be accepted, would cause a net limit on the number of contracts bought (or sold) per Business Day to be exceeded when added to the number of contracts already counted against the limit. If the CFE System receives a Cancel Replace/Modify Order that, if the cancellation were to be processed and the Order were to be accepted, would cause a net limit on the number of contracts bought (or sold) per Business Day to be exceeded when added to the number of contracts already counted against the limit, the CFE System will process the cancellation and will reject or cancel back to the sender the replacement Order.

(iv) Block Trades and Exchange of Contract for Related Position transactions shall be subject to and taken into account under net long and net short limits.

(d) *Limit Order Price Reasonability Checks.*

(i) The Exchange shall designate Limit Order price reasonability percentage parameters by product, and those percentages shall be set forth in the rules governing the applicable product. Clearing Members and Trading Privilege Holders shall have the ability to designate Limit Order price reasonability percentage parameters by EFID and product. The most restrictive applicable Limit Order price reasonability percentage that is designated shall apply.

(ii) The CFE System shall reject or cancel back to the sender:

(A) any buy Order with a limit price if the limit price upon receipt of the Order by the CFE System is equal to or more
than the applicable designated percentage above the prevailing best offer in the applicable Contract; and

(B) any sell Order with a limit price if the limit price upon receipt of the Order by the CFE System is equal to or more than the applicable designated percentage below the prevailing best bid in the applicable Contract.

(iii) The Limit Order price reasonability checks under this Rule 513A(d):

(A) will apply during Trading Hours;

(B) will not apply prior to the opening or restart of trading in a Contract or during the opening or re-opening process for a Contract pursuant to Rule 405A;

(C) will apply to simple Orders, other than to simple buy Orders when there is no prevailing offer and to simple sell Orders when there is no prevailing bid;

(D) will apply to a Stop Limit Order when it is triggered (i.e., when the relevant Contract trades at the specified trigger price as described Rule 404(d)) and not when a Stop Limit Order is received by the CFE System;

(E) will not apply to Spread Orders or Trade at Settlement Orders; and

(F) will not apply to Block Trades and Exchange of Contract for Related Position transactions.

(e) Market Order Price Reasonability Checks.

(i) The Exchange shall designate Market Order price reasonability percentage parameters and Threshold Widths by product, and those percentages and Threshold Widths shall be set forth in the rules governing the applicable product.

(ii) If a Market Order is partially executed at an initial price level, the remaining portion of the Market Order will not execute at a price that is more than the applicable designated percentage above or below that initial price level. The CFE System will reject or cancel back to the sender any remaining portion of the Market Order that would execute at a price that is more than the applicable designated percentage above or below that initial price level.

(iii) A Market Order will only execute at price levels that are at or within the applicable Threshold Width. The CFE System will reject or
cancel back to the sender any portion of a Market Order that would execute at a price level that is outside of the applicable Threshold Width.

(iv) The Market Order price reasonability checks under this Rule 513A(e) will not apply to Trade at Settlement (“TAS”) Orders or to Block Trades and Exchange of Contract for Related Position transactions.

(f) **Spread Order Price Reasonability Checks.** A spread will remain in a queuing state prior to being opened for trading, or return to a queuing state after being opened for trading, during any time period in which the width of the prevailing market for any individual leg of the spread exceeds the applicable Threshold Width for the relevant Contract. The CFE System will utilize the opening process set forth in Rule 405A(d)(vii) to open or reopen the spread at such time that there is no longer any individual leg of the spread for which the Threshold Width is exceeded.

(g) **Execution Rate Limits.**

(i) Trading Privilege Holders shall have the ability to designate execution rate limits by EFID and product. An execution rate limit is a maximum number of contracts that may be executed per time interval.

(ii) If an execution rate limit designated by a Trading Privilege Holder is exceeded, the CFE System shall:

(A) cancel all resting Orders for the applicable EFID and product; and

(B) reject or cancel back to the sender any new Orders for the applicable EFID and product until the CFE System receives a reset command from the Trading Privilege Holder.

(iii) Block Trades and Exchange of Contract for Related Position transactions shall not be subject to execution rate limits.

(h) **Order Rate Limits.**

(i) The Exchange shall designate Order rate limits for match capacity allocations and disseminate those limits to Trading Privilege Holders in a form and manner determined by the Exchange.

(ii) An Order rate limit is a maximum number of Orders that may be received by the CFE System per time interval.

(iii) If the applicable Order rate limit is exceeded, the CFE System will reject or cancel back to the sender those Orders received by the CFE System during the applicable time interval after the Order rate limit is reached during that time interval.
(iv) A Spread Order will be counted as one Order for purposes of computing the number of Orders received during a time interval.

(v) A Cancel Order is counted for purposes of computing the number of Orders received during a time interval, except that a mass cancel or purge request is not counted for these purposes. If a Cancel Order (including a mass cancel or purge request) is received by the CFE System during a time interval in which the applicable Order rate limit has been exceeded, the CFE System will process (and not reject or cancel back) the Cancel Order (subject to the following sentence). Mass cancel and purge requests may be subject to separate Order rate limits pursuant to which the CFE System will reject or cancel back to the sender mass cancel and purge requests in excess of the applicable limit that are received by the CFE System during the applicable time interval for that limit.

(vi) A Cancel Replace/Modify Order is counted for purposes of counting the number of Orders received during a time interval. If a Cancel Replace/Modify Order is received by the CFE System during a time interval in which the applicable Order rate limit has been exceeded, the CFE System will:

(A) reject or cancel back to the sender the replacement Order portion of the Cancel Replace/Modify Order; and

(B) process (and not reject or cancel back) the Cancel Order portion of the Cancel Replace/Modify Order.

(vii) Block Trades and Exchange of Contract for Related Position transactions shall not be subject to order rate limits.

(i) Exchange Designated Limits. The Exchange may designate Maximum Order Size Limits, Execution Rate Limits, and/or Net Long and Net Short Limits as described above. If the Exchange does so:

(i) the Exchange shall disseminate those limits to Trading Privilege Holders in a form and manner determined by the Exchange; and

(ii) the most restrictive applicable limit (designated either by the Exchange, a Clearing Member or a Trading Privilege Holder, as applicable for that risk control) shall apply.

(j) Kill Switch.

(i) The Exchange and Clearing Members shall have the ability to activate a kill switch by EFID. Trading Privilege Holders shall have the ability to activate a kill switch by match capacity allocation.
(ii) If a kill switch is activated, the CFE System will cancel all Orders residing in the CFE System for the applicable EFID or submitted through the applicable match capacity allocation.

(iii) At the option of the Exchange or a Trading Privilege Holder activating a kill switch, that party may choose to have the activation of the kill switch also cause the CFE System to reject or cancel back to the sender any new Orders for the applicable EFID or from the applicable match capacity allocation. If a Clearing Member activates a kill switch for an EFID, the kill switch will always cause the CFE System to reject or cancel back to the sender any new Orders for the applicable EFID. These blocks on the submission of Orders shall remain in place until the party that activated the kill switch resets the kill switch within the CFE System.

(iv) Block Trades and Exchange of Contract for Related Position transactions for an EFID will not be accepted by the CFE System if a kill switch has been activated and remains in effect for that EFID which blocks the submission of Orders for that EFID.

(v) A Trading Privilege Holder shall also have the ability to utilize:

(A) a mass cancel request to cancel all or a subset of pending Orders submitted through a match capacity allocation, and at the option of the Trading Privilege Holder submitting the mass cancel request, to cause the CFE System to reject or cancel back to the sender all or a subset of new Orders submitted through that match capacity allocation until a reset request is received by the CFE System; and

(B) a purge request to cancel all or a subset of pending Orders submitted through multiple match capacity allocations, and at the option of the Trading Privilege Holder submitting the purge request, to cause the CFE System to reject or cancel back to the sender all or a subset of new Orders until a reset request is received by the CFE System.

(k) Disconnection Risk Controls.

(i) General.

(A) Trading Privilege Holders shall have the ability to enable disconnection risk controls by match capacity allocation.

(B) Block Trades and Exchange of Contract for Related Position transactions shall not be subject to disconnection risk controls.
(ii)  **Cancel on Match Capacity Allocation Disconnect.**

(A) A Trading Privilege Holder that enables cancel on disconnect functionality for a match capacity allocation may choose to have that functionality apply to:

1. Day Orders; or
2. all Orders.

(B) For purposes of cancel on disconnect functionality, a disconnection from a match capacity allocation includes a disconnection that occurs for any reason (including as the result of the submission of a logout message) or if at any time the CFE System does not receive any inbound message traffic or a heartbeat message through the match capacity allocation for a specified time interval as prescribed by the Exchange.

(C) When cancel on disconnect functionality is enabled for a match capacity allocation:

1. If there is a disconnection from that match capacity allocation,
2. the CFE System cancels all applicable Orders that are residing in the CFE System
3. which were submitted through that match capacity allocation(4) for any product is not in a suspended state.

(iii)  **Cancel on Matching Engine Disconnect.**

(A) A Trading Privilege Holder that enables cancel on matching engine disconnect functionality for a match capacity allocation may choose to have that functionality apply to:

1. Day Orders; or
2. all Orders.

(B) When cancel on matching engine disconnect is enabled by a Trading Privilege Holder for a match capacity allocation:

1. If there is loss of connectivity between that match capacity allocation and the CFE System matching engine,
(2) the CFE System cancels all applicable Orders residing in the CFE System

(3) that were submitted through that match capacity allocation

(4) for any product that is not in a suspended state.

(C) When cancel on matching engine disconnect is not enabled by a Trading Privilege Holder for a match capacity allocation:

(1) If there is loss of connectivity between that match capacity allocation and the CFE System matching engine

(2) for a specified time interval as prescribed by the Exchange,

(3) the CFE System cancels all Orders residing in the CFE System

(4) that were submitted through that match capacity allocation

(5) for any product that is not in a suspended state.

(iv) Cancel on Drop Disconnect.

(A) Trading Privilege Holders shall have the ability to utilize execution drop ports and to enable cancel on drop disconnect functionality with respect to match capacity allocations that are associated with those drop ports.

(B) An execution drop port is a logical port used to receive drop copies of execution report messages relating to the execution of Orders.

(C) If cancel on drop disconnect is enabled by a Trading Privilege Holder for match capacity allocation, cancel on drop disconnect functionality will be triggered if all of the drop ports associated with that match capacity allocation become disconnected from the CFE System.

(D) A drop port will be treated as having become disconnected from the CFE System if the CFE System does not
receive a heartbeat message through the drop port for a specified time interval configurable by the Trading Privilege Holder.

(E) If cancel on drop disconnect functionality is triggered for match capacity allocation, the CFE System will reject or cancel back to the sender any new Orders submitted through the match capacity allocation. This block on the submission of Orders shall remain in place until the CFE System receives heartbeat messages through a drop port associated with the match capacity allocation in accordance with the time interval configured by the Trading Privilege Holder.

(F) At the option of a Trading Privilege Holder activating cancel on drop disconnect functionality:

1. If cancel on drop disconnect functionality is triggered for a match capacity allocation,
2. the CFE System will also cancel
3. all Day Orders or all Orders, as designated by the Trading Privilege Holder
4. residing in the CFE System
5. that were submitted through that match capacity allocation
6. for any product that is not in a suspended state.

(G) Cancel on drop disconnect functionality is not applicable with respect to order drop ports used to receive drop copies of Order messages.

(I) **Cancel on Reject Functionality.**

(i) Trading Privilege Holders shall have the ability to enable cancel on reject functionality by match capacity allocation.

(ii) If cancel on reject functionality is enabled by a Trading Privilege Holder for a match capacity allocation:

(A) the CFE System will cancel a resting Order

(B) if the CFE System rejects or cancels back to the sender

(C) a Cancel Order or Cancel Replace/Modify Order submitted through that match capacity allocation
(D) relating to the resting Order.

(m) **Clearing Member Requirement.** Clearing Members are required to obtain access to and utilize the risk control mechanisms that the Exchange makes available for use by Clearing Members. For each risk control mechanism made available to Clearing Members, the CFE System will, in a form and manner prescribed and provided by the Exchange, automatically treat any combination of product and EFID that does not have a risk control threshold set by the applicable Clearing Member as being set to a threshold level of zero. Clearing Members may comply with the requirement under this Rule 513A(m) by obtaining access to the risk control mechanisms made available to Clearing Members and either (i) setting the risk controls or (ii) relying upon the automated settings described in the preceding sentence.

Adopted October 17, 2012 (12-26); Amended June 1, 2013 (13-21); October 28, 2013 (13-32); April 4, 2014 (14-06); May 1, 2014 (14-08); December 15, 2014 (14-17); January 12, 2015 (14-012); May 24, 2015 (15-12); March 4, 2016 (16-02); February 25, 2018 (17-017).

### 513B. Business Continuity Preparations

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

Adopted October 17, 2012 (12-26).

### 513C. Technical and Systems Specifications and Systems Testing Requirements

(a) The Exchange may from time to time (i) prescribe technical and systems specifications applicable to Trading Privilege Holders regarding the establishment and maintenance of a direct connection to the CFE System and the use of CFE System functionality and (ii) require that Trading Privilege Holders be capable of utilizing specified CFE System functionality. Trading Privilege Holders shall comply with any such specifications and requirements, as instructed by the Exchange.

(b) The Exchange may from time to time prescribe systems testing requirements applicable to Trading Privilege Holders relating to connectivity to the CFE System and utilization of CFE System functionality. Trading Privilege Holders shall comply with any such systems testing requirements, as instructed by the Exchange. Trading Privilege Holders shall maintain adequate documentation of tests required by this Rule and the results of the testing and shall provide to the Exchange reports relating to the testing as the Exchange may prescribe.

Adopted November 24, 2014 (14-26); February 25, 2018 (17-017).
Market Making

514. Market Maker Programs

The Exchange may from time to time adopt one or more programs under which one or more Trading Privilege Holders may be designated as market makers (including as Lead 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 Trading Privilege Holders 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 Trading Privilege Holders in their capacity as market makers, reduced transaction fees or the receipt of compensatory payments from the Exchange.

515. DPMs

(a) Without limiting the generality of Rule 514, the Exchange may from time to time approve such number of Trading Privilege Holders 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 515.

(b) A Trading Privilege Holder desiring to be approved 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 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 Related Parties, 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 its Related Parties, 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 Related Parties of any applicant are or were at any time Related Parties 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 Related Party or Related Parties held such position or positions with such other DPM.

(c) The Exchange may allocate Contracts to DPMs approved in accordance with paragraph (b) above. In determining allocations of Contracts to DPMs, the Exchange may: (i) consider any relevant information, including but not limited to performance, volume, capacity, market performance commitments, operational factors, efficiency, competitiveness and recommendations of committees of the Board or of the Exchange and (ii) allocate any Contract to more than one DPM in a manner prescribed by the Exchange. The Exchange shall not initially allocate a Contract to a DPM unless the DPM requests or consents to the allocation. The Exchange may allocate a Contract to a DPM approved in accordance with paragraph (b) above with or without (i) requiring or receiving an application for the allocation from the DPM or (ii) soliciting interest from DPMs and prospective DPMs in being allocated the applicable Contract.

(d) In approving a Trading Privilege Holder as a DPM and in allocating a Contract to a DPM, the Exchange may place one or more conditions or limitations on the approval or allocation, as applicable, including but not limited to:

(i) conditions concerning the capital, operations or personnel of the DPM and the number or types of Contracts which may be allocated to the DPM; and

(ii) limitations regarding the time period for the Trading Privilege Holder is approved as a DPM or allocated a Contract as a DPM.
(e) In the event that the Exchange approves a Trading Privilege Holder as a DPM or allocates a Contract to a DPM for a limited period of time in accordance with paragraph (d)(ii) above, the Exchange may from time to time, in its sole discretion, extend the time period of the DPM approval or Contract allocation for a specified additional period of time upon written notice to the DPM. The Exchange may extend the time period of a DPM approval or Contract allocation pursuant to this paragraph (e) with or without (i) requiring or receiving an application or request to do so from the DPM or (ii) soliciting interest from Trading Privilege Holders in being approved as a DPM or from DPMs and prospective DPMs in being allocated the applicable Contract.

(f) A DPM may resign as a DPM or relinquish a Contract allocation at any time upon at least 45 days prior written notice to the Exchange. A DPM resignation or Contract allocation relinquishment shall not become effective until the foregoing notice period has expired, unless the Exchange determines in its sole discretion to allow the resignation or relinquishment to become effective at an earlier time. A DPM shall notify the Exchange immediately in the event that the DPM is unable for whatever reason to fulfill its obligations as a DPM at any time.

(g) Each Trading Privilege Holder approved as a DPM and each DPM allocated a Contract shall retain that status or allocation until (x) it resigns as a DPM or relinquishes the Contract allocation and its resignation or relinquishment becomes effective, (y) the Exchange suspends or terminates such the Trading Privilege Holder’s DPM status or Contract allocation or (z) if applicable, the time period referred to in paragraph (d)(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 that is affected by such circumstances, pending a final allocation of such Contracts pursuant to paragraph (c) above.

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

(h) 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 (h), the following transactions shall be deemed to constitute a transfer of a DPM’s rights or obligations:
(i) any change in, or transfer of, Control of a DPM; and

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

(i) 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.

(j) The Exchange may terminate, place conditions upon or otherwise limit a Trading Privilege Holder’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 (i) above that such Trading Privilege Holder’s performance as a DPM has been unsatisfactory;

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

(iii) if such Trading Privilege Holder 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 (l) below; or

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

(k) 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 (j) above, such DPM shall be given notice thereof and an opportunity to present any matter which it wishes the Exchange to consider in determining whether to take such action. The Exchange may require that any presentation under this paragraph (k) 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 (k). 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 Trading Privilege Holder’s approval to act as a DPM of a DPM’s allocation of Contracts in accordance with subparagraph (j)(ii) above, without prior notice or opportunity to make a presentation under this paragraph (k), if the financial, operational or personnel change in question warrants such action.
(l) DPMs shall have such rights and obligations as the Exchange may specify in connection with their approval or prescribe from time to time in other rules, in policies and procedures or in its fee schedule.

(m) The Exchange may at any time in its sole discretion de-list a Contract allocated to a DPM or provide for trading in a Contract allocated to a DPM to be conducted without a DPM, in which case the allocation of the Contract to the DPM shall automatically terminate.

Amended May 13, 2004 (04-11); July 26, 2005 (05-20); February 14, 2011 (11-04); February 25, 2018 (17-017).

Margin

516. Customer Margin Requirements for Contracts other than Security Futures

(a) Scope of Rule. This Rule 516 shall apply to positions resulting from transactions in Contracts other than Security Futures, traded on the Exchange or subject to the Rules of the Exchange, to the extent that such positions are held by Clearing Members and, if applicable, Trading Privilege Holders on behalf of Customers in futures accounts (as such term is defined in Commission Regulation § 1.3(vv) and Exchange Act Regulation 15c3-3(a)). No Clearing Member or, if applicable, Trading Privilege Holder may effect a transaction or carry a position in a Contract other than Security Futures in the account of a Customer, whether or not such Customer is a Trading Privilege Holder, without proper and adequate margin in accordance with this Rule 516, all other applicable Rules of the Exchange, the rules of the Clearing Corporation and Applicable Law.

In addition, Clearing Members and, if applicable, Trading Privilege Holders must adhere to the procedures set forth in the “Margins Handbook” issued by the Joint Audit Committee. In the event the Margins Handbook is inconsistent with the Rules of the Exchange, the Rules of the Exchange shall have precedence. Terms used in this Rule 516 that are not defined in the Rules of the Exchange shall have the meanings set forth in the Margins Handbook.

(b) Computation of Margin Requirements. Clearing Members and, if applicable, Trading Privilege Holders must employ a risk-based portfolio margining system acceptable to the Exchange, such as the Standard Portfolio Analysis of Risk (SPAN®)* margin system, to compute margin requirements on the applicable Contracts. The margin requirements imposed by this Rule 516 are the minimum requirements. Clearing Members and, if applicable, Trading Privilege Holders may impose higher rates and/or more stringent requirements.

(c) Margin Rates. The Clearing Corporation, pursuant to Commission Regulation §39.13, shall determine the rates to be used to derive customer initial margin requirements for any Contract. The Exchange shall determine the rates used to derive initial margin requirements for any account type not covered by Commission Regulation §39.13 and maintenance margin requirements for any Contract. In the event of a change in the margin requirement levels required by
the Clearing Corporation or the Exchange, such change shall apply to both new and existing positions. The Exchange shall have the authority to apply different margin rates or margin requirement levels to different types of accounts at its discretion to any account type not covered, in respect of customer initial margin, by Commission Regulation §39.13. The term “customer initial margin” has the meaning set forth in Commission Regulation §1.3.

(d) **Acceptable Margin Deposits.** Clearing Members and, if applicable, Trading Privilege Holders may accept from Customers as margin the following: cash currencies of any denomination, readily marketable securities (as defined by Exchange Act Rule 15c3-1(c)(11) and applicable Securities and Exchange Commission interpretations), money market mutual funds allowable under Commission Regulation § 1.25, and letters of credit issued by a bank or trust company.

Securities that have been issued by the Customer or an affiliate of the Customer shall not be accepted as margin unless the Clearing Member or Trading Privilege Holder files a petition with, and receives permission from, the Exchange. Bank-issued and trust-issued letters of credit must be drawable in the United States and in a form acceptable to the Exchange. Letters of credit in a form approved by the Clearing Corporation are deemed a form acceptable to the Exchange. Letters of credit issued by the Customer, an affiliate of the Customer, an affiliate of the Clearing Member, or, if applicable, the Trading Privilege Holder or an affiliate of the Trading Privilege Holder shall not be accepted by Clearing Members or Trading Privilege Holders as margin. All Customer assets accepted by Clearing Members and, if applicable, Trading Privilege Holders as margin deposits must be and remain unencumbered by third party liens against the depositing Customer. Cash currency margin deposits shall be valued at market value, unless the Exchange has prescribed otherwise. Clearing Members and, if applicable, Trading Privilege Holders must comply with Commission Regulation § 1.49 when accepting and holding foreign currencies as a margin deposit on any Contract. All other margin deposits shall be valued at an amount not to exceed market value less applicable deductions, as set forth in Exchange Act Rule 15c3-1.

(e) **Order Acceptance.** Clearing Members and, if applicable, Trading Privilege Holders shall not accept orders for an account unless sufficient margin is on deposit in the account or is forthcoming within a reasonable period of time. In the event an account has been subject to a margin call for an unreasonable time, Clearing Members and, if applicable, Trading Privilege Holders are only permitted to accept orders that reduce the margin requirements of positions existing in the account. In the event an account has been in debit for an unreasonable time, Clearing Members and, if applicable, Trading Privilege Holders are not permitted to accept orders.

(f) **Margin Calls.** Calls for margin in the amount necessary to reach the initial margin equity requirement must be issued: (i) when margin equity in an account initially falls below the maintenance margin requirement, and (ii)
subsequently, when the sum of margin equity plus existing margin calls in an account is less than the maintenance margin requirement. Such calls must be made within one business day after the occurrence of the event that gives rise to the call. A Clearing Member and, if applicable, Trading Privilege Holder may, at any time, at its discretion, call for additional margin. A Clearing Member and, if applicable, Trading Privilege Holder is not required to call for or collect margin for day trades.

(g) **Reduction/Deletion of Margin Calls.** A margin call may be reduced only through the receipt of margin deposits permitted pursuant to Rule 516(d). A margin call may be deleted through: (i) the receipt of margin deposits permitted under Rule 516(d) that equals or exceeds the amount of the total margin call, or (ii) inter-day favorable market movements and/or the liquidation of positions, provided that margin equity in the account is equal to or greater than the initial margin requirement. The oldest outstanding margin call shall be reduced first.

(h) **Margin Call Records.** Clearing Members and, if applicable, Trading Privilege Holders must maintain written records of all margin calls made, reduced and deleted.

(i) **Release of Margin Deposits.** Clearing Members and, if applicable, Trading Privilege Holders may release margin deposits to a Customer only if such deposits are in excess of the initial margin requirements.

(j) **Loans to Customers.** Clearing Members and, if applicable, Trading Privilege Holders may not extend loans to Customers to use as a margin deposit unless such loans are secured, as defined in Commission Regulation §1.17(c)(3), and the proceeds of such loans are treated in accordance with Commission Regulation §1.30.

(k) **Aggregation of Accounts and Positions.** For margin purposes, Clearing Members and, if applicable, Trading Privilege Holders may aggregate Customer accounts having identical ownership within the same classification of Customer segregated, Customer secured, and nonsegregated.

(l) **Hedge Rate Eligibility.** When extending hedge margin rates, Clearing Members and, if applicable Trading Privilege Holders must have reasonable support that such rates are being applied to bona-fide hedge and risk management positions, as defined by Rule 412.

(m) **Omnibus Accounts.**

(i) Margin shall be collected on a gross basis in the case of a foreign or domestic omnibus account.

(ii) Maintenance margin requirements shall serve as both the initial and maintenance margin requirements in the case of omnibus accounts.
(iii) Written instructions from foreign and domestic omnibus accounts shall be obtained and maintained for positions entitled to spread or hedge margin rates.

(n) Liquidation of Accounts. In the event a margin call is not met within a reasonable time (for purposes of Rule 516(n), one hour is deemed to be a reasonable time), the Customer’s trades, or a sufficient portion thereof, may be closed-out in order to attain the required margin status. A determination as to when and under what circumstances liquidation may occur is at the full discretion of the Clearing Member or, if applicable, Trading Privilege Holder.

(o) Failure to Maintain Margin Requirements. The Exchange may direct a Clearing Member or, if applicable, Trading Privilege Holder to immediately liquidate all or part of a Customer’s positions to eliminate a margin deficiency if the Clearing Member or Trading Privilege Holder has failed to maintain margin requirements for the account in accordance with Rule 516.

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Adopted February 17, 2004 (04-02). Amended March 26, 2004 (04-07); May 13, 2003 (04-13); July 26, 2005 (05-20); May 7, 2012 (12-08); October 17, 2012 (12-26).

517. Customer Margin Requirements for Contracts that are Security Futures

(a) Scope of Rule. This Rule 517 shall apply to positions resulting from transactions in Security Futures, traded on the Exchange or subject to the Rules of the Exchange to the extent that such positions are held by Clearing Members or, if applicable, Trading Privilege Holders on behalf of Customers in futures accounts (as such term is defined in Commission Regulation § 1.3(vv) and Exchange Act Regulation 15c3-3(a)), with paragraph (n) of this Rule 517 also applying to such positions held in securities accounts (as such term is defined in Commission Regulation 1.3(ww) and Exchange Act Regulation 15c3-3(a)). As used in this Rule 517, the term “Customer” does not include (i) any exempted person (as such term is defined in Commission Regulation § 41.43(a)(9) and Exchange Act Regulation 401(a)(9)) and (ii) any Market Maker (as such term is defined in paragraph (n) below). Nothing in this Rule 517 shall alter the obligation of each Clearing Member and, if applicable, Trading Privilege Holder to comply with Applicable Law relating to customer margin for transactions in Security Futures, including without limitation Commission Regulations §§ 41.42 through 41.49 or Rules 400 through 406 under the Exchange Act, as applicable (including in each case any successor regulations or rules).

(b) Margin System. The Standard Portfolio Analysis of Risk (SPAN®)* is the margin system adopted by the Exchange. SPAN® generated margin requirements shall constitute Exchange margin requirements. All references to margin in the Rules of the Exchange shall be to margin computed on the basis of SPAN®.
Margin systems other than SPAN® may be used to meet Exchange margin requirements if the relevant Clearing Member or, if applicable, Trading Privilege Holder can demonstrate that its margin system will result in margin requirements that are in all cases equal to or greater than the corresponding requirements determined on the basis of SPAN®.

(c) **Margin Rate.** The Exchange will set and publish the initial and maintenance margin rates to be used in determining Exchange margin requirements; *provided* that in no case shall the required margin for any long or short position held by a Clearing Member or, if applicable, Trading Privilege Holder on behalf of a Customer be less than the rate from time to time determined by the Commission and the Securities and Exchange Commission for purposes of Commission Regulation § 41.45(b)(1) and Rule 403(b)(1) under the Exchange Act unless a lower margin level is available for such position pursuant to paragraph (m) below.

(d) **Acceptable Margin Deposits.**

(i) Clearing Members and, if applicable, Trading Privilege Holders may accept from their Customers as margin deposits of cash, margin securities (subject to the limitations set forth in the following sentence), exempted securities, any other assets permitted under Regulation T of the Board of Governors of the Federal Reserve System (as in effect from time to time) to satisfy a margin deficiency in a securities margin account, and any combination of the foregoing, each as valued in accordance with Commission Regulation § 41.46(c) and (e) or Rule 404(c) and (e) under the Exchange Act, as applicable. Shares of a money market mutual fund that meet the requirements of Commission Regulations § 1.25 and § 41.46(b)(2) and Rule 404(b)(2) under the Exchange Act, as applicable, may be accepted as a margin deposit from a Customer for purposes of this Rule 517.

(ii) A Clearing Member or, if applicable, Trading Privilege Holder shall not accept as margin from any Customer securities that have been issued by such Customer or an Affiliate of such Customer unless such Clearing Member or Trading Privilege Holder files a petition with and receives permission from the Exchange for such purpose.

(iii) All assets deposited by a Customer to meet margin requirements must be and remain unencumbered by third party claims against the depositing Customer.

(iv) Except to the extent prescribed otherwise by the Exchange, cash margin deposits shall be valued at market value and all other margin deposits shall be valued at an amount not to exceed that set forth in Commission Regulation § 41.46(c) and (e) or Rule 404(c) and (e) under the Exchange Act, as applicable (including in each case any successor regulations or rules).
(e) **Acceptance of Orders.** Clearing Members and, if applicable, Trading Privilege Holders may accept Orders for a particular Customer account only if sufficient margin is on deposit in such account or is forthcoming within a reasonable period of time (which shall be no more than five Business Days, although the relevant Clearing Member or, if applicable, Trading Privilege Holder may deem one hour to be a reasonable period of time). For a Customer account that has been subject to calls for margin for an unreasonable period of time, Clearing Members and, if applicable, Trading Privilege Holders may only accept Orders that, when executed, will reduce the margin requirements resulting from the existing positions in such account. Clearing Members and, if applicable, Trading Privilege Holders may not accept Orders for a Customer account that would liquidate to a deficit or that has a debit balance.

(f) **Margin Calls.** Clearing Members and, if applicable, Trading Privilege Holders must call for margin from a particular Customer:

(i) when the margin equity on deposit in such Customer’s account falls below the applicable maintenance margin requirement; or

(ii) subsequently, when the margin equity on deposit in such Customer’s account, together with any outstanding margin calls, is less than the applicable maintenance margin requirement.

Any such call must be made within one Business Day after the occurrence of the event giving rise to such call. Clearing Members and, if applicable, Trading Privilege Holders may call for additional margin at their discretion.

Clearing Members and, if applicable, Trading Privilege Holders shall reduce any call for margin only to the extent that margin deposits permitted under paragraph (d) above are received in the relevant account. Clearing Members and, if applicable, Trading Privilege Holders may delete any call for margin only if (i) margin deposits permitted under paragraph (d) above equal to or in excess of the deposits called are received in the relevant account or (ii) inter-day favorable market movements or the liquidation of positions result in the margin on deposit in the relevant account being equal to or greater than the applicable initial margin requirement. In the event of any such reduction or deletion, the oldest outstanding margin call shall be reduced or deleted first.

Clearing Members and, if applicable, Trading Privilege Holders, shall maintain written records of any and all margin calls issued, reduced or deleted by them.

(g) **Disbursements of Excess Margin.** Clearing Members and, if applicable, Trading Privilege Holders may release to Customers margin on deposit in any account only to the extent that such margin is in excess of the applicable initial margin requirement under this Rule 517 and any other applicable margin requirement.
(h) **Loans to Customers.** Clearing Members and, if applicable, Trading Privilege Holders may not extend loans to Customers for margin purposes unless such loans are secured within the meaning of Commission Regulation § 1.17(c)(3). The proceeds of any such loan must be treated in accordance with Commission Regulation § 1.30.

(i) **Aggregation of Accounts and Positions.** For purposes of determining margin requirements under this Rule 517, Clearing Members and, if applicable, Trading Privilege Holders shall aggregate accounts under identical ownership if such accounts fall within the same classifications of customer segregated, customer secured, special reserve account for the exclusive benefit of customers and non-segregated for margin purposes. Clearing Members and, if applicable, Trading Privilege Holders may compute margin requirements for identically owned concurrent long and short positions on a net basis.

(j) **Omnibus Accounts.** Clearing Members and, if applicable, Trading Privilege Holders shall collect margin on a gross basis for positions held in domestic and foreign omnibus accounts. For omnibus accounts, initial margin requirements shall equal the corresponding maintenance margin requirements. Clearing Members and, if applicable, Trading Privilege Holders shall obtain and maintain written instructions from domestic and foreign omnibus accounts for positions that are eligible for offsets pursuant to paragraph (m) below.

(k) **Liquidation of Positions.** If a Customer fails to comply with a margin call required by Commission Regulations §§ 41.42 through 41.49 or Rules 400 through 406 under the Exchange Act, as applicable, within a reasonable period of time (which shall be no more than five Business Days, although the relevant Clearing Member or, if applicable, Trading Privilege Holder may deem one hour to be a reasonable period of time), the relevant Clearing Member or, if applicable, Trading Privilege Holder may liquidate positions in such Customer’s account to ensure compliance with the applicable margin requirements.

(l) **Failure to Maintain Required Margin.** If a Clearing Member or, if applicable, Trading Privilege Holder fails to maintain sufficient margin for any Customer account in accordance with this Rule 517, the Exchange may direct such Clearing Member or Trading Privilege Holder to immediately liquidate all or any part of the positions in such account to eliminate the deficiency.

(m) **Offsetting Positions.** For purposes of Commission Regulation § 41.45(b)(2) and Rule 403(b)(2) under the Exchange Act, the initial and maintenance margin requirements for offsetting positions involving Security Futures, on the one hand, and related positions, on the other hand, are set at the levels specified in Schedule A to this Chapter 5.

(n) **Exclusion for Market Makers.**

(i) A Person shall be a “Market Maker” for purposes of this Rule 517, and shall be excluded from the requirements set forth in Commission Regulations §§ 41.42 through 41.49 and Rules 400 through
406 under the Exchange Act, as applicable, in accordance with Commission Regulation § 41.42(c)(2)(v) and Rule 400(c)(2)(v) under the Exchange Act with respect to all trading in Security Futures for its own account, if such Person is a Trading Privilege Holder or Authorized Trader that is registered with the Exchange as a dealer (as such term is defined in Section 3(a)(5) of the Exchange Act) in Security Futures.

(ii) Each Market Maker shall:

(A) be registered as a floor trader or a floor broker with the Commission under Section 4f(a)(1) of the CEA or as a dealer with the Securities and Exchange Commission (or any successor agency or authority) under Section 15(b) of the Exchange Act;

(B) maintain records sufficient to prove compliance with the requirements set forth in this paragraph (n) and Commission Regulation § 41.42(c)(2)(v) or Rule 400(c)(2)(v) under the Exchange Act, as applicable, including without limitation trading account statements and other financial records sufficient to detail activity; and

(C) hold itself out as being willing to buy and sell Security Futures for its own account on a regular or continuous basis.

A Market Maker satisfies condition (C) above if such Market Maker: (x) provides Orders that result in continuous two-sided quotations throughout the trading day for all delivery months of Security Futures representing a meaningful proportion of the total trading volume on the Exchange from Security Futures in which that Market Maker is designated as a Market Maker, subject to relaxation during unusual market conditions as determined by the Exchange in either a Security Future or a security underlying such Security Future at which times such Market Maker must use its best efforts to provide Orders that result in continuous and competitive quotations; and (y) when providing Orders, provides Orders with a maximum bid/ask spread of no more than the greater of $5.00 or 150% of the bid/ask spread in the primary market for the security underlying each Security Future.

For purposes of the preceding paragraph, beginning on the 181st calendar day after the commencement of trading of Security Futures, a “meaningful proportion of the total trading volume on the Exchange from Security Futures in which that Market Maker is designated as a Market Maker” shall mean a minimum of 20% of such trading volume.

(iii) Any Market Maker that fails to comply with the Rules of the Exchange, Commission Regulations §§ 41.42 through 41.49 or Rules
400 through 406 under the Exchange Act, as applicable, shall be subject to disciplinary action in accordance with Chapter 7. Appropriate sanctions in the case of any such failure shall include, without limitation, a revocation of such Market Maker’s registration as a dealer in Security Futures pursuant to clause (i) above.

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Adopted July 26, 2005 (05-20). Amended March 22, 2011 (11-05); November 9, 2015 (15-027); February 25, 2018 (17-017).
## Margin Levels for Offsetting Positions

<table>
<thead>
<tr>
<th>DESCRIPTION OF OFFSET</th>
<th>SECURITY UNDERLYING THE SECURITY FUTURE</th>
<th>INITIAL MARGIN REQUIREMENT</th>
<th>MAINTENANCE MARGIN REQUIREMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Long security future (or basket of security futures representing each component of a narrow-based securities index(^1)) and long put option(^2) on the same underlying security (or index)</td>
<td>Individual stock or narrow-based security index</td>
<td>20% of the current market value of the long security future, plus pay for the long put in full.</td>
<td>The lower of: (1) 10% of the aggregate exercise price(^3) of the put plus the aggregate put out-of-the-money(^4) amount, if any; or (2) 20% of the current market value of the long security future.</td>
</tr>
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</table>

\(^1\) Baskets of securities or security futures contracts must replicate the securities that comprise the index, and in the same proportion.

\(^2\) Generally, for the purposes of these rules, unless otherwise specified, stock index warrants shall be treated as if they were index options.

\(^3\) “Aggregate exercise price,” with respect to an option or warrant based on an underlying security, means the exercise price of an option or warrant contract multiplied by the numbers of units of the underlying security covered by the option contract or warrant. “Aggregate exercise price” with respect to an index option, means the exercise price multiplied by the index multiplier. See, e.g., Amex Rules 900 and 900C; Cboe Options Rule 12.3; and FINRA Rule 2522.

\(^4\) “Out-of-the-money” amounts shall be determined as follows:

1. for stock call options and warrants, any excess of the aggregate exercise price of the option or warrant over its current market value (as determined in accordance with Regulation T of the Board of Governors of the Federal Reserve System);
2. for stock put options or warrants, any excess of the current market value (as determined in accordance with Regulation T of the Board of Governors of the Federal Reserve System) of the option or warrant over its aggregate exercise price;
3. for stock index call options and warrants, any excess of the aggregate exercise price of the option or warrant over the product of the current index value and the applicable index multiplier; and
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<tr>
<td>2  Short security future (or basket of security futures representing each component of a narrow-based securities index) and short put option on the same underlying security (or index)</td>
<td>Individual stock or narrow-based security index</td>
<td>20% of the current market value of the short security future, plus the aggregate put in-the-money amount, if any. Proceeds from the put sale may be applied.</td>
<td>20% of the current market value of the short security future, plus the aggregate put in-the-money amount, if any.</td>
</tr>
<tr>
<td>3  Long security future and short position in the same security (or securities basket) underlying the security future</td>
<td>Individual stock or narrow-based security index</td>
<td>The initial margin required under Regulation T for the short stock or stocks.</td>
<td>5% of the current market value as defined in Regulation T of the stock or stocks underlying the security future.</td>
</tr>
<tr>
<td>4  Long security future (or basket of security futures representing each component of a narrow-based securities index) and short call option on the same underlying security (or index)</td>
<td>Individual stock or narrow-based security index</td>
<td>20% of the current market value of the long security future, plus the aggregate call in-the-money amount, if any. Proceeds from the call sale may be applied.</td>
<td>20% of the current market value of the long security future, plus the aggregate call in-the-money amount, if any.</td>
</tr>
<tr>
<td>5  Long a basket of narrow-based security futures that together tracks a broad-based index and short a broad-based security index call option contract on the same index</td>
<td>Narrow-based security index</td>
<td>20% of the current market value of the long basket of narrow-based security futures, plus the aggregate call in-the-money amount, if any. Proceeds from the call sale may be applied.</td>
<td>20% of the current market value of the long basket of narrow-based security futures, plus the aggregate call in-the-money amount, if any.</td>
</tr>
<tr>
<td>6  Short a basket of narrow-based security futures that together tracks a broad-based security index and short a broad-based security index put option contract on the same index</td>
<td>Narrow-based security index</td>
<td>20% of the current market value of the short basket of narrow-based security futures, plus the aggregate put in-the-money amount, if any. Proceeds from the put sale may be applied.</td>
<td>20% of the current market value of the short basket of narrow-based security futures, plus the aggregate put in-the-money amount, if any.</td>
</tr>
</tbody>
</table>

5 “In-the-money” amounts must be determined as follows:

(1) for stock call options and warrants, any excess of the current market value (as determined in accordance with Regulation T of the Board of Governors of the Federal Reserve System) of the option or warrant over its aggregate exercise price;
(2) for stock put options or warrants, any excess of the aggregate exercise price of the option or warrant over its current market value (as determined in accordance with Regulation T of the Board of Governors of the Federal Reserve System);

(3) for stock index call options and warrants, any excess of the product of the current index value and the applicable index multiplier over the aggregate exercise price of the option or warrant; and

(4) for stock index put options and warrants, any excess of the aggregate exercise price of the option or warrant over the product of the current index value and the applicable index multiplier.

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<tr>
<td>7  Long a basket of narrow-based security futures that together tracks a broad-based</td>
<td>Narrow-based security index</td>
<td>20% of the current market</td>
<td>The lower of: (1) 10% of the</td>
</tr>
<tr>
<td>8  Short a basket of narrow-based security futures that together tracks a broad-based</td>
<td>Narrow-based security index</td>
<td>value of the long basket of</td>
<td>aggregate exercise price of</td>
</tr>
<tr>
<td>9  Long security future and short security future on the same underlying security</td>
<td>Individual stock or narrow-based security index</td>
<td>of narrow-based security</td>
<td>the put, plus the aggregate</td>
</tr>
<tr>
<td>10 Long security future, long put option and short call option. The long security</td>
<td>Individual stock or narrow-based security index</td>
<td>market value of the long</td>
<td>put out-of-the-money amount,</td>
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<tr>
<td>11 Long security future, long put option and short call option. The long security</td>
<td>Individual stock or narrow-based security index</td>
<td>market value of the short</td>
<td>if any; or (2) 20% of the</td>
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<td>security future</td>
<td>current market value of the</td>
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<td>short basket of security</td>
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<td>futures.</td>
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<td>The greater of: 5% of the</td>
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<td>current market value of the</td>
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<td>long security future; or (2)</td>
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<td>5% of the current market value</td>
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<td>of the short security future.</td>
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<td>The greater of: 5% of the</td>
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<td>current market value of the</td>
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<td>long security future; or (2)</td>
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<td>5% of the current market value</td>
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<td>of the short security future.</td>
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<td>10% of the aggregate</td>
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<td>exercise price, plus the</td>
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<td>aggregate call in-the-money</td>
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<td>amount, if any.</td>
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<td>Proceeds from the call sale</td>
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<td></td>
<td></td>
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<td>may be applied.</td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th>DESCRIPTION OF OFFSET</th>
<th>SECURITY UNDERLYING THE SECURITY FUTURE</th>
<th>INITIAL MARGIN REQUIREMENT</th>
<th>MAINTENANCE MARGIN REQUIREMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short security future and long position in the same security (or securities basket) underlying the security future</td>
<td>Individual stock or narrow-based security index</td>
<td>The initial margin required under Regulation T for the long stock or stocks.</td>
<td>5% of the current market value, as defined in Regulation T, of the long stock or stocks.</td>
</tr>
<tr>
<td>Short security future and long position in a security immediately convertible into the same security underlying the security future, without restriction, including the payment of money</td>
<td>Individual stock or narrow-based security index</td>
<td>The initial margin required under Regulation T for the long security.</td>
<td>10% of the current market value, as defined in Regulation T, of the long security.</td>
</tr>
<tr>
<td>Short security future (or basket of security futures representing each component of a narrow-based securities index) and long call option or warrant on the same underlying security (or index)</td>
<td>Individual stock or narrow-based security index</td>
<td>20% of the current market value of the short security future, plus pay for the call in full.</td>
<td>The lower of: (1) 10% of the aggregate exercise price of the call, plus the aggregate call out-of-the-money amount, if any; or (2) 20% of the current market value of the short security future.</td>
</tr>
<tr>
<td>Short security future, short put option and long call option. The short security future, short put and long call must be on the same underlying security and the put and call must have the same exercise price. (Reverse Conversion)</td>
<td>Individual stock or narrow-based security index</td>
<td>20% of the current market value of the short security future, plus the aggregate put in-the-money amount, if any, plus pay for the call in full. Proceeds from put sale may be applied.</td>
<td>10% of the aggregate exercise price, plus the aggregate put in-the-money amount, if any.</td>
</tr>
<tr>
<td>Long (short) a basket of security futures, each based on a narrow-based security index that together tracks the broad-based index and short (long) a broad-based index future</td>
<td>Narrow-based security index</td>
<td>5% of the current market value for the long (short) basket of security futures.</td>
<td>5% of the current market value of the long (short) basket of security futures.</td>
</tr>
<tr>
<td>Long (short) a basket of security futures that together tracks a narrow-based index and short (long) a narrow-based index future</td>
<td>Individual stock and narrow-based security index</td>
<td>The greater of: (1) 5% of the current market value of the long security future(s); or (2) 5% of the current market value of the short security future(s).</td>
<td>The greater of: (1) 5% of the current market value of the long security future(s); or (2) 5% of the current market value of the short security future(s).</td>
</tr>
<tr>
<td>Long (short) a security future and short (long) an identical security future traded on a different market.(^6)</td>
<td>Individual stock and narrow-based security index</td>
<td>The greater of: (1) 3% of the current market value of the long security future(s); or (2) 3% of the current market value of the short security future(s).</td>
<td>The greater of: (1) 3% of the current market value of the long security future(s); or (2) 3% of the current market value of the short security future(s).</td>
</tr>
</tbody>
</table>

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\(^6\) Two security futures will be considered “identical” for this purpose if they are issued by the same clearing agency or cleared and guaranteed by the same derivatives clearing organization, have identical contract specifications, and would offset each other at the clearing level.
Appendix to Chapter 5


Without limiting the generality and applicability of the prior Rules in Chapter 5, any other Rules of the Exchange (including, without limitation, Rules 501, 502, 503, 505, 506, 604, and 605), and Applicable Law, Trading Privilege Holders shall comply with the Commission Regulations relating to minimum financial requirements, financial reporting requirements, and protection of customer funds that are set forth in this Appendix to Chapter 5 to the extent that Trading Privilege Holders are subject to those Commission Regulations. To the extent that any of the Commission Regulations set forth in this Appendix to Chapter 5 are amended from time to time by the Commission, Trading Privilege Holders are required to comply with the Commission Regulations as amended, to the extent applicable, regardless of whether the Exchange has yet amended this Appendix to Chapter 5 to incorporate the amendments.

Adopted October 17, 2012 (12-26).

519. Compliance with Commission Regulation 1.10 - Financial Reports of Futures Commission Merchants and Introducing Brokers

Any Trading Privilege Holder subject to Commission Regulation 1.10 that violates Commission Regulation 1.10 shall be deemed to have violated this Rule 519. Commission Regulation 1.10 is set forth below and incorporated into this Rule 519.

Commission Regulation 1.10 - Financial reports of futures commission merchants and introducing brokers.

(a) Application for registration. (1) Except as otherwise provided, a futures commission merchant or an applicant for registration as a futures commission merchant, in order to satisfy any requirement in this part that it file a Form 1-FR, must file a Form 1-FR-FCM, and any reference in this part to Form 1-FR with respect to a futures commission merchant or applicant therefor shall be deemed to be a reference to Form 1-FR-FCM. Except as otherwise provided, an introducing broker or an applicant for registration as an introducing broker, in order to satisfy any requirement in this part that it file a Form 1-FR, must file a Form 1-FR-IB, and any reference in this part to Form 1-FR with respect to an introducing broker or applicant therefor shall be deemed to be a reference to Form 1-FR-IB.

(2) (i) (A) Except as provided in paragraphs (a)(3) and (h) of this section, each person who files an application for registration as a futures commission merchant and who is not so registered at the time of such filing, must, concurrently with the filing of such application, file either:

(1) A Form 1-FR-FCM certified by an independent public accountant in accordance with §1.16 as of a date not more than 45 days prior to the date on which such report is filed; or

(2) A Form 1-FR-FCM as of a date not more than 17 business days prior to the date on which such report is filed and a Form 1-FR-FCM certified by an independent public accountant in accordance with §1.16 as of a date not more than one year prior to the date on which such report is filed.
(B) Each such person must include with such financial report a statement describing the source of his current assets and representing that his capital has been contributed for the purpose of operating his business and will continue to be used for such purpose.

(ii) (A) Except as provided in paragraphs (a)(3) and (h) of this section, each person who files an application for registration as an introducing broker and who is not so registered at the time of such filing, must, concurrently with the filing of such application, file either:

(1) A Form 1-FR-IB certified by an independent public accountant in accordance with §1.16 as of a date not more than 45 days prior to the date on which such report is filed;

(2) A Form 1-FR-IB as of a date not more than 17 business days prior to the date on which such report is filed and a Form 1-FR-IB certified by an independent public accountant in accordance with §1.16 as of a date not more than one year prior to the date on which such report is filed;

(3) A Form 1-FR-IB as of a date not more than 17 business days prior to the date on which such report is filed, Provided, however, that such applicant shall be subject to a review by the applicant's designated self-regulatory organization within six months of registration; or

(4) A guarantee agreement.

(B) Each person filing in accordance with paragraphs (a)(2)(ii)(A) (1), (2) or (3) of this section must include with such financial report a statement describing the source of his current assets and representing that his capital has been contributed for the purpose of operating his business and will continue to be used for such purpose.

(3)(i) The provisions of paragraph (a)(2) of this section do not apply to any person succeeding to and continuing the business of another futures commission merchant. Each such person who files an application for registration as a futures commission merchant and who is not so registered in that capacity at the time of such filing must file a Form 1-FR-FCM as of the first month end following the date on which his registration is approved. Such report must be filed with the National Futures Association, the Commission and the designated self-regulatory organization, if any, not more than 17 business days after the date for which the report is made.

(ii) The provisions of paragraph (a)(2) of this section do not apply to any person succeeding to and continuing the business of another introducing broker.

(A) Each such person who succeeds to and continues the business of an introducing broker which was not operating pursuant to a guarantee agreement, or which was operating pursuant to a guarantee agreement and was also a securities broker or dealer at the time of succession, who files an application for registration as an introducing broker, and who is not so registered in that capacity at the time of such filing, must file with the National Futures Association either a guarantee agreement with his application for registration or a Form 1-FR-IB as of the first month end following the date on which his registration is approved. Such Form 1-FR-IB must be filed not more than 17 business days after the date for which the report is made.

(B) Each such person who succeeds to and continues the business of an introducing broker which was operating pursuant to a guarantee agreement and which was not also a securities broker or dealer at the time of succession, who files an application for registration as an introducing broker, and who is not so registered in that capacity at the time of such filing, must file with the National Futures Association either a guarantee agreement or a Form 1-FR-IB as of the first month end following the date on which his registration is approved. Such Form 1-FR-IB must be filed not more than 17 business days after the date for which the report is made. The Form 1-FR-IB certified by an independent public accountant must be filed with the National Futures Association not more than 45 days after the date for which the report is made.
(b) Filing of financial reports. (1)(i) Except as provided in paragraphs (b)(3) and (h) of this section, each person registered as a futures commission merchant must file a Form 1-FR-FCM as of the close of business each month. Each Form 1-FR-FCM must be filed no later than 17 business days after the date for which the report is made.

(ii) In addition to the monthly financial reports required by paragraph (b)(1)(i) of this section, each person registered as a futures commission merchant must file a Form 1-FR-FCM as of the close of its fiscal year, which must be certified by an independent public accountant in accordance with §1.16, and must be filed no later than 60 days after the close of the futures commission merchant's fiscal year: Provided, however, that a registrant which is registered with the Securities and Exchange Commission as a securities broker or dealer must file this report not later than the time permitted for filing an annual audit report under §240.17a-5(d)(5) of this title.

(2)(i) Except as provided in paragraphs (b)(3) and (h) of this section, and except for an introducing broker operating pursuant to a guarantee agreement which is not also a securities broker or dealer, each person registered as an introducing broker must file a Form 1-FR-IB semiannually as of the middle and the close of each fiscal year. Each Form 1-FR-IB must be filed no later than 17 business days after the date for which the report is made.

(ii)(A) In addition to the financial reports required by paragraph (b)(2)(i) of this section, each person registered as an introducing broker must file a Form 1-FR-IB as of the close of its fiscal year which must be certified by an independent public accountant in accordance with §1.16 no later than 90 days after the close of each introducing broker's fiscal year: Provided, however, that a registrant which is registered with the Securities and Exchange Commission as a securities broker or dealer must file this report not later than the time permitted for filing an annual audit report under §240.17a-5(d)(5) of this title.

(B) If an introducing broker has filed previously a Form 1-FR-IB, certified by an independent public accountant in accordance with the provisions of paragraphs (a)(2)(ii) or (j)(8) of this section and §1.16 of this part, as of a date not more than one year prior to the close of such introducing broker's fiscal year, it need not have certified by an independent public accountant the Form 1-FR-IB filed as of the introducing broker's first fiscal year-end following the as of date of its initial certified Form 1-FR-IB. In such a case, the introducing broker's Form 1-FR-IB filed as of the close of the second fiscal year-end following the as of date of its initial certified Form 1-FR-IB must cover the period of time between those two dates and must be certified by an independent public accountant in accordance with §1.16 of this part.

(3) The provisions of paragraphs (b)(1) and (b)(2) of this section may be met by any person registered as a futures commission merchant or as an introducing broker who is a member of a designated self-regulatory organization and conforms to minimum financial standards and related reporting requirements set by such designated self-regulatory organization in its bylaws, rules, regulations, or resolutions and approved by the Commission pursuant to Section 4(f)(b) of the Act and §1.52: Provided, however, That each such registrant shall promptly file with the Commission a true and exact copy of each financial report which it files with such designated self-regulatory organization.

(4) Upon receiving written notice from any representative of the National Futures Association, the Commission or any self-regulatory organization of which it is a member, an applicant or registrant, except an applicant for registration as an introducing broker which has filed concurrently with its application for registration a guarantee agreement and which is not also a securities broker or dealer, must, monthly or at such times as specified, furnish the National Futures Association, the Commission or the self-regulatory organization requesting such information a Form 1-FR or such other financial information as requested by the National Futures Association, the Commission or the self-regulatory organization. Each such Form 1-FR or such other information must be furnished within the time period specified in the written notice, and in accordance with the provisions of paragraph (c) of this section.

(5) Each futures commission merchant must file with the Commission the measure of the future commission merchant's leverage as of the close of the business each month. For purpose of this section, the term "leverage" shall be defined by a registered futures association of which the futures commission
The futures commission merchant is required to file the leverage information with the Commission within 17 business days of the close of the futures commission merchant’s month end.

(c) Where to file reports. (1) Form 1-FR filed by an introducing broker pursuant to paragraph (b)(2) of this section need be filed only with, and will be considered filed when received by, the National Futures Association. Other reports or information provided for in this section will be considered filed when received by the Regional office of the Commission with jurisdiction over the state in which the registrant’s principal place of business is located (as set forth in §140.02 of this chapter) and by the designated self-regulatory organization, if any; and reports or other information required to be filed by this section by an applicant for registration will be considered filed when received by the National Futures Association. Any report or information filed with the National Futures Association pursuant to this paragraph shall be deemed for all purposes to be filed with, and to be the official record of, the Commission.

(ii) Except as provided in paragraph (h) of this section, all filings or other notices or applications prepared by an introducing broker or applicant for registration as an introducing broker or futures commission merchant pursuant to this section must be filed electronically in accordance with electronic filing procedures established by the National Futures Association. In the case of a Form 1-FR-IB that is required to be certified by an independent public accountant in accordance with §1.16, a paper copy of any such filing with the original manually signed certification must be maintained by the introducing broker or applicant for registration as an introducing broker in accordance with §1.31.

(d) Contents of financial reports. (1) Each Form 1-FR filed pursuant to this §1.10 which is not required to be certified by an independent public accountant must be completed in accordance with the instructions to the form and contain:

(i) A statement of financial condition as of the date for which the report is made;

(ii) Statements of income (loss) and a statement of changes in ownership equity for the period between the date of the most recent statement of financial condition filed with the Commission and the date for which the report is made;

(iii) A statement of changes in liabilities subordinated to claims of general creditors for the period between the date of the most recent statement of financial condition filed with the Commission and the date for which the report is made;

(iv) A statement of the computation of the minimum capital requirements pursuant to §1.17 as of the date for which the report is made;
(v) For a futures commission merchant only, the statements of segregation requirements and funds in
segregation for customers trading on U.S. commodity exchanges and for customers' dealer options
accounts, the statement of secured amounts and funds held in separate accounts for 30.7 customers (as
defined in §30.1 of this chapter) in accordance with §30.7 of this chapter, and the statement of cleared
swaps customer segregation requirements and funds in cleared swaps customer accounts under section
4d(f) of the Act as of the date for which the report is made; and

(vi) In addition to the information expressly required, such further material information as may be
necessary to make the required statements and schedules not misleading.

(2) Each Form 1-FR filed pursuant to this §1.10 which is required to be certified by an independent public
accountant must be completed in accordance with the instructions to the form and contain:

(i) A statement of financial condition as of the date for which the report is made;

(ii) Statements of income (loss), cash flows, changes in ownership equity, and changes in liabilities
subordinated to claims of general creditors, for the period between the date of the most recent certified
statement of financial condition filed with the Commission and the date for which the report is made:
Provided, That for an applicant filing pursuant to paragraph (a)(2)
of this section the period must be the
year ending as of the date of the statement of financial condition;

(iii) A statement of the computation of the minimum capital requirements pursuant to §1.17 as of the date
for which the report is made;

(iv) For a futures commission merchant only, the statements of segregation requirements and funds in
segregation for customers trading on U.S. commodity exchanges and for customers' dealer options
accounts, the statement of secured amounts and funds held in separate accounts for 30.7 customers (as
defined in §30.1 of this chapter) in accordance with §30.7 of this chapter, and the statement of cleared
swaps customers segregation requirements and funds in cleared swaps customer accounts under section
4d(f) of the Act as of the date for which the report is made;

(v) Appropriate footnote disclosures;

(vi) A reconciliation, including appropriate explanations, of the statement of the computation of the
minimum capital requirements pursuant to §1.17 and, for a futures commission merchant only, the
statements of segregation requirements and funds in segregation for customers trading on U.S.
commodity exchanges and for customers' dealer option accounts, the statement of secured amounts and
funds held in separate accounts for 30.7 customers (as defined in §30.1 of this chapter) in accordance
with §30.7 of this chapter, and the statement of cleared swaps customer segregation requirements and
funds in cleared swaps customer accounts under section 4d(f) of the Act, in the certified Form 1-FR
with the applicant's or registrant's corresponding uncertified most recent Form 1-FR filing when material
differences exist or, if no material differences exist, a statement so indicating; and

(vii) In addition to the information expressly required, such further material information as may be
necessary to make the required statements not misleading.

(3) The statements required by paragraphs (d)(2)(i) and (d)(2)(ii) of this section may be presented in
accordance with generally accepted accounting principles in the certified reports filed as of the close of
the registrant's fiscal year pursuant to paragraphs (b)(1)(ii) or (b)(2)(ii) of this section or accompanying the
application for registration pursuant to paragraph (a)(2) of this section, rather than in the format
specifically prescribed by these regulations: Provided, the statement of financial condition is presented in
a format as consistent as possible with the Form 1-FR and a reconciliation is provided reconciling such
statement of financial condition to the statement of the computation of the minimum capital requirements
pursuant to §1.17. Such reconciliation must be certified by an independent public accountant in
accordance with §1.16.
(4) Attached to each Form 1-FR filed pursuant to this section must be an oath or affirmation that to the best knowledge and belief of the individual making such oath or affirmation the information contained in the Form 1-FR is true and correct. The individual making such oath or affirmation must be:

(i) If the registrant or applicant is a sole proprietorship, the proprietor; if a partnership, any general partner; if a corporation, the chief executive officer or chief financial officer; and, if a limited liability company or limited liability partnership, the chief executive officer, the chief financial officer, the manager, the managing member, or those members vested with the management authority for the limited liability company or limited liability partnership; or

(ii) If the registrant or applicant is registered with the Securities and Exchange Commission as a securities broker or dealer, the representative authorized under §240.17a-5 of this title to file for the securities broker or dealer its Financial and Operational Combined Uniform Single Report under the Securities Exchange Act of 1934, part II, part IIA, or part II CSE.

(iii) In the case of a Form 1-FR filed via electronic transmission in accordance with procedures established by or approved by the Commission, such transmission must be accompanied by the user authentication assigned to the authorized signer under such procedures, and the use of such user authentication will constitute and become a substitute for the manual signature of the authorized signer for the purpose of making the oath or affirmation referred to in this paragraph.

(e) Election of fiscal year. (1) An applicant wishing to establish a fiscal year other than the calendar year may do so by notifying the National Futures Association of its election of such fiscal year, in writing, concurrently with the filing of the Form 1-FR pursuant to paragraph (a)(2) of this section, but in no event may such fiscal year end more than one year from the date of the Form 1-FR filed pursuant to paragraph (a)(2) of this section. An applicant that does not so notify the National Futures Association will be deemed to have elected the calendar year as its fiscal year.

(2) (i) A registrant must continue to use its elected fiscal year, calendar or otherwise, unless a change in such fiscal year has been approved pursuant to this paragraph (e)(2).

(ii) Futures commission merchant registrants. (A) A futures commission merchant may file with its designated self-regulatory organization an application to change its fiscal year, a copy of which the registrant must file with the Commission. The application shall be approved or denied in writing by the designated self-regulatory organization. The registrant must file immediately with the Commission a copy of any notice it receives from the designated self-regulatory organization to approve or deny the registrant's application to change its fiscal year. A written notice of approval shall become effective upon the filing by the registrant of a copy with the Commission, and a written notice of denial shall be effective as of the date of the notice.

(B) A futures commission merchant that is registered with the Securities and Exchange Commission as a securities broker or dealer may file with its designated self-regulatory organization copies of any notice or application filed with its designated examining authority pursuant to §240.17a-5(d)(1)(i) of this title, for a change in fiscal year or “as of” date for its annual audited financial statement. The registrant must file immediately with the designated self-regulatory organization and the Commission copies of any notice it receives from its designated examining authority to approve or deny the registrant's request for change in fiscal year or “as of” date. Upon the receipt by the designated self-regulatory organization and the Commission of copies of any such notice of approval, the change in fiscal year or “as of” date referenced in the notice shall be deemed approved under this paragraph (e)(2).

(C) Any copy that under this paragraph (e)(2) is required to be filed with the Commission shall be filed with the regional office of the Commission with jurisdiction over the state in which the registrant's principal place of business is located, and any copy or application to be filed with the designated self-regulatory organization shall be filed at its principal place of business.
(iii) **Introducing broker registrants.** (A) An introducing broker may file with the National Futures Association an application to change its fiscal year, which shall be approved or denied in writing.

(B) An introducing broker that is registered with the Securities and Exchange Commission as a securities broker or dealer may file with the National Futures Association copies of any notice or application filed with its designated examining authority, pursuant to §240.17a-5(d)(1)(i) of this title, for a change in fiscal year or “as of” date for its annual audited financial statement. The registrant must also file immediately with the National Futures Association copies of any notice it receives from its designated examining authority to approve or deny the registrant’s request for change in fiscal year or “as of” date. Upon the receipt by the National Futures Association of copies of any such notice of approval, the change in fiscal year or “as of” date referenced in the notice shall be deemed approved under this paragraph (e)(2).

(f) **Extension of time for filing uncertified reports.** (1) In the event a registrant finds that it cannot file its Form 1-FR, or, in accordance with paragraph (h) of this section, its Financial and Operational Combined Uniform Single Report under the Securities Exchange Act of 1934, part II, part IIA, or part II CSE (FOCUS report), for any period within the time specified in paragraphs (b)(1)(i) or (b)(2)(i) of this section without substantial undue hardship, it may request approval for an extension of time, as follows:

(i) **Futures commission merchant registrants.** (A) A futures commission merchant may file with its designated self-regulatory organization an application for extension of time, a copy of which the registrant must file with the Commission. The application shall be approved or denied in writing by the designated self-regulatory organization. The registrant must file immediately with the Commission a copy of any notice it receives from the designated self-regulatory organization to approve or deny the registrant’s request for extension of time. A written notice of approval shall become effective upon the filing by the registrant of a copy with the Commission, and a written notice of denial shall be effective as of the date of the notice.

(B) A futures commission merchant that is registered with the Securities and Exchange Commission as a securities broker or dealer may file with its designated self-regulatory organization a copy of any application that the registrant has filed with its designated examining authority, pursuant to §240.17a-5(l)(5) of this title, for an extension of time to file its FOCUS report. The registrant must also file immediately with the designated self-regulatory organization and the Commission copies of any notice it receives from its designated examining authority to approve or deny the requested extension of time. Upon receipt by the designated self-regulatory organization and the Commission of copies of any such notice of approval, the requested extension of time referenced in the notice shall be deemed approved under this paragraph (f)(1).

(C) Any copy that under this subparagraph (f)(1)(i) is required to be filed with the Commission shall be filed with the regional office of the Commission with jurisdiction over the state in which the registrant’s principal place of business is located.

(ii) **Introducing broker registrants.** (A) An introducing broker may file with the National Futures Association an application for extension of the time, which shall be approved or denied in writing.

(B) An introducing broker that is registered with the Securities and Exchange Commission as a securities broker or dealer may file with the National Futures Association copies of any application that the registrant has filed with its designated examining authority, pursuant to §240.17a-5(l)(5) of this title, for an extension of time to file its FOCUS report. The registrant must also file immediately with the National Futures Association copies of any notice it receives from its designated examining authority to approve or deny the requested extension of time. Upon the receipt by the National Futures Association of a copy of any such notice of approval, the requested extension of time referenced in the notice shall be deemed approved under this paragraph (f)(1)(ii).

(2) In the event an applicant finds that it cannot file its report for any period within the time specified in paragraph (b)(4) of this section without substantial undue hardship, it may file with the National Futures Association an application for an extension of time to a specified date which may not be more than 90
days after the date as of which the financial statements were to have been filed. The application must state the reasons for the requested extension and must contain an agreement to file the report on or before the specified date. The application must be received by the National Futures Association before the time specified in paragraph (b)(4) of this section for filing the report. Notice of such application must be filed with the regional office of the Commission with jurisdiction over the state in which the applicant's principal place of business is located concurrently with the filing of such application with the National Futures Association. Within ten calendar days after receipt of the application for an extension of time, the National Futures Association shall:

(i) Notify the applicant of the grant or denial of the requested extension; or

(ii) Indicate to the applicant that additional time is required to analyze the request, in which case the amount of time needed will be specified.

(g) Public availability of reports. (1) Forms 1-FR filed pursuant to this section, and FOCUS reports filed in lieu of Forms 1-FR pursuant to paragraph (h) of this section, will be treated as exempt from mandatory public disclosure for purposes of the Freedom of Information Act and the Government in the Sunshine Act and parts 145 and 147 of this chapter, except for the information described in paragraph (g)(2) of this section.

(2) The following information in Forms 1-FR, and the same or equivalent information in FOCUS reports filed in lieu of Forms 1-FR, will be publicly available:

(i) The amount of the applicant's or registrant's adjusted net capital; the amount of its minimum net capital requirement under §1.17 of this chapter; and the amount of its adjusted net capital in excess of its minimum net capital requirement; and

(ii) The following statements and footnote disclosures thereof: the Statement of Financial Condition in the certified annual financial reports of futures commission merchants and introducing brokers; the Statements (to be filed by a futures commission merchant only) of Segregation Requirements and Funds in Segregation for customers trading on U.S. commodity exchanges and for customers' dealer options accounts, the Statement (to be filed by a futures commission merchant only) of Secured Amounts and Funds held in Separate Accounts for 30.7 Customers (as defined in §30.1 of this chapter) in accordance with §30.7 of this chapter, and the Statement (to be filed by futures commission merchants only) of Cleared Swaps Customer Segregation Requirements and Funds in Cleared Swaps Customer Accounts under section 4d(f) of the Act.

(3) [Reserved]

(4) All information that is exempt from mandatory public disclosure under paragraph (g)(1) of this section will, however, be available for official use by any official or employee of the United States or any State, by any self-regulatory organization of which the person filing such report is a member, by the National Futures Association in the case of an applicant, and by any other person to whom the Commission believes disclosure of such information is in the public interest. Nothing in this paragraph (g) will limit the authority of any self-regulatory organization to request or receive any information relative to its members' financial condition.

(5) The independent accountant's opinion and a guarantee agreement filed pursuant to this section will be deemed public information.

(h) Filing option available to a futures commission merchant or an introducing broker that is also a securities broker or dealer. Any applicant or registrant which is registered with the Securities and Exchange Commission as a securities broker or dealer may comply with the requirements of this section by filing (in accordance with paragraphs (a), (b), (c), and (j) of this section) a copy of its Financial and Operational Combined Uniform Single Report under the Securities Exchange Act of 1934, Part II, Part IIA,
or Part II CSE (FOCUS Report), in lieu of Form 1-FR; *Provided, however,* That all information which is required to be furnished on and submitted with Form 1-FR is provided with such FOCUS Report; and *Provided, further,* That a certified FOCUS Report filed by an introducing broker or applicant for registration as an introducing broker in lieu of a certified Form 1-FR-IB must be filed according to National Futures Association rules, either in paper form or electronically, in accordance with procedures established by the National Futures Association, and if filed electronically, a paper copy of such filing with the original manually signed certification must be maintained by such introducing broker or applicant in accordance with §1.31.

(i) **Filing option available to an introducing broker or applicant for registration as an introducing broker which is also a country elevator.** Any introducing broker or applicant for registration as an introducing broker which is also a country elevator but which is not also a securities broker or dealer may comply with the requirements of this section by filing (in accordance with paragraphs (a), (b) and (c) of this section) a copy of a financial report prepared by a grain commission firm which has been authorized by the Deputy Vice President of the Commodity Credit Corporation of the United States Department of Agriculture to provide a compilation report of financial statements of warehousemen for purposes of Uniform Grain Storage Agreements, and which complies with the standards for independence set forth in §1.16(b)(2) with respect to the registrant or applicant: *Provided, however,* That all information which is required to be furnished on and submitted with Form 1-FR is provided with such financial report, including a statement of the computation of the minimum capital requirements pursuant to §1.17: *And, provided further,* That the balance sheet is presented in a format as consistent as possible with the Form 1-FR and a reconciliation is provided reconciling such balance sheet to the statement of the computation of the minimum capital requirements pursuant to §1.17. Attached to each financial report filed pursuant to this paragraph (i) must be an oath or affirmation that to the best knowledge and belief of the individual making such oath or affirmation the information contained therein is true and correct. If the applicant or registrant is a sole proprietorship, then the oath or affirmation must be made by the proprietor; if a partnership, by a general partner; or if a corporation, by the chief executive officer or chief financial officer.

(j) **Requirements for guarantee agreement.** (1) A guarantee agreement filed pursuant to this section must be signed in a manner sufficient to be a binding guarantee under local law by an appropriate person on behalf of the futures commission merchant or retail foreign exchange dealer and the introducing broker, and each signature must be accompanied by evidence that the signatory is authorized to enter the agreement on behalf of the futures commission merchant, retail foreign exchange dealer, or introducing broker and is such an appropriate person. For purposes of this paragraph (j), an appropriate person shall be the proprietor, if the firm is a sole proprietorship; a general partner, if the firm is a partnership; and either the chief executive officer or the chief financial officer, if the firm is a corporation; and, if the firm is a limited liability company or limited liability partnership, either the chief executive officer, the chief financial officer, the manager, the managing member, or those members vested with the management authority for the limited liability company or limited liability partnership.

(2) No futures commission merchant or retail foreign exchange dealer may enter into a guarantee agreement if:

(i) It knows or should have known that its adjusted net capital is less than the amount set forth in §1.12(b) of this part or §5.6(b) of this chapter, as applicable; or

(ii) There is filed against the futures commission merchant or retail foreign exchange dealer an adjudicatory proceeding brought by or before the Commission pursuant to the provisions of sections 6(c), 6(d), 6c, 6d, 8a or 9 of the Act or §§3.55, 3.56 or 3.60 of this chapter.

(3) A retail foreign exchange dealer may enter into a guarantee agreement only with an introducing broker as defined in §5.1(f)(1) of this chapter. A retail foreign exchange dealer may not enter into a guarantee agreement with an introducing broker as defined in §1.3 of this part.

(4) A guarantee agreement filed in connection with an application for initial registration as an introducing broker in accordance with the provisions of §3.10(a) of this chapter shall become effective upon the
granting of registration or, if appropriate, a temporary license, to the introducing broker. A guarantee agreement filed other than in connection with an application for initial registration as an introducing broker shall become effective as of the date agreed to by the parties.

(5)(i) If the registration of the introducing broker is suspended, revoked, or withdrawn in accordance with the provisions of this chapter, the guarantee agreement shall expire as of the date of such suspension, revocation or withdrawal.

(ii) If the registration of the futures commission merchant or retail foreign exchange dealer is suspended or revoked, the guarantee agreement shall expire 30 days after such suspension or revocation, or at such earlier time as may be approved by the Commission, the introducing broker, and the introducing broker's designated self-regulatory organization.

(6) A guarantee agreement may be terminated at any time during the term thereof:

(i) By mutual written consent of the parties, signed by an appropriate person on behalf of each party, with prompt written notice thereof, signed by an appropriate person on behalf of each party, to the Commission and to the designated self-regulatory organizations of the futures commission merchant or retail foreign exchange dealer and the introducing broker;

(ii) For good cause shown, by either party giving written notice of its intention to terminate the agreement, signed by an appropriate person, to the other party to the agreement, to the Commission, and to the designated self-regulatory organizations of the futures commission merchant or retail foreign exchange dealer and the introducing broker; or

(iii) By either party giving written notice of its intention to terminate the agreement, signed by an appropriate person, at least 30 days prior to the proposed termination date, to the other party to the agreement, to the Commission, and to the designated self-regulatory organizations of the futures commission merchant or retail foreign exchange dealer and the introducing broker.

(7) The termination of a guarantee agreement by a futures commission merchant, retail foreign exchange dealer or an introducing broker, or the expiration of such an agreement, shall not relieve any party from any liability or obligation arising from acts or omissions which occurred during the term of the agreement.

(8) An introducing broker may not simultaneously be a party to more than one guarantee agreement: Provided, however, That the provisions of this paragraph (j)(8) shall not be deemed to preclude an introducing broker from entering into a guarantee agreement with another futures commission merchant or retail foreign exchange dealer if the introducing broker, futures commission merchant or retail foreign exchange dealer which is a party to the existing agreement has provided notice of termination of the existing agreement in accordance with the provisions of paragraph (j)(6) of this section, and the new guarantee agreement does not become effective until the day following the date of termination of the existing agreement: And, provided further, That the provisions of this paragraph (j)(8) shall not be deemed to preclude an introducing broker from entering into a guarantee agreement with another futures commission merchant or retail foreign exchange dealer if the futures commission merchant or retail foreign exchange dealer which is a party to the existing agreement ceases to remain registered and the existing agreement would therefore expire in accordance with the provisions of paragraph (j)(6)(ii) of this section.

(9)(i)(A) An introducing broker that is a party to a guarantee agreement that has been terminated in accordance with the provisions of paragraph (j)(6) of this section, or that is due to expire in accordance with the provisions of paragraph (j)(5)(ii) of this section, must cease doing business as an introducing broker on or before the effective date of such termination or expiration unless, on or before 10 days prior to the effective date of such termination or expiration or such other period of time as the Commission or the designated self-regulatory organization may allow for good cause shown, the introducing broker files with its designated self-regulatory organization either a new guarantee agreement effective as of the day
following the date of termination of the existing agreement, or, in the case of a guarantee agreement that is due to expire in accordance with the provisions of paragraph (j)(4)(ii) of this section, a new guarantee agreement effective on or before such expiration, or either:

(1) A Form 1-FR-IB certified by an independent public accountant in accordance with §1.16 as of a date not more than 45 days prior to the date on which the report is filed; or

(2) A Form 1-FR-IB as of a date not more than 17 business days prior to the date on which the report is filed and a Form 1-FR-IB certified by an independent public accountant in accordance with §1.16 as of a date not more than one year prior to the date on which the report is filed: Provided, however, that an introducing broker as defined in §5.1(f)(1) of this chapter that is party to a guarantee agreement that has been terminated or that has expired must cease doing business as an introducing broker on or before the effective date of such termination or expiration unless, on or before 10 days prior to the effective date of such termination or expiration or such other period of time as the Commission or the designated self-regulatory organization may allow for good cause shown, the introducing broker files with its designated self-regulatory organization a new guarantee agreement effective on or before the termination or expiration date of the terminating or expiring guarantee agreement.

(B) Each person filing a Form 1-FR-IB in accordance with this section must include with the financial report a statement describing the source of his current assets and representing that his capital has been contributed for the purpose of operating his business and will continue to be used for such purpose.

(ii)(A) Notwithstanding the provisions of paragraph (j)(9)(i) of this section or of §1.17(a), an introducing broker that is a party to a guarantee agreement that has been terminated in accordance with the provisions of paragraph (j)(6)(ii) of this section shall not be deemed to be in violation of the minimum adjusted net capital requirement of §1.17(a)(1)(iii) or (a)(2) for 30 days following such termination. Such an introducing broker must cease doing business as an introducing broker on or after the effective date of such termination, and may not resume doing business as an introducing broker unless and until it files a new agreement or either:

(1) A Form 1-FR-IB certified by an independent public accountant in accordance with §1.16 as of a date not more than 45 days prior to the date on which the report is filed; or

(2) A Form 1-FR-IB as of a date not more than 17 business days prior to the date on which the report is filed and a Form 1-FR-IB certified by an independent public accountant in accordance with §1.16 as of a date not more than one year prior to the date on which the report is filed: Provided, however, that an introducing broker as defined in §5.1(f)(1) of this chapter that is party to a guarantee agreement that has been terminated must cease doing business as an introducing broker from and after the effective date of such termination, and may not resume doing business as an introducing broker unless and until it files a new guarantee agreement.

(B) Each person filing a Form 1-FR-IB in accordance with this section must include with the financial report a statement describing the source of his current assets and representing that his capital has been contributed for the purpose of operating his business and will continue to be used for such purpose.

(k) Filing option available to an introducing broker. (1) Any introducing broker or applicant for registration as an introducing broker which is not operating or intending to operate pursuant to a guarantee agreement may comply with the requirements of this section by filing (in accordance with paragraphs (a), (b) and (c) of this section) a Form 1-FR-IB in lieu of a Form 1-FR-FCM.

(2) If an introducing broker or applicant therefor avails itself of the filing option available under paragraph (k)(1) of this section, the report required to be filed in accordance with §1.16(c)(5) of this part must be filed as of the date of the Form 1-FR-IB being filed, and such an introducing broker or applicant therefor must maintain its financial records and make its monthly formal computation of its adjusted net capital, as required by §1.18 of this part, in a manner consistent with Form 1-FR-IB.
520. Compliance with Commission Regulation 1.11 – Risk Management Program for Futures Commission Merchants.

Any Trading Privilege Holder subject to Commission Regulation 1.11 that violates Commission Regulation 1.11 shall be deemed to have violated this Rule 520. Commission Regulation 1.11 is set forth below and incorporated into this Rule 520.

Commission Regulation 1.11 - Risk management program for futures commission merchants.

(a) Applicability. Nothing in this section shall apply to a futures commission merchant that does not accept any money, securities, or property (or extend credit in lieu thereof) to margin, guarantee, or secure any trades or contracts that result from soliciting or accepting orders for the purchase or sale of any commodity interest.

(b) Definitions. For purposes of this section:

(1) Business unit means any department, division, group, or personnel of a futures commission merchant or any of its affiliates, whether or not identified as such that:

(i) Engages in soliciting or in accepting orders for the purchase or sale of any commodity interest and that, in or in connection with such solicitation or acceptance of orders, accepts any money, securities, or property (or extends credit in lieu thereof) to margin, guarantee, or secure any trades or contracts that result or may result therefrom; or

(ii) Otherwise handles segregated funds, including managing, investing, and overseeing the custody of segregated funds, or any documentation in connection therewith, other than for risk management purposes; and

(iii) Any personnel exercising direct supervisory authority of the performance of the activities described in paragraph (b)(1)(i) or (ii) of this section.

(2) Customer means a futures customer as defined in §1.3, Cleared Swaps Customer as defined in §22.1 of this chapter, and 30.7 customer as defined in §30.1 of this chapter.

(3) Governing body means the proprietor, if the futures commission merchant is a sole proprietorship; a general partner, if the futures commission merchant is a partnership; the board of directors if the futures commission merchant is a corporation; the chief executive officer, the chief financial officer, the manager, the managing member, or those members vested with the management authority if the futures commission merchant is a limited liability company or limited liability partnership.

(4) Segregated funds means money, securities, or other property held by a futures commission merchant in separate accounts pursuant to §1.20 for futures customers, pursuant to §22.2 of this chapter for Cleared Swaps Customers, and pursuant to §30.7 of this chapter for 30.7 customers.

(5) Senior management means, any officer or officers specifically granted the authority and responsibility to fulfill the requirements of senior management by the governing body.

(c) Risk Management Program. (1) Each futures commission merchant shall establish, maintain, and enforce a system of risk management policies and procedures designed to monitor and manage the risks associated with the activities of the futures commission merchant as such. For purposes of this section, such policies and procedures shall be referred to collectively as a “Risk Management Program.”
(2) Each futures commission merchant shall maintain written policies and procedures that describe the Risk Management Program of the futures commission merchant.

(3) The Risk Management Program and the written risk management policies and procedures, and any material changes thereto, shall be approved in writing by the governing body of the futures commission merchant.

(4) Each futures commission merchant shall furnish a copy of its written risk management policies and procedures to the Commission and its designated self-regulatory organization upon application for registration and thereafter upon request.

(d) Risk management unit. As part of the Risk Management Program, each futures commission merchant shall establish and maintain a risk management unit with sufficient authority; qualified personnel; and financial, operational, and other resources to carry out the risk management program established pursuant to this section. The risk management unit shall report directly to senior management and shall be independent from the business unit.

(e) Elements of the Risk Management Program. The Risk Management Program of each futures commission merchant shall include, at a minimum, the following elements:

(1) Identification of risks and risk tolerance limits. (i) The Risk Management Program shall take into account market, credit, liquidity, foreign currency, legal, operational, settlement, segregation, technological, capital, and any other applicable risks together with a description of the risk tolerance limits set by the futures commission merchant and the underlying methodology in the written policies and procedures. The risk tolerance limits shall be reviewed and approved quarterly by senior management and annually by the governing body. Exceptions to risk tolerance limits shall be subject to written policies and procedures.

(ii) The Risk Management Program shall take into account risks posed by affiliates, all lines of business of the futures commission merchant, and all other trading activity engaged in by the futures commission merchant. The Risk Management Program shall be integrated into risk management at the consolidated entity level.

(iii) The Risk Management Program shall include policies and procedures for detecting breaches of risk tolerance limits set by the futures commission merchant, and alerting supervisors within the risk management unit and senior management, as appropriate.

(2) Periodic Risk Exposure Reports. (i) The risk management unit of each futures commission merchant shall provide to senior management and to its governing body quarterly written reports setting forth all applicable risk exposures of the futures commission merchant; any recommended or completed changes to the Risk Management Program; the recommended time frame for implementing recommended changes; and the status of any incomplete implementation of previously recommended changes to the Risk Management Program. For purposes of this section, such reports shall be referred to as “Risk Exposure Reports.” The Risk Exposure Reports also shall be provided to the senior management and the governing body immediately upon detection of any material change in the risk exposure of the futures commission merchant.

(ii) Furnishing to the Commission. Each futures commission merchant shall furnish copies of its Risk Exposure Reports to the Commission within five (5) business days of providing such reports to its senior management.

(3) Specific risk management considerations. The Risk Management Program of each futures commission merchant shall include, but not be limited to, policies and procedures necessary to monitor and manage the following risks:
(i) **Segregation risk.** The written policies and procedures shall be reasonably designed to ensure that segregated funds are separately accounted for and segregated or secured as belonging to customers as required by the Act and Commission regulations and must, at a minimum, include or address the following:

(A) A process for the evaluation of depositories of segregated funds, including, at a minimum, documented criteria that any depository that will hold segregated funds, including an entity affiliated with the futures commission merchant, must meet, including criteria addressing the depository's capitalization, creditworthiness, operational reliability, and access to liquidity. The criteria should further consider the extent to which segregated funds are concentrated with any depository or group of depositories. The criteria also should include the availability of deposit insurance and the extent of the regulation and supervision of the depository;

(B) A program to monitor an approved depository on an ongoing basis to assess its continued satisfaction of the futures commission merchant's established criteria, including a thorough due diligence review of each depository at least annually;

(C) An account opening process for depositories, including documented authorization requirements, procedures that ensure that segregated funds are not deposited with a depository prior to the futures commission merchant receiving the acknowledgment letter required from such depository pursuant to §1.20, and §§22.2 and 30.7 of this chapter, and procedures that ensure that such account is properly titled to reflect that it is holding segregated funds pursuant to the Act and Commission regulations;

(D) A process for establishing a targeted amount of residual interest that the futures commission merchant seeks to maintain as its residual interest in the segregated funds accounts and such process must be designed to reasonably ensure that the futures commission merchant maintains the targeted residual amounts and remains in compliance with the segregated funds requirements at all times. The policies and procedures must require that senior management, in establishing the total amount of the targeted residual interest in the segregated funds accounts, perform appropriate due diligence and consider various factors, as applicable, relating to the nature of the futures commission merchant's business including, but not limited to, the composition of the futures commission merchant's customer base, the general creditworthiness of the customer base, the general trading activity of the customers, the types of markets and products traded by the customers, the proprietary trading of the futures commission merchant, the general volatility and liquidity of the markets and products traded by customers, the futures commission merchant's own liquidity and capital needs, and the historical trends in customer segregated fund balances, including undermargined amounts and net deficit balances in customers' accounts. The analysis and calculation of the targeted amount of the future commission merchant's residual interest must be described in writing with the specificity necessary to allow the Commission and the futures commission merchant's designated self-regulatory organization to duplicate the analysis and calculation and test the assumptions made by the futures commission merchant. The adequacy of the targeted residual interest and the process for establishing the targeted residual interest must be reassessed periodically by Senior Management and revised as necessary;

(E) A process for the withdrawal of cash, securities, or other property from accounts holding segregated funds, where the withdrawal is not for the purpose of payments to or on behalf of the futures commission merchant's customers. Such policies and procedures must satisfy the requirements of §1.23, §22.17 of this chapter, or §30.7 of this chapter, as applicable;

(F) A process for assessing the appropriateness of specific investments of segregated funds in permitted investments in accordance with §1.25. Such policies and procedures must take into consideration the market, credit, counterparty, operational, and liquidity risks associated with such investments, and assess whether such investments comply with the requirements in §1.25 including that the futures commission merchant manage the permitted investments consistent with the objectives of preserving principal and maintaining liquidity;
(G) Procedures requiring the appropriate separation of duties among individuals responsible for compliance with the Act and Commission regulations relating to the protection and financial reporting of segregated funds, including the separation of duties among personnel that are responsible for advising customers on trading activities, approving or overseeing cash receipts and disbursements (including investment operations), and recording and reporting financial transactions. The policies and procedures must require that any movement of funds to affiliated companies and parties are properly approved and documented;

(H) A process for the timely recording of all transactions, including transactions impacting customers' accounts, in the firm's books of record;

(I) A program for conducting annual training of all finance, treasury, operations, regulatory, compliance, settlement, and other relevant officers and employees regarding the segregation requirements for segregated funds required by the Act and regulations, the requirements for notices under §1.12, procedures for reporting suspected breaches of the policies and procedures required by this section to the chief compliance officer, without fear of retaliation, and the consequences of failing to comply with the segregation requirements of the Act and regulations; and

(J) Policies and procedures for assessing the liquidity, marketability and mark-to-market valuation of all securities or other non-cash assets held as segregated funds, including permitted investments under §1.25, to ensure that all non-cash assets held in the customer segregated accounts, both customer-owned securities and investments in accordance with §1.25, are readily marketable and highly liquid. Such policies and procedures must require daily measurement of liquidity needs with respect to customers; assessment of procedures to liquidate all non-cash collateral in a timely manner and without significant effect on price; and application of appropriate collateral haircuts that accurately reflect market and credit risk.

(ii) Operational risk. The Risk Management Program shall include automated financial risk management controls reasonably designed to prevent the placing of erroneous orders, including those that exceed pre-set capital, credit, or volume thresholds. The Risk Management Program shall ensure that the use of automated trading programs is subject to policies and procedures governing the use, supervision, maintenance, testing, and inspection of such programs.

(iii) Capital risk. The written policies and procedures shall be reasonably designed to ensure that the futures commission merchant has sufficient capital to be in compliance with the Act and the regulations, and sufficient capital and liquidity to meet the reasonably foreseeable needs of the futures commission merchant.

(4) Supervision of the Risk Management Program. The Risk Management Program shall include a supervisory system that is reasonably designed to ensure that the policies and procedures required by this section are diligently followed.

(f) Review and testing. (1) The Risk Management Program of each futures commission merchant shall be reviewed and tested on at least an annual basis, or upon any material change in the business of the futures commission merchant that is reasonably likely to alter the risk profile of the futures commission merchant.

(2) The annual reviews of the Risk Management Program shall include an analysis of adherence to, and the effectiveness of, the risk management policies and procedures, and any recommendations for modifications to the Risk Management Program. The annual testing shall be performed by qualified internal audit staff that are independent of the business unit, or by a qualified third party audit service reporting to staff that are independent of the business unit. The results of the annual review of the Risk Management Program shall be promptly reported to and reviewed by the chief compliance officer, senior management, and governing body of the futures commission merchant.
(3) Each futures commission merchant shall document all internal and external reviews and testing of its Risk Management Program and written risk management policies and procedures including the date of the review or test; the results; any deficiencies identified; the corrective action taken; and the date that corrective action was taken. Such documentation shall be provided to Commission staff, upon request.

(g) Distribution of risk management policies and procedures. The Risk Management Program shall include procedures for the timely distribution of its written risk management policies and procedures to relevant supervisory personnel. Each futures commission merchant shall maintain records of the persons to whom the risk management policies and procedures were distributed and when they were distributed.

(h) Recordkeeping. (1) Each futures commission merchant shall maintain copies of all written approvals required by this section.

(2) All records or reports, including, but not limited to, the written policies and procedures and any changes thereto that a futures commission merchant is required to maintain pursuant to this regulation shall be maintained in accordance with §1.31 and shall be made available promptly upon request to representatives of the Commission.

Adopted April 28, 2014 (14-07).

521. Compliance with Commission Regulation 1.12 - Maintenance of Minimum Financial Requirements by Futures Commission Merchants and Introducing Brokers

Any Trading Privilege Holder subject to Commission Regulation 1.12 that violates Commission Regulation 1.12 shall be deemed to have violated this Rule 521. Commission Regulation 1.12 is set forth below and incorporated into this Rule 521.

Commission Regulation 1.12 - Maintenance of minimum financial requirements by futures commission merchants and introducing brokers.

(a) Each person registered as a futures commission merchant or who files an application for registration as a futures commission merchant, and each person registered as an introducing broker or who files an application for registration as an introducing broker (except for an introducing broker or applicant for registration as an introducing broker operating pursuant to, or who has filed concurrently with its application for registration, a guarantee agreement and who is not also a securities broker or dealer), who knows or should have known that its adjusted net capital at any time is less than the minimum required by §1.17 or by the capital rule of any self-regulatory organization to which such person is subject, if any, must:

(1) Give notice, as set forth in paragraph (n) of this section, that the applicant's or registrant's adjusted net capital is less than required by §1.17 or by other capital rule, identifying the applicable capital rule. The notice must be given immediately after the applicant or registrant knows or should have known that its adjusted net capital is less than the minimum required; or by any of the aforesaid rules to which the applicant or registrant is subject; and

(2) Provide together with such notice documentation, in such form as necessary, to adequately reflect the applicant's or registrant's capital condition as of any date on which such person's adjusted net capital is less than the minimum required; Provided, however, that if the applicant or registrant cannot calculate or otherwise immediately determine its financial condition, it must provide the notice required by paragraph (a)(1) of this section and include in such notice a statement that the entity cannot presently calculate its financial condition. The applicant or registrant must provide similar documentation of its financial condition for other days as the Commission may request.
(b) Each person registered as a futures commission merchant, or who files an application for registration as a futures commission merchant, who knows or should have known that its adjusted net capital at any time is less than the greatest of:

1. 150 percent of the minimum dollar amount required by §1.17(a)(1)(i)(A);

2. 110 percent of the amount required by §1.17(a)(1)(i)(B);

3. 150 percent of the amount of adjusted net capital required by a registered futures association of which it is a member, unless such amount has been determined by a margin-based capital computation set forth in the rules of the registered futures association, and such amount meets or exceeds the amount of adjusted net capital required under the margin-based capital computation set forth in §1.17(a)(1)(i)(B), in which case the required percentage is 110 percent, or

4. For securities brokers or dealers, the amount of net capital specified in Rule 17a-11(c) of the Securities and Exchange Commission (17 CFR 240.17a-11(c)), must file notice to that effect, as set forth in paragraph (n) of this section, as soon as possible and no later than twenty-four (24) hours of such event.

(c) If an applicant or registrant at any time fails to make or keep current the books and records required by these regulations, such applicant or registrant must, on the same day such event occurs, provide notice of such fact as specified in paragraph (n) of this section, specifying the books and records which have not been made or which are not current, and as soon as possible, but not later than forty-eight (48) hours after giving such notice, file a report as required by paragraph (n) of this section stating what steps have been and are being taken to correct the situation.

(d) Whenever any applicant or registrant discovers or is notified by an independent public accountant, pursuant to §1.16(e)(2), of the existence of any material inadequacy, as specified in §1.16(d)(2), such applicant or registrant must give notice of such material inadequacy, as provided in paragraph (n) of this section, as soon as possible but not later than twenty-four (24) hours of discovering or being notified of the material inadequacy. The applicant or registrant must file, in the manner provided for under paragraph (n) of this section, a report stating what steps have been and are being taken to correct the material inadequacy within forty-eight (48) hours of filing its notice of the material inadequacy.

(e) Whenever any self-regulatory organization learns that a member registrant has failed to file a notice or report as required by this section, that self-regulatory organization must immediately report this failure by notice, as provided in paragraph (n) of this section.

(f)(1) [Reserved]

(2) Whenever a registered futures commission merchant determines that any position it carries for another registered futures commission merchant or for a registered leverage transaction merchant must be liquidated immediately, transferred immediately or that the trading of any account of such futures commission merchant or leverage transaction merchant shall be only for purposes of liquidation, because the other futures commission merchant or the leverage transaction merchant has failed to meet a call for margin or to make other required deposits, the carrying futures commission merchant must immediately give notice, as provided in paragraph (n) of this section, of such a determination.

(3) Whenever a registered futures commission merchant determines that an account which it is carrying is undermargined by an amount which exceeds the futures commission merchant's adjusted net capital determined in accordance with §1.17, the futures commission merchant must immediately provide notice, as provided in paragraph (n) of this section, of such a determination to the designated self-regulatory organization and the Commission. This paragraph (f)(3) shall apply to any account carried by the futures commission merchant, whether a customer, noncustomer, omnibus or proprietary account. For purposes of this paragraph, if any person has an interest of 10 percent or more in ownership or equity in, or
guarantees, more than one account, or has guaranteed an account in addition to its own account, all such accounts shall be combined.

(4) A futures commission merchant shall provide immediate notice, as provided in paragraph (n) of this section, whenever any commodity interest account it carries is subject to a margin call, or call for other deposits required by the futures commission merchant, that exceeds the futures commission merchant's excess adjusted net capital, determined in accordance with §1.17, and such call has not been answered by the close of business on the day following the issuance of the call. This applies to all accounts carried by the futures commission merchant, whether customer, noncustomer, or omnibus, that are subject to margining, including commodity futures, cleared swaps, and options. In addition to actual margin deposits by an account owner, a futures commission merchant may also take account of favorable market moves in determining whether the margin call is required to be reported under this paragraph.

(5)(i) A futures commission merchant shall provide immediate notice, as provided in paragraph (n) of this section, whenever its excess adjusted net capital is less than six percent of the maintenance margin required by the futures commission merchant on all positions held in accounts of a noncustomer other than a noncustomer who is subject to the minimum financial requirements of:

(A) A futures commission merchant, or

(B) The Securities and Exchange Commission for a securities broker or dealer.

(ii) For purposes of paragraph (f)(5)(i) of this section, maintenance margin shall include all deposits which the futures commission merchant requires the noncustomer to maintain in order to carry its positions at the futures commission merchant.

(g) A futures commission merchant shall provide notice, as provided in paragraph (n) of this section, of a substantial reduction in capital as compared to that last reported in a financial report filed with the Commission pursuant to §1.10. This notice shall be provided as follows:

(1) If any event or series of events, including any withdrawal, advance, loan or loss cause, on a net basis, a reduction in net capital (or, if the futures commission merchant is qualified to use the filing option available under §1.10(h), tentative net capital as defined in the rules of the Securities and Exchange Commission) of 20 percent or more, notice must be provided as provided in paragraph (n) of this section within two business days of the event or series of events causing the reduction stating the reason for the reduction and steps the futures commission merchant will be taking to ensure an appropriate level of net capital is maintained by the futures commission merchant; and

(2) If equity capital of the futures commission merchant or a subsidiary or affiliate of the futures commission merchant consolidated pursuant to §1.17(f) (or 17 CFR 240.15c3-1e) would be withdrawn by action of a stockholder or a partner or a limited liability company member or by redemption or repurchase of shares of stock by any of the consolidated entities or through the payment of dividends or any similar distribution, or an unsecured advance or loan would be made to a stockholder, partner, sole proprietor, limited liability company member, employee or affiliate, such that the withdrawal, advance or loan would cause, on a net basis, a reduction in excess adjusted net capital (or, if the futures commission merchant is qualified to use the filing option available under §1.10(h), excess net capital as defined in the rules of the Securities and Exchange Commission) of 30 percent or more, notice must be provided as provided in paragraph (n) of this section at least two business days prior to the withdrawal, advance or loan that would cause the reduction: Provided, however, That the provisions of paragraphs (g)(1) and (g)(2) of this section do not apply to any futures or securities transaction in the ordinary course of business between a futures commission merchant and any affiliate where the futures commission merchant makes payment to or on behalf of such affiliate for such transaction and then receives payment from such affiliate for such transaction within two business days from the date of the transaction.
(3) Upon receipt of such notice from a futures commission merchant, or upon a reasonable belief that a substantial reduction in capital has occurred or will occur, the Director of the Division of Swap Dealer and Intermediary Oversight or the Director's designee may require that the futures commission merchant provide or cause a Material Affiliated Person (as that term is defined in §1.14(a)(2)) to provide, within three business days from the date of request or such shorter period as the Division Director or designee may specify, such other information as the Division Director or designee determines to be necessary based upon market conditions, reports provided by the futures commission merchant, or other available information.

(h) Whenever a person registered as a futures commission merchant knows or should know that the total amount of its funds on deposit in segregated accounts on behalf of customers trading on designated contract markets, or the amount of funds on deposit in segregated accounts for customers transacting in Cleared Swaps under part 22 of this chapter, or the total amount set aside on behalf of customers trading on non-United States markets under part 30 of this chapter, is less than the total amount of such funds required by the Act and the regulations to be on deposit in segregated or secured amount accounts on behalf of such customers, the registrant must report such deficiency immediately by notice to the registrant's designated self-regulatory organization and the Commission, as provided in paragraph (n) of this section.

(i) A futures commission merchant must provide immediate notice, as set forth in paragraph (n) of this section, whenever it discovers or is informed that it has invested funds held for futures customers trading on designated contract markets pursuant to §1.20, Cleared Swaps Customer Collateral, as defined in §22.1 of this chapter, or 30.7 customer funds, as defined in §30.1 of this chapter, in instruments that are not permitted investments under §1.25, or has otherwise violated the requirements governing the investment of funds belonging to customers under §1.25.

(j) A futures commission merchant must provide immediate notice, as provided in paragraph (n) of this section, whenever the futures commission merchant does not hold a sufficient amount of funds in segregated accounts for futures customers under §1.20, in segregated accounts for Cleared Swaps Customers under part 22 of this chapter, or in secured amount accounts for customers trading on foreign markets under part 30 of this chapter to meet the futures commission merchant's targeted residual interest in the segregated or secured amount accounts pursuant to its policies and procedures required under §1.11, or whenever the futures commission merchant's amount of residual interest is less than the sum of the undermargined amounts in its customer accounts as determined at the point in time that the firm is required to maintain the undermargined amounts under §1.22, and §§22.2 and 30.7 of this chapter.

(k) A futures commission merchant must provide immediate notice, as provided in paragraph (n) of this section, whenever the futures commission merchant, or the futures commission merchant's parent or material affiliate, experiences a material adverse impact to its creditworthiness or ability to fund its obligations, including any change that could adversely impact the firm's liquidity resources.

(l) A futures commission merchant must provide prompt notice, but in no event later than 24 hours, as provided in paragraph (n) of this section, whenever the futures commission merchant experiences a material change in its operations or risk profile, including a change in the senior management of the futures commission merchant, the establishment or termination of a line of business, or a material adverse change in the futures commission merchant's clearing arrangements.

(m) A futures commission merchant must provide notice, if the futures commission merchant has been notified by the Securities and Exchange Commission, a securities self-regulatory organization, or a futures self-regulatory organization, that it is the subject of a formal investigation. A futures commission merchant must provide a copy of any examination report issued to the futures commission merchant by the Securities and Exchange Commission or a securities self-regulatory organization. A futures commission merchant must provide the Commission with notice of any correspondence received from the Securities and Exchange Commission or a securities self-regulatory organization that raises issues with the adequacy of the futures commission merchant's capital position, liquidity to meet its obligations or otherwise operate its business, or internal controls. The notices and examination reports required by this
section must be filed in a prompt manner, but in no event later than 24 hours of the reportable event, and
must be filed in accordance with paragraph (n) of the section; Provided, however, that a futures
commission merchant is not required to file a notice or copy of an examination report with the Securities
and Exchange Commission, a securities self-regulatory organization, or a futures self-regulatory
organization if such entity originally provided the communication or report to the futures commission
merchant.

(n) Notice. (1) Every notice and report required to be filed by this section by a futures commission
merchant or a self-regulatory organization must be filed with the Commission, with the designated self-
regulatory organization, if any, and with the Securities and Exchange Commission, if such registrant is a
securities broker or dealer. Every notice and report required to be filed by this section by an applicant for
registration as a futures commission merchant must be filed with the National Futures Association (on
behalf of the Commission), with the designated self-regulatory organization, if any, and with the Securities
and Exchange Commission, if such applicant is a securities broker or dealer. Every notice or report that is
required to be filed by this section by a futures commission merchant or a self-regulatory organization
must include a discussion of how the reporting event originated and what steps have been, or are being
taken, to address the reporting event.

(2) Every notice and report which an introducing broker or applicant for registration as an introducing
broker is required to file by paragraphs (a), (c), and (d) of this section must be filed with the National
Futures Association (on behalf of the Commission), with the designated self-regulatory organization, if
any, and with all futures commission merchant carrying or intending to carry customer accounts for the
introducing broker or applicant for registration as an introducing broker. Any notice or report filed with the
National Futures Association pursuant to this paragraph shall be deemed for all purposes to be filed with,
and to be the official record of, the Commission. Every notice or report that is required to be filed by this
section by an introducing broker or applicant for registration as an introducing broker must include a
discussion of how the reporting event originated and what steps have been, or are being taken, to
address the reporting event.

(3) Every notice or report that is required to be filed by a futures commission merchant with the
Commission or with a designated self-regulatory organization under this section must be in writing and
must be filed via electronic transmission using a form of user authentication assigned in accordance with
procedures established by or approved by the Commission, and otherwise in accordance with instructions
issued by or approved by the Commission; Provided, however, that if the registered futures commission
merchant cannot file the notice or report using the electronic transmission approved by the Commission
due to a transmission or systems failure, the futures commission merchant must immediately contact the
Commission’s regional office with jurisdiction over the futures commission merchant as provided in
§140.02 of this chapter, and by email to FCMNotice@CFTC.gov. Any such electronic submission must
clearly indicate the futures commission merchant on whose behalf such filing is made and the use of such
user authentication in submitting such filing will constitute and become a substitute for the manual
signature of the authorized signer.


522. Compliance with Commission Regulation 1.17 - Minimum
Financial Requirements for Futures Commission Merchants and
Introducing Brokers

Any Trading Privilege Holder subject to Commission Regulation 1.17 that
violates Commission Regulation 1.17 shall be deemed to have violated this Rule 522.
Commission Regulation 1.17 is set forth below and incorporated into this Rule 522.

Commission Regulation 1.17 - Minimum financial requirements for futures commission merchants and
introducing brokers.
(a)(1)(i) Except as provided in paragraph (a)(2)(i) of this section, each person registered as a futures commission merchant must maintain adjusted net capital equal to or in excess of the greatest of:

(A) $1,000,000;

(B) The futures commission merchant's risk-based capital requirement, computed as eight percent of the total risk margin requirement for positions carried by the futures commission merchant in customer accounts and noncustomer accounts.

(C) The amount of adjusted net capital required by a registered futures association of which it is a member; or

(D) For securities brokers and dealers, the amount of net capital required by Rule 15c3-1(a) of the Securities and Exchange Commission (17 CFR 240.15c3-1(a)).

(ii) [Reserved]

(iii) Except as provided in paragraph (a)(2) of this section, each person registered as an introducing broker must maintain adjusted net capital equal to or in excess of the greatest of:

(A) $45,000;

(B) The amount of adjusted net capital required by a registered futures association of which it is a member; or

(C) For securities brokers and dealers, the amount of net capital required by Rule 15c3-1(a) of the Securities and Exchange Commission (17 CFR 240.15c3-1(a)).

(2)(i) The requirements of paragraph (a)(1) of this section shall not be applicable if the registrant is a member of a designated self-regulatory organization and conforms to minimum financial standards and related reporting requirements set by such designated self-regulatory organization in its bylaws, rules, regulations or resolutions approved by the Commission pursuant to section 4f(b) of the Act and §1.52.

(ii) The minimum requirements of paragraph (a)(1)(iii) of this section shall not be applicable to an introducing broker which elects to meet the alternative adjusted net capital requirement for introducing brokers by operation pursuant to a guarantee agreement which meets the requirements set forth in §1.10(j). Such an introducing broker shall be deemed to meet the adjusted net capital requirement under this section so long as such agreement is binding and in full force and effect, and, if the introducing broker is also a securities broker or dealer, it maintains the amount of net capital required by Rule 15c3-1(a) of the Securities and Exchange Commission (17 CFR 240.15c3-1(a)).

(3) No person applying for registration as a futures commission merchant or as an introducing broker shall be so registered unless such person affirmatively demonstrates to the satisfaction of the National Futures Association that it complies with the financial requirements of this section. Each registrant must be in compliance with this section at all times and must be able to demonstrate such compliance to the satisfaction of the Commission or the designated self-regulatory organization.

(4) A futures commission merchant who is not in compliance with this section, or is unable to demonstrate such compliance as required by paragraph (a)(3) of this section, or who cannot certify to the Commission immediately upon request and demonstrate with verifiable evidence that it has sufficient access to liquidity to continue operating as a going concern, must transfer all customer accounts and immediately cease doing business as a futures commission merchant until such time as the firm is able to demonstrate such compliance; Provided, however, The registrant may trade for liquidation purposes only unless otherwise directed by the Commission and/or the designated self-regulatory organization; And, Provided further, That if such registrant immediately demonstrates to the satisfaction of the Commission
or the designated self-regulatory organization the ability to achieve compliance, the Commission or the
designated self-regulatory organization may in its discretion allow such registrant up to a maximum of 10
business days in which to achieve compliance without having to transfer accounts and cease doing
business as required above. Nothing in this paragraph shall be construed as preventing the Commission
or the designated self-regulatory organization from taking action against a registrant for non-compliance
with any of the provisions of this section.

(5) An introducing broker who is not in compliance with this section, or is unable to demonstrate such
compliance as required by paragraph (a)(3) of this section, must immediately cease doing business as an
introducing broker until such time as the registrant is able to demonstrate such compliance: *Provided,
however*, That if such registrant immediately demonstrates to the satisfaction of the Commission or the
designated self-regulatory organization the ability to achieve compliance, the Commission or the
designated self-regulatory organization may in its discretion allow such registrant up to a maximum of 10
business days in which to achieve compliance without having to cease doing business as required above.
If the introducing broker is required to cease doing business in accordance with this paragraph (a)(5), the
introducing broker must immediately notify each of its customers and the futures commission merchants
carrying the account of each customer that it has ceased doing business. Nothing in this paragraph (a)(5)
shall be construed as preventing the Commission or the designated self-regulatory organization from
taking action against a registrant for non-compliance with any of the provisions of this section.

(b) For the purposes of this section:

(1) Where the applicant or registrant has an asset or liability which is defined in Securities Exchange Act
Rule 15c3-1 (§240.15c3-1 of this title) the inclusion or exclusion of all or part of such asset or liability for
the computation of adjusted net capital shall be in accordance with §240.15c3-1 of this title, unless
specifically stated otherwise in this section.

(2) *Customer.* This term means a futures customer as defined in §1.3, a cleared over the counter
customer as defined in paragraph (b)(10) of this section, and a 30.7 customer as defined in §30.1 of this
chapter.

(3) *Proprietary account* means an account in which commodity futures, options or cleared over the
counter derivative positions are carried on the books of the applicant or registrant for the applicant or
registrant itself, or for general partners in the applicant or registrant.

(4) *Noncustomer account* means an account in which commodity futures, options or cleared over the
counter derivative positions are carried on the books of the applicant or registrant which is either:

(i) An account that is not included in the definition of customer (as defined in §1.17(b)(2)) or proprietary
account (as defined in §1.17(b)(3)), or

(ii) An account for a foreign-domiciled person trading futures or options on a foreign board of trade, and
such account is a proprietary account as defined in §1.3, but is not a proprietary account as defined in
§1.17(b)(3).

(5) *Clearing organization* means clearing organization (as defined in §1.3(d)) and includes a clearing
organization of any board of trade.

(6) *Business day* means any day other than a Sunday, Saturday, or holiday.

(7) *Customer account.* This term means an account in which commodity futures, options or cleared over
the counter derivative positions are carried on the books of the applicant or registrant which is an account
that is included in the definition of customer as defined in §1.17(b)(2).
(8) Risk margin for an account means the level of maintenance margin or performance bond required for the customer or noncustomer positions by the applicable exchanges or clearing organizations, and, where margin or performance bond is required only for accounts at the clearing organization, for purposes of the FCM's risk-based capital calculations applying the same margin or performance bond requirements to customer and noncustomer positions in accounts carried by the FCM, subject to the following.

(i) Risk margin does not include the equity component of short or long option positions maintained in an account;

(ii) The maintenance margin or performance bond requirement associated with a long option position may be excluded from risk margin to the extent that the value of such long option position does not reduce the total risk maintenance or performance bond requirement of the account that holds the long option position;

(iii) The risk margin for an account carried by a futures commission merchant which is not a member of the exchange or the clearing organization that requires collection of such margin should be calculated as if the futures commission merchant were such a member; and

(iv) If a futures commission merchant does not possess sufficient information to determine what portion of an account's total margin requirement represents risk margin, all of the margin required by the exchange or the clearing organization that requires collection of such margin for that account, shall be treated as risk margin.

(9) Cleared over the counter derivative positions means “over the counter derivative instrument” (as defined in 12 U.S.C. 4421) positions of any person in accounts carried on the books of the futures commission merchant and cleared by any organization permitted to clear such instruments under the laws of the relevant jurisdiction.

(10) Cleared over the counter customer means any person that is not a proprietary person as defined in §1.3 and for whom the futures commission merchant carries on its books one or more accounts for the over the counter-cleared derivative positions of such person.

(c) Definitions: For the purposes of this section:

(1) Net capital means the amount by which current assets exceed liabilities. In determining “net capital”:

(i) Unrealized profits shall be added and unrealized losses shall be deducted in the accounts of the applicant or registrant, including unrealized profits and losses on fixed price commitments and forward contracts;

(ii) All long and all short positions in commodity options which are traded on a contract market and listed security options shall be marked to their market value and all long and all short securities and commodities positions shall be marked to their market value;

(iii) The value attributed to any commodity option which is not traded on a contract market shall be the difference between the option’s strike price and the market value for the commodity or futures contract which is the subject of the option. In the case of a call commodity option which is not traded on a contract market, if the market value for the commodity or futures contract which is the subject of the option is less than the strike price of the option, it shall be given no value. In the case of a put commodity option which is not traded on a contract market, if the market value for the commodity or futures contract which is the subject of the option is more than the strike price of the option, it shall be given no value; and

(iv) The value attributed to any unlisted security option shall be the difference between the option's exercise value or striking value and the market value of the underlying security. In the case of an unlisted
call, if the market value of the underlying security is less than the exercise value or striking value of such call, it shall be given no value; and, in the case of an unlisted put, if the market value of the underlying security is more than the exercise value or striking value of the unlisted put, it shall be given no value.

(2) The term current assets means cash and other assets or resources commonly identified as those which are reasonably expected to be realized in cash or sold during the next 12 months. “Current assets” shall:

(i) Exclude any unsecured commodity futures or option account containing a ledger balance and open trades, the combination of which liquidates to a deficit or containing a debit ledger balance only: Provided, however, Deficits or debit ledger balances in unsecured customers', non-customers', and proprietary accounts, which are the subject of calls for margin or other required deposits may be included in current assets until the close of business on the business day following the date on which such deficit or debit ledger balance originated providing that the account had timely satisfied, through the deposit of new funds, the previous day's debit or deficits, if any, in its entirety.

(ii) Exclude all unsecured receivables, advances and loans except for:

(A) Receivables resulting from the marketing of inventories commonly associated with the business activities of the applicant or registrant and advances on fixed price purchases commitments: Provided, Such receivables or advances are outstanding no longer than 3 calendar months from the date that they are accrued;

(B) Interest receivable, floor brokerage receivable, commissions receivable from other brokers or dealers (other than syndicate profits), mutual fund concessions receivable and management fees receivable from registered investment companies and commodity pools: Provided, Such receivables are outstanding no longer than thirty (30) days from the date they are due; and dividends receivable outstanding no longer than thirty (30) days from the payable date;

(C) Receivables from clearing organizations and securities clearing organizations;

(D) Receivables from registered futures commission merchants or brokers, resulting from commodity futures or option transactions, except those specifically excluded under paragraph (c)(2)(i) of this section;

(E) Insurance claims which arise from a reportable segment of the applicant's or registrant's overall business activities, as defined in generally accepted accounting principles, other than in the commodity futures, commodity option, security and security option segments of the applicant's or registrant's business activities which are not outstanding more than 3 calendar months after the date they are recorded as a receivable;

(F) All other insurance claims not subject to paragraph (c)(2)(ii)(E) of this section, which are not older than seven (7) business days from the date the loss giving rise to the claim is discovered; insurance claims which are not older than twenty (20) business days from the date the loss giving rise to the claim is discovered and which are covered by an option of outside counsel that the claim is valid and is covered by insurance policies presently in effect; insurance claims which are older than twenty (20) business days from the date the loss giving rise to the claim is discovered and which are covered by an opinion of outside counsel that the claim is valid and is covered by insurance policies presently in effect and which have been acknowledged in writing by the insurance carrier as due and payable: Provided, Such claims are not outstanding longer than twenty (20) business days from the date they are so acknowledged by the carrier;

(iii) Exclude all prepaid expenses and deferred charges;

(iv) Exclude all inventories except for:
(A) Readily marketable spot commodities; or spot commodities which “adequately collateralize” indebtedness under paragraph (c)(7) of this section;

(B) Securities which are considered “readily marketable” (as defined in §240.15c3-1(c)(11) of this title) or which “adequately collateralize” indebtedness under paragraph (c)(7) of this section;

(C) Work in process and finished goods which result from the processing of commodities at market value;

(D) Raw materials at market value which will be combined with spot commodities to produce a finished processed commodity; and

(E) Inventories held for resale commonly associated with the business activities of the applicant or registrant;

(v) Include fixed assets and assets which otherwise would be considered noncurrent to the extent of any long-term debt adequately collateralized by assets acquired for use in the ordinary course of the trade or business of an applicant or registrant and any other long-term debt adequately collateralized by assets of the applicant or registrant if the sole recourse of the creditor for nonpayment of such liability is to such asset: Provided, Such liabilities are not excluded from liabilities in the computation of net capital under paragraph (c)(4)(vi) of this section;

(vi) Exclude all assets doubtful of collection or realization less any reserves established therefor;

(vii) Include, in the case of future income tax benefits arising as a result of unrealized losses, the amount of such benefits not exceeding the amount of income tax liabilities accrued on the books and records of the applicant or registrant, but only to the extent such benefits could have been applied to reduce accrued tax liabilities on the date of the capital computation, had the related unrealized losses been realized on that date;

(viii) Include guarantee deposits with clearing organizations and stock in clearing organizations to the extent of its margin value;

(ix) In the case of an introducing broker or an applicant for registration as an introducing broker, include 50 percent of the value of a guarantee or security deposit with a futures commission merchant which carries or intends to carry accounts for the customers of the introducing broker; and

(x) Exclude exchange memberships.

(3) A loan or advance or any other form of receivable shall not be considered “secured” for the purposes of paragraph (c)(2) of this section unless the following conditions exist:

(i) The receivable is secured by readily marketable collateral which is otherwise unencumbered and which can be readily converted into cash: Provided, however, That the receivable will be considered secured only to the extent of the market value of such collateral after application of the percentage deductions specified in paragraph (c)(5) of this section; and

(ii) The readily marketable collateral is in the possession or control of the applicant or registrant; or

(B) The applicant or registrant has a legally enforceable, written security agreement, signed by the debtor, and has a perfected security interest in the readily marketable collateral within the meaning of the laws of the State in which the readily marketable collateral is located.

(4) The term liabilities means the total money liabilities of an applicant or registrant arising in connection with any transaction whatsoever, including economic obligations of an applicant or registrant that are
recognized and measured in conformity with generally accepted accounting principles. “Liabilities” also include certain deferred credits that are not obligations but that are recognized and measured in conformity with generally accepted accounting principles. For the purposes of computing “net capital”, the term “liabilities”:

(i) Excludes liabilities of an applicant or registrant which are subordinated to the claims of all general creditors of the applicant or registrant pursuant to a satisfactory subordination agreement, as defined in paragraph (h) of this section;

(ii) Excludes, in the case of a futures commission merchant, the amount of money, securities and property due to commodity futures or option customers which is held in segregated accounts in compliance with the requirements of the Act and these regulations: Provided, however, That such exclusion may be taken only if such money, securities and property held in segregated accounts have been excluded from current assets in computing net capital;

(iii) Includes, in the case of an applicant or registrant who is a sole proprietor, the excess of liabilities which have not been incurred in the course of business as a futures commission merchant or as an introducing broker over assets not used in the business;

(iv) Excludes the lesser of any deferred income tax liability related to the items in paragraphs (c)(4)(i) (A), (B), and (C) below, or the sum of paragraphs (c)(4)(i) (A), (B), and (C) below:

(A) The aggregate amount resulting from applying to the amount of the deductions computed in accordance with paragraph (c)(5) of this section the appropriate Federal and State tax rate(s) applicable to any unrealized gain on the asset on which the deduction was computed;

(B) Any deferred tax liability related to income accrued which is directly related to an asset otherwise deducted pursuant to this section;

(C) Any deferred tax liability related to unrealized appreciation in value of any asset(s) which has been otherwise excluded from current assets in accordance with the provisions of this section;

(v) Excludes any current tax liability related to income accrued which is directly related to an asset otherwise deducted pursuant to this section; and

(vi) Excludes liabilities which would be classified as long term in accordance with generally accepted accounting principles to the extent of the net book value of plant, property and equipment which is used in the ordinary course of any trade or business of the applicant or registrant which is a reportable segment of the applicant's or registrant's overall business activities, as defined in generally accepted accounting principles, other than in the commodity futures, commodity option, security and security option segments of the applicant's or registrant's business activities: Provided, That such plant, property and equipment is not included in current assets pursuant to paragraph (c)(2)(v) of this section.

(5) The term adjusted net capital means net capital less:

(i) The amount by which any advances paid by the applicant or registrant on cash commodity contracts and used in computing net capital exceeds 95 percent of the market value of the commodities covered by such contracts;

(ii) In the case of all inventory, fixed price commitments and forward contracts, the applicable percentage of the net position specified below:

(A) Inventory which is currently registered as deliverable on a contract market and covered by an open futures contract or by a commodity option on a physical commodity—No charge.
(B) Inventory which is covered by an open futures contract or commodity option.—5 percent of the market value.

(C) Inventory which is not covered.—20 percent of the market value.

(D) Inventory and forward contracts in those foreign currencies that are purchased or sold for future delivery on or subject to the rules of a contract market, and which are covered by an open futures contract.—No charge

(E) Inventory and forward contracts in euros, British pounds, Canadian dollars, Japanese yen, or Swiss francs, and which are not covered by an open futures contract or commodity option.—6 percent of the market value.

(F) Fixed price commitments (open purchases and sales) and forward contracts which are covered by an open futures contract or commodity option.—10 percent of the market value.

(G) Fixed price commitments (open purchases and sales) and forward contracts which are not covered by an open futures contract or commodity option.—20 percent of the market value.

(iii)-(iv) [Reserved]

(v) In the case of securities and obligations used by the applicant or registrant in computing net capital, and in the case of a futures commission merchant that invests funds deposited by futures customers as defined in §1.3, Cleared Swaps Customers as defined in §22.1 of this chapter, and 30.7 customers as defined in §30.1 of this chapter in securities as permitted investments under §1.25, the deductions specified in Rule 240.15c3-1(c)(2)(vi) or Rule 240.15c3-1(c)(2)(vii) of the Securities and Exchange Commission (17 CFR 240.15c3-1(c)(2)(vi) and 17 CFR 240.15c3-1(c)(2)(vii)) ("securities haircuts"). Futures commission merchants that establish and enforce written policies and procedures to assess the credit risk of commercial paper, convertible debt instruments, or nonconvertible debt instruments in accordance with Rule 240.15c3-1(c)(2)(vi) of the Securities and Exchange Commission (17 CFR 240.15c3-1(c)(2)(vi)) may apply the lower haircut percentages specified in Rule 240.15c3-1(c)(2)(vi) for such commercial paper, convertible debt instruments and nonconvertible debt instruments. Futures commission merchants must maintain their written policies and procedures in accordance with §1.31;

(vi) In the case of securities options and/or other options for which a haircut has been specified for the option or for the underlying instrument in §240.15c3-1 appendix A of this title, the treatment specified in, or under, §240.15c3-1 appendix A, after effecting certain adjustments to net capital for listed and unlisted options as set forth in such appendix;

(vii) In the case of an applicant or registrant who has open contractual commitments, as hereinafter defined, the deductions specified in §240.15c3-1(c)(2)(viii) of this title;

(viii) In the case of a futures commission merchant, for undermargined customer commodity futures accounts and commodity option customer accounts the amount of funds required in each such account to meet maintenance margin requirements of the applicable board of trade or if there are no such maintenance margin requirements, clearing organization margin requirements applicable to such positions, after application of calls for margin or other required deposits which are outstanding no more than one business day. If there are no such maintenance margin requirements or clearing organization margin requirements, then the amount of funds required to provide margin equal to the amount necessary, after application of calls for margin or other required deposits outstanding no more than one business day, to restore original margin when the original margin has been depleted by 50 percent or more: Provided, To the extent a deficit is excluded from current assets in accordance with paragraph (c)(2)(i) of this section such amount shall not also be deducted under this paragraph. In the event that an owner of a customer account has deposited an asset other than cash to margin, guarantee or secure his account, the value attributable to such asset for purposes of this subparagraph shall be the lesser of:
(A) The value attributable to the asset pursuant to the margin rules of the applicable board of trade, or

(B) The market value of the asset after application of the percentage deductions specified in paragraph (c)(5) of this section;

(ix) In the case of a futures commission merchant, for undermargined commodity futures and commodity option noncustomer and omnibus accounts the amount of funds required in each such account to meet maintenance margin requirements of the applicable board of trade or if there are no such maintenance margin requirements, clearing organization margin requirements applicable to such positions, after application of calls for margin or other required deposits which are outstanding no more than one business day. If there are no such maintenance margin requirements or clearing organization margin requirements, then the amount of funds required to provide margin equal to the amount necessary after application of calls for margin or other required deposits outstanding no more than one business day to restore original margin when the original margin has been depleted by 50 percent or more: Provided, To the extent a deficit is excluded from current assets in accordance with paragraph (c)(2)(i) of this section such amount shall not also be deducted under this paragraph. In the event that an owner of a noncustomer or omnibus account has deposited an asset other than cash to margin, guarantee or secure his account the value attributable to such asset for purposes of this paragraph shall be the lesser of the value attributable to such asset pursuant to the margin rules of the applicable board of trade, or the market value of such asset after application of the percentage deductions specified in paragraph (c)(5) of this section;

(x) In the case of open futures contracts or cleared OTC derivative positions and granted (sold) commodity options held in proprietary accounts carried by the applicant or registrant which are not covered by a position held by the applicant or registrant or which are not the result of a "changer trade" made in accordance with the rules of a contract market:

(A) For an applicant or registrant which is a clearing member of a clearing organization for the positions cleared by such member, the applicable margin requirement of the applicable clearing organization;

(B) For an applicant or registrant which is a member of a self-regulatory organization 150 percent of the applicable maintenance margin requirement of the applicable board of trade, or clearing organization, whichever is greater;

(C) For all other applicants or registrants, 200 percent of the applicable maintenance margin requirements of the applicable board of trade or clearing organization, whichever is greater; or

(D) For open contracts or granted (sold) commodity options for which there are no applicable maintenance margin requirements, 200 percent of the applicable initial margin requirement: Provided, The equity in any such proprietary account shall reduce the deduction required by this paragraph (c)(5)(x) if such equity is not otherwise includable in adjusted net capital;

(xi) In the case of an applicant or registrant which is a purchaser of a commodity option not traded on a contract market which has value and such value is used to increase adjusted net capital, ten percent of the market value of the commodity or futures contract which is the subject of such option but in no event more than the value attributed to such option;

(xii) In the case of an applicant or registrant which is a purchaser of a commodity option which is traded on a contract market the same safety factor as if the applicant or registrant were the grantor of such option in accordance with paragraph (c)(5)(x) of this section, but in no event shall the safety factor be greater than the market value attributed to such option;

(xiii) Five percent of all unsecured receivables includable under paragraph (c)(2)(ii)(D) of this section used by the applicant or registrant in computing "net capital" and which are not due from:
(A) A registered futures commission merchant;

(B) A broker or dealer that is registered as such with the Securities and Exchange Commission; or

(C) A foreign broker that has been granted comparability relief pursuant to §30.10 of this chapter, Provided, however, that the amount of the unsecured receivable not subject to the five percent capital charge is no greater than 150 percent of the current amount required to maintain futures and options positions in accounts with the foreign broker, or 100 percent of such greater amount required to maintain futures and option positions in the accounts at any time during the previous six-month period, and Provided, that, in the case of the foreign futures or foreign options secured amount, as §1.3(rr) defines such term, such account is treated in accordance with the special requirements of the applicable Commission order issued under §30.10 of this chapter.

(xiv) For securities brokers and dealers, all other deductions specified in §240.15c3-1 of this title.

(6) Election of alternative capital deductions that have received approval of Securities and Exchange Commission pursuant to §240.15c3-1(a)(7) of this title.

(i) Any futures commission merchant that is also registered with the Securities and Exchange Commission as a securities broker or dealer, and who also satisfies the other requirements of this paragraph (c)(6), may elect to compute its adjusted net capital using the alternative capital deductions that, under §240.15c3-1(a)(7) of this title, the Securities and Exchange Commission has approved by written order. To the extent that a futures commission merchant is permitted by the Securities and Exchange Commission to use alternative capital deductions for its unsecured receivables from over-the-counter transactions in derivatives, or for its proprietary positions in securities, forward contracts, or futures contracts, the futures commission merchant may use these same alternative capital deductions when computing its adjusted net capital, in lieu of the deductions that would otherwise be required by paragraph (c)(2)(ii) of this section for its unsecured receivables from over-the-counter transactions in derivatives; by paragraph (c)(5)(ii) of this section for its proprietary positions in forward contracts; by paragraph (c)(5)(v) of this section for its proprietary positions in securities; and by paragraph (c)(5)(x) of this section for its proprietary positions in futures contracts.

(ii) Notifications of election or of changes to election. (A) No election to use the alternative market risk and credit risk deductions referenced in paragraph (c)(6)(i) of this section shall be effective unless and until the futures commission merchant has filed with the Commission, addressed to the Director of the Division of Swap Dealer and Intermediary Oversight, a notice that is to include a copy of the approval order of the Securities and Exchange Commission referenced in paragraph (c)(6)(i) of this section, and to include also a statement that identifies the amount of tentative net capital below which the futures commission merchant is required to provide notice to the Securities and Exchange Commission, and which also provides the following information: a list of the categories of positions that the futures commission merchant holds in its proprietary accounts, and, for each such category, a description of the methods that the futures commission merchant will use to calculate its deductions for market risk and credit risk, and also, if calculated separately, deductions for specific risk; a description of the value at risk (VaR) models to be used for its market risk and credit risk deductions, and an overview of the integration of the models into the internal risk management control system of the futures commission merchant; a description of how the futures commission merchant will calculate current exposure and maximum potential exposure for its deductions for credit risk; a description of how the futures commission merchant will determine internal credit ratings of counterparties and internal credit risk weights of counterparties, if applicable; and a description of the estimated effect of the alternative market risk and credit risk deductions on the amounts reported by the futures commission merchant as net capital and adjusted net capital.

(B) A futures commission merchant must also, upon the request of the Commission at any time, supplement the statement described in paragraph (c)(6)(ii)(A) of this section, by providing any other explanatory information regarding the computation of its alternative market risk and credit risk deductions as the Commission may require at its discretion.
(C) A futures commission merchant must also file the following supplemental notices with the Director of the Division and Clearing and Intermediary Oversight:

(1) A notice advising that the Securities and Exchange Commission has imposed additional or revised conditions for the approval evidenced by the order referenced in paragraph (c)(6)(i) of this section, and which describes the new or revised conditions in full, and

(2) A notice which attaches a copy of any approval by the Securities and Exchange Commission of amendments that a futures commission merchant has requested for its application, filed under 17 CFR 240.15c3-1e, to use alternative market risk and credit risk deductions approved by the Securities and Exchange Commission.

(D) A futures commission merchant may voluntarily change its election to use the alternative market risk and credit risk deductions referenced in paragraph (c)(6)(i) of this section, by filing with the Director of the Division of Swap Dealer and Intermediary Oversight a written notice specifying a future date as of which it will no longer use the alternative market risk and credit risk deductions, and will instead compute such deductions in accordance with the requirements otherwise applicable under paragraph (c)(2)(ii) of this section for unsecured receivables from over-the-counter derivatives transactions; by paragraph (c)(5)(ii) of this section for proprietary positions in forward contracts; by paragraph (c)(5)(v) of this section for proprietary positions in securities; and by paragraph (c)(5)(x) of this section for proprietary positions in futures contracts.

(iii) Conditions under which election terminated. A futures commission merchant may no longer elect to use the alternative market risk and credit risk deductions referenced in paragraph (c)(6)(i) of this section, and shall instead compute the deductions otherwise required under paragraph (c)(2)(ii) of this section for unsecured receivables from over-the-counter derivatives transactions; by paragraph (c)(5)(ii) of this section for proprietary positions in forward contracts; by paragraph (c)(5)(v) of this section for proprietary positions in securities; and by paragraph (c)(5)(x) of this section for proprietary positions in futures contracts, upon the occurrence of any of the following:

(A) The Securities and Exchange Commission revokes its approval of the market risk and credit risk deductions for such futures commission merchant;

(B) A futures commission merchant fails to come into compliance with its filing requirements under this paragraph (c)(6), after having received from the Director of the Division of Swap Dealer and Intermediary Oversight written notification that the firm is not in compliance with its filing requirements, and must cease using alternative capital deductions permitted under this paragraph (c)(6) if it has not come into compliance by a date specified in the notice; or

(C) The Commission by written order finds that permitting the futures commission merchant to continue to use such alternative market risk and credit risk deductions is no longer necessary or appropriate for the protection of customers of the futures commission merchant or of the integrity of the futures or options markets.

(iv) Additional filing requirements. Any futures commission merchant that elects to use the alternative market risk and credit risk deductions referenced in paragraph (c)(6)(i) of this section must file with the Commission, in addition to the filings required by paragraph (c)(6)(ii) of this section, copies of any and all of the following documents, at such time as the originals are filed with the Securities and Exchange Commission:

(A) Information that the futures commission merchant files on a monthly basis with its designated examining authority or the Securities and Exchange Commission, whether by way of schedules to its FOCUS reports or by other filings, in satisfaction of 17 CFR 240.17a-5(a)(5)(i);

(B) The quarterly reports required by 17 CFR 240.17a-5(a)(5)(ii);
(C) The supplemental annual filings as required by 17 CFR 240.17a-5(k);

(D) Any notification to the Securities and Exchange Commission or the futures commission merchant's designated examining authority of planned withdrawals of excess net capital; and

(E) Any notification that the futures commission merchant is required to file with the Securities and Exchange Commission when its tentative net capital is below an amount specified by the Securities and Exchange Commission.

(7) **Liabilities** are "adequately collateralized" when, pursuant to a legally enforceable written instrument, such liabilities are secured by identified assets that are otherwise unencumbered and the market value of which exceeds the amount of such liabilities.

(8) The term **contractual commitments** shall include underwriting, when issued, when distributed, and delayed delivery contracts; and the writing or endorsement of security puts and calls and combinations thereof; but shall not include uncleared regular way purchases and sales of securities. A series of contracts of purchase or sale of the same security, conditioned, if at all, only upon issuance, may be treated as an individual commitment.

(d) Each applicant or registrant shall have equity capital (inclusive of satisfactory subordination agreements which qualify under this paragraph (d) as equity capital) of not less than 30 percent of the debt-equity total, provided, an applicant or registrant may be exempted from the provisions of this paragraph (d) for a period not to exceed 90 days or for such longer period which the Commission may, upon application of the applicant or registrant, grant in the public interest or for the protection of investors. For the purposes of this paragraph (d):

(1) Equity capital means a satisfactory subordination agreement entered into by a partner or stockholder or limited liability company member which has an initial term of at least 3 years and has a remaining term of not less than 12 months if:

(i) It does not have any of the provisions for accelerated maturity provided for by paragraphs (h)(2) (ix)(A), (x)(A), or (x)(B) of this section, or the provisions allowing for special prepayment provided for by paragraph (h)(2)(vii)(B) of this section, and is maintained as capital subject to the provisions restricting the withdrawal thereof required by paragraph (e) of this section; or

(ii) The partnership agreement provides that capital contributed pursuant to a satisfactory subordination agreement as defined in paragraph (h) of this section shall in all respects be partnership capital subject to the provisions restricting the withdrawal thereof required by paragraph (e) of this section, and

(A) In the case of a corporation, the sum of its par or stated value of capital stock, paid in capital in excess of par, retained earnings, unrealized profit and loss, and other capital accounts.

(B) In the case of a partnership, the sum of its capital accounts of partners (inclusive of such partners' commodities, options and securities accounts subject to the provisions of paragraph (e) of this section), and unrealized profit and loss.

(C) In the case of a sole proprietorship, the sum of its capital accounts of the sole proprietorship and unrealized profit and loss.

(D) In the case of a limited liability company, the sum of its capital accounts of limited liability company members, and unrealized profit and loss.

(2) Debt-equity total means equity capital as defined in paragraph (d)(1) of this section plus the outstanding principal amount of satisfactory subordination agreements.
(e) No equity capital of the applicant or registrant or a subsidiary’s or affiliate’s equity capital consolidated pursuant to paragraph (f) of this section, whether in the form of capital contributions by partners (including amounts in the commodities, options and securities trading accounts of partners which are treated as equity capital but excluding amounts in such trading accounts which are not equity capital and excluding balances in limited partners’ capital accounts in excess of their stated capital contributions), par or stated value of capital stock, paid-in capital in excess of par or stated value, retained earnings or other capital accounts, may be withdrawn by action of a stockholder or partner or limited liability company member or by redemption or repurchase of shares of stock by any of the consolidated entities or through the payment of dividends or any similar distribution, nor may any unsecured advance or loan be made to a stockholder, partner, sole proprietor, limited liability company member, or employee if, after giving effect thereto and to any other such withdrawals, advances, or loans and any payments of payment obligations (as defined in paragraph (h) of this section) under satisfactory subordination agreements and any payments of liabilities excluded pursuant to paragraph (c)(4)(vi) of this section which are scheduled to occur within six months following such withdrawal, advance or loan:

(1) Either adjusted net capital of any of the consolidated entities would be less than the greatest of:

(i) 120 percent of the appropriate minimum dollar amount required by paragraphs (a)(1)(i)(A) or (a)(1)(iii)(A) of this section;

(ii) For a futures commission merchant or applicant therefor, 120 percent of the amount required by paragraph (a)(1)(i)(B) of this section;

(iii) 120 percent of the amount of adjusted net capital required by a registered futures association of which it is a member; or

(iv) For an applicant or registrant which is also a securities broker or dealer, the amount of net capital specified in Rule 15c3-1(e) of the Securities and Exchange Commission (17 CFR 240.15c3-1(e)); or

(2) In the case of any applicant or registrant included within such consolidation, if equity capital of the applicant or registrant (inclusive of satisfactory subordination agreements which qualify as equity under paragraph (d) of this section) would be less than 30 percent of the required debt-equity total as defined in paragraph (d) of this section.

Provided, That this paragraph (e) shall not preclude an applicant or registrant from making required tax payments or preclude the payment to partners of reasonable compensation. The Commission may, upon application of the applicant or registrant, grant relief from this paragraph (e) if the Commission deems it to be in the public interest or for the protection of nonproprietary accounts.

(f)(1) Every applicant or registrant, in computing its net capital pursuant to this section must, subject to the provisions of paragraphs (f)(2) and (f)(4) of this section, consolidate in a single computation, assets and liabilities of any subsidiary or affiliate for which it guarantees, endorses, or assumes directly or indirectly the obligations or liabilities. The assets and liabilities of a subsidiary or affiliate whose liabilities and obligations have not been guaranteed, endorsed, or assumed directly or indirectly by the applicant or registrant may also be so consolidated if an opinion of counsel is obtained as provided for in paragraph (f)(2) of this section.

(2)(i) If the consolidation, provided for in paragraph (f)(1) of this section, of any such subsidiary or affiliate results in the increase of the applicant's or registrant's adjusted net capital or decreases the minimum adjusted net capital requirement, and an opinion of counsel called for in paragraph (f)(2)(ii) of this section has not been obtained, such benefits shall not be recognized in the applicant's or registrant's computation required by this section.

(ii) Except as provided for in paragraph (f)(2)(i) of this section, consolidation shall be permitted with respect to any subsidiaries or affiliates which are majority owned and controlled by the applicant or
registrant, and for which the applicant can demonstrate to the satisfaction of the National Futures Association, or for which the registrant can demonstrate to the satisfaction of the Commission and the designated self-regulatory organization, if any, by an opinion of counsel, that the net asset values or the portion thereof related to the parent's ownership interest in the subsidiary or affiliate, may be caused by the applicant or registrant or an appointed trustee to be distributed to the applicant or registrant within 30 calendar days. Such opinion must also set forth the actions necessary to cause such a distribution to be made, identify the parties having the authority to take such actions, identify and describe the rights of other parties or classes of parties, including but not limited to customers, general creditors, subordinated lenders, minority shareholders, employees, litigants, and governmental or regulatory authorities, who may delay or prevent such a distribution and such other assurances as the National Futures Association, the Commission or the designated self-regulatory organization by rule or interpretation may require. Such opinion must be current and periodically renewed in connection with the applicant's or registrant's annual audit pursuant to §1.10 or upon any material change in circumstances.

(3) In preparing a consolidated computation of adjusted net capital pursuant to this section, the following minimum and non-exclusive requirements shall be observed:

(i) Consolidated adjusted net capital shall be reduced by the estimated amount of any tax reasonably anticipated to be incurred upon distribution of the assets of the subsidiary or affiliate.

(ii) Liabilities of a consolidated subsidiary or affiliate which are subordinated to the claims of present and future creditors pursuant to a satisfactory subordination agreement shall be deducted from consolidated adjusted net capital unless such subordination extends also to the claims of present or future creditors of the parent applicant or registrant and all consolidated subsidiaries.

(iii) Subordinated liabilities of a consolidated subsidiary or affiliate which are consolidated in accordance with paragraph (f)(3)(ii) of this section may not be prepaid, repaid, or accelerated if any of the entities included in such consolidation would otherwise be unable to comply with the provisions of paragraph (h) of this section.

(iv) Each applicant or registrant included within the consolidation shall at all times be in compliance with the adjusted net capital requirement to which it is subject.

(4) No applicant or registrant shall guarantee, endorse, or assume directly or indirectly any obligation or liability of a subsidiary or affiliate unless the obligation or liability is reflected in the computation of adjusted net capital pursuant to this section except as provided in paragraph (f)(2)(i) of this section.

(g)(1) The Commission may by order restrict, for a period up to twenty business days, any withdrawal by a futures commission merchant of equity capital, or any unsecured advance or loan to a stockholder, partner, limited liability company member, sole proprietor, employee or affiliate, if:

(i) Such withdrawal, advance or loan would cause, when aggregated with all other withdrawals, advances or loans during a 30 calendar day period from the futures commission merchant or a subsidiary or affiliate of the futures commission merchant consolidated pursuant to §1.17(f) (or 17 CFR 240.15c3-1e), a net reduction in excess adjusted net capital (or, if the futures commission merchant is qualified to use the filing option available under §1.10(h), excess net capital as defined in the rules of the Securities and Exchange Commission) of 30 percent or more, and

(ii) The Commission, based on the facts and information available, concludes that any such withdrawal, advance or loan may be detrimental to the financial integrity of the futures commission merchant, or may unduly jeopardize its ability to meet customer obligations or other liabilities that may cause a significant impact on the markets.

(2) The futures commission merchant may file with the Secretary of the Commission a written petition to request rescission of the order issued under paragraph (g)(1) of this section. The petition filed by the
futures commission merchant must specify the facts and circumstances supporting its request for rescission. The Commission shall respond in writing to deny the futures commission merchant's petition for rescission, or, if the Commission determines that the order issued under paragraph (g)(1) of this section should not remain in effect, the order shall be rescinded.

(h) The term *satisfactory subordination agreement* (“subordination agreement”) means an agreement which contains the minimum and nonexclusive requirements set forth below.

(1) Certain definitions for purposes of this section:

(i) A subordination agreement may be either a subordinated loan agreement or a secured demand note agreement.

(ii) The term *subordinated loan agreement* means the agreement or agreements evidencing or governing a subordinated borrowing of cash.

(iii) The term “collateral value” of any securities pledged to secure a secured demand note means the market value of such securities after giving effect to the percentage deductions specified in Rule 240.15c3-1d(a)(2)(iii) of the Securities and Exchange Commission (17 CFR 240.15c3-1d(a)(2)(iii)).

(iv) The term *payment obligation* means the obligation of an applicant or registrant in respect to any subordination agreement:

(A) To repay cash loaned to the applicant or registrant pursuant to a subordinated loan agreement; or

(B) To return a secured demand note contributed to the applicant or registrant or to reduce the unpaid principal amount thereof and to return cash or securities pledged as collateral to secure the secured demand note; and (C) “payment” shall mean the performance by an applicant or registrant of a payment obligation.

(v)(A) The term *secured demand note agreement* means an agreement (including the related secured demand note) evidencing or governing the contribution of a secured demand note to an applicant or registrant and the pledge of securities and/or cash with the applicant or registrant as collateral to secure payment of such secured demand note. The secured demand note agreement may provide that neither the lender, his heirs, executors, administrators, or assigns shall be personally liable on such note and that in the event of default the applicant or registrant shall look for payment of such note solely to the collateral then pledged to secure the same.

(B) The secured demand note shall be a promissory note executed by the lender and shall be payable on the demand of the applicant or registrant to which it is contributed: *Provided, however, That the making of such demand may be conditioned upon the occurrence of any of certain events which are acceptable to the designated self-regulatory organization and the Commission.*

(C) If such note is not paid upon presentment and demand as provided for therein, the applicant or registrant shall have the right to liquidate all or any part of the securities then pledged as collateral to secure payment of the same and to apply the net proceeds of such liquidation, together with any cash then included in the collateral, in payment of such note. Subject to the prior rights of the applicant or registrant as pledgee, the lender, as defined in paragraph (h)(i)(v)(F) of this section may retain ownership of the collateral and have the benefit of any increases and bear the risks of any decreases in the value of the collateral and may retain the right to vote securities contained within the collateral and any right to income therefrom or distributions thereon, except the applicant or registrant shall have the right to receive and hold as pledgee all dividends payable in securities and all partial and complete liquidating dividends.

(D) Subject to the prior rights of the applicant or registrant as pledgee, the lender may have the right to direct the sale of any securities included in the collateral, to direct the purchase of securities with any
cash included therein, to withdraw excess collateral or to substitute cash or other securities as collateral: 

**Provided,** That the net proceeds of any such sale and the cash so substituted and the securities so purchased or substituted are held by the applicant or registrant as pledgee, and are included within the collateral to secure payment of the secured demand note: **And provided further,** That no such transaction shall be permitted, if, after giving effect thereto, the sum of the amount of any cash, plus the collateral value of the securities, then pledged as collateral to secure the secured demand note would be less than the unpaid principal amount of the secured demand note.

(E) Upon payment by the lender, as distinguished from a reduction by the lender which is provided for in paragraph (h)(2)(vi)(C) of this section or reduction by the applicant or registrant as provided for in paragraph (h)(2)(vii) of this section, of all or any part of the unpaid principal amount of the secured demand note, the applicant or registrant shall issue to the lender a subordinated loan agreement in the amount of such payment (or in the case of an applicant or registrant that is a partnership, credit a capital account of the lender), or issue preferred or common stock of the applicant or registrant in the amount of such payment, or any combination of the foregoing, as provided for in the secured demand note agreement.

(F) The term **lender** means the person who lends cash to an applicant or registrant pursuant to a subordinated loan agreement and the person who contributes a secured demand note to an applicant or registrant pursuant to a secured demand note agreement.

(2) Minimum requirements for subordination agreements:

(i) Subject to paragraph (h)(1) of this section, a subordination agreement shall mean a written agreement between the applicant or registrant and the lender, which:

(A) Has a minimum term of 1 year, except for temporary subordination agreements provided for in paragraph (h)(3)(v) of this section, and

(B) Is a valid and binding obligation enforceable in accordance with its terms (subject as to enforcement to applicable bankruptcy, insolvency, reorganization, moratorium, and other similar laws) against the applicant or registrant and the lender and their respective heirs, executors, administrators, successors, and assigns.

(ii) **Specific amount.** All subordination agreements shall be for a specific dollar amount which shall not be reduced for the duration of the agreement except by installments as specifically provided for therein and except as otherwise provided in this paragraph (h)(2) of this section.

(iii) **Effective subordination.** The subordination agreement shall effectively subordinate any right of the lender to receive any payment with respect thereto, together with accrued interest or compensation, to the prior payment or provision for payment in full of all claims of all present and future creditors of the applicant or registrant arising out of any matter occurring prior to the date on which the related payment obligation matures, except for claims which are the subject of subordination agreements which rank on the same priority as or junior to the claim of the lender under such subordination agreements.

(iv) **Proceeds of subordinated loan agreements.** The subordinated loan agreement shall provide that the cash proceeds thereof shall be used and dealt with by the applicant or registrant as part of its capital and shall be subject to the risks of the business.

(v) **Certain rights of the borrower.** The subordination agreement shall provide that the applicant or registrant shall have the right to:

(A) Deposit any cash proceeds of a subordinated loan agreement and any cash pledged as collateral to secure a secured demand note in an account or accounts in its own name in any bank or trust company;
(B) Pledge, repledge, hypothecate and rehypothecate, any or all of the securities pledged as collateral to secure a secured demand note, without notice, separately or in common with other securities or property for the purpose of securing any indebtedness of the applicant or registrant; and

(C) Lend to itself or others any or all of the securities and cash pledged as collateral to secure a secured demand note.

(vi) **Collateral for secured demand notes.** Only cash and securities which are fully paid for and which may be publicly offered or sold without registration under the Securities Act of 1933, and the offer, sale, and transfer of which are not otherwise restricted, may be pledged as collateral to secure a secured demand note. The secured demand note agreement shall provide that if at any time the sum of the amount of any cash, plus the collateral value of any securities, then pledged as collateral to secure the secured demand note is less than the unpaid principal amount of the secured demand note, the applicant or registrant must immediately transmit written notice to that effect to the lender. The secured demand note agreement shall also provide that if the borrower is an applicant, such notice must also be transmitted immediately to the National Futures Association, and if the borrower is a registrant, such notice must also be transmitted immediately to the designated self-regulatory organization, if any, and the Commission. The secured demand note agreement shall also require that following such transmittal:

(A) The lender, prior to noon of the business day next succeeding the transmittal of such notice, may pledge as collateral additional cash or securities sufficient, after giving effect to such pledge, to bring the sum of the amount of any cash plus the collateral value of any securities, then pledged as collateral to secure the secured demand note, up to an amount not less than the unpaid principal amount of the secured demand note; and

(B) Unless additional cash or securities are pledged by the lender as provided in paragraph (h)(2)(vi)(A) above, the applicant or registrant at noon on the business day next succeeding the transmittal of notice to the lender must commence sale, for the account of the lender, of such of the securities then pledged as collateral to secure the secured demand note and apply so much of the net proceeds thereof, together with such of the cash then pledged as collateral to secure the secured demand note as may be necessary to eliminate the unpaid principal amount of the secured demand note: Provided, however, That the unpaid principal amount of the secured demand note need not be reduced below the sum of the amount of any remaining cash, plus the collateral value of the remaining securities, then pledged as collateral to secure the secured demand note. The applicant or registrant may not purchase for its own account any securities subject to such a sale; and

(C) The secured demand note agreement may also provide that, in lieu of the procedures specified in the provisions required by paragraph (h)(2)(vi)(B) of this section, the lender, with the prior written consent of the applicant and the National Futures Association, or with the prior written consent of the registrant and the designated self-regulatory organization or, if the registrant is not a member of a designated self-regulatory organization, the Commission, may reduce the unpaid principal amount of the secured demand note: Provided, That after giving effect to such reduction the adjusted net capital of the applicant or registrant would not be less than the greatest of:

1. 120 percent of the appropriate minimum dollar amount required by paragraphs (a)(1)(i)(A) or (a)(1)(iii)(A) of this section;

2. For a futures commission merchant or applicant therefor, 120 percent of the amount required by paragraph (a)(1)(i)(B) of this section;

3. 120 percent of the amount of adjusted net capital required by a registered futures association of which it is a member; or

4. For an applicant or registrant which is also a securities broker or dealer, the amount of net capital specified in Rule 15c3-1d(b)(6)(iii) of the Securities and Exchange Commission (17 CFR 240.15c3-
Provided, further, That no single secured demand note shall be permitted to be reduced by more than 15 percent of its original principal amount and after such reduction no excess collateral may be withdrawn.

(vii) Permissive prepayments and special prepayments. (A) An applicant or registrant at its option, but not at the option of the lender, may, if the subordination agreement so provides, make a payment of all or any portion of the payment obligation thereunder prior to the scheduled maturity date of such payment obligation (hereinafter referred to as a “prepayment”), but in no event may any prepayment be made before the expiration of one year from the date such subordination agreement became effective: Provided, however, That the foregoing restriction shall not apply to temporary subordination agreements which comply with the provisions of paragraph (h)(3)(v) of this section nor shall it apply to “special prepayments” made in accordance with the provisions of paragraph (h)(2)(vii)(B) of this section. No prepayment shall be made if, after giving effect thereto (and to all payments of payment obligations under any other subordination agreements then outstanding, the maturity or accelerated maturities of which are scheduled to fall due within six months after the date such prepayment is to occur pursuant to this provision, or on or prior to the date on which the payment obligation in respect to such prepayment is scheduled to mature disregarding this provision, whichever date is earlier) without reference to any projected profit or loss of the applicant or registrant, the adjusted net capital of the applicant or registrant is less than the greatest of:

(1) 120 percent of the appropriate minimum dollar amount required by paragraphs (a)(1)(i)(A) or (a)(1)(iii)(A) of this section;

(2) For a futures commission merchant or applicant therefor, 120 percent of the amount required by paragraph (a)(1)(i)(B) of this section;

(3) 120 percent of the amount of adjusted net capital required by a registered futures association of which it is a member; or

(4) For an applicant or registrant which is also a securities broker or dealer, the amount of net capital specified in Rule 15c3-1d(b)(7) of the Securities and Exchange Commission (17 CFR 240.15c3-1d(b)(7)).

(B) An applicant or registrant at its option, but not at the option of the lender, may, if the subordination agreement so provides, make a payment at any time of all or any portion of the payment obligation thereunder prior to the scheduled maturity date of such payment obligation (hereinafter referred to as a “special prepayment”). No special prepayment shall be made if, after giving effect thereto (and to all payments of payment obligations under any other subordination agreements then outstanding, the maturity or accelerated maturities of which are scheduled to fall due within six months after the date such special prepayment is to occur pursuant to this provision, or on or prior to the date on which the payment obligation in respect to such special prepayment is scheduled to mature disregarding this provision, whichever date is earlier) without reference to any projected profit or loss of the applicant or registrant, the adjusted net capital of the applicant or registrant is less than the greatest of:

(1) 200 percent of the appropriate minimum dollar amount required by paragraphs (a)(1)(i)(A) or (a)(1)(iii)(A) of this section;

(2) For a futures commission merchant or applicant therefor, 125 percent of the amount required by paragraph (a)(1)(i)(B) of this section;

(3) 120 percent of the amount of adjusted net capital required by a registered futures association of which it is a member; or

(4) For an applicant or registrant which is also a securities broker or dealer, the amount of net capital specified in Rule 15c3-1d(c)(5)(ii) of the Securities and Exchange Commission (17 CFR 240.15c3-
1d(c)(5)(ii): Provided, however, That no special prepayment shall be made if pre-tax losses during the latest three-month period were greater than 15 percent of current excess adjusted net capital.

(C)(1) Notwithstanding the provisions of paragraphs (h)(2)(vii)(A) and (h)(2)(vii)(B) of this section, in the case of an applicant, no prepayment or special prepayment shall occur without the prior written approval of the National Futures Association; in the case of a registrant, no prepayment or special prepayment shall occur without the prior written approval of the designated self-regulatory organization, if any, or of the Commission if the registrant is not a member of a self-regulatory organization.

(2) A registrant may make a prepayment or special prepayment without the prior written approval of the designated self-regulatory organization: Provided, That the registrant: Is a securities broker or dealer registered with the Securities and Exchange Commission; files a request to make a prepayment or special prepayment with its applicable securities designated examining authority, as defined in Rule 15c3-1(c)(12) of the Securities and Exchange Commission (17 CFR 240.15c3-1(c)(12)), in the form and manner prescribed by the designated examining authority; files a copy of the prepayment request or special prepayment request with the designated self-regulatory organization at the time it files such request with the designated examining authority in the form and manner prescribed by the designated self-regulatory organization; and files a copy of the designated examining authority's approval of the prepayment or special prepayment with the designated self-regulatory organization immediately upon receipt of such approval. The approval of the prepayment or special prepayment by the designated examining authority will be deemed approval by the designated self-regulatory organization, unless the designated self-regulatory organization notifies the registrant that the designated examining authority's approval shall not constitute designated self-regulatory organization approval.

(3) The designated self-regulatory organization shall immediately provide the Commission with a copy of any notice of approval issued where the requested prepayment or special prepayment will result in the reduction of the registrant's net capital by 20 percent or more or the registrant's excess adjusted net capital by 30 percent or more.

(viii) Suspended repayment. (A) The payment obligation of the applicant or registrant in respect of any subordination agreement shall be suspended and shall not mature if, after giving effect to payment of such payment obligation (and to all payments of payment obligations of the applicant or registrant under any other subordination agreement(s) then outstanding which are scheduled to mature on or before such payment obligation), the adjusted net capital of the applicant or registrant would be less than the greatest of:

1. 120 percent of the appropriate minimum dollar amount required by paragraphs (a)(1)(i)(A) or (a)(1)(iii)(A) of this section;

2. For a futures commission merchant or applicant therefor, 120 percent of the amount required by paragraph (a)(1)(i)(B) of this section;

3. 120 percent of the amount of adjusted net capital required by a registered futures association of which it is a member; or

4. For an applicant or registrant which is also a securities broker or dealer, the amount of net capital specified in Rule 15c3-1d(b)(8)(i) of the Securities and Exchange Commission (17 CFR 240.15c3-1d(b)(8)(i)): Provided, That the subordination agreement may provide that if the payment obligation of the applicant or registrant thereunder does not mature and is suspended as a result of the requirement of this paragraph (h)(2)(viii) for a period of not less than six months, the applicant or registrant shall then commence the rapid and orderly liquidation of its business, but the right of the lender to receive payment, together with accrued interest or compensation, shall remain subordinate as required by the provisions of this section.

(B) [Reserved]
(ix) **Accelerated maturity.** Obligation to repay to remain subordinate:

(A) Subject to the provisions of paragraph (h)(2)(viii) of this section, a subordination agreement may provide that the lender may, upon prior written notice to the applicant and the National Futures Association, or upon prior written notice to the registrant and the designated self-regulatory organization or, if the registrant is not a member of a designated self-regulatory organization, the Commission, given not earlier than six months after the effective date of such subordination agreement, accelerate the date on which the payment obligation of the borrower, together with accrued interest or compensation, is scheduled to mature to a date not earlier than six months after giving of such notice, but the right of the lender to receive payment, together with accrued interest or compensation, shall remain subordinate as required by the provisions of this paragraph (h)(2) of this section.

(B) Notwithstanding the provisions of paragraph (h)(2)(viii) of this section, the payment obligation of the applicant or registrant with respect to a subordination agreement, together with accrued interest and compensation, shall mature in the event of any receivership, insolvency, liquidation pursuant to the Securities Investor Protection Act of 1970 or otherwise, bankruptcy, assignment for the benefit of creditors, reorganization whether or not pursuant to the bankruptcy laws, or any other marshalling of the assets and liabilities of the applicant or registrant, but the right of the lender to receive payment, together with accrued interest or compensation, shall remain subordinate as required by the provisions of paragraph (h)(2) of this section.

(x) **Accelerated maturity of subordination agreements on event of default and event of acceleration.** Obligation to repay to remain subordinate:

(A) A subordination agreement may provide that the lender may, upon prior written notice to the applicant and the National Futures Association, or upon prior written notice to the registrant and the designated self-regulatory organization or, if the registrant is not a member of a designated self-regulatory organization, the Commission, of the occurrence of any event of acceleration (as hereinafter defined) given no sooner than six months after the effective date of such subordination agreement, accelerate the date on which the payment obligation of the applicant or registrant, together with accrued interest or compensation, is scheduled to mature, to the last business day of a calendar month which is not less than six months after notice of acceleration is received by the applicant and by the National Futures Association, or by the registrant and the designated self-regulatory organization or, if the registrant is not a member of a designated self-regulatory organization, the Commission. Any subordination agreement containing such events of acceleration may also provide that, if upon such accelerated maturity date the payment obligation of the applicant or registrant is suspended as required by paragraph (h)(2)(viii) of this section and liquidation of the applicant or registrant has not commenced on or prior to such accelerated maturity date, notwithstanding paragraph (h)(2)(viii) of this section, the payment obligation of the applicant or registrant with respect to such subordination agreement shall mature on the day immediately following such accelerated maturity date and in any such event the payment obligations of the applicant or registrant with respect to all other subordination agreements then outstanding shall also mature at the same time but the rights of the respective lenders to receive payment, together with accrued interest or compensation, shall remain subordinate as required by the provisions of paragraph (h)(2) of this section. Events of acceleration which may be included in a subordination agreement complying with this paragraph (h)(2)(x) of this section shall be limited to:

1. Failure to pay interest or any installment of principal on a subordination agreement as scheduled;

2. Failure to pay when due other money obligations of a specified material amount;

3. Discovery that any material, specified representation or warranty of the applicant or registrant which is included in the subordination agreement and on which the subordination agreement was based or continued was inaccurate in a material respect at the time made;

4. Any specified and clearly measurable event which is included in the subordination agreement and which the lender and the applicant or registrant agree, (a) is a significant indication that the financial
position of the applicant or registrant has changed materially and adversely from agreed upon specified norms; or (b) could materially and adversely affect the ability of the applicant or registrant to conduct its business as conducted on the date the subordination agreement was made; or (c) is a significant change in the senior management of the applicant or registrant or in the general business conducted by the applicant or registrant from that which obtained on the date the subordination agreement became effective;

(5) Any continued failure to perform agreed covenants included in the subordination agreement relating to the conduct of the business of the applicant or registrant or relating to the maintenance and reporting of its financial position; and

(B) Notwithstanding the provisions of paragraph (h)(2)(viii) of this section, a subordination agreement may provide that, if liquidation of the business of the applicant or registrant has not already commenced, the payment obligation of the applicant or registrant shall mature, together with accrued interest or compensation, upon the occurrence of an event of default (as hereinafter defined). Such agreement may also provide that, if liquidation of the business of the applicant or registrant has not already commenced, the rapid and orderly liquidation of the business of the applicant or registrant shall then commence upon the happening of an event of default. Any subordination agreement which so provides for maturity of the payment obligation upon the occurrence of an event of default shall also provide that the date on which such event of default occurs shall, if liquidation of the applicant or registrant has not already commenced, be the date on which the payment obligation of the applicant or registrant with respect to all other subordination agreements then outstanding shall mature but the rights of the respective lenders to receive payment, together with accrued interest or compensation, shall remain subordinate as required by the provisions of paragraph (h)(2) of this section. Events of default which may be included in a subordination agreement shall be limited to:

(1) The making of an application by the Securities Investor Protection Corporation for a decree adjudicating that customers of the applicant or registrant are in need of protection under the Securities Investor Protection Act of 1970 and the failure of the applicant or registrant to obtain the dismissal of such application within 30 days;

(2) Failure to meet the minimum capital requirements of the designated self-regulatory organization, or of the Commission, throughout a period of 15 consecutive business days, commencing on the day the borrower first determines and notifies the designated self-regulatory organization, if any, of which he is a member and the Commission, in the case of a registrant, or the National Futures Association, in the case of an applicant, or commencing on the day any self-regulatory organization, the Commission or the National Futures Association first determines and notifies the applicant or registrant of such fact;

(3) The Commission shall revoke the registration of the applicant or registrant;

(4) The self-regulatory organization shall suspend (and not reinstate within 10 days) or revoke the applicant or registrant's status as a member thereof;

(5) Any receivership, insolvency, liquidation pursuant to the Securities Investor Protection Act of 1970 or otherwise, bankruptcy, assignment for the benefit of creditors, reorganization whether or not pursuant to bankruptcy laws, or any other marshalling of the assets and liabilities of the applicant or registrant. A subordination agreement which contains any of the provisions permitted by this subparagraph (2)(x) shall not contain the provision otherwise permitted by paragraph (h)(2)(ix)(A) of this section.

(3) Miscellaneous provisions—(i) Prohibited cancellation. The subordination agreement shall not be subject to cancellation by either party; no payment shall be made with respect thereto and the agreement shall not be terminated, rescinded or modified by mutual consent or otherwise if the effect thereof would be inconsistent with the requirements of paragraph (h) of this section.
(ii) **Notice of maturity or accelerated maturity.** Every applicant or registrant shall immediately notify the National Futures Association, and the registrant shall immediately notify the designated self-regulatory organization, if any, and the Commission if, after giving effect to all payments of payment obligations under subordination agreements then outstanding which are then due or mature within the following six months without reference to any projected profit or loss of the applicant or registrant, its adjusted net capital would be less than:

(A) 120 percent of the appropriate minimum dollar amount required by paragraphs (a)(1)(i)(A) or (a)(1)(iii)(A) of this section;

(B) For a futures commission merchant or applicant therefor, 120 percent of the amount required by paragraph (a)(1)(i)(B) of this section;

(C) 120 percent of the amount of adjusted net capital required by a registered futures association of which it is a member; or

(D) For an applicant or registrant which is also a securities broker or dealer, the amount of net capital specified in Rule 15c3-1d(c)(2) of the Securities and Exchange Commission (17 CFR 240.15c3-1d(c)(2)).

(iii) **Certain legends.** If all the provisions of a satisfactory subordination agreement do not appear in a single instrument, then the debenture or other evidence of indebtedness shall bear on its face an appropriate legend stating that it is issued subject to the provisions of a satisfactory subordination agreement which shall be adequately referred to and incorporated by reference.

(iv) **Legal title to securities.** All securities pledged as collateral to secure a secured demand note must be in bearer form, or registered in the name of the applicant or registrant or the name of its nominee or custodian.

(v) **Temporary subordinations.** To enable an applicant or registrant to participate as an underwriter of securities or undertake other extraordinary activities and remain in compliance with the adjusted net capital requirements of this section, an applicant or registrant shall be permitted, on no more than three occasions in any 12-month period, to enter into a subordination agreement on a temporary basis which has a stated term of no more than 45 days from the date the subordination agreement became effective: *Provided,* That this temporary relief shall not apply to any applicant or registrant if the adjusted net capital of the applicant or registrant is less than the greatest of:

(A) 120 percent of the appropriate minimum dollar amount required by paragraphs (a)(1)(i)(A) or (a)(1)(iii)(A) of this section;

(B) For a futures commission merchant or applicant therefor, 120 percent of the amount required by paragraph (a)(1)(i)(B) of this section;

(C) 120 percent of the amount of adjusted net capital required by a registered futures association of which it is a member;

(D) For an applicant or registrant which is also a securities broker or dealer, the amount of net capital specified in Rule 15c3-1d(c)(5)(i) of the Securities and Exchange Commission (17 CFR 240.15c3-1d(c)(5)(i)); or

(E) The amount of equity capital as defined in paragraph (d) of this section is less than the limits specified in paragraph (d) of this section. Such temporary subordination agreement shall be subject to all the other provisions of this section.

(vi) **Filing.** An applicant shall file a signed copy of any proposed subordination agreement (including nonconforming subordination agreements) with the National Futures Association at least ten days prior to
the proposed effective date of the agreement or at such other time as the National Futures Association for
good cause shall accept such filing. A registrant that is not a member of any designated self-regulatory
organization shall file two signed copies of any proposed subordination agreement (including
nonconforming subordination agreements) with the regional office of the Commission nearest the
principal place of business of the registrant at least ten days prior to the proposed effective date of the
agreement or at such other time as the Commission for good cause shall accept such filing. A registrant
that is a member of a designated self-regulatory organization shall file signed copies of any proposed
subordination agreement (including nonconforming subordination agreements) with the designated self-
regulatory organization in such quantities and at such time as the designated self-regulatory organization
may require prior to the effective date. The applicant or registrant shall also file with said parties a
statement setting forth the name and address of the lender, the business relationship of the lender to the
applicant or registrant and whether the applicant or registrant carried funds or securities for the lender at
or about the time the proposed agreement was so filed. A proposed agreement filed by an applicant with
the National Futures Association shall be reviewed by the National Futures Association, and no such
agreement shall be a satisfactory subordination agreement for the purposes of this section unless and
until the National Futures Association has found the agreement acceptable and such agreement has
become effective in the form found acceptable. A proposed agreement filed by a registrant shall be
reviewed by the designated self-regulatory organization with whom such an agreement is required to be
filed prior to its becoming effective or, if the registrant is not a member of any designated self-regulatory
organization, by the regional office of the Commission where the agreement is required to be filed prior to
its becoming effective. No proposed agreement shall be a satisfactory subordination agreement for the
purposes of this section unless and until the designated self-regulatory organization or, if a registrant is
not a member of any designated self-regulatory organization, the Commission, has found the agreement
acceptable and such agreement has become effective in the form found acceptable. That a proposed agreement shall be a satisfactory subordination agreement for purpose of this section if the registrant: is a securities broker or dealer registered with the Securities and Exchange Commission;
files signed copies of the proposed subordination agreement with the applicable securities designated
examining authority, as defined in Rule 15c3-1(c)(12) of the Securities and Exchange Commission (17
CFR 240.15c3-1(c)(12)), in the form and manner prescribed by the designated examining authority; files
signed copies of the proposed subordination agreement with the designated self-regulatory organization
at the time it files such copies with the designated examining authority in the form and manner prescribed
by the designated self-regulatory organization; and files a copy of the designated examining authority's
approval of the proposed subordination agreement with the designated self-regulatory organization
immediately upon receipt of such approval. The designated examining authority's determination that the
proposed subordination agreement satisfies the requirements for a satisfactory subordination agreement
will be deemed a like finding by the designated self-regulatory organization, unless the designated self-
regulatory organization notifies the registrant that the designated examining authority's determination
shall not constitute a like finding by the designated self-regulatory organization.

(vii) Subordination agreements that incorporate adjusted net capital requirements in effect prior to
September 30, 2004. Any subordination agreement that incorporates the adjusted net capital
requirements in paragraphs (h)(2)(vi)(C)(2), (h)(2)(vii)(A)(2) and (B)(2), (h)(2)(viii)(A)(2), (h)(3)(ii)(B), and
(h)(3)(v)(B) of this section, as in effect prior to September 30, 2004, and which has been deemed to be
satisfactorily subordinated pursuant to this section prior to September 30, 2004, shall continue to be
deemed a satisfactory subordination agreement until the maturity of such agreement. In the event,
however, that such agreement is amended or renewed for any reason, then such agreement shall not be
deemed a satisfactory subordination agreement unless the amended or renewed agreement meets the
requirements of this section.

(4) A designated self-regulatory organization and the Commission may allow debt with a maturity date of
1 year or more to be treated as meeting the provisions of this paragraph (h): Provided, (i) Such exemption
shall only be given when the registrant's adjusted net capital is less than the minimum required by this
section or by the capital rule of the designated self-regulatory organization to which such registrant is
subject;

(ii) That such debt did not exist prior to its use under this paragraph (h)(4);
(iii) Such exemption shall be for a period of 30 days or such lesser period as the designated self-
regulatory organization and the Commission may determine;

(iv) Such exemption shall not be allowed more than once in any 12 month period; and

(v) At all times during such exemption the registrant shall make a good faith effort to comply with the
provisions of this section or the capital rule of the designated self-regulatory organization to which such
registrant is subject exclusive of any benefits derived from this paragraph (h)(4).

(i) [Reserved]

(j) For the purposes of this section cover is defined as follows:

(1) General definition. Cover shall mean transactions or positions in a contract for future delivery on a
board of trade or a commodity option where such transactions or positions normally represent a substitute
for transactions to be made or positions to be taken at a later time in a physical marketing channel, and
where they are economically appropriate to the reduction of risks in the conduct and management of a
commercial enterprise, and where they arise from:

(i) The potential change in the value of assets which a person owns, produces, manufactures, processes,
or merchandises or anticipates owning, producing, manufacturing, processing, or merchandising.

(ii) The potential change in the value of liabilities which a person owes or anticipates incurring, or

(iii) The potential change in the value of services which a person provides, purchases or anticipates
providing or purchasing. Notwithstanding the foregoing, no transactions or positions shall be classified as
cover for the purposes of this section unless their purpose is to offset price risks incidental to commercial
cash or spot operations and such positions are established and liquidated in accordance with sound
commercial practices and unless the provisions of paragraphs (j) (2) and (3) of this section have been
satisfied.

(2) Enumerated cover transactions. The definition of covered transactions and positions in paragraph
(j)(1) of this section includes, but is not limited to, the following specific transactions and positions:

(i) Ownership or fixed-price purchase of any commodity which does not exceed in quantity (A) the sales of
the same commodity for future delivery on a board of trade or (B) the purchase of a put commodity option
of the same commodity for which the market value for the actual commodity or futures contract which is
the subject of the option is less than the strike price of the option or (C) the ownership of a commodity
option position established by the sale (grant) of a call commodity option of the same commodity for
which the market value for the actual commodity or futures contract which is the subject of the option is
more than the strike price of the option: Provided, That for purposes of paragraph (c)(5)(x) of this section
the market value for the actual commodity or futures contract which is the subject of such option need not
be more than the strike price of that option;

(ii) Fixed-price sale of any commodity which does not exceed in quantity (A) the purchase of the same
commodity for future delivery on a board of trade or (B) the purchase of a call commodity option of the
same commodity for which the market value for the actual commodity or futures contract which is the
subject of such option is more than the strike price of the option or (C) ownership of a commodity option
position established by the sale (grant) of a put commodity option of the same commodity for which the
market value for the actual commodity or futures contract which is the subject of the option is less than
the strike price of the option: Provided, That for purposes of paragraph (c)(5)(x) of this section the market
value for the actual commodity or futures contract which is the subject of such option need not be less
than the strike price of that option; and
(iii) Ownership or fixed-price contracts of a commodity described in paragraphs (j)(2)(i) and (j)(2)(ii) of this section may also be covered other than by the same quantity of the same cash commodity, provided that the fluctuations in value of the position for future delivery or commodity option are substantially related to the fluctuations in value of the actual cash position.

(3) Nonenumerated cases. Upon specific request, the Commission may recognize transactions and positions other than those enumerated in paragraph (j)(2) of this section as cover in amounts and under the terms and conditions as it may specify. Any applicant or registrant who wishes to avail itself of the provisions of this paragraph (j)(3) must apply to the Commission in writing at its principal office in Washington, DC giving full details of the transaction including detailed information which will demonstrate that the transaction is economically appropriate to the reduction of risk exposure attendant to the conduct and management of a commercial enterprise.

Adopted October 17, 2012 (12-26). Amended April 28, 2014 (14-07); April 4, 2018 (18-004).

523. Compliance with Commission Regulation 1.18 - Records for and relating to Financial Reporting and Monthly Computation by Futures Commission Merchants and Introducing Brokers

Any Trading Privilege Holder subject to Commission Regulation 1.18 that violates Commission Regulation 1.18 shall be deemed to have violated this Rule 523. Commission Regulation 1.18 is set forth below and incorporated into this Rule 523.

Commission Regulation 1.18 - Records for and relating to financial reporting and monthly computation by futures commission merchants and introducing brokers.

(a) No person shall be registered as a futures commission merchant or as an introducing broker under the Act unless, commencing on the date his application for such registration is filed, he prepares and keeps current ledgers or other similar records which show or summarize, with appropriate references to supporting documents, each transaction affecting his asset, liability, income, expense and capital accounts, and in which (except as otherwise permitted in writing by the Commission) all his asset, liability and capital accounts are classified into either the account classification subdivisions specified on Form 1–FR–FCM or Form 1–FR–IB, respectively, or, if such person is registered with the Securities and Exchange Commission as a securities broker or dealer and he files (in accordance with §1.10(h)) a copy of his Financial and Operational Combined Uniform Single Report under the Securities Exchange Act of 1934, Part II, Part IIA, or Part II CSE (FOCUS report) in lieu of Form 1–FR–FCM or Form 1–FR–IB, the account classification subdivisions specified on such FOCUS report, or categories that are in accord with generally accepted accounting principles. Each person so registered shall prepare and keep current such records.

(b)(1) Each applicant or registrant must make and keep as a record in accordance with §1.31 formal computations of its adjusted net capital and of its minimum financial requirements pursuant to §1.17 or the requirements of the designated self-regulatory organization to which it is subject as of the close of business each month. Such computations must be completed and made available for inspection by any representative of the National Futures Association, in the case of an applicant, or of the Commission or designated self-regulatory organization, if any, in the case of a registrant, within 17 business days after the date for which the computations are made, commencing the first month end after the date the application for registration is filed.

(2) An applicant or registrant that has filed a monthly Form 1–FR or Statement of Financial and Operational Combined Uniform Single Report under the Securities Exchange Act of 1934, Part II, Part IIA, or Part II CSE (FOCUS report) in accordance with the requirements of §1.10(b) will be deemed to have satisfied the requirements of paragraph (b)(1) of this section for such month.
(c) The provisions of this section do not apply to an introducing broker which is operating pursuant to a guarantee agreement, nor do such provisions apply to an applicant for registration as an introducing broker who files concurrently with such application a guarantee agreement, provided such introducing broker or applicant therefor is not also a securities broker or dealer.

Adopted October 17, 2012 (12-26).

524. Compliance with Commission Regulation 1.20 – Futures Customer Funds to Be Segregated and Separately Accounted For

Any Trading Privilege Holder subject to Commission Regulation 1.20 that violates Commission Regulation 1.20 shall be deemed to have violated this Rule 524. Commission Regulation 1.20 is set forth below and incorporated into this Rule 524.

Commission Regulation 1.20 – Futures customer funds to be segregated and separately accounted for

(a) General. A futures commission merchant must separately account for all futures customer funds and segregate such funds as belonging to its futures customers. A futures commission merchant shall deposit futures customer funds under an account name that clearly identifies them as futures customer funds and shows that such funds are segregated as required by sections 4d(a) and 4d(b) of the Act and by this part. A futures commission merchant must at all times maintain in the separate account or accounts money, securities and property in an amount at least sufficient in the aggregate to cover its total obligations to all futures customers as computed under paragraph (i) of this section. The futures commission merchant must perform appropriate due diligence as required by §1.11 on any and all locations of futures customer funds, as specified in paragraph (b) of this section, to ensure that the location in which the futures commission merchant has deposited such funds is a financially sound entity.

(b) Location of futures customer funds. A futures commission merchant may deposit futures customer funds, subject to the risk management policies and procedures of the futures commission merchant required by §1.11, with the following depositories:

(1) A bank or trust company;

(2) A derivatives clearing organization; or

(3) Another futures commission merchant.

(c) Limitation on the holding of futures customer funds outside of the United States. A futures commission merchant may hold futures customer funds with a depository outside of the United States only in accordance with §1.49.

(d) Written acknowledgment from depositories. (1) A futures commission merchant must obtain a written acknowledgment from each bank, trust company, derivatives clearing organization, or futures commission merchant prior to or contemporaneously with the opening of an account by the futures commission merchant with such depositories; provided, however, that a written acknowledgment need not be obtained from a derivatives clearing organization that has adopted and submitted to the Commission rules that provide for the segregation of futures customer funds in accordance with all relevant provisions of the Act and the rules and orders promulgated thereunder.

(2) The written acknowledgment must be in the form as set out in Appendix A to this part.

(3)(i) A futures commission merchant shall deposit futures customer funds only with a depository that agrees to provide the director of the Division of Swap Dealer and Intermediary Oversight, or any
successor division, or such director's designees, with direct, read-only electronic access to transaction and account balance information for futures customer accounts.

(ii) The written acknowledgment must contain the futures commission merchant's authorization to the depository to provide direct, read-only electronic access to futures customer account transaction and account balance information to the director of the Division of Swap Dealer and Intermediary Oversight, or any successor division, or such director's designees, without further notice to or consent from the futures commission merchant.

(4) A futures commission merchant shall deposit futures customer funds only with a depository that agrees to provide the Commission and the futures commission merchant's designated self-regulatory organization with a copy of the executed written acknowledgment no later than three business days after the opening of the account or the execution of a new written acknowledgment for an existing account, as applicable. The Commission must receive the written acknowledgment from the depository via electronic means, in a format and manner determined by the Commission. The written acknowledgment must contain the futures commission merchant's authorization to the depository to provide the written acknowledgment to the Commission and to the futures commission merchant's designated self-regulatory organization without further notice to or consent from the futures commission merchant.

(5) A futures commission merchant shall deposit futures customer funds only with a depository that agrees that accounts containing customer funds may be examined at any reasonable time by the director of the Division of Swap Dealer and Intermediary Oversight or the director of the Division of Clearing and Risk, or any successor divisions, or such directors' designees, or an appropriate officer, agent or employee of the futures commission merchant's designated self-regulatory organization. The written acknowledgment must contain the futures commission merchant's authorization to the depository to permit any such examination to take place without further notice to or consent from the futures commission merchant.

(6) A futures commission merchant shall deposit futures customer funds only with a depository that agrees to reply promptly and directly to any request from the director of the Division of Swap Dealer and Intermediary Oversight or the director of the Division of Clearing and Risk, or any successor divisions, or such directors' designees, or an appropriate officer, agent or employee of the futures commission merchant's designated self-regulatory organization for confirmation of account balances or provision of any other information regarding or related to an account. The written acknowledgment must contain the futures commission merchant's authorization to the depository to reply promptly and directly as required by this paragraph without further notice to or consent from the futures commission merchant.

(7) The futures commission merchant shall promptly file a copy of the written acknowledgment with the Commission in the format and manner specified by the Commission no later than three business days after the opening of the account or the execution of a new written acknowledgment for an existing account, as applicable.

(8) A futures commission merchant shall obtain a new written acknowledgment within 120 days of any changes in the following:

(i) The name or business address of the futures commission merchant;

(ii) The name or business address of the bank, trust company, derivatives clearing organization or futures commission merchant receiving futures customer funds; or

(iii) The account number(s) under which futures customer funds are held.

(9) A futures commission merchant shall maintain each written acknowledgment readily accessible in its files in accordance with §1.31, for as long as the account remains open, and thereafter for the period provided in §1.31.
(e) **Commingling.** (1) A futures commission merchant may for convenience commingle the futures customer funds that it receives from, or on behalf of, multiple futures customers in a single account or multiple accounts with one or more of the depositories listed in paragraph (b) of this section.

(2) A futures commission merchant shall not commingle futures customer funds with the money, securities or property of such futures commission merchant, or with any proprietary account of such futures commission merchant, or use such funds to secure or guarantee the obligation of, or extend credit to, such futures commission merchant or any proprietary account of such futures commission merchant; provided, however, a futures commission merchant may deposit proprietary funds in segregated accounts as permitted under §1.23.

(3) A futures commission merchant may not commingle futures customer funds with funds deposited by 30.7 customers as defined in §30.1 of this chapter and set aside in separate accounts as required by part 30 of this chapter, or with funds deposited by Cleared Swaps Customers as defined in §22.1 of this chapter and held in segregated accounts pursuant to section 4d(f) of the Act; provided, however, that a futures commission merchant may commingle futures customer funds with funds deposited by 30.7 customers or Cleared Swaps Customers if expressly permitted by a Commission regulation or order, or by a derivatives clearing organization rule approved in accordance with §39.15(b)(2) of this chapter.

(f) **Limitation on use of futures customer funds.** (1) A futures commission merchant shall treat and deal with the funds of a futures customer as belonging to such futures customer. A futures commission merchant shall not use the funds of a futures customer to secure or guarantee the commodity interests, or to secure or extend the credit, of any person other than the futures customer for whom the funds are held.

(2) A futures commission merchant shall obligate futures customer funds to a derivatives clearing organization, a futures commission merchant, or any depository solely to purchase, margin, guarantee, secure, transfer, adjust or settle trades, contracts or commodity option transactions of futures customers; provided, however, that a futures commission merchant is permitted to use the funds belonging to a futures customer that are necessary in the normal course of business to pay lawfully accruing fees or expenses on behalf of the futures customer's positions including commissions, brokerage, interest, taxes, storage and other fees and charges.

(3) No person, including any derivatives clearing organization or any depository, that has received futures customer funds for deposit in a segregated account, as provided in this section, may hold, dispose of, or use any such funds as belonging to any person other than the futures customers of the futures commission merchant which deposited such funds.

(g) **Derivatives clearing organizations—** (1) General. All futures customer funds received by a derivatives clearing organization from a member to purchase, margin, guarantee, secure or settle the trades, contracts or commodity options of the clearing member's futures customers and all money accruing to such futures customers as the result of trades, contracts or commodity options so carried shall be separately accounted for and segregated as belonging to such futures customers, and a derivatives clearing organization shall not hold, use or dispose of such futures customer funds except as belonging to such futures customers. A derivatives clearing organization shall deposit futures customer funds under an account name that clearly identifies them as futures customer funds and shows that such funds are segregated as required by sections 4d(a) and 4d(b) of the Act and by this part.

(2) **Location of futures customer funds.** A derivatives clearing organization may deposit futures customer funds with a bank or trust company, which may include a Federal Reserve Bank with respect to deposits of a derivatives clearing organization that is designated by the Financial Stability Oversight Council to be systemically important.

(3) **Limitation on the holding of futures customer funds outside of the United States.** A derivatives clearing organization may hold futures customer funds with a depository outside of the United States only in accordance with §1.49.
(4) **Written acknowledgment from depositories.** (i) A derivatives clearing organization must obtain a written acknowledgment from each depository prior to or contemporaneously with the opening of a futures customer funds account.

(ii) The written acknowledgment must be in the form as set out in Appendix B to this part; provided, however, that a derivatives clearing organization shall obtain from a Federal Reserve Bank only a written acknowledgment that:

(A) The Federal Reserve Bank was informed that the customer funds deposited therein are those of customers who trade commodities, options, swaps, and other products and are being held in accordance with the provisions of section 4d of the Act and Commission regulations thereunder; and

(B) The Federal Reserve Bank agrees to reply promptly and directly to any request from the director of the Division of Clearing and Risk or the director of the Division of Swap Dealer and Intermediary Oversight, or any successor divisions, or such directors’ designees, for confirmation of account balances or provision of any other information regarding or related to an account.

(iii) A derivatives clearing organization shall deposit futures customer funds only with a depository that agrees to provide the Commission with a copy of the executed written acknowledgment no later than three business days after the opening of the account or the execution of a new written acknowledgment for an existing account, as applicable. The Commission must receive the written acknowledgment from the depository via electronic means, in a format and manner determined by the Commission. The written acknowledgment must contain the derivatives clearing organization's authorization to the depository to provide the written acknowledgment to the Commission without further notice to or consent from the derivatives clearing organization.

(iv) A derivatives clearing organization shall deposit futures customer funds only with a depository that agrees to reply promptly and directly to any request from the director of the Division of Clearing and Risk or the director of the Division of Swap Dealer and Intermediary Oversight, or any successor divisions, or such directors' designees, for confirmation of account balances or provision of any other information regarding or related to an account. The written acknowledgment must contain the derivatives clearing organization's authorization to the depository to reply promptly and directly as required by this paragraph without further notice to or consent from the derivatives clearing organization.

(v) A derivatives clearing organization shall promptly file a copy of the written acknowledgment with the Commission in the format and manner specified by the Commission no later than three business days after the opening of the account or the execution of a new written acknowledgment for an existing account, as applicable.

(vi) A derivatives clearing organization shall obtain a new written acknowledgment within 120 days of any changes in the following:

(A) The name or business address of the derivatives clearing organization;

(B) The name or business address of the depository receiving futures customer funds; or

(C) The account number(s) under which futures customer funds are held.

(vii) A derivatives clearing organization shall maintain each written acknowledgment readily accessible in its files in accordance with §1.31, for as long as the account remains open, and thereafter for the period provided in §1.31.

(5) **Commingling.** (i) A derivatives clearing organization may for convenience commingle the futures customer funds that it receives from, or on behalf of, multiple futures commission merchants in a single account or multiple accounts with one or more of the depositories listed in paragraph (g)(2) of this section.
(ii) A derivatives clearing organization shall not commingle futures customer funds with the money, securities or property of such derivatives clearing organization or with any proprietary account of any of its clearing members, or use such funds to secure or guarantee the obligations of, or extend credit to, such derivatives clearing organization or any proprietary account of any of its clearing members.

(iii) A derivatives clearing organization may not commingle funds held for futures customers with funds deposited by clearing members on behalf of their 30.7 customers as defined in §30.1 of this chapter and set aside in separate accounts as required by part 30 of this chapter, or with funds deposited by clearing members on behalf of their Cleared Swaps Customers as defined in §22.1 of this chapter; provided, however, that a derivatives clearing organization may commingle futures customer funds with funds deposited by clearing members on behalf of their 30.7 customers or Cleared Swaps Customers if expressly permitted by a Commission regulation or order, or by a derivatives clearing organization rule approved in accordance with §39.15(b)(2) of this chapter.

(h) Immediate availability of bank and trust company deposits. All futures customer funds deposited by a futures commission merchant or a derivatives clearing organization with a bank or trust company must be immediately available for withdrawal upon the demand of the futures commission merchant or derivatives clearing organization.

(i) Requirements as to amount. (1) For purposes of this paragraph (i), the term "account" shall mean the entries on the books and records of a futures commission merchant pertaining to the futures customer funds of a particular futures customer.

(2) The futures commission merchant must reflect in the account that it maintains for each futures customer the net liquidating equity for each such customer, calculated as follows: The market value of any futures customer funds that it receives from such customer, as adjusted by:

(i) Any uses permitted under paragraph (f) of this section;

(ii) Any accruals on permitted investments of such collateral under §1.25 that, pursuant to the futures commission merchant's customer agreement with that customer, are creditable to such customer;

(iii) Any gains and losses with respect to contracts for the purchase or sale of a commodity for future delivery and any options on such contracts;

(iv) Any charges lawfully accruing to the futures customer, including any commission, brokerage fee, interest, tax, or storage fee; and

(v) Any appropriately authorized distribution or transfer of such collateral.

(3) If the market value of futures customer funds in the account of a futures customer is positive after adjustments, then that account has a credit balance. If the market value of futures customer funds in the account of a futures customer is negative after adjustments, then that account has a debit balance.

(4) The futures commission merchant must maintain in segregation an amount equal to the sum of any credit balances that the futures customers of the futures commission merchant have in their accounts. This balance may not be reduced by any debit balances that the futures customers of the futures commission merchants have in their accounts.

APPENDIX A TO §1.20—FUTURES COMMISSION MERCHANT ACKNOWLEDGMENT LETTER FOR CFTC REGULATION 1.20 CUSTOMER SEGREGATED ACCOUNT

[Date]
We refer to the Segregated Account(s) which [Name of Futures Commission Merchant] (“we” or “our”) have opened or will open with [Name of Bank, Trust Company, Derivatives Clearing Organization or Futures Commission Merchant] (“you” or “your”) entitled:

[Name of Futures Commission Merchant] [if applicable, add “FCM Customer Omnibus Account”] CFTC Regulation 1.20 Customer Segregated Account under Sections 4d(a) and 4d(b) of the Commodity Exchange Act [and, if applicable, “, Abbreviated as [short title reflected in the depository’s electronic system]”]

Account Number(s): [ ]
(collectively, the “Account(s)”).

You acknowledge that we have opened or will open the above-referenced Account(s) for the purpose of depositing, as applicable, money, securities and other property (collectively the “Funds”) of customers who trade commodities, options, swaps, and other products, as required by Commodity Futures Trading Commission (“CFTC”) Regulations, including Regulation 1.20, as amended; that the Funds held by you, hereafter deposited in the Account(s) or accruing to the credit of the Account(s), will be separately accounted for and segregated on your books from our own funds and from any other funds or accounts held by us in accordance with the provisions of the Commodity Exchange Act, as amended (the “Act”), and Part 1 of the CFTC’s regulations, as amended; and that the Funds must otherwise be treated in accordance with the provisions of Section 4d of the Act and CFTC regulations thereunder.

Furthermore, you acknowledge and agree that such Funds may not be used by you or by us to secure or guarantee any obligations that we might owe to you, and they may not be used by us to secure or obtain credit from you. You further acknowledge and agree that the Funds in the Account(s) shall not be subject to any right of offset or lien for or on account of any indebtedness, obligations or liabilities we may now or in the future have owing to you. This prohibition does not affect your right to recover funds advanced in the form of cash transfers, lines of credit, repurchase agreements or other similar liquidity arrangements you make in lieu of liquidating non-cash assets held in the Account(s) or in lieu of converting cash held in the Account(s) to cash in a different currency.

In addition, you agree that the Account(s) may be examined at any reasonable time by the director of the Division of Swap Dealer and Intermediary Oversight of the CFTC or the director of the Division of Clearing and Risk of the CFTC, or any successor divisions, or such directors’ designees, or an appropriate officer, agent or employee of our designated self-regulatory organization (“DSRO”), [Name of DSRO], and this letter constitutes the authorization and direction of the undersigned on our behalf to permit any such examination to take place without further notice to or consent from us.

You agree to reply promptly and directly to any request for confirmation of account balances or provision of any other information regarding or related to the Account(s) from the director of the Division of Swap Dealer and Intermediary Oversight of the CFTC or the director of the Division of Clearing and Risk of the CFTC, or any successor divisions, or such directors’ designees, or an appropriate officer, agent or employee of [Name of DSRO], acting in its capacity as our DSRO, and this letter constitutes the authorization and direction of the undersigned on our behalf to release the requested information without further notice to or consent from us.

You further acknowledge and agree that, pursuant to authorization granted by us to you previously or herein, you have provided, or will promptly provide following the opening of the Account(s), the director of the Division of Swap Dealer and Intermediary Oversight of the CFTC, or any successor division, or such director’s designees, with technological connectivity, which may include provision of hardware, software, and related technology and protocol support, to facilitate direct, read-only electronic access to transaction and account balance information for the Account(s). This letter constitutes the authorization and direction of the undersigned on our behalf for you to establish this connectivity and access if not previously established, without further notice to or consent from us.

The parties agree that all actions on your part to respond to the above information and access requests will be made in accordance with, and subject to, such usual and customary authorization verification and authentication policies and procedures as may be employed by you to verify the authority of, and authenticate the identity of, the individual making any such information or access request, in order to provide for the secure transmission and delivery of the requested information or access to the appropriate recipient(s). We will not hold you responsible for acting pursuant to any information or access request from the director of the Division of Swap Dealer and Intermediary Oversight of the CFTC or the director of the Division of Clearing and Risk of the CFTC, or any successor divisions, or
such directors’ designees, or an appropriate officer, agent, or employee of [Name of DSRO], acting in its capacity as our DSRO, upon which you have relied after having taken measures in accordance with your applicable policies and procedures to assure that such request was provided to you by an individual authorized to make such a request.

In the event that we become subject to either a voluntary or involuntary petition for relief under the U.S. Bankruptcy Code, we acknowledge that you will have no obligation to release the Funds held in the Account(s), except upon instruction of the Trustee in Bankruptcy or pursuant to the Order of the respective U.S. Bankruptcy Court.

Notwithstanding anything in the foregoing to the contrary, nothing contained herein shall be construed as limiting your right to assert any right of offset or lien on assets that are not Funds maintained in the Account(s), or to impose such charges against us or any proprietary account maintained by us with you. Further, it is understood that amounts represented by checks, drafts or other items shall not be considered to be part of the Account(s) until finally collected. Accordingly, checks, drafts and other items credited to the Account(s) and subsequently dishonored or otherwise returned to you or reversed, for any reason, and any claims relating thereto, including but not limited to claims of alteration or forgery, may be charged back to the Account(s), and we shall be responsible to you as a general endorser of all such items whether or not actually so endorsed.

You may conclusively presume that any withdrawal from the Account(s) and the balances maintained therein are in conformity with the Act and CFTC regulations without any further inquiry, provided that, in the ordinary course of your business as a depository, you have no notice of or actual knowledge of a potential violation by us of any provision of the Act or the CFTC regulations that relates to the segregation of customer funds; and you shall not in any manner not expressly agreed to herein be responsible to us for ensuring compliance by us with such provisions of the Act and CFTC regulations; however, the aforementioned presumption does not affect any obligation you may otherwise have under the Act or CFTC regulations.

You may, and are hereby authorized to, obey the order, judgment, decree or levy of any court of competent jurisdiction or any governmental agency with jurisdiction, which order, judgment, decree or levy relates in whole or in part to the Account(s). In any event, you shall not be liable by reason of any action or omission to act pursuant to any such order, judgment, decree or levy, to us or to any other person, firm, association or corporation even if thereafter any such order, decree, judgment or levy shall be reversed, modified, set aside or vacated.

The terms of this letter agreement shall remain binding upon the parties, their successors and assigns and, for the avoidance of doubt, regardless of a change in the name of either party. This letter agreement supersedes and replaces any prior agreement between the parties in connection with the Account(s), including but not limited to any prior acknowledgment letter agreement, to the extent that such prior agreement is inconsistent with the terms hereof. In the event of any conflict between this letter agreement and any other agreement between the parties in connection with the Account(s), this letter agreement shall govern with respect to matters specific to Section 4d of the Act and the CFTC’s regulations thereunder, as amended.

This letter agreement shall be governed by and construed in accordance with the laws of [Insert governing law] without regard to the principles of choice of law.

Please acknowledge that you agree to abide by the requirements and conditions set forth above by signing and returning to us the enclosed copy of this letter agreement, and that you further agree to provide a copy of this fully executed letter agreement directly to the CFTC (via electronic means in a format and manner determined by the CFTC) and to [Name of DSRO], acting in its capacity as our DSRO. We hereby authorize and direct you to provide such copies without further notice to or consent from us, no later than three business days after opening the Account(s) or revising this letter agreement, as applicable.

[Name of Futures Commission Merchant]

By:

Print Name:

Title:

ACKNOWLEDGED AND AGREED:

[Name of Bank, Trust Company, Derivatives Clearing Organization or Futures Commission Merchant]
APPENDIX B TO §1.20—DERIVATIVES CLEARING ORGANIZATION ACKNOWLEDGMENT LETTER FOR CFTC REGULATION 1.20 CUSTOMER SEGREGATED ACCOUNT

[Date]

[Name and Address of Bank or Trust Company]

We refer to the Segregated Account(s) which [Name of Derivatives Clearing Organization] ("we" or "our") have opened or will open with [Name of Bank or Trust Company] ("you" or "your") entitled:

[Name of Derivatives Clearing Organization] Futures Customer Omnibus Account, CFTC Regulation 1.20 Customer Segregated Account under Sections 4d(a) and 4d(b) of the Commodity Exchange Act [and, if applicable, ",
Abbreviated as [short title reflected in the depository's electronic system]]

Account Number(s): [ ] (collectively, the "Account(s)").

You acknowledge that we have opened or will open the above-referenced Account(s) for the purpose of depositing, as applicable, money, securities and other property (collectively the "Funds") of customers who trade commodities, options, swaps, and other products, as required by Commodity Futures Trading Commission ("CFTC") Regulations, including Regulation 1.20, as amended; that the Funds held by you, hereafter deposited in the Account(s) or accruing to the credit of the Account(s), will be separately accounted for and segregated on your books from our own funds and from any other funds or accounts held by us in accordance with the provisions of the Commodity Exchange Act, as amended (the "Act"), and Part 1 of the CFTC's regulations, as amended; and that the Funds must otherwise be treated in accordance with the provisions of Section 4d of the Act and CFTC regulations thereunder.

Furthermore, you acknowledge and agree that such Funds may not be used by you or by us to secure or guarantee any obligations that we might owe to you, and they may not be used by us to secure or obtain credit from you. You further acknowledge and agree that the Funds in the Account(s) shall not be subject to any right of offset or lien for or on account of any indebtedness, obligations or liabilities we may now or in the future have owing to you. This prohibition does not affect your right to recover funds advanced in the form of cash transfers, lines of credit, repurchase agreements or other similar liquidity arrangements you make in lieu of liquidating non-cash assets held in the Account(s) or in lieu of converting cash held in the Account(s) to cash in a different currency.

You agree to reply promptly and directly to any request for confirmation of account balances or provision of any other information regarding or related to the Account(s) from the director of the Division of Clearing and Risk of the CFTC or the director of the Division of Swap Dealer and Intermediary Oversight of the CFTC, or any successor divisions, or such directors’ designees, and this letter constitutes the authorization and direction of the undersigned on our behalf to release the requested information without further notice to or consent from us.

The parties agree that all actions on your part to respond to the above information requests will be made in accordance with, and subject to, such usual and customary authorization verification and authentication policies and procedures as may be employed by you to verify the authority of, and authenticate the identity of, the individual making any such information request, in order to provide for the secure transmission and delivery of the requested information to the appropriate recipient(s). We will not hold you responsible for acting pursuant to any information request from the director of the Division of Clearing and Risk of the CFTC or the director of the Division of Swap Dealer and Intermediary Oversight of the CFTC, or any successor divisions, or such directors’ designees, upon which you have relied after having taken measures in accordance with your applicable policies and procedures to assure that such request was provided to you by an individual authorized to make such a request.
In the event that we become subject to either a voluntary or involuntary petition for relief under the U.S. Bankruptcy Code, we acknowledge that you will have no obligation to release the Funds held in the Account(s), except upon instruction of the Trustee in Bankruptcy or pursuant to the Order of the respective U.S. Bankruptcy Court.

Notwithstanding anything in the foregoing to the contrary, nothing contained herein shall be construed as limiting your right to assert any right of offset or lien on assets that are not Funds maintained in the Account(s), or to impose such charges against us or any proprietary account maintained by us with you. Further, it is understood that amounts represented by checks, drafts or other items shall not be considered to be part of the Account(s) until finally collected. Accordingly, checks, drafts and other items credited to the Account(s) and subsequently dishonored or otherwise returned to you or reversed, for any reason, and any claims relating thereto, including but not limited to claims of alteration or forgery, may be charged back to the Account(s), and we shall be responsible to you as a general endorser of all such items whether or not actually so endorsed.

You may conclusively presume that any withdrawal from the Account(s) and the balances maintained therein are in conformity with the Act and CFTC regulations without any further inquiry, provided that, in the ordinary course of your business as a depository, you have no notice of or actual knowledge of a potential violation by us of any provision of the Act or the CFTC regulations that relates to the segregation of customer funds; and you shall not in any manner not expressly agreed to herein be responsible to us for ensuring compliance by us with such provisions of the Act and CFTC regulations; however, the aforementioned presumption does not affect any obligation you may otherwise have under the Act or CFTC regulations.

You may, and are hereby authorized to, obey the order, judgment, decree or levy of any court of competent jurisdiction or any governmental agency with jurisdiction, which order, judgment, decree or levy relates in whole or in part to the Account(s). In any event, you shall not be liable by reason of any action or omission to act pursuant to any such order, judgment, decree or levy, to us or to any other person, firm, association or corporation even if thereafter any such order, decree, judgment or levy shall be reversed, modified, set aside or vacated.

The terms of this letter agreement shall remain binding upon the parties, their successors and assigns and, for the avoidance of doubt, regardless of a change in the name of either party. This letter agreement supersedes and replaces any prior agreement between the parties in connection with the Account(s), including but not limited to any prior acknowledgment letter agreement, to the extent that such prior agreement is inconsistent with the terms hereof. In the event of any conflict between this letter agreement and any other agreement between the parties in connection with the Account(s), this letter agreement shall govern with respect to matters specific to Section 4d of the Act and the CFTC's regulations thereunder, as amended.

This letter agreement shall be governed by and construed in accordance with the laws of [Insert governing law] without regard to the principles of choice of law.

Please acknowledge that you agree to abide by the requirements and conditions set forth above by signing and returning to us the enclosed copy of this letter agreement, and that you further agree to provide a copy of this fully executed letter agreement directly to the CFTC (via electronic means in a format and manner determined by the CFTC). We hereby authorize and direct you to provide such copy without further notice to or consent from us, no later than three business days after opening the Account(s) or revising this letter agreement, as applicable.

[Name of Derivatives Clearing Organization]

By:

Print Name:

Title:

ACKNOWLEDGED AND AGREED:

[Name of Bank or Trust Company]

By:

Print Name:

Title:
DATE:


525. Compliance with Commission Regulation 1.21 - Care of Money and Equities Accruing to Customers

Any Trading Privilege Holder subject to Commission Regulation 1.21 that violates Commission Regulation 1.21 shall be deemed to have violated this Rule 525. Commission Regulation 1.21 is set forth below and incorporated into this Rule 525.

Commission Regulation 1.21 - Care of money and equities accruing to customers.

All money received directly or indirectly by, and all money and equities accruing to, a futures commission merchant from any clearing organization or from any clearing member or from any member of a contract market incident to or resulting from any trade, contract or commodity option made by or through such futures commission merchant on behalf of any commodity or option customer shall be considered as accruing to such commodity or option customer within the meaning of the Act and these regulations. Such money and equities shall be treated and dealt with as belonging to such commodity or option customer in accordance with the provisions of the Act and these regulations. Money and equities accruing in connection with commodity or option customers' open trades, contracts, or commodity options need not be separately credited to individual accounts but may be treated and dealt with as belonging undivided to all commodity or option customers having open trades, contracts, or commodity option positions which if closed would result in a credit to such commodity or option customers.

Adopted October 17, 2012 (12-26).

526. Compliance with Commission Regulation 1.22 - Use of Futures Customer Funds Restricted

Any Trading Privilege Holder subject to Commission Regulation 1.22 that violates Commission Regulation 1.22 shall be deemed to have violated this Rule 526. Commission Regulation 1.22 is set forth below and incorporated into this Rule 526.

Commission Regulation 1.22 - Use of futures customer funds restricted.

(a) No futures commission merchant shall use, or permit the use of, the futures customer funds of one futures customer to purchase, margin, or settle the trades, contracts, or commodity options of, or to secure or extend the credit of, any person other than such futures customer.

(b) Futures customer funds shall not be used to carry trades or positions of the same futures customer other than in contracts for the purchase of sale of any commodity for future delivery or for options thereon traded through the facilities of a designated contract market.

(c)(1) The undermargined amount for a futures customer's account is the amount, if any, by which:

(i) The total amount of collateral required for that futures customer's positions in that account, at the time or times referred to in paragraph (c)(2) of this section, exceeds

(ii) The value of the futures customer funds for that account, as calculated in §1.20(i)(2).
(2) Each futures commission merchant must compute, based on the information available to the futures commission merchant as of the close of each business day,

(i) The undermargined amounts, based on the clearing initial margin that will be required to be maintained by that futures commission merchant for its futures customers, at each derivatives clearing organization of which the futures commission merchant is a member, at the point of the daily settlement (as described in §39.14 of this chapter) that will complete during the following business day for each such derivatives clearing organization less

(ii) Any debit balances referred to in §1.20(i)(4) included in such undermargined amounts.

(3)(i) Prior to the Residual Interest Deadline, such futures commission merchant must maintain residual interest in segregated funds that is at least equal to the computation set forth in paragraph (c)(2) of this section. Where a futures commission merchant is subject to multiple Residual Interest Deadlines, prior to each Residual Interest Deadline, such futures commission merchant must maintain residual interest in segregated funds that is at least equal to the portion of the computation set forth in paragraph (c)(2) of this section attributable to the clearing initial margin required by the derivatives clearing organization making such settlement.

(ii) A futures commission merchant may reduce the amount of residual interest required in paragraph (c)(3)(i) of this section to account for payments received from or on behalf of undermargined futures customers (less the sum of any disbursements made to or on behalf of such customers) between the close of the previous business day and the Residual Interest Deadline.

(4) For purposes of paragraph (c)(2) of this section, a futures commission merchant should include, as clearing initial margin, customer initial margin that the futures commission merchant will be required to maintain, for that futures commission merchant's futures customers, at another futures commission merchant.

(5) **Residual Interest Deadline defined.** (i) Except as provided in paragraph (c)(5)(ii) of this section, the Residual Interest Deadline shall be the time of the settlement referenced in paragraph (c)(2)(i) or, as appropriate, (c)(4), of this section.

(ii) Starting on November 14, 2014 and during the phase-in period described in paragraph (c)(5)(iii) of this section, the Residual Interest Deadline shall be 6:00 p.m. Eastern Time on the date of the settlement referenced in paragraph (c)(2)(i) or, as appropriate, (c)(4), of this section.

(iii)(A) No later than May 16, 2016, the staff of the Commission shall complete and publish for public comment a report addressing, to the extent information is practically available, the practicability (for both futures commission merchants and customers) of moving that deadline from 6:00 p.m. Eastern Time on the date of the settlement referenced in paragraph (c)(2)(i) or, as appropriate, (c)(4), of this section to the time of that settlement (or to some other time of day), including whether and on what schedule it would be feasible to do so, and the costs and benefits of such potential requirements. Staff shall, using the Commission's Web site, solicit public comment and shall conduct a public roundtable regarding specific issues to be covered by such report.

(B) Nine months after publication of the report required by paragraph (c)(5)(iii)(A) of this section, the Commission may (but shall not be required to) do either of the following:

(1) Terminate the phase-in period through rulemaking, in which case the phase-in period shall end as of a date established by a final rule published in the FEDERAL REGISTER, which date shall be no less than one year after the date such rule is published; or
(2) Determine that it is necessary or appropriate in the public interest to propose through rulemaking a different Residual Interest Deadline. In that event, the Commission shall establish, if necessary, a phase-in schedule in the final rule published in the Federal Register, a phase-in schedule.

(C) If the phase-in schedule has not been terminated or revised pursuant to paragraph (c)(5)(iii)(B) of this section, then the Residual Interest Deadline shall remain 6:00 p.m. Eastern Time on the date of the settlement referenced in paragraph (c)(2)(i) or, as appropriate, (c)(4) of this section until such time that the Commission takes further action through rulemaking.

Adopted October 17, 2012 (12-26). Amended April 28, 2014 (14-07); May 26, 2015 (11-15).

527. Compliance with Commission Regulation 1.23 - Interest of Futures Commission Merchants in Segregated Futures Customer Funds; Additions and Withdrawals

Any Trading Privilege Holder subject to Commission Regulation 1.23 that violates Commission Regulation 1.23 shall be deemed to have violated this Rule 527. Commission Regulation 1.23 is set forth below and incorporated into this Rule 527.

Commission Regulation 1.23 - Interest of futures commission merchant in segregated futures customer funds; additions and withdrawals.

(a)(1) The provision in sections 4d(a)(2) and 4d(b) of the Act and the provision in §1.20 that prohibit the commingling of futures customer funds with the funds of a futures commission merchant, shall not be construed to prevent a futures commission merchant from having a residual financial interest in the futures customer funds segregated as required by the Act and the regulations in this part and set apart for the benefit of futures customers; nor shall such provisions be construed to prevent a futures commission merchant from adding to such segregated futures customer funds such amount or amounts of money, from its own funds or unencumbered securities from its own inventory, of the type set forth in §1.25 of this part, as it may deem necessary to ensure any and all futures customers' accounts from becoming undersegregated at any time.

(b) A futures commission merchant may not withdraw funds, except withdrawals that are made to or for the benefit of futures customers, from an account or accounts holding futures customer funds unless the futures commission merchant has prepared the daily segregation calculation required by §1.32 as of the close of business on the previous business day. A futures commission merchant that has completed its daily segregation calculation may make withdrawals, in addition to withdrawals that are made to or for the benefit of futures customers, to the extent of its actual residual financial interest in funds held in segregated futures accounts, adjusted to reflect market activity and other events that may have decreased the amount of the firm's residual financial interest since the close of business on the previous business day, including the withdrawal of securities held in segregated safekeeping accounts held by a bank, trust company, derivatives clearing organization or other futures commission merchant. Such withdrawal(s), however, shall not result in the funds of one futures customer being used to purchase, margin or carry the trades, contracts or commodity options, or extend the credit of any other futures customer or other person.

(c) Notwithstanding paragraphs (a) and (b) of this section, each futures commission merchant shall establish a targeted residual interest (i.e., excess funds) that is in an amount that, when maintained as its residual interest in the segregated funds accounts, reasonably ensures that the futures commission merchant shall remain in compliance with the segregated funds requirements at all times. Each futures
commission merchant shall establish policies and procedures designed to reasonably ensure that the futures commission merchant maintains the targeted residual amounts in segregated funds at all times. The futures commission merchant shall maintain sufficient capital and liquidity, and take such other appropriate steps as are necessary, to reasonably ensure that such amount of targeted residual interest is maintained as the futures commission merchant's residual interest in the segregated funds accounts at all times. In determining the amount of the targeted residual interest, the futures commission merchant shall analyze all relevant factors affecting the amounts in segregated funds from time to time, including without limitation various factors, as applicable, relating to the nature of the futures commission merchant's business including, but not limited to, the composition of the futures commission merchant's customer base, the general creditworthiness of the customer base, the general trading activity of the customers, the types of markets and products traded by the customers, the proprietary trading of the futures commission merchant, the general volatility and liquidity of the markets and products traded by customers, the futures commission merchant's own liquidity and capital needs, and the historical trends in customer segregated fund balances and debit balances in customers' and undermargined accounts. The analysis and calculation of the targeted amount of the future commission merchant's residual interest must be described in writing with the specificity necessary to allow the Commission and the futures commission merchant's designated self-regulatory organization to duplicate the analysis and calculation and test the assumptions made by the futures commission merchant. The adequacy of the targeted residual interest and the process for establishing the targeted residual interest must be reassessed periodically by the futures commission merchant and revised as necessary.

(d) Notwithstanding any other paragraph of this section, a futures commission merchant may not withdraw funds, in a single transaction or a series of transactions, that are not made to or for the benefit of futures customers from futures accounts if such withdrawal(s) would exceed 25 percent of the futures commission merchant's residual interest in such accounts as reported on the daily segregation calculation required by §1.32 and computed as of the close of business on the previous business day, unless:

(1) The futures commission merchant's chief executive officer, chief finance officer or other senior official that is listed as a principal of the futures commission merchant on its Form 7-R and is knowledgeable about the futures commission merchant's financial requirements and financial position pre-approves the withdrawal, or series of withdrawals;

(2) The futures commission merchant files written notice of the withdrawal or series of withdrawals, with the Commission and with its designated self-regulatory organization immediately after the chief executive officer, chief finance officer or other senior official as described in paragraph (d)(1) of this section pre-approves the withdrawal or series of withdrawals. The written notice must:

(i) Be signed by the chief executive officer, chief finance officer or other senior official as described in paragraph (d)(1) of this section that pre-approved the withdrawal, and give notice that the futures commission merchant has withdrawn or intends to withdraw more than 25 percent of its residual interest in segregated accounts holding futures customer funds;

(ii) Include a description of the reasons for the withdrawal or series of withdrawals;

(iii) List the amount of funds provided to each recipient and each recipient's name;

(iv) Include the current estimate of the amount of the futures commission merchant's residual interest in the futures accounts after the withdrawal;

(v) Contain a representation by the chief executive officer, chief finance officer or other senior official as described in paragraph (d)(1) of this section that pre-approved the withdrawal, or series of withdrawals, that, after due diligence, to such person's knowledge and reasonable belief, the futures commission merchant remains in compliance with the segregation requirements after the withdrawal. The chief executive officer, chief finance officer or other senior official as described in paragraph (d)(1) of this section must consider the daily segregation calculation as of the close of business on the previous business day and any other factors that may cause a material change in the futures commission
merchant's residual interest since the close of business the previous business day, including known unsecured futures customer debits or deficits, current day market activity and any other withdrawals made from the futures accounts; and

(vi) Any such written notice filed with the Commission must be filed via electronic transmission using a form of user authentication assigned in accordance with procedures established by or approved by the Commission, and otherwise in accordance with instruction issued by or approved by the Commission. Any such electronic submission must clearly indicate the registrant on whose behalf such filing is made and the use of such user authentication in submitting such filing will constitute and become a substitute for the manual signature of the authorized signer. Any written notice filed must be followed up with direct communication to the Regional office of the Commission that has supervisory authority over the futures commission merchant whereby the Commission acknowledges receipt of the notice; and

(3) After making a withdrawal requiring the approval and notice required in paragraphs (d)(1) and (2) of this section, and before the completion of its next daily segregated funds calculation, no futures commission merchant may make any further withdrawals from accounts holding futures customer funds, except to or for the benefit of futures customers, without, for each withdrawal, obtaining the approval required under paragraph (d)(1) of this section and filing a written notice in the manner specified under paragraph (d)(2) of this section with the Commission and its designated self-regulatory organization signed by the chief executive officer, chief finance officer, or other senior official. The written notice must:

(i) List the amount of funds provided to each recipient and each recipient's name;

(ii) Disclose the reason for each withdrawal;

(iii) Confirm that the chief executive officer, chief finance officer, or other senior official (and identify of the person if different from the person who signed the notice) pre-approved the withdrawal in writing;

(iv) Disclose the current estimate of the futures commission merchant's remaining total residual interest in the segregated accounts holding futures customer funds after the withdrawal; and

(v) Include a representation that, after due diligence, to the best of the notice signatory's knowledge and reasonable belief the futures commission merchant remains in compliance with the segregation requirements after the withdrawal.

(e) If a futures commission merchant withdraws funds from futures accounts that are not made to or for the benefit of futures customers, and the withdrawal causes the futures commission merchant to not hold sufficient funds in the futures accounts to meet its targeted residual interest, as required to be computed under §1.11, the futures commission merchant should deposit its own funds into the futures accounts to restore the account balance to the targeted residual interest amount by the close of business on the next business day, or, if appropriate, revise the futures commission merchant's targeted amount of residual interest pursuant to the policies and procedures required by §1.11. Notwithstanding the foregoing, if a the futures commission merchant's residual interest in customer accounts is less than the amount required by §1.22 at any particular point in time, the futures commission merchant must immediately restore the residual interest to exceed the sum of such amounts. Any proprietary funds deposited in the futures accounts must be unencumbered and otherwise compliant with §1.25, as applicable.

Adopted October 17, 2012 (12-26). Amended April 28, 2014 (14-07); May 26, 2015 (11-15).
528. Compliance with Commission Regulation 1.24 - Segregated Funds; Exclusions Therefrom

Any Trading Privilege Holder subject to Commission Regulation 1.24 that violates Commission Regulation 1.24 shall be deemed to have violated this Rule 528. Commission Regulation 1.24 is set forth below and incorporated into this Rule 528.

Money held in a segregated account by a futures commission merchant shall not include: (a) Money invested in obligations or stocks of any clearing organization or in memberships in or obligations of any contract market; or (b) money held by any clearing organization which it may use for any purpose other than to purchase, margin, guarantee, secure, transfer, adjust, or settle the contracts, trades, or commodity options of the commodity or option customers of such futures commission merchant.

Adopted October 17, 2012 (12-26).

529. Compliance with Commission Regulation 1.25 - Investment of Customer Funds

Any Trading Privilege Holder subject to Commission Regulation 1.25 that violates Commission Regulation 1.25 shall be deemed to have violated this Rule 529. Commission Regulation 1.25 is set forth below and incorporated into this Rule 529.

(a) Permitted investments. (1) Subject to the terms and conditions set forth in this section, a futures commission merchant or a derivatives clearing organization may invest customer money in the following instruments (permitted investments):

(i) Obligations of the United States and obligations fully guaranteed as to principal and interest by the United States (U.S. government securities);

(ii) General obligations of any State or of any political subdivision thereof (municipal securities);

(iii) Obligations of any United States government corporation or enterprise sponsored by the United States government (U.S. agency obligations);

(iv) Certificates of deposit issued by a bank (certificates of deposit) as defined in section 3(a)(6) of the Securities Exchange Act of 1934, or a domestic branch of a foreign bank that carries deposits insured by the Federal Deposit Insurance Corporation;

(v) Commercial paper fully guaranteed as to principal and interest by the United States under the Temporary Liquidity Guarantee Program as administered by the Federal Deposit Insurance Corporation (commercial paper);

(vi) Corporate notes or bonds fully guaranteed as to principal and interest by the United States under the Temporary Liquidity Guarantee Program as administered by the Federal Deposit Insurance Corporation (corporate notes or bonds); and

(vii) Interests in money market mutual funds.
(2)(i) In addition, a futures commission merchant or derivatives clearing organization may buy and sell the permitted investments listed in paragraphs (a)(1)(i) through (vii) of this section pursuant to agreements for resale or repurchase of the instruments, in accordance with the provisions of paragraph (d) of this section.

(ii) A futures commission merchant or a derivatives clearing organization may sell securities deposited by customers as margin pursuant to agreements to repurchase subject to the following:

(A) Securities subject to such repurchase agreements must be “highly liquid” as defined in paragraph (b)(1) of this section.

(B) Securities subject to such repurchase agreements must not be “specifically identifiable property” as defined in §190.01(kk) of this chapter.

(C) The terms and conditions of such an agreement to repurchase must be in accordance with the provisions of paragraph (d) of this section.

(D) Upon the default by a counterparty to a repurchase agreement, the futures commission merchant or derivatives clearing organization shall act promptly to ensure that the default does not result in any direct or indirect cost or expense to the customer.

(3) Obligations issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Association are permitted while these entities operate under the conservatorship or receivership of the Federal Housing Finance Authority with capital support from the United States.

(b) General terms and conditions. A futures commission merchant or a derivatives clearing organization is required to manage the permitted investments consistent with the objectives of preserving principal and maintaining liquidity and according to the following specific requirements:

(1) Liquidity. Investments must be “highly liquid” such that they have the ability to be converted into cash within one business day without material discount in value.

(2) Restrictions on instrument features. (i) With the exception of money market mutual funds, no permitted investment may contain an embedded derivative of any kind, except as follows:

(A) The issuer of an instrument otherwise permitted by this section may have an option to call, in whole or in part, at par, the principal amount of the instrument before its stated maturity date; or

(B) An instrument that meets the requirements of paragraph (b)(2)(iv) of this section may provide for a cap, floor, or collar on the interest paid; provided, however, that the terms of such instrument obligate the issuer to repay the principal amount of the instrument at not less than par value upon maturity.

(ii) No instrument may contain interest-only payment features.

(iii) No instrument may provide payments linked to a commodity, currency, reference instrument, index, or benchmark except as provided in paragraph (b)(2)(iv) of this section, and it may not otherwise constitute a derivative instrument.

(iv)(A) Adjustable rate securities are permitted, subject to the following requirements:

(1) The interest payments on variable rate securities must correlate closely and on an unleveraged basis to a benchmark of either the Federal Funds target or effective rate, the prime rate, the three-month Treasury Bill rate, the one-month or three-month LIBOR rate, or the interest rate of any fixed rate instrument that is a permitted investment listed in paragraph (a)(1) of this section;
(2) The interest payment, in any period, on floating rate securities must be determined solely by reference, on an unleveraged basis, to a benchmark of either the Federal Funds target or effective rate, the prime rate, the three-month Treasury Bill rate, the one-month or three-month LIBOR rate, or the interest rate of any fixed rate instrument that is a permitted investment listed in paragraph (a)(1) of this section;

(3) Benchmark rates must be expressed in the same currency as the adjustable rate securities that reference them; and

(4) No interest payment on an adjustable rate security, in any period, can be a negative amount.

(B) For purposes of this paragraph, the following definitions shall apply:

(1) The term *adjustable rate security* means, a floating rate security, a variable rate security, or both.

(2) The term *floating rate security* means a security, the terms of which provide for the adjustment of its interest rate whenever a specified interest rate changes and that, at any time until the final maturity of the instrument or the period remaining until the principal amount can be recovered through demand, can reasonably be expected to have market value that approximates its amortized cost.

(3) The term *variable rate security* means a security, the terms of which provide for the adjustment of its interest rate on set dates (such as the last day of a month or calendar quarter) and that, upon each adjustment until the final maturity of the instrument or the period remaining until the principal amount can be recovered through demand, can reasonably be expected to have a market value that approximates its amortized cost.

(v) Certificates of deposit must be redeemable at the issuing bank within one business day, with any penalty for early withdrawal limited to any accrued interest earned according to its written terms.

(vi) Commercial paper and corporate notes or bonds must meet the following criteria:

(A) The size of the issuance must be greater than $1 billion;

(B) The instrument must be denominated in U.S. dollars; and

(C) The instrument must be fully guaranteed as to principal and interest by the United States for its entire term.

(3) *Concentration*—(i) *Asset-based concentration limits for direct investments.* (A) Investments in U.S. government securities shall not be subject to a concentration limit.

(B) Investments in U.S. agency obligations may not exceed 50 percent of the total assets held in segregation by the futures commission merchant or derivatives clearing organization.

(C) Investments in each of commercial paper, corporate notes or bonds and certificates of deposit may not exceed 25 percent of the total assets held in segregation by the futures commission merchant or derivatives clearing organization.

(D) Investments in municipal securities may not exceed 10 percent of the total assets held in segregation by the futures commission merchant or derivatives clearing organization.

(E) Subject to paragraph (b)(3)(i)(G) of this section, investments in money market mutual funds comprising only U.S. government securities shall not be subject to a concentration limit.
(F) Subject to paragraph (b)(3)(i)(G) of this section, investments in money market mutual funds, other than those described in paragraph (b)(3)(i)(E) of this section, may not exceed 50 percent of the total assets held in segregation by the futures commission merchant or derivatives clearing organization.

(G) Investments in money market mutual funds comprising less than $1 billion in assets and/or which have a management company comprising less than $25 billion in assets, may not exceed 10 percent of the total assets held in segregation by the futures commission merchant or derivatives clearing organization.

(ii) Issuer-based concentration limits for direct investments. (A) Securities of any single issuer of U.S. agency obligations held by a futures commission merchant or derivatives clearing organization may not exceed 25 percent of total assets held in segregation by the futures commission merchant or derivatives clearing organization.

(B) Securities of any single issuer of municipal securities, certificates of deposit, commercial paper, or corporate notes or bonds held by a futures commission merchant or derivatives clearing organization may not exceed 5 percent of total assets held in segregation by the futures commission merchant or derivatives clearing organization.

(C) Interests in any single family of money market mutual funds described in paragraph (b)(3)(i)(F) of this section may not exceed 25 percent of total assets held in segregation by the futures commission merchant or derivatives clearing organization.

(D) Interests in any individual money market mutual fund described in paragraph (b)(3)(i)(F) of this section may not exceed 10 percent of total assets held in segregation by the futures commission merchant or derivatives clearing organization.

(E) For purposes of determining compliance with the issuer-based concentration limits set forth in this section, securities issued by entities that are affiliated, as defined in paragraph (b)(5) of this section, shall be aggregated and deemed the securities of a single issuer. An interest in a permitted money market mutual fund is not deemed to be a security issued by its sponsoring entity.

(iii) Concentration limits for agreements to repurchase—(A) Repurchase agreements. For purposes of determining compliance with the asset-based and issuer-based concentration limits set forth in this section, securities sold by a futures commission merchant or derivatives clearing organization subject to agreements to repurchase shall be combined with securities held by the futures commission merchant or derivatives clearing organization as direct investments.

(B) Reverse repurchase agreements. For purposes of determining compliance with the asset-based and issuer-based concentration limits set forth in this section, securities purchased by a futures commission merchant or derivatives clearing organization subject to agreements to resell shall be combined with securities held by the futures commission merchant or derivatives clearing organization as direct investments.

(iv) Treatment of customer-owned securities. For purposes of determining compliance with the asset-based and issuer-based concentration limits set forth in this section, securities owned by the customers of a futures commission merchant and posted as margin collateral are not included in total assets held in segregation by the futures commission merchant, and securities posted by a futures commission merchant with a derivatives clearing organization are not included in total assets held in segregation by the derivatives clearing organization.

(v) Counterparty concentration limits. Securities purchased by a futures commission merchant or derivatives clearing organization from a single counterparty, or from one or more counterparties under common ownership or control, subject to an agreement to resell the securities to the counterparty or
counterparties, shall not exceed 25 percent of total assets held in segregation or under §30.7 of this chapter by the futures commission merchant or derivatives clearing organization.

(4) Time-to-maturity. (i) Except for investments in money market mutual funds, the dollar-weighted average of the time-to-maturity of the portfolio, as that average is computed pursuant to §270.2a-7 of this title, may not exceed 24 months.

(ii) For purposes of determining the time-to-maturity of the portfolio, an instrument that is set forth in paragraphs (a)(1)(i) through (vii) of this section may be treated as having a one-day time-to-maturity if the following terms and conditions are satisfied:

(A) The instrument is deposited solely on an overnight basis with a derivatives clearing organization pursuant to the terms and conditions of a collateral management program that has become effective in accordance with §39.4 of this chapter;

(B) The instrument is one that the futures commission merchant owns or has an unqualified right to pledge, is not subject to any lien, and is deposited by the futures commission merchant into a segregated account at a derivatives clearing organization;

(C) The derivatives clearing organization prices the instrument each day based on the current mark-to-market value; and

(D) The derivatives clearing organization reduces the assigned value of the instrument each day by a haircut of at least 2 percent.

(5) Investments in instruments issued by affiliates. (i) A futures commission merchant shall not invest customer funds in obligations of an entity affiliated with the futures commission merchant, and a derivatives clearing organization shall not invest customer funds in obligations of an entity affiliated with the derivatives clearing organization. An affiliate includes parent companies, including all entities through the ultimate holding company, subsidiaries to the lowest level, and companies under common ownership of such parent company or affiliates.

(ii) A futures commission merchant or derivatives clearing organization may invest customer funds in a fund affiliated with that futures commission merchant or derivatives clearing organization.

(c) Money market mutual funds. The following provisions will apply to the investment of customer funds in money market mutual funds (the fund).

(1) The fund must be an investment company that is registered under the Investment Company Act of 1940 with the Securities and Exchange Commission and that holds itself out to investors as a money market fund, in accordance with §270.2a-7 of this title.

(2) The fund must be sponsored by a federally-regulated financial institution, a bank as defined in section 3(a)(6) of the Securities Exchange Act of 1934, an investment adviser registered under the Investment Advisers Act of 1940, or a domestic branch of a foreign bank insured by the Federal Deposit Insurance Corporation.

(3) A futures commission merchant or derivatives clearing organization shall maintain the confirmation relating to the purchase in its records in accordance with §1.31 and note the ownership of fund shares (by book-entry or otherwise) in a custody account of the futures commission merchant or derivatives clearing organization in accordance with §1.26. The futures commission merchant or the derivatives clearing organization shall obtain the acknowledgment letter required by §1.26 from an entity that has substantial control over the fund shares purchased with customer funds and has the knowledge and authority to facilitate redemption and payment or transfer of the customer funds. Such entity may include the fund sponsor or depository acting as custodian for fund shares.
(4) The net asset value of the fund must be computed by 9 a.m. of the business day following each business day and made available to the futures commission merchant or derivatives clearing organization by that time.

(5)(i) General requirement for redemption of interests. A fund shall be legally obligated to redeem an interest and to make payment in satisfaction thereof by the business day following a redemption request, and the futures commission merchant or derivatives clearing organization shall retain documentation demonstrating compliance with this requirement.

(ii) Exception. A fund may provide for the postponement of redemption and payment due to any of the following circumstances:

(A) For any period during which there is a non-routine closure of the Fedwire or applicable Federal Reserve Banks;

(B) For any period:

(1) During which the New York Stock Exchange is closed other than customary week-end and holiday closings; or

(2) During which trading on the New York Stock Exchange is restricted;

(C) For any period during which an emergency exists as a result of which:

(1) Disposal by the company of securities owned by it is not reasonably practicable; or

(2) It is not reasonably practicable for such company fairly to determine the value of its net assets;

(D) For any period as the Securities and Exchange Commission may by order permit for the protection of security holders of the company;

(E) For any period during which the Securities and Exchange Commission has, by rule or regulation, deemed that:

(1) Trading shall be restricted; or

(2) An emergency exists; or

(F) For any period during which each of the conditions of §270.22e-3(a)(1) through (3) of this title are met.

(6) The agreement pursuant to which the futures commission merchant or derivatives clearing organization has acquired and is holding its interest in a fund must contain no provision that would prevent the pledging or transferring of shares.

(7) The appendix to this section sets forth language that will satisfy the requirements of paragraph (c)(5) of this section.

(d) Repurchase and reverse repurchase agreements. A futures commission merchant or derivatives clearing organization may buy and sell the permitted investments listed in paragraphs (a)(1)(i) through (vii) of this section pursuant to agreements for resale or repurchase of the securities (agreements to repurchase or resell), provided the agreements to repurchase or resell conform to the following requirements:
(1) The securities are specifically identified by coupon rate, par amount, market value, maturity date, and CUSIP or ISIN number.

(2) Permitted counterparties are limited to a bank as defined in section 3(a)(6) of the Securities Exchange Act of 1934, a domestic branch of a foreign bank insured by the Federal Deposit Insurance Corporation, a securities broker or dealer, or a government securities broker or government securities dealer registered with the Securities and Exchange Commission or which has filed notice pursuant to section 15C(a) of the Government Securities Act of 1986.

(3) A futures commission merchant or derivatives clearing organization shall not enter into an agreement to repurchase or resell with a counterparty that is an affiliate of the futures commission merchant or derivatives clearing organization, respectively. An affiliate includes parent companies, including all entities through the ultimate holding company, subsidiaries to the lowest level, and companies under common ownership of such parent company or affiliates.

(4) The transaction is executed in compliance with the concentration limit requirements applicable to the securities transferred to the customer segregated custodial account in connection with the agreements to repurchase referred to in paragraphs (b)(3)(iii)(A) and (B) of this section.

(5) The transaction is made pursuant to a written agreement signed by the parties to the agreement, which is consistent with the conditions set forth in paragraphs (d)(1) through (13) of this section and which states that the parties thereto intend the transaction to be treated as a purchase and sale of securities.

(6) The term of the agreement is no more than one business day, or reversal of the transaction is possible on demand.

(7) Securities transferred to the futures commission merchant or derivatives clearing organization under the agreement are held in a safekeeping account with a bank as referred to in paragraph (d)(2) of this section, a Federal Reserve Bank, a derivatives clearing organization, or the Depository Trust Company in an account that complies with the requirements of §1.26.

(8) The futures commission merchant or the derivatives clearing organization may not use securities received under the agreement in another similar transaction and may not otherwise hypothecate or pledge such securities, except securities may be pledged on behalf of customers at another futures commission merchant or derivatives clearing organization. Substitution of securities is allowed, provided, however, that:

(i) The qualifying securities being substituted and original securities are specifically identified by date of substitution, market values substituted, coupon rates, par amounts, maturity dates and CUSIP or ISIN numbers;

(ii) Substitution is made on a “delivery versus delivery” basis; and

(iii) The market value of the substituted securities is at least equal to that of the original securities.

(9) The transfer of securities to the customer segregated custodial account is made on a delivery versus payment basis in immediately available funds. The transfer of funds to the customer segregated cash account is made on a payment versus delivery basis. The transfer is not recognized as accomplished until the funds and/or securities are actually received by the custodian of the futures commission merchant's or derivatives clearing organization's customer funds or securities purchased on behalf of customers. The transfer or credit of securities covered by the agreement to the futures commission merchant's or derivatives clearing organization's customer segregated custodial account is made simultaneously with the disbursement of funds from the futures commission merchant's or derivatives clearing organization's customer segregated cash account at the custodian bank. On the sale or resale of securities, the futures commission merchant's or derivatives clearing organization's customer segregated
A cash account at the custodian bank must receive same-day funds credited to such segregated account simultaneously with the delivery or transfer of securities from the customer segregated custodial account.

(10) A written confirmation to the futures commission merchant or derivatives clearing organization specifying the terms of the agreement and a safekeeping receipt are issued immediately upon entering into the transaction and a confirmation to the futures commission merchant or derivatives clearing organization is issued once the transaction is reversed.

(11) The transactions effecting the agreement are recorded in the record required to be maintained under §1.27 of investments of customer funds, and the securities subject to such transactions are specifically identified in such record as described in paragraph (d)(1) of this section and further identified in such record as being subject to repurchase and reverse repurchase agreements.

(12) An actual transfer of securities to the customer segregated custodial account by book entry is made consistent with Federal or State commercial law, as applicable. At all times, securities received subject to an agreement are reflected as “customer property.”

(13) The agreement makes clear that, in the event of the bankruptcy of the futures commission merchant or derivatives clearing organization, any securities purchased with customer funds that are subject to an agreement may be immediately transferred. The agreement also makes clear that, in the event of a futures commission merchant or derivatives clearing organization bankruptcy, the counterparty has no right to compel liquidation of securities subject to an agreement or to make a priority claim for the difference between current market value of the securities and the price agreed upon for resale of the securities to the counterparty, if the former exceeds the latter.

(e) Deposit of firm-owned securities into segregation. A futures commission merchant may deposit unencumbered securities of the type specified in this section, which it owns for its own account, into a customer account. A futures commission merchant must include such securities, transfers of securities, and disposition of proceeds from the sale or maturity of such securities in the record of investments required to be maintained by §1.27. All such securities may be segregated in safekeeping only with a bank, trust company, derivatives clearing organization, or other registered futures commission merchant in accordance with the provisions of §1.20 part. For purposes of this section and §§1.27, 1.28, 1.29, and 1.32, securities of the type specified by this section that are owned by the futures commission merchant and deposited into a customer account shall be considered customer funds until such investments are withdrawn from segregation in accordance with the provisions of §1.23. Investments permitted by §1.25 that are owned by the futures commission merchant and deposited into a futures customer account pursuant to §1.26 shall be considered futures customer funds until such investments are withdrawn from segregation in accordance with §1.23. Investments permitted by §1.25 that are owned by the futures commission merchant and deposited into a Cleared Swaps Customer Account, as defined in §22.1 of this chapter, shall be considered Cleared Swaps Customer Collateral, as defined in §22.1 of this chapter, until such investments are withdrawn from segregation in accordance with §22.17 of this chapter.

APPENDIX TO §1.25—MONEY MARKET MUTUAL FUND PROSPECTUS PROVISIONS ACCEPTABLE FOR COMPLIANCE WITH SECTION 1.25(c)(5)

Upon receipt of a proper redemption request submitted in a timely manner and otherwise in accordance with the redemption procedures set forth in this prospectus, the [Name of Fund] will redeem the requested shares and make a payment to you in satisfaction thereof no later than the business day following the redemption request. The [Name of Fund] may postpone and/or suspend redemption and payment beyond one business day only as follows:

a. For any period during which there is a non-routine closure of the Fedwire or applicable Federal Reserve Banks;

b. For any period (1) during which the New York Stock Exchange is closed other than customary week-end and holiday closings or (2) during which trading on the New York Stock Exchange is restricted;
c. For any period during which an emergency exists as a result of which (1) disposal of securities owned by the [Name of Fund] is not reasonably practicable or (2) it is not reasonably practicable for the [Name of Fund] to fairly determine the net asset value of shares of the [Name of Fund];

d. For any period during which the Securities and Exchange Commission has, by rule or regulation, deemed that (1) trading shall be restricted or (2) an emergency exists;

e. For any period that the Securities and Exchange Commission, may by order permit for your protection; or

f. For any period during which the [Name of Fund] as part of a necessary liquidation of the fund, has properly postponed and/or suspended redemption of shares and payment in accordance with federal securities laws.


530. Compliance with Commission Regulation 1.26 - Deposit of Instruments Purchased with Futures Customer Funds

Any Trading Privilege Holder subject to Commission Regulation 1.26 that violates Commission Regulation 1.26 shall be deemed to have violated this Rule 530. Commission Regulation 1.26 is set forth below and incorporated into this Rule 530.

Commission Regulation 1.26 - Deposit of instruments purchased with futures customer funds.

(a) Each futures commission merchant who invests futures customer funds in instruments described in §1.25, except for investments in money market mutual funds, shall separately account for such instruments as futures customer funds and segregate such instruments as funds belonging to such futures customers in accordance with the requirements of §1.20. Each derivatives clearing organization which invests money belonging or accruing to futures customers of its clearing members in instruments described in §1.25, except for investments in money market mutual funds, shall separately account for such instruments as customer funds and segregate such instruments as customer funds belonging to such futures customers in accordance with §1.20.

(b) Each futures commission merchant or derivatives clearing organization which invests futures customer funds in money market mutual funds, as permitted by §1.25, shall separately account for such funds and segregate such funds as belonging to such futures customers. Such funds shall be deposited under an account name that clearly shows that they belong to futures customers and are segregated as required by sections 4d(a) and 4d(b) of the Act and by this part. Each futures commission merchant or derivatives clearing organization, upon opening such an account, shall obtain and maintain readily accessible in its files in accordance with §1.31, for as long as the account remains open, and thereafter for the period provided in §1.31, a written acknowledgment and shall file such acknowledgment in accordance with the requirements of §1.20. In the event such funds are held directly with the money market mutual fund or its affiliate, the written acknowledgment shall be in the form as set out in Appendix A or B to this section. In the event such funds are held with a depository, the written acknowledgment shall be in the form as set out in Appendix A or B to §1.20. In either case, the written acknowledgment shall be obtained, provided to the Commission and designated self-regulatory organizations, and retained as required under §1.20.

APPENDIX A TO §1.26—FUTURES COMMISSION MERCHANT ACKNOWLEDGMENT LETTER FOR CFTC REGULATION 1.26 CUSTOMER SEGREGATED MONEY MARKET MUTUAL FUND ACCOUNT

[Date]
[Name and Address of Money Market Mutual Fund]
We propose to invest funds held by [Name of Futures Commission Merchant] ("we" or "our") on behalf of our customers in shares of [Name of Money Market Mutual Fund] ("you" or "your") under account(s) entitled (or shares issued to):

[Name of Futures Commission Merchant] [if applicable, add “FCM Customer Omnibus Account”] CFTC Regulation 1.26 Customer Segregated Money Market Mutual Fund Account under Sections 4d(a) and 4d(b) of the Commodity Exchange Act [and, if applicable, “, Abbreviated as [short title reflected in the depository's electronic system”]

Account Number(s): []

(collectively, the "Account(s)”).

You acknowledge that we are holding these funds, including any shares issued and amounts accruing in connection therewith (collectively, the “Shares”), for the benefit of customers who trade commodities, options, swaps and other products ("Commodity Customers"), as required by Commodity Futures Trading Commission (“CFTC”) Regulation 1.26, as amended; that the Shares held by you, hereafter deposited in the Account(s) or accruing to the credit of the Account(s), will be separately accounted for and segregated on your books from our own funds and from any other funds or accounts held by us in accordance with the provisions of the Commodity Exchange Act, as amended (the “Act”), and part 1 of the CFTC's regulations, as amended; and that the Shares must otherwise be treated in accordance with the provisions of Section 4d of the Act and CFTC regulations thereunder.

Furthermore, you acknowledge and agree that such Shares may not be used by you or by us to secure or guarantee any obligations that we might owe to you, and they may not be used by us to secure or obtain credit from you. You further acknowledge and agree that the Shares in the Account(s) shall not be subject to any right of offset or lien for or on account of any indebtedness, obligations or liabilities we may now or in the future have owing to you.

In addition, you agree that the Account(s) may be examined at any reasonable time by the director of the Division of Swap Dealer and Intermediary Oversight of the CFTC or the director of the Division of Clearing and Risk of the CFTC, or any successor divisions, or such directors’ designees, or an appropriate officer, agent or employee of our designated self-regulatory organization (“DSRO”), [Name of DSRO], and this letter constitutes the authorization and direction of the undersigned on our behalf to permit any such examination to take place without further notice to or consent from us.

You agree to reply promptly and directly to any request for confirmation of account balances or provision of any other account information regarding or related to the Account(s) from the director of the Division of Swap Dealer and Intermediary Oversight of the CFTC or the director of the Division of Clearing and Risk of the CFTC, or any successor divisions, or such directors’ designees, or an appropriate officer, agent, or employee of [Name of DSRO], acting in its capacity as our DSRO, and this letter constitutes the authorization and direction of the undersigned on our behalf to release the requested information without further notice to or consent from us.

You further acknowledge and agree that, pursuant to the authorization granted by us to you previously or herein, you have provided, or will provide following the opening of the Account(s), the director of the Division of Swap Dealer and Intermediary Oversight of the CFTC, or any successor division, or such director’s designees, with technological connectivity, which may include provision of hardware, software, and related technology and protocol support, to facilitate direct, read-only electronic access to transaction and account balance information for the Account(s). This letter constitutes the authorization and direction of the undersigned on our behalf for you to establish this connectivity and access if not previously established, without further notice to or consent from us.

The parties agree that all actions on your part to respond to the above information and access requests will be made in accordance with, and subject to, such usual and customary authorization verification and authentication policies and procedures as may be employed by you to verify the authority of, and authenticate the identity of, the individual making any such information or access request, in order to provide for the secure transmission and delivery of the requested information or access to the appropriate recipient(s).

We will not hold you responsible for acting pursuant to any information or access request from the director of the Division of Swap Dealer and Intermediary Oversight of the CFTC or the director of the Division of Clearing and Risk of the CFTC, or any successor divisions, or such directors’ designees, or an appropriate officer, agent, or employee of [Name of DSRO], acting in its capacity as our DSRO, upon which you have relied after having taken measures in accordance with your applicable policies and procedures to assure that such request was provided to you by an individual authorized to make such a request.
In the event we become subject to either a voluntary or involuntary petition for relief under the U.S. Bankruptcy Code, we acknowledge that you will have no obligation to release the Shares held in the Account(s), except upon instruction of the Trustee in Bankruptcy or pursuant to the Order of the respective U.S. Bankruptcy Court.

Notwithstanding anything in the foregoing to the contrary, nothing contained herein shall be construed as limiting your right to assert any right of offset or lien on assets that are not Shares maintained in the Account(s), or to impose such charges against us or any proprietary account maintained by us with you. Further, it is understood that amounts represented by checks, drafts or other items shall not be considered to be part of the Account(s) until finally collected. Accordingly, checks, drafts and other items credited to the Account(s) and subsequently dishonored or otherwise returned to you or reversed, for any reason and any claims relating thereto, including but not limited to claims of alteration or forgery, may be charged back to the Account(s), and we shall be responsible to you as a general endorser of all such items whether or not actually so endorsed.

You may conclusively presume that any withdrawal from the Account(s) and the balances maintained therein are in conformity with the Act and CFTC regulations without any further inquiry, provided that, in the ordinary course of your business as a depository, you have no notice of or actual knowledge of a potential violation by us of any provision of the Act or the CFTC regulations that relates to the segregation of customer funds; and you shall not in any manner not expressly agreed to herein be responsible to us for ensuring compliance by us with such provisions of the Act and CFTC regulations; however, the aforementioned presumption does not affect any obligation you may otherwise have under the Act or CFTC regulations.

We are permitted to invest customers' funds in money market mutual funds pursuant to CFTC Regulation 1.25. That rule sets forth the following conditions, among others, with respect to any investment in a money market mutual fund:

1. The net asset value of the fund must be computed by 9:00 a.m. of the business day following each business day and be made available to us by that time;

2. The fund must be legally obligated to redeem an interest in the fund and make payment in satisfaction thereof by the close of the business day following the day on which we make a redemption request except as otherwise specified in CFTC Regulation 1.25(c)(5)(ii); and,

3. The agreement under which we invest customers' funds must not contain any provision that would prevent us from pledging or transferring fund shares.

The terms of this letter agreement shall remain binding upon the parties, their successors and assigns, and for the avoidance of doubt, regardless of a change in the name of either party. This letter agreement supersedes and replaces any prior agreement between the parties in connection with the Account(s), including but not limited to any prior acknowledgment letter agreement, to the extent that such prior agreement is inconsistent with the terms hereof. In the event of any conflict between this letter agreement and any other agreement between the parties in connection with the Account(s), this letter agreement shall govern with respect to matters specific to Section 4d of the Act and the CFTC's regulations thereunder, as amended.

This letter agreement shall be governed by and construed in accordance with the laws of [Insert governing law] without regard to the principles of choice of law.

Please acknowledge that you agree to abide by the requirements and conditions set forth above by signing and returning to us the enclosed copy of this letter agreement, and that you further agree to provide a copy of this fully executed letter agreement directly to the CFTC (via electronic means in a format and manner determined by the CFTC) and to [Name of DSRO], acting in its capacity as our DSRO, in accordance with CFTC Regulation 1.20. We hereby authorize and direct you to provide such copies without further notice to or consent from us, no later than three business days after opening the Account(s) or revising this letter agreement, as applicable.

[Name of Futures Commission Merchant]
By:

Print Name:
Title:

ACKNOWLEDGED AND AGREED:

[Name of Money Market Mutual Fund]

By:

Print Name:
Title:

Contact Information: [Insert phone number and email address]

Date:

APPENDIX B TO §1.26—DERIVATIVES CLEARING ORGANIZATION ACKNOWLEDGMENT LETTER FOR CFTC REGULATION 1.26 CUSTOMER SEGREGATED MONEY MARKET MUTUAL FUND ACCOUNT

[Date]

[Name and Address of Money Market Mutual Fund]

We propose to invest funds held by [Name of Derivatives Clearing Organization] ("we" or "our") on behalf of customers in shares of [Name of Money Market Mutual Fund] ("you” or “your”) under account(s) entitled (or shares issued to):

[Name of Derivatives Clearing Organization] Futures Customer Omnibus Account, CFTC Regulation 1.26 Customer Segregated Money Market Mutual Fund Account under Sections 4d(a) and 4d(b) of the Commodity Exchange Act [and, if applicable, “, Abbreviated as [short title reflected in the depository’s electronic system]]

Account Number(s): [ ]

(collectively, the “Account(s)”).

You acknowledge that we are holding these funds, including any shares issued and amounts accruing in connection therewith (collectively, the “Shares”), for the benefit of customers who trade commodities, options, swaps and other products, as required by Commodity Futures Trading Commission (“CFTC”) Regulation 1.26, as amended; that the Shares held by you, hereafter deposited in the Account(s) or accruing to the credit of the Account(s), will be separately accounted for and segregated on your books from our own funds and from any other funds or accounts held by us in accordance with the provisions of the Commodity Exchange Act, as amended (the “Act”), and part 1 of the CFTC’s regulations, as amended; and that the Shares must otherwise be treated in accordance with the provisions of Section 4d of the Act and CFTC regulations thereunder.

Furthermore, you acknowledge and agree that such Shares may not be used by you or by us to secure or guarantee any obligations that we might owe to you, and they may not be used by us to secure or obtain credit from you. You further acknowledge and agree that the Shares in the Account(s) shall not be subject to any right of offset or lien for or on account of any indebtedness, obligations or liabilities we may now or in the future have owing to you.

You agree to reply promptly and directly to any request for confirmation of account balances or provision of any other account information regarding or related to the Account(s) from the director of the Division of Clearing and Risk of the CFTC or the director of the Division of Swap Dealer and Intermediary Oversight of the CFTC, or any successor divisions, or such directors’ designees, and this letter constitutes the authorization and direction of the undersigned on our behalf to release the requested information without further notice to or consent from us.

The parties agree that all actions on your part to respond to the above information requests will be made in accordance with, and subject to, such usual and customary authorization verification and authentication policies and
procedures as may be employed by you to verify the authority of, and authenticate the identity of, the individual making any such information request, in order to provide for the secure transmission and delivery of the requested information to the appropriate recipient(s).

We will not hold you responsible for acting pursuant to any information request from the director of the Division of Clearing and Risk of the CFTC or the director of the Division of Swap Dealer and Intermediary Oversight of the CFTC, or any successor divisions, or such directors' designees, upon which you have relied after having taken measures in accordance with your applicable policies and procedures to assure that such request was provided to you by an individual authorized to make such a request.

In the event that we become subject to either a voluntary or involuntary petition for relief under the U.S. Bankruptcy Code, we acknowledge that you will have no obligation to release the Shares held in the Account(s), except upon instruction of the Trustee in Bankruptcy or pursuant to the Order of the respective U.S. Bankruptcy Court.

Notwithstanding anything in the foregoing to the contrary, nothing contained herein shall be construed as limiting your right to assert any right of offset or lien on assets that are not Shares maintained in the Account(s), or to impose such charges against us or any proprietary account maintained by us with you. Further, it is understood that amounts represented by checks, drafts or other items shall not be considered to be part of the Account(s) until finally collected. Accordingly, checks, drafts and other items credited to the Account(s) and subsequently dishonored or otherwise returned to you, or reversed, for any reason and any claims relating thereto, including but not limited to claims of alteration or forgery, may be charged back to the Account(s), and we shall be responsible to you as a general endorser of all such items whether or not actually so endorsed.

You may conclusively presume that any withdrawal from the Account(s) and the balances maintained therein are in conformity with the Act and CFTC regulations without any further inquiry, provided that, in the ordinary course of your business as a depository, you have no notice of or actual knowledge of a potential violation by us of any provision of the Act or the CFTC regulations that relates to the segregation of customer funds; and you shall not in any manner not expressly agreed to herein be responsible to us for ensuring compliance by us with such provisions of the Act and CFTC regulations; however, the aforementioned presumption does not affect any obligation you may otherwise have under the Act or CFTC regulations.

You may, and are hereby authorized to, obey the order, judgment, decree or levy of any court of competent jurisdiction or any governmental agency with jurisdiction, which order, judgment, decree or levy relates in whole or in part to the Account(s). In any event, you shall not be liable by reason of any action or omission to act pursuant to any such order, judgment, decree or levy, to us or to any other person, firm, association or corporation even if thereafter any such order, decree, judgment or levy shall be reversed, modified, set aside or vacated.

We are permitted to invest customers' funds in money market mutual funds pursuant to CFTC Regulation 1.25. That rule sets forth the following conditions, among others, with respect to any investment in a money market mutual fund:

(1) The net asset value of the fund must be computed by 9:00 a.m. of the business day following each business day and be made available to us by that time;

(2) The fund must be legally obligated to redeem an interest in the fund and make payment in satisfaction thereof by the close of the business day following the day on which we make a redemption request except as otherwise specified in CFTC Regulation 1.25(c)(5)(ii); and,

(3) The agreement under which we invest customers' funds must not contain any provision that would prevent us from pledging or transferring fund shares.

The terms of this letter agreement shall remain binding upon the parties, their successors and assigns, and for the avoidance of doubt, regardless of a change in the name of either party. This letter agreement supersedes and replaces any prior agreement between the parties in connection with the Account(s), including but not limited to any prior acknowledgment letter agreement, to the extent that such prior agreement is inconsistent with the terms hereof. In the event of any conflict between this letter agreement and any other agreement between the parties in connection with the Account(s), this letter agreement shall govern with respect to matters specific to Section 4d of the Act and the CFTC's regulations thereunder, as amended.

This letter agreement shall be governed by and construed in accordance with the laws of [Insert governing law] without regard to the principles of choice of law.
Please acknowledge that you agree to abide by the requirements and conditions set forth above by signing and
returning to us the enclosed copy of this letter agreement, and you further agree to provide a copy of this fully
executed letter agreement directly to the CFTC (via electronic means in a format and manner determined by the
CFTC) in accordance with CFTC Regulation 1.20. We hereby authorize and direct you to provide such copies without
further notice to or consent from us, no later than three business days after opening the Account(s) or revising this
letter agreement, as applicable.

[Name of Derivatives Clearing Organization]
By: 
Print Name: 
Title: 

ACKNOWLEDGED AND AGREED: 

[Name of Money Market Mutual Fund]
By: 
Print Name: 
Title: 
Contact Information: [Insert phone number and email address]
Date:


531. Compliance with Commission Regulation 1.27 - Record of Investments

Any Trading Privilege Holder subject to Commission Regulation 1.27 that violates Commission Regulation 1.27 shall be deemed to have violated this Rule 531. Commission Regulation 1.27 is set forth below and incorporated into this Rule 531.

Commission Regulation 1.27 - Record of investments.

(a) Each futures commission merchant which invests customer funds, and each derivatives clearing organization which invests customer funds of its clearing members' customers or option customers, shall keep a record showing the following:

(1) The date on which such investments were made;

(2) The name of the person through whom such investments were made;

(3) The amount of money or current market value of securities so invested;

(4) A description of the instruments in which such investments were made, including the CUSIP or ISIN numbers;

(5) The identity of the depositories or other places where such instruments are segregated;

(6) The date on which such investments were liquidated or otherwise disposed of and the amount of money or current market value of securities received of such disposition, if any;
(7) The name of the person to or through whom such investments were disposed of; and

(8) Daily valuation for each instrument and readily available documentation supporting the daily valuation for each instrument. Such supporting documentation must be sufficient to enable auditors to verify the valuations and the accuracy of any information from external sources used in those valuations.

(b) Each derivatives clearing organization which receives documents from its clearing members representing investment of customer funds shall keep a record showing separately for each clearing member the following:

(1) The date on which such documents were received from the clearing member;

(2) A description of such documents, including the CUSIP or ISIN numbers; and

(3) The date on which such documents were returned to the clearing member or the details of disposition by other means.

(c) Such records shall be retained in accordance with §1.31. No such investments shall be made except in instruments described in §1.25.

Adopted October 17, 2012 (12-26).

532. Compliance with Commission Regulation 1.28 - Appraisal of Instruments Purchased with Customer Funds

Any Trading Privilege Holder subject to Commission Regulation 1.28 that violates Commission Regulation 1.28 shall be deemed to have violated this Rule 532. Commission Regulation 1.28 is set forth below and incorporated into this Rule 532.

Commission Regulation 1.28 - Appraisal of instruments purchased with customer funds.

Futures commission merchants who invest customer funds in instruments described in §1.25 of this part shall include such instruments in segregated account records and reports at values which at no time exceed current market value, determined as of the close of the market on the date for which such computation is made.

Adopted October 17, 2012 (12-26).

533. Compliance with Commission Regulation 1.29 – Gains and Losses Resulting from Investment of Customer Funds

Any Trading Privilege Holder subject to Commission Regulation 1.29 that violates Commission Regulation 1.29 shall be deemed to have violated this Rule 533. Commission Regulation 1.29 is set forth below and incorporated into this Rule 533.

Commission Regulation 1.29 – Gains and losses resulting from investment of customer funds.

(a) The investment of customer funds in instruments described in §1.25 shall not prevent the futures commission merchant or derivatives clearing organization so investing such funds from receiving and retaining as its own any incremental income or interest income resulting therefrom.
(b) The futures commission merchant or derivatives clearing organization, as applicable, shall bear sole responsibility for any losses resulting from the investment of customer funds in instruments described in §1.25. No investment losses shall be borne or otherwise allocated to the customers of the futures commission merchant and, if customer funds are invested by a derivatives clearing organization in its discretion, to the futures commission merchant.


534. Compliance with Commission Regulation 1.30 - Loans by Futures Commission Merchants; Treatment of Proceeds

Any Trading Privilege Holder subject to Commission Regulation 1.30 that violates Commission Regulation 1.30 shall be deemed to have violated this Rule 534. Commission Regulation 1.30 is set forth below and incorporated into this Rule 534.

Commission Regulation 1.30 - Loans by futures commission merchants; treatment of proceeds.

Nothing in the regulations in this chapter shall prevent a futures commission merchant from lending its own funds to customers on securities and property pledged by such customers, or from repledging or selling such securities and property pursuant to specific written agreement with such customers. The proceeds of such loans used to purchase, margin, guarantee, or secure the trades, contracts, or commodity options of customers shall be treated and dealt with by a futures commission merchant as belonging to such customers, in accordance with and subject to the provisions of the Act and these regulations. A futures commission merchant may not loan funds on an unsecured basis to finance customers' trading, nor may a futures commission merchant loan funds to customers secured by the customer accounts of such customers.


535. Compliance with Commission Regulation 1.31 – Regulatory Records; Retention and Production

Any Trading Privilege Holder subject to Commission Regulation 1.31 that violates Commission Regulation 1.31 shall be deemed to have violated this Rule 535. Commission Regulation 1.31 is set forth below and incorporated into this Rule 535.

Commission Regulation 1.31 - Regulatory records; Retention and Production.

(a) Definitions. For purposes of this section:

Electronic regulatory records means all regulatory records other than regulatory records exclusively created and maintained by a records entity on paper.

Records entity means any person required by the Act or Commission regulations in this chapter to keep regulatory records.

Regulatory records means all books and records required to be kept by the Act or Commission regulations in this chapter, including any record of any correction or other amendment to such books and records, provided that, with respect to such books and records stored electronically, regulatory records shall also include:

(i) Any data necessary to access, search, or display any such books and records; and
(ii) All data produced and stored electronically describing how and when such books and records were created, formatted, or modified.

(b) **Duration of retention.** Unless specified elsewhere in the Act or Commission regulations in this chapter:

(1) A records entity shall keep regulatory records of any swap or related cash or forward transaction (as defined in § 23.200(i) of this chapter), other than regulatory records required by § 23.202(a)(1) and (b)(1)–(3) of this chapter, from the date the regulatory record was created until the termination, maturity, expiration, transfer, assignment, or novation date of the transaction and for a period of not less than five years after such date.

(2) A records entity that is required to retain oral communications, shall keep regulatory records of oral communications for a period of not less than one year from the date of such communication.

(3) A records entity shall keep each regulatory record other than the records described in paragraphs (b)(1) or (b)(2) of this section for a period of not less than five years from the date on which the record was created.

(4) A records entity shall keep regulatory records exclusively created and maintained on paper readily accessible for no less than two years. A records entity shall keep electronic regulatory records readily accessible for the duration of the required record keeping period.

(c) **Form and manner of retention.** Unless specified elsewhere in the Act or Commission regulations in this chapter, all regulatory records must be created and retained by a records entity in accordance with the following requirements:

(1) **Generally.** Each records entity shall retain regulatory records in a form and manner that ensures the authenticity and reliability of such regulatory records in accordance with the Act and Commission regulations in this chapter.

(2) **Electronic regulatory records.** Each records entity maintaining electronic regulatory records shall establish appropriate systems and controls that ensure the authenticity and reliability of electronic regulatory records, including, without limitation:

(i) Systems that maintain the security, signature, and data as necessary to ensure the authenticity of the information contained in electronic regulatory records and to monitor compliance with the Act and Commission regulations in this chapter;

(ii) Systems that ensure the records entity is able to produce electronic regulatory records in accordance with this section, and ensure the availability of such regulatory records in the event of an emergency or other disruption of the records entity’s electronic record retention systems; and

(iii) The creation and maintenance of an up-to-date inventory that identifies and describes each system that maintains information necessary for accessing or producing electronic regulatory records.

(d) **Inspection and production of regulatory records.** Unless specified elsewhere in the Act or Commission regulations in this chapter, a records entity, at its own expense, must produce or make accessible for inspection all regulatory records in accordance with the following requirements:

(1) **Inspection.** All regulatory records shall be open to inspection by any representative of the Commission or the United States Department of Justice.

(2) **Production of paper regulatory records.** A records entity must produce regulatory records exclusively created and maintained on paper promptly upon request of a Commission representative.
(3) Production of electronic regulatory records. (i) A request from a Commission representative for electronic regulatory records will specify a reasonable form and medium in which a records entity must produce such regulatory records.

(ii) A records entity must produce such regulatory records in the form and medium requested promptly, upon request, unless otherwise directed by the Commission representative.

(4) Production of original regulatory records. A records entity may provide an original regulatory record for reproduction, which a Commission representative may temporarily remove from such entity's premises for this purpose. Upon request of the records entity, the Commission representative shall issue a receipt for any original regulatory record received. At the request of a Commission representative, a records entity shall, upon the return thereof, issue a receipt for the original regulatory record returned by such representative.

Adopted October 17, 2012 (12-26); August 28, 2017 (17-013).

536. Compliance with Commission Regulation 1.32 - Reporting of Segregated Account Computation and Details Regarding the Holding of Futures Customer Funds

Any Trading Privilege Holder subject to Commission Regulation 1.32 that violates Commission Regulation 1.32 shall be deemed to have violated this Rule 536. Commission Regulation 1.32 is set forth below and incorporated into this Rule 536.

Commission Regulation 1.32 – Reporting of segregated account computation and details regarding the holding of futures customer funds

(a) Each futures commission merchant must compute as of the close of each business day, on a currency-by-currency basis:

(1) The total amount of futures customer funds on deposit in segregated accounts on behalf of futures customers;

(2) The amount of such futures customer funds required by the Act and these regulations to be on deposit in segregated accounts on behalf of such futures customers; and

(3) The amount of the futures commission merchant's residual interest in such futures customer funds.

(b) In computing the amount of futures customer funds required to be in segregated accounts, a futures commission merchant may offset any net deficit in a particular futures customer's account against the current market value of readily marketable securities, less applicable deductions (i.e., “securities haircuts”) as set forth in Rule 15c3-1(c)(2)(vi) of the Securities and Exchange Commission (17 CFR 241.15c3-1(c)(2)(vi)), held for the same futures customer's account. Futures commission merchants that establish and enforce written policies and procedures to assess the credit risk of commercial paper, convertible debt instruments, or nonconvertible debt instruments in accordance with Rule 240.15c3-1(c)(2)(vi) of the Securities and Exchange Commission (17 CFR 240.15c3-1(c)(2)(vi)) may apply the lower haircut percentages specified in Rule 240.15c3-1(c)(2)(vi) for such commercial paper, convertible debt instruments and nonconvertible debt instruments. The futures commission merchant must maintain a security interest in the securities, including a written authorization to liquidate the securities at the futures commission merchant's discretion, and must segregate the securities in a safekeeping account with a bank, trust company, derivatives clearing organization, or another futures commission merchant. For purposes of this section, a security will be considered readily marketable if it is traded on a “ready market” as defined in Rule 15c3-1(c)(11)(i) of the Securities and Exchange Commission (17 CFR 240.15c3-1(c)(11)(i)).
(c) Each futures commission merchant is required to document its segregation computation required by paragraph (a) of this section by preparing a Statement of Segregation Requirements and Funds in Segregation for Customers Trading on U.S. Commodity Exchanges contained in the Form 1-FR-FCM as of the close of each business day. Nothing in this paragraph shall affect the requirement that a futures commission merchant at all times maintain sufficient money, securities and property to cover its total obligations to all futures customers, in accordance with §1.20.

(d) Each futures commission merchant is required to submit to the Commission and to the firm's designated self-regulatory organization the daily Statement of Segregation Requirements and Funds in Segregation for Customers Trading on U.S. Commodity Exchanges required by paragraph (c) of this section by noon the following business day.

(e) Each futures commission merchant shall file the Statement of Segregation Requirements and Funds in Segregation for Customers Trading on U.S. Commodity Exchanges required by paragraph (c) of this section in an electronic format using a form of user authentication assigned in accordance with procedures established or approved by the Commission.

(f) Each futures commission merchant is required to submit to the Commission and to the firm's designated self-regulatory organization a report listing the names of all banks, trust companies, futures commission merchants, derivatives clearing organizations, or any other depository or custodian holding futures customer funds as of the fifteenth day of the month, or the first business day thereafter, and the last business day of each month. This report must include:

(1) The name and location of each entity holding futures customer funds;

(2) The total amount of futures customer funds held by each entity listed in paragraph (f)(1) of this section; and

(3) The total amount of cash and investments that each entity listed in paragraph (f)(1) of this section holds for the futures commission merchant. The futures commission merchant must report the following investments:

(i) Obligations of the United States and obligations fully guaranteed as to principal and interest by the United States (U.S. government securities);

(ii) General obligations of any State or of any political subdivision of a State (municipal securities);

(iii) General obligation issued by any enterprise sponsored by the United States (government sponsored enterprise securities);

(iv) Certificates of deposit issued by a bank;

(v) Commercial paper fully guaranteed as to principal and interest by the United States under the Temporary Liquidity Guarantee Program as administered by the Federal Deposit Insurance Corporation;

(vi) Corporate notes or bonds fully guaranteed as to principal and interest by the United States under the Temporary Liquidity Guarantee Program as administered by the Federal Deposit Insurance Corporation; and

(vii) Interests in money market mutual funds.

(g) Each futures commission merchant must report the total amount of futures customer-owned securities held by the futures commission merchant as margin collateral and must list the names and locations of the depositories holding such margin collateral.
(h) Each futures commission merchant must report the total amount of futures customer funds that have been used to purchase securities under agreements to resell the securities (reverse repurchase transactions).

(i) Each futures commission merchant must report which, if any, of the depositories holding futures customer funds under paragraph (f)(1) of this section are affiliated with the futures commission merchant.

(j) Each futures commission merchant shall file the detailed list of depositories required by paragraph (f) of this section by 11:59 p.m. the next business day in an electronic format using a form of user authentication assigned in accordance with procedures established or approved by the Commission.

(k) Each futures commission merchant shall retain its daily segregation computation and the Statement of Segregation Requirements and Funds in Segregation for Customers Trading on U.S. Commodity Exchanges required by paragraph (c) of this section, and its detailed list of depositories required by paragraph (f) of this section, together with all supporting documentation, in accordance with the requirements of §1.31.


537. Compliance with Commission Regulation 1.36 - Record of Securities and Property Received from Customers and Options Customers

Any Trading Privilege Holder subject to Commission Regulation 1.36 that violates Commission Regulation 1.36 shall be deemed to have violated this Rule 537. Commission Regulation 1.36 is set forth below and incorporated into this Rule 537.

Commission Regulation 1.36 - Record of securities and property received from customers and options customers.

(a) Each futures commission merchant and each retail foreign exchange dealer shall maintain, as provided in §1.31, a record of all securities and property received from customers, retail forex customers or option customers in lieu of money to margin, purchase, guarantee, or secure the commodity, retail forex or commodity option transactions of such customers, retail forex customers or option customers. Such record shall show separately for each customer, retail forex customer or option customer: A description of the securities or property received; the name and address of such customer, retail forex customer or option customer; the dates when the securities or property were received; the identity of the depositories or other places where such securities or property are segregated or held; the dates of deposits and withdrawals from such depositories; and the dates of return of such securities or property to such customer, retail forex customer or option customer, or other disposition thereof, together with the facts and circumstances of such other disposition. In the event any futures commission merchant deposits with the clearing organization of a contract market, directly or with a bank or trust company acting as custodian for such clearing organization, securities and/or property which belong to a particular customer or option customer, such futures commission merchant shall obtain written acknowledgment from such clearing organization that it was informed that such securities or property belong to customers or option customers of the futures commission merchant making the deposit. Such acknowledgment shall be retained as provided in §1.31.

(b) Each clearing organization of a contract market which receives from members securities or property belonging to particular customers or option customers of such members in lieu of money to margin, purchase, guarantee, or secure the commodity or commodity option transactions of such customers or option customers, or receives notice that any such securities or property have been received by a bank or trust company acting as custodian for such clearing organization, shall maintain, as provided in §1.31, a record which will show separately for each member, the dates when such securities or property were
received, the identity of the depositories or other places where such securities or property are segregated, the dates such securities or property were returned to the member, or otherwise disposed of, together with the facts and circumstances of such other disposition including the authorization therefor.

Adopted October 17, 2012 (12-26).
CHAPTER 6
BUSINESS CONDUCT

601. Fraudulent Acts

No Trading Privilege Holder, Related Party or Market Participant shall engage or attempt to engage in any fraudulent act or engage or attempt to 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 Clearing Corporation. Prohibited activity encompassed by this Rule in relation to any Contract may occur either directly through activity in the market for that Contract, or indirectly through activity in the market of any commodity, security, index or benchmark underlying that Contract, regardless of the exchange on or market in which the underlying is transacted.

Amended December 15, 2016 (16-016); July 2, 2019 (19-012).

602. Fictitious Transactions

No Trading Privilege Holder, Related Party or Market Participant shall create fictitious transactions or execute any Order for a fictitious transaction with knowledge of its nature.

Amended July 2, 2019 (19-012).

603. Market Manipulation

No Trading Privilege Holder, Related Party or Market Participant shall

(i) manipulate, or attempt to manipulate, the price of any Contract, either directly by engaging in activity in the market for that Contract, or indirectly by engaging in activity in the market of any commodity, security, index or benchmark underlying that Contract, regardless of the exchange on or market in which the underlying is transacted;

(ii) purchase or sell, or offer to purchase or sell, any Contract, or any commodity, security, index or benchmark that underlies any Contract, regardless of the exchange on or market in which the underlying is transacted, for the purpose of creating a condition in which prices of the Contract do not or will not reflect fair market values; or

(iii) intentionally or recklessly use or employ, or attempt to use or employ, any manipulative device, scheme or artifice to defraud, relating to any Contract either directly by engaging in activity in the market for that Contract, or indirectly by engaging in activity in the market of any commodity, security, index or benchmark underlying that Contract, regardless of the exchange on or market in which the underlying is transacted.

Amended July 26, 2005 (05-20); February 25, 2018 (17-017); July 2, 2019 (19-012).

604. Adherence to Law

No Trading Privilege Holder, Related Party or Market Participant shall engage in conduct in violation of Applicable Law, the Rules of the Exchange, the Rules
of the Clearing Corporation (insofar as the Rules of the Clearing Corporation relate to the reporting or clearance of any transaction in Contracts) or any agreement with the Exchange.

Amended October 17, 2012 (12-26); July 2, 2019 (19-012).

605. Sales Practice Rules

Without limiting the generality of Rule 604, each Trading Privilege Holder (including its Related Parties) shall comply with any and all sales practice rules (including those relating to bunched orders, opening and approval of accounts, suitability, use of discretion, supervision of accounts, risk disclosure document delivery, communications, monthly statements and confirmations, registration, qualification and continuing education, customer complaints, prohibition against guarantees and profit sharing and money laundering) from time to time promulgated by the NFA or, in the case of Security Futures, from time to time promulgated by the NFA or FINRA, which rules are hereby incorporated by reference into this Rule 605.

Amended July 26, 2005 (05-20); February 23, 2009 (09-03).

606. Prohibition of Misstatements

It shall be an offense to make any misstatement of a material fact to the Exchange, including the Board, any committee thereof or any director, officer or employee of the Exchange.

607. Use of Trading Privileges

Neither a Trading Privilege Holder nor any of its Related Parties may use its Trading Privileges or access the Exchange in any way which could be expected to bring disrepute upon such Trading Privilege Holder or the Exchange.

608. Acts Detrimental to the Exchange; Acts Inconsistent with Just and Equitable Principles of Trade; Abusive Practices

It shall be an offense to engage in any act detrimental to the Exchange, in conduct inconsistent with just and equitable principles of trade or in abusive practices, including without limitation, fraudulent, noncompetitive or unfair actions.

Amended October 17, 2012 (12-26).

609. Supervision

(a) Each Trading Privilege Holder shall be responsible for establishing, maintaining and administering reasonable, written supervisory procedures to ensure that its Related Parties, automated trading systems and Customers comply with Applicable Law, the Rules of the Exchange and the Rules of the Clearing Corporation. Each Trading Privilege Holder shall be responsible for supervising its Related Parties and automated trading systems and may be held accountable for the actions of its Related Parties and automated trading systems.
(b) Each Market Participant shall supervise that Market Participant’s activities and automated trading systems to ensure that they comply with Applicable Law, the Rules of the Exchange and the Rules of the Clearing Corporation, in each case to the extent those provisions are applicable to Market Participants.

Amended October 17, 2012 (12-26); June 30, 2014 (14-15); February 25, 2018 (17-017); July 2, 2019 (19-012).

610. Priority of Customers’ Orders

(a) No Trading Privilege Holder, Related Party or Market Participant shall buy a Contract for a personal or proprietary account of such Trading Privilege Holder, Related Party or for an account in which such Trading Privilege Holder, Related Party or Market Participant has a proprietary interest, when such Trading Privilege Holder, Related Party or Market Participant has in hand Orders to buy the same Contract for any other Person at the same price or at the market price. No Trading Privilege Holder, Related Party or Market Participant shall sell a Contract for a personal or proprietary account of such Trading Privilege Holder, Related Party or Market Participant for an account in which such Trading Privilege Holder, Related Party or Market Participant has a proprietary interest, when such Trading Privilege Holder, Related Party or Market Participant has in hand Orders to sell the same Contract for any other Person at the same price or at the market price.

(b) No Trading Privilege Holder, Related Party or Market Participant shall execute a discretionary Order for any Contract, including, without limitation, an Order allowing discretion as to time and price, for an immediate family member or for a personal or proprietary account of any other Trading Privilege Holder, Related Party or Market Participant, when such Trading Privilege Holder, Related Party or Market Participant has in hand any Customer Market Order for the same Contract open as to time and price.

(c) An Authorized Trader entering Orders into the CFE System must enter all Customer Orders that the CFE System is capable of accepting before entering an Order for a personal or proprietary account of such Authorized Trader or the related Trading Privilege Holder, an account in which such Authorized Trader or Trading Privilege Holder has a proprietary interest or an Order for a discretionary account, including an Order allowing such Authorized Trader or Trading Privilege Holder discretion as to time and price, for an immediate family member or for a personal or proprietary account of any other Trading Privilege Holder or Related Party.

(d) For purposes of this Rule 610, no Trading Privilege Holder or Market Participant that consists of more than one individual, shall be deemed to buy or sell a Contract or execute a discretionary Order if (i) such Trading Privilege Holder or Market Participant has in place appropriate “firewall” or separation of function procedures and (ii) the individual buying or selling the Contract or executing the discretionary Order in question has no direct knowledge of the Order to buy or sell the same Contract for any other Person at the same price or at
the market price or of the Customer Order for the same Contract, as the case may be. Nothing in this Rule 610 shall limit the ability of an “eligible account manager” to bunch Orders in accordance with Commission Regulation § 1.35(b)(5).

Amended February 25, 2018 (17-017); April 25, 2018 (18-005); July 2, 2019 (19-012).

611. Trading Against Customers’ Orders

No Trading Privilege Holder, Related Party or Market Participant shall enter into a transaction on behalf of a Customer in which such Trading Privilege Holder, Related Party or Market Participant or any Person trading for an account in which such Trading Privilege Holder, Related Party or Market Participant has a financial interest, intentionally assumes the opposite side of the transaction. The foregoing restriction shall not prohibit pre-execution discussions conducted in accordance with procedures established by the Exchange from time to time, and shall not apply to any Exchange of Contract for Related Position, any Block Trade or any facilitation crossing transaction meeting all of the following criteria (or such other criteria as may be established by the Exchange from time to time):

(a) the Customer has previously consented in writing to such transactions and such consent has not been revoked prior to the applicable transaction;

(b) if the Trading Privilege Holder desires to cross a Customer Order with an Order of the Trading Privilege Holder or Related Party and a bid and an offer for the relevant Contract are resting in the CFE System, the Trading Privilege Holder may enter the Customer Order into the CFE System and may immediately thereafter enter the opposing Order representing no more than 30% of the Customer Order’s contract size (rounded up to the nearest whole contract);

(c) the Trading Privilege Holder or Related Party has waited for a period of three seconds after first entering the Order received from the Customer into the CFE System before taking the opposite side of the transaction, or if the Trading Privilege Holder initially crossed 30% of the Customer Order as provided in Rule 611(b), the Trading Privilege Holder has waited for a period of three seconds after first entering the Customer Order into the CFE System before entering an opposing Order for the remaining balance, if any, of the Customer Order;

(d) the Trading Privilege Holder maintains a record that clearly identifies, by appropriate descriptive words, all such transactions, including the time of execution, commodity, date, price, quantity and expiration; and

(e) the Trading Privilege Holder provides a copy of the record referred to in clause (d) above to the Exchange upon request by the Exchange and within the time frame designated by the Exchange.

Because the Orders entered into the CFE System pursuant to this Rule 611 are exposed to the market, there is no assurance that the Orders of the Trading Privilege Holder will be matched against the Customer Order.
612. Withholding Orders

No Trading Privilege Holder, Related Party or Market Participant shall withhold or withdraw from the market any Order or any part of an Order placed by any Customer, unless expressly instructed or authorized to do so by such Customer.

Amended July 2, 2019 (19-012.)

613. Disclosing Orders

Except in accordance with any policies or procedures for pre-execution discussions from time to time adopted by the Exchange, no Trading Privilege Holder, Related Party or Market Participant shall disclose to any Person any Order placed by any other Person, except to the Exchange or the Commission.

Amended July 2, 2019 (19-012.)

614. Pre-Arranged Trades

No Trading Privilege Holder, Related Party or Market Participant shall enter any Order into the CFE System which has been pre-arranged, except as expressly permitted by Rules 407, 414, 415 and 611 or in accordance with any policies or procedures for pre-execution discussions from time to time adopted by the Exchange.

Amended March 6, 2008 (08-01); February 25, 2018 (17-017); July 2, 2019 (19-012).

615. Simultaneous Buying and Selling Orders

(a) No Trading Privilege Holder, Related Party or Market Participant shall accept simultaneous buy and sell Orders from the same beneficial owner for the same expiration of a particular Contract that could potentially execute against each other.

(b) A Trading Privilege Holder (including its Related Parties) holding Orders to buy and sell at the same time from different beneficial owners for the same expiration of a particular Contract may enter both Orders into the CFE System subject to compliance with any other applicable Rules of the Exchange such as Rule 407.

Amended February 29, 2009 (09-03); April 2, 2014 (14-04); February 25, 2018 (17-017); July 2, 2019 (19-012).

616. Wash Trades

No Trading Privilege Holder nor any of its Related Parties shall place or accept buy and sell orders in the same Contract and expiration, and, for a put or call option, the same strike price, where the Trading Privilege Holder or Related Party knows or reasonably should know that the purpose of the orders is to avoid taking a bona fide
market position exposed to market risk (transactions commonly known or referred to as wash trades). Buy and sell orders for different accounts with common beneficial ownership that are entered with the intent to negate market risk or price competition shall also be deemed to violate the prohibition on wash trades. Additionally, no Trading Privilege Holder nor any of its Related Parties shall knowingly execute or accommodate the execution of such orders by direct or indirect means.

Adopted October 17, 2012 (12-26).

617. Money Passes

No Trading Privilege Holder, Related Party or Market Participant shall prearrange the execution of transactions on the Exchange for the purpose of passing money between accounts. All transactions executed on the Exchange must be made in good faith for the purpose of executing bona fide transactions, and prearranged trades intended to effectuate a transfer of funds from one account to another are prohibited.

Adopted October 17, 2012 (12-26); July 2, 2019 (19-012).

618. Accommodation Trading

No Trading Privilege Holder, Related Party or Market Participant shall enter into non-competitive transactions on the Exchange for the purpose of assisting another Person to engage in transactions that are in violation of the Rules of the Exchange or Applicable Law.

Adopted October 17, 2012 (12-26); July 2, 2019 (19-012).

619. Front-Running

No Trading Privilege Holder, Related Party or Market Participant shall take a position in a Contract based upon non-public information regarding an impending transaction by another Person in the same or a related Contract, or in any commodity, security, index or benchmark underlying that Contract regardless of the exchange on or market in which the underlying is transacted, except as expressly permitted by Rules 407, 414, 415 and 611 or in accordance with any policies or procedures for pre-execution discussions from time to time adopted by the Exchange.

Adopted October 17, 2012 (12-26); July 2, 2019 (19-012).

620. Disruptive Practices

(a) No Trading Privilege Holder, Related Party or Market Participant shall engage in any trading, practice or conduct on the Exchange or subject to the Rules of the Exchange that:

(i) Violates bids or offers;

(ii) Demonstrates intentional or reckless disregard for the orderly execution of transactions during the closing period; or
(iii) Is, is of the character of, or is commonly known to the trade as “spoofing” (bidding or offering with the intent to cancel the bid or offer before execution).

(b) All Orders must be entered for the purpose of executing bona fide transactions. Additionally, all non-actionable messages must be entered in good faith for legitimate purposes.

(i) No Person shall enter or cause to be entered an Order with the intent, at the time of entry, to cancel the Order before execution or to modify the Order to avoid execution;

(ii) No Person shall enter or cause to be entered an actionable or non-actionable message or messages with intent to mislead other market participants;

(iii) No Person shall enter or cause to be entered an actionable or non-actionable message or messages with intent to overload, delay, or disrupt the systems of the Exchange or other market participants; and

(iv) No Person shall enter or cause to be entered an actionable or non-actionable message with intent to disrupt, or with reckless disregard for the adverse impact on, the orderly conduct of trading or the fair execution of transactions.

The provisions of this Rule apply to all market states, including the pre-opening period, the closing period, and all trading sessions.

Adopted October 17, 2012 (12-26). Amended August 13, 2013 (13-30); July 30, 2015 (15-020); February 25, 2018 (17-017); July 2, 2019 (19-012).
CHAPTER 7
DISCIPLINE AND ENFORCEMENT

701. Disciplinary Jurisdiction

(a) A Trading Privilege Holder and any Related Party who is alleged to have violated, or aided and abetted a violation of, any provision of the CEA, Commission Regulations thereunder, the Exchange Act, Exchange Act Regulations thereunder, or any Rule of the Exchange regulating the conduct of business on the Exchange shall be subject to the disciplinary jurisdiction of the Exchange under this Chapter 7, and after notice and opportunity for a hearing may be appropriately disciplined by expulsion, suspension, limitation of activities, functions and operations, fine, censure, being suspended or barred from using Trading Privileges, denial of access to the Exchange, undertakings or any other fitting sanction, in accordance with the provisions of this Chapter 7.

(b) A Trading Privilege Holder or Related Party may be charged with any violation committed by Related Parties under its, his or her supervision or by the Trading Privilege Holder with which it, he or she is associated, as the case may be, as though such violation were its, his or her own.

(c) A former Trading Privilege Holder or Related Party shall remain subject to the disciplinary jurisdiction of the Exchange following any revocation of its Trading Privileges in accordance with Rule 306(b) or 307 or termination of association, as the case may be, with respect to matters that occurred prior to such revocation or termination, as the case may be, provided written notice of the commencement of any inquiry into disciplinary matters is given by the Exchange to such former Trading Privilege Holder or Related Party within one year from receipt by the Exchange of the latest written notice of such revocation or termination, as the case may be. The foregoing notice requirement shall not apply to any Person who at any time after such revocation or termination, as the case may be, again subjects itself to the disciplinary jurisdiction of the Exchange by becoming a Trading Privilege Holder or a Related Party of a Trading Privilege Holder.

Amended July 26, 2005 (05-20); February 23, 2009 (09-03); October 17, 2012 (12-26).

702. Complaint and Investigation

(a) Initiation of Investigation. The Exchange shall investigate possible violations within the disciplinary jurisdiction of the Exchange upon request of the Commission, the Board, the Regulatory Oversight Committee, the Business Conduct Committee, the President or any other Exchange official designated by the President, or upon the discovery or receipt of information by the Exchange that indicates a reasonable basis for finding that a violation may have occurred or will occur. The Exchange shall also investigate possible violations within the disciplinary jurisdiction of the Exchange upon receipt of a complaint, written or oral, alleging such violations made by a Trading Privilege Holder or by any other Person alleging injury as a result of such violations (the “Complainant”), provided
such complaint specifies in reasonable detail the facts constituting the alleged violation. To assist the Exchange in investigating possible violations, the Complainant should sign written complaints or identify itself when making oral complaints, and also should identify the specific statutory provisions or Rules of the Exchange allegedly violated.

(b) Requirement to Furnish Information. Each Trading Privilege Holder and Related Party shall be obligated upon request by the Exchange and within the time frame designated by the Exchange to appear and testify, and to respond in writing to interrogatories and furnish documentary materials and other information requested by the Exchange in connection with (i) any investigation initiated pursuant to paragraph (a) of this Rule 702, (ii) any hearing or appeal conducted pursuant to this Chapter 7 or preparation by the Exchange in anticipation of any such hearing or appeal or (iii) an Exchange inquiry resulting from any agreement entered into by the Exchange pursuant to Rule 216. No Trading Privilege Holder or Related Party shall impede or delay any Exchange investigation or proceeding conducted pursuant to this Chapter 7 or any Exchange inquiry resulting from any agreement entered into by the Exchange pursuant to Rule 216, nor refuse to comply with a request made by the Exchange pursuant to this paragraph (b).

(c) Representation. Each Trading Privilege Holder and Related Party is entitled to be represented during all stages of any proceeding pursuant to this Chapter 7 by legal counsel or any representative of the Trading Privilege Holder’s or Related Party’s choosing, except for any member of the Exchange’s Board of Directors or Business Conduct Committee, any Exchange employee or any Person substantially related to the underlying investigations, such as a material witness or a Respondent.

(d) Report. In every instance where Exchange staff determines from surveillance or from an investigation a reasonable basis exists for finding a violation has been committed of a Rule of the Exchange (except in the case of the issuance of a warning letter under Rule 715), the Exchange staff shall submit a written report of its investigation to the CRO.

(e) Notice, Statement and Access. Prior to submitting a report pursuant to paragraph (d) of this Rule 702, the Exchange shall notify each Person who is the subject of the report (the “Subject”) of the general nature of the allegations and of the specific provisions of the CEA, Commission Regulations thereunder, the Exchange Act, Exchange Act Regulations thereunder, or Rules of the Exchange regulating the conduct of business on the Exchange that appear to have been violated. Except when the CRO determines that expeditious action is required, a Subject shall have the right, within 15 days from the date of the notification referred to in the preceding sentence, to submit a written statement to the CRO concerning why no disciplinary action should be taken. To assist a Subject in preparing such a written statement, such Subject shall have access to any documents and other materials in the investigative file of the Exchange that were furnished by such Subject or its agents.
(f) Videotaped Response. In lieu of, or in addition to, submitting a written statement concerning why no disciplinary action should be taken as permitted by paragraph (e) of this Rule 702, the Subject may submit a statement in the form of a videotaped response. Except when the CRO determines that expeditious action is required, the Subject shall have 15 days from the date of service of the notification referred to in such paragraph (e) to submit such videotaped response. The Exchange may from time to time establish standards concerning the length and format of such videotaped responses.

Amended February 23, 2009 (09-03); April 26, 2010 (10-04); October 17, 2012 (12-26); March 27, 2013 (13-015); May 3, 2013 (13-16); November 15, 2018 (18-025).

703. Expedited Proceeding

Upon receipt of the notification referred to in the first sentence of Rule 702(e), a Subject may seek to dispose of the matter to which such notification relates through a letter of consent signed by it. If a Subject desires to attempt to so dispose of such matter, it must submit to the Exchange, within 15 days from the date of service of such notification, a written notice electing to proceed in an expedited manner pursuant to this Rule 703. Such Subject must then endeavor to reach agreement with the Exchange upon a letter of consent which is acceptable to the Exchange and which sets forth a stipulation of facts and findings concerning the Subject’s conduct, each violation committed by the Subject and the sanction or sanctions therefor. A matter can only be disposed of through a letter of consent if the Exchange and the Subject are able to agree upon terms of a letter of consent which are acceptable to the Exchange, and such agreed letter is signed by the Subject.

At any point in the negotiations regarding a letter of consent, the Exchange may deliver to the Subject, or the Subject may deliver to the Exchange, a written declaration of an end to the negotiations. Upon delivery of any such declaration, the Subject will have the right, within 15 days from such delivery, to submit a written statement pursuant to Rule 702(e) and thereafter the matter may be brought to the CRO for appropriate action. In lieu of, or in addition to, submitting a written statement pursuant to Rule 702(e), the Subject may submit a statement in the form of a videotaped response pursuant to Rule 702(f). In the event that the Subject and the Exchange are able to agree upon a letter of consent which is acceptable to the Exchange, such letter shall be submitted to a BCC Panel.

A BCC Panel may accept a letter of consent which provides that the Subject accepts a sanction without either admitting or denying the violations upon which the sanction is based. A BCC Panel may not alter the terms of a letter of consent unless the Subject agrees. A Subject may withdraw a letter of consent at any time before final acceptance of the letter of consent by a BCC Panel. If a letter of consent is withdrawn after submission, or is rejected by a BCC Panel, the Subject shall not be deemed to have made any admissions by reason of the letter of consent and shall not otherwise be prejudiced by having submitted the letter of consent. If such letter is accepted by the BCC Panel, it may adopt such letter as its decision and shall take no further action against the Subject respecting the matters to which the letter relates. If such letter is rejected by the BCC Panel, the matter shall proceed as though such letter had not been submitted. A
BCC Panel’s decision to accept or reject a letter of consent shall be final, and a Subject may not seek review thereof.

Amended October 17, 2012 (12-26); November 15, 2018 (18-025).

704. Charges

(a) Determination Not to Initiate Charges. In those cases where notice has been provided pursuant to Rule 702(e) and whenever it appears to the CRO from a report submitted pursuant to Rule 702(d) that no probable cause exists for finding a violation within the disciplinary jurisdiction of the Exchange, or whenever the CRO otherwise determines that no further action is warranted with respect to the matter to which such report relates, the CRO shall direct Exchange staff to prepare and issue a written statement to that effect setting forth the CRO’s reasons for such finding, which statement shall be sent to the relevant Subject and the Complainant, if any.

(b) Initiation of Charges. Whenever it appears to the CRO from a report submitted to it pursuant to Rule 702(d) that there is probable cause for finding a violation within the disciplinary jurisdiction of the Exchange and that further proceedings are warranted, the CRO shall direct the staff of the Exchange to prepare and issue a statement of charges against each Person alleged to have committed a violation (the “Respondent”), specifying (i) the acts, conduct or practices in which the Respondent is alleged to have engaged; (ii) the specific provisions of the CEA, Commission Regulations thereunder, the Exchange Act, Exchange Act Regulations thereunder, or Rules of the Exchange alleged to have been violated (or about to be violated) by the Respondent; (iii) that the Respondent is entitled, upon request, to a hearing on the charges; and (iv) the period within which a hearing on the charges may be requested. A copy of such statement shall be served upon the Respondent in accordance with Rule 712. The Complainant, if any, shall be notified if further proceedings are warranted.

(c) Access to Books, Documents or Other Evidence. Provided that a Respondent has made a written request for access to books, documents or other evidence within 60 calendar days after a statement of charges has been served upon such Respondent in accordance with Rule 712, such Respondent shall have access to all books, documents or other evidence concerning the case to which such statement relates that are in the possession or under the control of the Exchange, subject to the limitations in the following sentence. The Exchange may withhold documents that are privileged or constitute attorney work product, documents that were prepared by an employee of the Exchange but will not be offered in evidence in the disciplinary proceedings, documents that may disclose a technique or guideline used in examinations, investigations or enforcement proceedings and documents that disclose the identity of a confidential source.

(d) No Trading Privilege Holder or Related Party shall make or cause to be made any Ex Parte Communication with any member of the Business Conduct Committee concerning the merits of any matter pending under this Chapter 7. No member of the Business Conduct Committee shall make or cause to be made any
Ex Parte Communication with any Trading Privilege Holder or Related Party concerning the merits or any matter pending under this Chapter 7.

Amended February 23, 2009 (09-03); October 17, 2012 (12-26); November 15, 2018 (18-025).

705. Answer

A Respondent shall file a written answer to a statement of charges provided to it pursuant to Rule 704(b) within 15 days from the date of service of such statement. The answer shall specifically admit or deny each allegation contained in the statement, and the Respondent shall be deemed to have admitted any allegation not specifically denied. The answer may also contain any defense which the Respondent wishes to raise, and may be accompanied by documents in support of such answer or defense. In the event that a Respondent fails to file an answer, all charges contained in the statement of charges provided to it shall be deemed to be admitted.

706. Hearing

(a) Participants. Subject to Rule 707 of this Chapter 7, a hearing on any charges made under this Chapter 7 shall be held before a BCC Panel. The Exchange (including the Exchange enforcement and regulatory staffs) and the relevant Respondent shall be the parties to any hearing.

(b) Prehearing Procedures. The BCC Panel shall determine the date, time and location of any hearing and shall promptly hold any hearing upon the completion of any procedures prior to the hearing pursuant to this Chapter 7. All parties shall be given at least 15 days’ prior notice of the time and place of any hearing. Hearings shall generally be held in Chicago, Illinois, but a BCC Panel may decide to hold a hearing in any other location to accommodate the parties, witnesses, Exchange staff or the BCC Panel members. Not less than five business days in advance of a scheduled hearing date, each party shall furnish to the BCC Panel and each of the other parties copies of all documentary evidence such party intends to present at such hearing and a list containing the names of all witnesses the party intends to present at such hearing. Where the time and nature of a proceeding permit, the parties shall meet in a pre-hearing conference for the purpose of clarifying and simplifying issues and otherwise expediting the proceeding. At any such pre-hearing conference, the parties shall attempt to reach agreement respecting the authenticity of documents, facts not in dispute and any other items the resolution of which may serve to expedite the hearing of the matter. At the request of any party, the BCC Panel or the chairperson thereof shall hear and decide all pre-hearing issues not so resolved among the parties. Interlocutory Board review of any decision made by a BCC Panel prior to completion of a hearing is generally prohibited. Such interlocutory review shall be permitted only if a BCC Panel agrees to such review after determining that a particular issue is a controlling issue of rule or policy and that immediate Board review would materially advance the ultimate resolution of a matter before such BCC Panel.
(c) Conduct of Hearing. A BCC Panel shall determine all questions concerning the admissibility of evidence and shall otherwise regulate the conduct of any hearing before it. Formal rules of evidence shall not apply. The Respondent shall appear personally at the hearing. The charges shall be presented by a representative of the Exchange who, along with the Respondent and any other party, may present evidence and produce witnesses who shall testify under oath and are subject to being questioned by the BCC Panel and the other parties. The Respondent and any intervening parties are entitled to be represented by legal counsel or another person in accordance with Rule 702(c) who may participate fully in the hearing. A transcript of each hearing shall be made and shall become part of the record for the matter to which such hearing relates.

(d) Witnesses. Persons within the jurisdiction of the Exchange who are called as witnesses for a hearing are required to participate in the hearing and to produce evidence. The Exchange shall make reasonable efforts to secure the presence of any other Person called as a witness for a hearing whose testimony a BCC Panel determines would be relevant if that Person does not voluntarily appear as a hearing witness.

(e) Summary Action. A BCC Panel may summarily impose a sanction upon any Person within the jurisdiction of the Exchange whose actions impede the progress of a hearing. Notice of any such summary determination, specifying the violations and sanctions, shall be served upon the Respondent, who shall have the right, within 10 days from the date of service, to notify the BCC Panel that it, he or she desires a hearing upon the violations and sanctions. Failure to so notify the BCC Panel within such 10-day period shall constitute admission of the violations, acceptance of the sanctions and a waiver of all rights of review with respect to the violations and sanctions.

Amended October 17, 2012 (12-26).

707. Summary Proceedings

Notwithstanding the provisions of Rule 706, a BCC Panel may make a determination in any matter before it without a hearing that a Respondent has committed violations alleged in a statement of charges that the Respondent has admitted or failed to deny. In the event that a BCC Panel makes such a determination, the Respondent shall be deemed to have admitted and waived all rights of review with respect to the violations that the BCC Panel has found the Respondent to have committed and the BCC Panel shall impose a sanction for each of those violations. Notice of any such summary determination, specifying the violations and sanctions, shall be served upon the Respondent, who shall have the right, within 10 days from the date of service, to notify the BCC Panel that it, he or she desires a hearing upon the sanctions. Failure to so notify the BCC Panel within such 10-day period shall constitute sanctions included in such summary determination and a waiver of all rights of review with respect to the sanctions.

Amended October 17, 2012 (12-26).
708. Offers of Settlement

(a) Submission of Offer. At any time during a period not to exceed 120 days immediately following the date of service of a statement of charges upon a Respondent in accordance with Rule 712, such Respondent may submit to the Business Conduct Committee a maximum of two written and signed offers of settlement, which shall contain a proposed stipulation of facts and consent to a specified sanction. If a Respondent elected to proceed pursuant to Rule 703, however, and negotiations ended pursuant to a written declaration of an end to negotiations, the number of days in excess of 30 between (i) the date on which the Exchange received the Respondent’s election to proceed in an expedited manner and (ii) the date of the written declaration of an end to negotiations, shall be deducted from the 120-day period specified in the prior sentence; provided, however, that in no event shall the time period within which the Respondent may properly submit offers of settlement to the Business Conduct Committee pursuant to this paragraph (a) be less than 14 days from the date that the statement of charges is served upon the Respondent.

(b) Acceptance or Rejection of Offer. A BCC Panel may permit a Respondent to accept a sanction through an offer of settlement without either admitting or denying the violations upon which the sanction is based. A BCC Panel may not alter the terms of an offer of settlement unless the Respondent agrees. A Respondent may withdraw an offer of settlement at any time before final acceptance of the offer of settlement by a BCC Panel. If an offer of settlement is withdrawn after submission, or is rejected by a BCC Panel, the Respondent shall not be deemed to have made any admissions by reason of the offer of settlement and shall not otherwise be prejudiced by having submitted the offer of settlement. To the extent that a BCC Panel accepts an offer of settlement, the BCC Panel shall issue a written decision consistent with the terms of such offer specifying the rule violations the BCC Panel has reason to believe were committed, including the basis or reasons for the BCC Panel’s conclusions, and any sanctions to be imposed. If a BCC Panel accepts an offer of settlement that is not recommended for acceptance by Exchange staff, the decision shall adequately support the BCC Panel’s acceptance of the settlement. If applicable, a decision accepting an offer of settlement shall include a statement that the Respondent has accepted the sanctions imposed without either admitting or denying the violations. To the extent that a BCC Panel rejects any offer of settlement, it shall notify the Respondent of such rejection and the matter shall proceed as if such offer had not been made, and such offer and all documents relating thereto shall not become part of the record for the matter in question. Any decision of a BCC Panel issued upon acceptance of an offer of settlement as well as any determination of a BCC Panel whether or not to accept or reject such an offer shall be final, and the Respondent may not seek any review thereof.

(c) Submission of Statement. A Respondent may submit a written statement in support of any offer of settlement made by it. In addition, if the Exchange staff does not recommend acceptance of an offer of settlement before a BCC Panel, a Respondent shall be notified and may appear before the BCC Panel to make an
oral statement in support of such offer. If the BCC Panel rejects an offer of settlement that the Exchange staff supports, a Respondent may appear before the BCC Panel to make an oral statement concerning why he or she believes the BCC Panel should change its decision and accept such offer. A Respondent must make a request for any such appearance within five days of service of notice that his or her offer was rejected or that the Exchange staff will not recommend acceptance.

(d) Notwithstanding the limitation on the number of settlement offers set forth in paragraph (a) above, a BCC Panel, in its sole discretion, at any time after a statement of charges has been issued during the 120-day period specified in paragraph (a) above (or such shorter period as may be mandated by such paragraph), may permit a Respondent to submit an offer of settlement, provided the stipulation of facts and specified sanction contained in such offer of settlement are deemed acceptable by the BCC Panel.

(e) If the Exchange takes more than 30 days to provide a Respondent with access to documents pursuant to the requirements of Rule 704(c), the 120-day period specified in paragraph (a) above (or such shorter period may be mandated by such paragraph) shall be tolled during such period in excess of 30 days; provided that, if the settlement period pursuant to paragraph (a) above is less than 120 days, the settlement period shall be tolled to the extent necessary to allow the Respondent at least seven days after being provided with access to documents to submit an offer of settlement.

(f) Subject to Rule 707, after the 120-day period specified in paragraph (a) above (or such shorter period as may be mandated by such paragraph) or after a BCC Panel’s rejection of a Respondent’s second offer of settlement, whichever is earlier, a hearing will be scheduled and will proceed in accordance with Rule 706.

Amended October 17, 2012 (12-26).

709. Decision

Following any hearing conducted pursuant to Rule 706, the BCC Panel conducting such hearing shall issue a decision in writing determining, based upon the weight of the evidence contained in the record of the hearing, whether the Respondent has committed a violation and imposing the sanction, if any, therefor. Each decision made pursuant to this Rule 709 shall include (i) the statement of charges or summary of the charges; (ii) the answer, if any, or summary of the answer; (iii) a summary of the evidence produced at the hearing; (iv) a statement of findings and conclusions with respect to each charge, and a complete explanation of the evidentiary and other basis for such findings and conclusions with respect to each charge; (v) an indication of each specific provision of the CEA, Commission Regulations thereunder, the Exchange Act, Exchange Act Regulations thereunder, or Rules of the Exchange that the Respondent was found to have violated; and (vi) a declaration of all sanctions imposed against the Respondent, including the basis for such sanctions and the effective date of such sanctions. The Respondent shall be promptly sent a copy of any decision made pursuant to this Rule 709. After Board review pursuant to Rule 710, or upon expiration of the time...
for such review in accordance with Rule 710, whichever occurs first, a decision will be considered final, and the Exchange shall publish the decision.

Amended February 23, 2009 (09-03); October 17, 2012 (12-26).

710. Review

(a) (i) Petition. A Respondent and the Exchange shall each have the right, within 15 days after service of notice of a decision made pursuant to Rule 709, to petition for review of such decision by filing a copy of such petition with the Secretary and the other party to the hearing. Any such petition shall be in writing and shall specify the findings, conclusions and sanctions to which exceptions are taken, together with reasons for such exceptions. Any objections to a decision not specified by written exception shall be considered to have been abandoned.

(ii) Written Submissions. Within 15 days after a petition for review has been filed with the Secretary pursuant to clause (i) above, the other party to the hearing may submit to the Secretary a written response to the petition. A copy of such response must be served upon the petitioner. A petitioner has 15 days from the service of the response to file a reply with the Secretary and the other party to the hearing.

(b) Conduct of Review. Any review shall be conducted by the Board or a committee of the Board that includes at least one Public Director, whose decision must be ratified by the Board. No director who participated in a particular matter before the Business Conduct Committee or any BCC Panel or who is a regulatory staff member may participate in any review of such matter by the Board. Unless the Board decides to open the record for the introduction of evidence or to hear additional arguments based upon good cause shown, such review shall be based solely upon the record and the written exceptions filed by the parties. In the course of a review pursuant to this Rule 710, new issues may be raised by the Board; provided that the Respondent shall be given notice of, and an opportunity to address, any such new issues. The Board may affirm, reverse or modify, in whole or in part, any decision of a BCC Panel reviewed by it. Any such modification may include additional, lesser or different sanctions. The decision issued by the Board shall adhere to all of the requirements of Rule 709 to the extent that the Board reaches a different conclusion from that issued by a BCC Panel. Any decision of the Board pursuant to this Rule 710 shall be in writing, shall be promptly served on the Respondent, and shall be final.

(c) Review on Motion of Board. The Board may on its own initiative order review of any decision made pursuant to Rule 707 or 709 within 30 days after notice of the decision has been served on the Respondent. Any such review shall be conducted in accordance with the procedures set forth in paragraph (b) above.

Amended April 24, 2010 (10-04); October 17, 2012 (12-26); November 15, 2018 (18-025).
711. Judgment and Sanction

(a) Sanctions. Trading Privilege Holders (including their Related Parties) shall (subject to any rule or order of the Commission) be appropriately disciplined by a BCC Panel for violations under these Rules by expulsion, suspension, limitation of activities, functions and operations, fine, censure, being suspended or barred from using Trading Privileges, denial of access to the Exchange, undertakings or any other fitting sanction.

(b) Sanction Considerations. All disciplinary sanctions imposed pursuant to this Chapter 7 shall be commensurate with the violations committed, clearly sufficient to deter recidivism or similar violations by other market participants and take into account the Respondent’s disciplinary history. In the event of demonstrated customer harm, any disciplinary sanction imposed pursuant to this Chapter 7 shall also include full customer restitution, except where the amount of restitution, or to whom it should be provided, cannot be reasonably determined.

(c) Effective Date of Judgment. Any sanctions imposed pursuant to this Chapter 7 shall not become effective until the review process with respect to such decision has been completed or such decision otherwise becomes final. Pending effectiveness of a decision imposing a sanction on a Respondent, a BCC Panel may impose such conditions and restrictions on the activities of such Respondent as the BCC Panel may consider reasonably necessary for the protection of Customers, Trading Privilege Holders or the Exchange.

Amended October 17, 2012 (12-26).

712. Service of Notice

(a) Service on Person, Subject, Respondent or Counsel.

(i) Any charges, notices or other documents contemplated to be served pursuant to Rule 307 or this Chapter 7 may be served upon a Person, Subject or Respondent directly or by service upon such Person’s, Subject’s or Respondent’s counsel.

(ii) The Exchange may serve any charges, notices or other documents contemplated to be served pursuant to Rule 307 or this Chapter 7 with respect to a matter on counsel for a Person, Subject or Respondent on behalf of that Person, Subject or Respondent provided that: (A) the Person, Subject or Respondent has previously instructed the Exchange in writing to serve that counsel with any notices relating to that matter; and (B) the counsel has previously notified the Exchange in writing that the counsel agrees to accept service of any notices relating to that matter on behalf of the Person, Subject or Respondent and of a mailing address and an email address for service of those notices.

(iii) If a counsel has provided a notice to the Exchange pursuant to subparagraph (a)(ii)(B) above with respect to a matter, the Exchange
may continue to serve that counsel on behalf of the Person, Subject or Respondent with respect to that matter unless and until the counsel notifies the Exchange in writing that the counsel is no longer representing the Person, Subject or Respondent with respect to that matter or that the counsel consents to service on the Person, Subject or Respondent directly with respect to that matter.

(b) Manner of Service

(i) Charges. Any charges served pursuant to this Chapter 7 may be served upon the Respondent or Respondent’s counsel either personally or by 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 to Respondent’s counsel at the address identified in the notice provided pursuant to subparagraph (a)(ii)(B) above.

(ii) Other. All other notices or other documents contemplated to be served pursuant to Rule 307 or this Chapter 7 may be served in the manners specified in Rule 310(a)(i), (ii), (iii), (iv) or (v).

Amended July 31, 2013 (13-29).

713. Extension of Time Limits

Any time limits imposed under this Chapter 7 for the submission of answers, petitions or other materials may be extended by permission of the authority at the Exchange to whom such materials are to be submitted.

714. Imposition of Fines for Minor Rule Violations

(a) Notwithstanding any other provision of this Chapter 7 to the contrary, the Exchange may, subject to the requirements set forth herein, impose a fine, not to exceed $15,000, on any Trading Privilege Holder or Related Party of a Trading Privilege Holder with respect to any violation of the Rules of the Exchange relating to the timely submission of accurate records required for clearing or verifying each day’s transactions, decorum or other similar activities. Actions taken pursuant to this Rule 714 shall be processed in accordance with the procedures set forth in this Rule 714 rather than the procedures set forth in the remainder of this Chapter 7 unless otherwise indicated.

(b) In any action taken by the Exchange pursuant to this Rule 714, any Person against whom a fine is imposed shall be served with a written statement, prepared by the Exchange, setting forth: (i) the provision of the Rules of the Exchange allegedly violated; (ii) the act or omission constituting each such violation; (iii) the fine imposed for each violation; and (iv) the date by which such determination becomes final and such fine must be paid or contested as provided below, which date shall be not less than 30 days after the date of service of such written
statement. The issuance of a fine or a Person’s failure to contest the fine do not constitute an admission of the violation in question.

(c) (i) Any Person against whom a fine is imposed pursuant to this Rule 714 may contest the Exchange’s determination by filing with the office of the Secretary, on or before the date specified pursuant to clause (b)(iv) of this Rule 714, a written answer in accordance with Rule 705 (which shall apply with such changes as may be appropriate under the circumstances), at which point the matter shall become subject to review by a BCC Panel. The filing must include a request for a hearing, if a hearing is desired. Hearings shall be conducted in accordance with the provisions of Rule 706 (which shall apply with such changes as may be appropriate under the circumstances). If a hearing is not requested, the review shall be based on written submissions and shall be conducted in a manner to be determined by the BCC Panel.

(ii) If after a hearing or review based on written submissions pursuant to clause (i) above the BCC Panel determines that the conduct serving as the basis for the action under review is in violation of that provision of the Rules of the Exchange the violation of which has been charged, the BCC Panel (A) may impose any one or more of the disciplinary sanctions authorized by the Rules of the Exchange and (B) shall impose a forum fee against the Person charged in the amount of one hundred dollars ($100) if the determination was reached without a hearing, or in the amount of three hundred dollars ($300) if a hearing was conducted. Notwithstanding the foregoing, in the event that the BCC Panel determines that the Person charged committed one or more violations of Rules of the Exchange and the sole disciplinary sanction imposed by the BCC Panel for such violations is a fine which is less than the total fine initially imposed by the Exchange pursuant to this Rule 714, the BCC Panel shall have discretion to waive the imposition of a forum fee.

(iii) The committee or department of the Exchange that commenced any action under this Rule 714, the Person charged and any member of the Board may require a review by the Board of any determination by a BCC Panel under this Rule 714 by proceeding in accordance with Rule 710 (which shall apply with such changes as may be appropriate under the circumstances). In connection with such review the committee or department of the Exchange that commenced the action under this Rule 714 shall have the same rights as a Respondent under Rule 710.

(iv) In the event that a fine imposed pursuant to this Rule 714 is upheld by a BCC Panel or, if applicable, on review by the Board, such fine, plus interest thereon, at a rate from time to time specified by the Exchange for such purpose, from and including the date specified in clause (b)(iv) of this Rule 714, shall be immediately due and payable.
The Exchange shall specify in clause (e) of this Rule 714 the types of violations of Rules of the Exchange that will be considered minor rule violations for purposes of this Rule 714 and a fine schedule for such violations. Any fine schedule may allow for warning letters to be issued for first-time violations or violators and shall provide for progressively larger fines for recurring violations. Nothing in this Rule 714 shall require the Exchange to impose a fine pursuant to this Rule 714 with respect to the violation of any provision of the Rules of the Exchange included in any listing of minor rule violations. In addition, the Exchange may proceed under the Exchange’s formal disciplinary rules as set forth in Rules 702 through 713, rather than under this Rule 714, whenever it determines that any violation is intentional, egregious or otherwise not minor in nature or that the number of recurring violations of a particular type within the rolling time period under the fine schedule for that type of violation warrants a formal disciplinary proceeding.

For purposes of imposing fines pursuant to this Rule 714, the Exchange may aggregate individual violations of particular Rules of the Exchange and treat such violations as a single offense. In other instances, the Exchange may, if no exceptional circumstances are present, impose a fine based upon a determination that there exists a pattern or practice of violative conduct. For example, the Exchange may aggregate all similar violations found in an audit trail exam and separately aggregate all similar violations found in a single review of exception report output. The Exchange also may aggregate similar violations generally if the conduct was unintentional, there was no injury to public investors or the violations resulted from a single problem or cause that has been corrected.

Where a minor rule violation category listed in paragraph (f) below contains more than one Rule subsection, the applicable fine schedule will apply separately with respect to violations of each of those Rule subsections. Accordingly: (i) If conduct violates only one of those Rule subsections, it would be considered an offense with respect to that subsection but not with respect to the other Rule subsection(s) to which the fine schedule also applies. For example, if the same fine schedule applies to Rule subsection (a) and Rule subsection (b) and conduct violates only Rule subsection (a) for the first time in a twelve-month rolling period, that conduct would be considered a first offense under the schedule with respect to Rule subsection (a). A later violation in that period of Rule subsection (b) would be considered a first offense under the schedule with respect to Rule subsection (b). (ii) If conduct violates more than one of those Rule subsections for the first time in a twelve-month rolling period, it would be considered an offense with respect to each of those subsections. For example, if the same fine schedule applies to Rule subsection (a) and Rule subsection (b) and the same conduct violates both Rule subsection (a) and Rule subsection (b) for the first time in a twelve-month rolling period, that would be considered a first offense under the schedule with respect to Rule subsection (a) and a first offense under the schedule with respect to Rule subsection (b). If the first offense is to receive a fine under the schedule, that fine amount would be assessed twice, once in relation to Rule subsection (a) and also once in relation to Rule subsection (b).
(f) The following is a list of the rule violations subject to, and the applicable fines that may be imposed by the Exchange pursuant, this Rule 714:

(i) **Failure to Include an Order Entry Operator ID with Order that is Submitted to the CFE System. (Rule 303A(a))**

**Improper Use of Order Entry Operator IDs. (Rules 303A(b) and 303A(c))**

**Failure to Comply with Issuance, Recordkeeping and Reporting Requirements Related to Order Entry Operator IDs. (Rule 303A(d))**

<table>
<thead>
<tr>
<th>Number of Cumulative Violations in Any Twelve (12) Month Rolling Period</th>
<th>Fine Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Offense.</td>
<td>Letter of Caution</td>
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<tr>
<td>Second Offense.</td>
<td>$2,500</td>
</tr>
<tr>
<td>Subsequent Offenses.</td>
<td>$10,000</td>
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</table>

(ii) **Failure to Identify Correct Customer Type Indicator Code in Order. (Rule 403(a)(x))**

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<thead>
<tr>
<th>Number of Cumulative Violations in Any Twelve (12) Month Rolling Period</th>
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<td>First Offense.</td>
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<td>Second Offense.</td>
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<tr>
<td>Third Offense.</td>
<td>$5,000</td>
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<tr>
<td>Fourth Offense.</td>
<td>$7,500</td>
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<tr>
<td>Subsequent Offenses.</td>
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(iii) **Failure to Provide Correct Account Designation in Order. (Rule 403(a)(xii))**

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<th>Number of Cumulative Violations in Any Twenty-Four (24) Month Rolling Period</th>
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<td>$2,500</td>
</tr>
<tr>
<td>Subsequent Offenses.</td>
<td>$10,000</td>
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(iv) **Failure to Comply with Order Form Preparation and Recordkeeping Requirements Relating to Orders Which Cannot Be Immediately Entered into the CFE System. (Rule 403(b))**
Failure to Maintain Front-End Audit Trail Information for All Electronic Orders Entered into the CFE System, Including Order Modifications and Cancellations. (Rule 403(c))

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(v) Failure to Comply with Exposure Requirements When Crossing Two or More Original Orders. (Rule 407(a))

<table>
<thead>
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<th>Number of Cumulative Violations in Any Twelve (12) Month Rolling Period</th>
<th>Fine Amount</th>
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<tbody>
<tr>
<td>First Offense</td>
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<tr>
<td>Subsequent Offenses</td>
<td>$15,000</td>
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</tbody>
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(vi) Failure to Comply with Notice Provisions for Position Accountability. (Rules 412A(c) and 412A(d))

<table>
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<tr>
<th>Number of Cumulative Violations in Any Twelve (12) Month Rolling Period</th>
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(vii) Failure to Comply with Reporting Requirements for Ownership and Control Reports and Reportable Positions. (Rules 412B(a), 412B(b) and 412B(c))

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<tr>
<th>Number of Cumulative Violations in Any Twelve (12) Month Rolling Period</th>
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</table>

(viii) Failure to Comply with Order Marking Requirement for Exchange of Contract for Related Position Transactions. (Rule 414(g))

Failure to Comply with Recordkeeping Requirement
for Exchange of Contract for Related Position Transactions. (Rule 414(h))

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<tr>
<th>Number of Cumulative Violations in Any Twelve (12) Month Rolling Period</th>
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</table>

(ix) Failure to Comply with Exchange of Contract for Related Position Transaction Rule Provisions Relating to Authorized Reporter. (Rule 414(i))

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(x) Failure to Comply with Exchange of Contract for Related Position Transaction Reporting Requirements. (Rules 414(j), 414(k) and 414(l))

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(xi) Failure to Comply with Order Marking Requirement for Block Trades. (Rule 415(a)(i)(A))

Failure to Comply with Recordkeeping Requirements for Block Trades. (Rule 415(e))

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<tr>
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(xii) Failure to Comply with Minimum Size Requirement for Block Trades. (Rule 415(a)(i)(B))
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(xiii) **Failure to Comply with Block Trade Rule Provisions Relating to Authorized Reporter.** (Rule 415(f))

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(xiv) **Failure to Comply with Block Trade Reporting Requirements.** (Rules 415(g), 415(h) and 415(i))

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(xv) **Failure to Provide Books and Records Within Designated Time Frame.** (Rule 502 and Other CFE Rules Allowing CFE to Request Books and Records)

<table>
<thead>
<tr>
<th>Number of Business Days Beyond Due Date of Request</th>
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<tbody>
<tr>
<td>Each Business Day Late Up Until 15 Business Days</td>
<td>$1,000 Each Business Day</td>
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<tr>
<td>After 15 Business Days Late..........................</td>
<td>Formal Disciplinary Proceeding</td>
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(xvi) **Failure to Obtain Access to or Utilize Risk Control Mechanisms Made Available by the Exchange.** (Rule 513A(m))

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</table>
(xvii) **Failure to Comply with Technical and Systems Specifications or Testing Requirements. (Rule 513C)**

<table>
<thead>
<tr>
<th>Number of Cumulative Violations in Any Twelve (12) Month Rolling Period</th>
<th>Fine Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Offense</td>
<td>$250</td>
</tr>
<tr>
<td>Second Offense</td>
<td>$500</td>
</tr>
<tr>
<td>Third Offense</td>
<td>$1,000</td>
</tr>
<tr>
<td>Subsequent Offenses</td>
<td>$2,000</td>
</tr>
</tbody>
</table>

Amended October 17, 2012 (12-26); January 23, 2013 (13-02); May 3, 2013 (13-16); October 16, 2014 (14-21); November 24, 2014 (14-26); September 28, 2016 (15-22); February 25, 2018 (17-017); November 15, 2018 (18-025); November 19, 2018 (18-027).

### 715. Warning Letters

A BCC Panel or Exchange staff may issue a warning letter to a Person concerning a violation by that Person of a Rule of the Exchange or when no rule violation by that Person has been found, such as a warning letter issued as a reminder or for educational purposes. No more than one warning letter may be issued by the Exchange to the same Person found to have committed the same rule violation within a rolling twelve month period.

Adopted October 17, 2012 (12-26).
CHAPTER 8
ARBITRATION

801. Matters Subject to Arbitration; Incorporation by Reference

(a) Matters subject to arbitration under this Chapter 8:

(i) Any dispute, claim or controversy for which arbitration is sought by a Customer against a Trading Privilege Holder (including Related Parties) or by a Trading Privilege Holder (including Related Parties) against a Customer, shall be arbitrated in accordance with NFA’s Code of Arbitration (“Code”), subject to the Arbitration Fees set forth in NFA’s Member Arbitration Rules (“Member Rules”), provided that:

(A) The arbitration filing satisfies the timeliness requirements set forth in Section 5 and 6 of the Code;

(B) The dispute, claim or controversy arises out of any transaction executed on or subject to the Rules of the Exchange and is executed or effected through the Trading Privilege Holder;

(C) The matter does not require for adjudication the presence of essential witnesses or third parties over whom the Exchange does not have jurisdiction and who are not otherwise available, and

(D) If the claim is brought by the Trading Privilege Holder (including a Related Parties) against a Customer, the Trading Privilege Holder (including Related Parties) has satisfied the requirements of Commission Rule 166.5, if applicable, or the Customer has consented to the arbitration.

(ii) Any dispute, claim or controversy brought by a Trading Privilege Holder or Related Party against another Trading Privilege Holder or Related Party in connection with or otherwise related to the Exchange business of such parties shall be arbitrated in accordance with the Member Rules, provided the arbitration filing satisfies the timeliness requirements set forth in Sections 4 and 5 of the Member Rules.

(b) All challenges to the appropriateness of submitting a matter to arbitration under this Chapter 8 shall be decided in accordance with the Code in relation to matters brought under Rule 801(a)(i) and in accordance with the Member Rules in relation to matters brought under Rule 801(a)(ii).

(c) Notwithstanding anything to the contrary set forth in the Code and Member Rules: Trading Privilege Holders shall comply with the forum election and notice provisions set forth in Commission Regulations § 166.5(c)(3)-(5) to the extent required to do so. Parties to any matter arbitrated under this Chapter shall
be provided with an opportunity for a prompt hearing under, and in accordance with, the Code and Member Rules. The procedures for resolving an arbitration between or among parties who are Trading Privilege Holders or Related Parties shall be independent of, and shall not interfere with or delay, the resolution of Customer claims or grievances in an arbitration under this Chapter 8.

(d) Without limiting the generality of other permitted disclosure of information by the Exchange to NFA, the Exchange may disclose to NFA the contact information for a Trading Privilege Holder as it appears on the books and records of the Exchange in connection with NFA’s administration of an arbitration proceeding pursuant to this Chapter 8.

(e) The Code and Member Rules, as they may be amended or modified from time to time, are hereby incorporated by reference into this Chapter 8.

Amended October 17, 2012 (12-26); January 1, 2015 (14-027); April 25, 2018 (18-005).

802. Failure to Honor Award or Settlement

Any Trading Privilege Holder or Authorized Trader who fails to honor an arbitral award or settlement rendered under this Chapter 8 shall be subject to disciplinary proceedings in accordance with Chapter 7.
CHAPTER 9
APPEALS

901. Matters Subject to Appeal; Incorporation by Reference

Persons aggrieved in an economic sense by Exchange action, including, but not limited to, Persons who have been denied Trading Privileges or association with a Trading Privilege Holder, or whose Trading Privileges or association with a Trading Privilege Holder are conditioned pursuant to Rule 304, may appeal the Exchange’s decision in accordance with the provisions contained in Chapter XIX of the rules of Cboe Options, as such rules may be amended or otherwise modified from time to time, which rules shall apply, with any such changes as may be necessary or appropriate under the circumstances, to any such appeal, and which rules are hereby incorporated by reference into this Chapter 9; provided that any reference in such rules to the “Appeals Committee” shall be deemed to refer to the Appeals Committee of the Exchange.

Amended October 31, 2017 (17-016).
CHAPTER 10
CONTRACTS

1001. Contract Specifications

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

1002. Contract Modifications

The specifications for, and the procedures and requirement for trading, any Contract may not be modified in any respect without prior approval of the Exchange.
CHAPTER 11
CLEARING

1101. Clearing Member Guarantees and Clearing Corporation Restrictions

(a) Each Trading Privilege Holder shall provide to the Exchange a letter of guarantee from a Clearing Member, in a form and manner prescribed by the Exchange, for the Trading Privilege Holder’s trading activities in Exchange Contracts and access to the Exchange. This requirement shall be applicable to all Trading Privilege Holders, including all Clearing Members. Accordingly, each Clearing Member must provide to the Exchange a letter of guarantee from that Clearing Member, in a form and manner prescribed by the Exchange, for the Clearing Member’s trading activities in Exchange Contracts and access to the Exchange. A Clearing Member shall guarantee and assume financial responsibility for all Exchange Contracts of each Trading Privilege Holder guaranteed by it, and shall be liable for all transactions of that Trading Privilege Holder in Exchange Contracts, in accordance with the applicable letter of guarantee. Reference in a letter of guarantee to submission of an Order or other message with a Clearing Member’s clearing number shall also be deemed to reference submission of an Order or other message with an EFID that is linked to that clearing number, and reference in a letter of guarantee to the CBOE System shall be deemed to reference the CFE System.

(b) A Trading Privilege Holder may not engage in any trading activities in Exchange Contracts or access the Exchange if an effective letter of guarantee required to engage in those activities or to receive that access is not on file with the Exchange. If a Trading Privilege Holder does not have an effective letter of guarantee on file with the Exchange, the Exchange may prevent access and connectivity to the Exchange by that Trading Privilege Holder.

(c) Letters of guarantee filed with the Exchange shall remain in effect until a written notice of revocation has been filed with the Exchange Registration Services Department in a form and manner prescribed by the Exchange and the revocation becomes effective or until such time that the letter of guarantee otherwise becomes invalid pursuant to the Rules of the Exchange. A written notice of revocation shall become effective as soon as the Exchange is able to process the revocation. A revocation shall in no way relieve a Clearing Member of responsibility for transactions guaranteed prior to the effectiveness of the revocation.

(d) If the Clearing Corporation restricts the activities of a Clearing Member or suspends a Clearing Member as a Clearing Member of the Clearing Corporation, the Exchange may take action as necessary to give effect to the restriction or suspension. For example, if the Clearing Corporation restricts transactions cleared by a Clearing Member to “closing only” transactions, the Exchange may similarly restrict transactions on the Exchange for clearance by that Clearing Member as a Clearing Member of the Clearing Corporation to “closing only”
transactions. Similarly, if the Clearing Corporation suspends a Clearing Member, the Exchange may prevent access and connectivity to the Exchange by the suspended Clearing Member.

(e) If requested to do so by the Clearing Corporation, the Exchange may activate the kill switch function under Rule 513A(j) in relation to a Clearing Member and to all Orders of any Trading Privilege Holder submitted with an EFID that is linked to a clearing number for that Clearing Member.

(f) If a Clearing Member’s status as a Clearing Member of the Clearing Corporation or as a Trading Privilege Holder is terminated, all letters of guarantee on file with the Exchange from that Clearing Member shall no longer be valid, effective as soon as the Exchange is able to process the invalidation of these letters of guarantee.

(g) If a Clearing Member has been suspended as a Clearing Member of the Clearing Corporation or as a Trading Privilege Holder, all existing letters of guarantee and authorization from that Clearing Member shall be invalid during the period of the suspension, effective as soon as the Exchange is able to process the invalidation of those letters of guarantee.

(h) The invalidation of a letter of guarantee shall in no way relieve the Clearing Member that issued the letter of guarantee of responsibility with respect to transactions guaranteed prior to the effectiveness of the invalidation.

(i) If a Trading Privilege Holder does not have a required letter of guarantee for a period of ninety consecutive days, the Trading Privilege Holder’s Trading Privileges and status as a Trading Privilege Holder shall automatically be terminated.

(j) It is the responsibility of each Clearing Member that acts as a Clearing Member for an overnight trading session on the Exchange as defined by the Clearing Corporation (“Overnight Trading Session”) to comply with any requirements of the Clearing Corporation to act in that manner (“Overnight Trading Session Requirements”). If a transaction is executed or reported to the Exchange during an Overnight Trading Session and a Clearing Member for the execution of the transaction is not in compliance with Overnight Trading Session Requirements,

   (i) the transaction will be processed and given effect by the Exchange, subject to Exchange Policy and Procedure III (Resolution of Error Trades); and

   (ii) the Clearing Member will be subject to appropriate disciplinary action by the Clearing Corporation in accordance with the rules of the Clearing Corporation.

Amended July 18, 2012 (12-14); May 15, 2015 (15-13); February 25, 2018 (17-017).
1102. Responsibility of Trading Privilege Holders

Each Trading Privilege Holder shall assist its Clearing Member and the Clearing Corporation in the clearing of its transactions in Contracts. Without limiting the generality of the foregoing, each Trading Privilege Holder shall: (a) provide its Clearing Member a telephone number so that such Trading Privilege Holder may be reached at any time during the day in the event that there is a discrepancy in the clearing of its transactions; and (b) be available to resolve out-trades in Contracts in which such Trading Privilege Holder executed trades on the previous day in a manner specified by the Exchange from time to time. Trading Privilege Holders may appoint one or more representatives for the foregoing purposes. If neither the Trading Privilege Holder nor any such representative is present at the time specified above, such Trading Privilege Holder’s Clearing Member shall be authorized to resolve any out-trade in the manner it deems appropriate, but such resolution shall not be relevant to the determination of the liability of any party to the out-trade.

1103. Clearing Services

Whenever the Exchange designates a clearing organization other than the Clearing Corporation for the clearance of Contracts with respect to which there are open positions, each Clearing Member shall, as of the close of business on the second Business Day prior to the effective date of such designation, either become a clearing member of such new organization, or cause any such open Contracts carried by it either to be transferred to a clearing member of such new clearing organization or to be liquidated.

1104. Rules of the Clearing Corporation

The clearing services provided by the Clearing Corporation 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 payments and performance at maturity, and in the case of Options, upon exercise thereof), shall be governed by the Rules of the Clearing Corporation.

1105. Notice of Arbitration

In any arbitration concerning an alleged failure of any Trading Privilege Holder to honor a trade in any Contract, each party to such arbitration shall promptly provide copies of all documents filed or received in such arbitration by such party to the Clearing Member that guaranteed such party’s transactions in Contracts when the trade allegedly took place.
CHAPTER 12
CBOE VOLATILITY INDEX FUTURES CONTRACT SPECIFICATIONS

1201. Scope of Chapter

This chapter applies to trading in futures on the Cboe Volatility Index (Futures Symbol: VX and VX01 through VX53 / Cash Index Ticker: VIX). The procedures for trading, clearing, settlement, and any other matters not specifically covered herein shall be governed by the generally applicable rules of the Exchange. The VX futures contract was first listed for trading on the Exchange on March 26, 2004.

Amended October 31, 2017 (17-016).

1202. Contract Specifications

(a) **Multiplier.** The contract multiplier for each VX futures contract is $1,000.00. For example, a contract size of one VX futures contract would be $16,500 if the VIX index level were 16.5 (16.5 x $1,000.00).

(b) **Schedule and Prohibited Order Types.** The Exchange may list for trading up to six near-term VX futures expiration weeks, nine near-term serial months and five months on the February quarterly cycle for the VX futures contract. VX futures that have a “VX” ticker are not counted as part of the six near-term expiration weeks.

The final settlement date for a contract with the “VX” ticker symbol is on the Wednesday that is thirty days prior to the third Friday of the calendar month immediately following the month in which the contract expires. The final settlement date for a contract with the “VX” ticker symbol followed by a number denoting the specific week of a calendar year is on the Wednesday of the week specifically denoted in the ticker symbol. For symbology purposes, the first week of a calendar year is the first week of that year with a Wednesday on which a weekly VX futures contract could expire. If that Wednesday or the Friday that is thirty days following that Wednesday is a Cboe Options holiday, the final settlement date for the contract shall be on the business day immediately preceding that Wednesday.

The trading days for VX futures are any Business Days the Exchange is open for trading.

The trading hours for VX futures contracts are set forth in the charts below, except that the trading hours in an expiring VX futures contract end at 8:00 a.m. Chicago time on its final settlement date. The trading hours for VX futures contracts during extended trading hours and regular trading hours shall constitute a single trading session for a Business Day. All times set forth in the charts below are in Chicago time.

**Trading Week with No Exchange Holiday.** Unless otherwise specified below in relation to Exchange holidays, the following schedule applies.

<table>
<thead>
<tr>
<th>Type of Trading Hours</th>
<th>Monday – Friday</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extended</td>
<td>5:00 p.m. (previous day) to 8:30 a.m.</td>
</tr>
<tr>
<td>Type of Trading Hours</td>
<td>Monday – Friday</td>
</tr>
<tr>
<td>-----------------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>Regular</td>
<td>8:30 a.m. to 3:15 p.m.</td>
</tr>
<tr>
<td>Extended</td>
<td>3:30 p.m. to 4:00 p.m.</td>
</tr>
</tbody>
</table>

**Domestic Holidays Always Observed on Mondays.** The below schedule applies when the following domestic holidays are observed: Martin Luther King, Jr. Day, Presidents’ Day, Memorial Day and Labor Day.

<table>
<thead>
<tr>
<th>Type of Trading Hours</th>
<th>Monday</th>
<th>Tuesday</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extended</td>
<td>5:00 p.m. (Sunday) to 10:30 a.m.*</td>
<td>5:00 p.m. (Monday) to 8:30 a.m. and 3:30 p.m. to 4:00 p.m.</td>
</tr>
<tr>
<td>Regular</td>
<td>None</td>
<td>8:30 a.m. to 3:15 p.m.</td>
</tr>
</tbody>
</table>

**Thanksgiving.** The below schedule applies when the Thanksgiving Day holiday is observed.

<table>
<thead>
<tr>
<th>Type of Trading Hours</th>
<th>Thanksgiving</th>
<th>Friday</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extended</td>
<td>5:00 p.m. (Wednesday) to 10:30 a.m.*</td>
<td>5:00 p.m. (Thursday) to 8:30 a.m.</td>
</tr>
<tr>
<td>Regular</td>
<td>None</td>
<td>8:30 a.m. to 12:15 p.m.</td>
</tr>
</tbody>
</table>

**Floating Holidays and Good Friday:** The below schedules apply when the following holidays are observed: New Year’s Day, Good Friday, Independence Day (July 4) and Christmas Day. If the holiday falls on a Saturday, the holiday will be observed on the previous day (Friday), except for New Year’s Day. If the holiday falls on a Sunday, the holiday will be observed on the next day (Monday). The holidays specified in the below charts refer to the day on which the Exchange observes the applicable holiday. The Exchange will typically close at 12:15 p.m. on July 3 (the day before Independence Day) and December 24 (Christmas Eve). Holiday closures and shortened holiday trading hours will be announced by circular.

**If New Year’s Day or Christmas is on a Monday – Thursday:**
<table>
<thead>
<tr>
<th>Holiday</th>
<th>Type of Trading Hours</th>
<th>Holiday Observed (Monday - Thursday)</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Year’s Day and Christmas</td>
<td>Extended</td>
<td>5:00 p.m. (on holiday) to 8:30 a.m. (day after holiday) and 3:30 p.m. to 4:00 p.m. (day after holiday)</td>
</tr>
<tr>
<td>New Year’s Day and Christmas</td>
<td>Regular</td>
<td>8:30 a.m. to 3:15 p.m. (day after holiday)</td>
</tr>
</tbody>
</table>

**Good Friday and if New Year’s Day or Christmas is on a Friday:**

<table>
<thead>
<tr>
<th>Holiday</th>
<th>Type of Trading Hours</th>
<th>Holiday Observed (Friday)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good Friday and if New Year’s Day or Christmas on Friday</td>
<td>Extended</td>
<td>None</td>
</tr>
<tr>
<td>Good Friday and if New Year’s Day or Christmas on Friday</td>
<td>Regular</td>
<td>None</td>
</tr>
</tbody>
</table>

**Independence Day:**

<table>
<thead>
<tr>
<th>Type of Trading Hours</th>
<th>Holiday Observed</th>
<th>Business Day After Holiday Observed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extended</td>
<td>5:00 p.m. (day before holiday) to 10:30 a.m.* (on holiday)</td>
<td>5:00 p.m. (on holiday or on Sunday if holiday observed on Friday) to 8:30 a.m. and 3:30 p.m. to 4:00 p.m.</td>
</tr>
<tr>
<td>Regular</td>
<td>None</td>
<td>8:30 a.m. to 3:15 p.m.</td>
</tr>
</tbody>
</table>

*A holiday trading session includes extended trading hours on the calendar day of the holiday and any extended trading hours for the holiday on the previous calendar day. Holiday trading sessions are not separate Business Days and are part of the next Business Day. Trading in VX futures is suspended between sessions of extended trading hours on the calendar day of a holiday. Since these suspension periods are a regular feature for certain holiday trading sessions in VX futures, they shall not be considered the
declaration of a trading halt by the Exchange. Trades in VX futures made during a holiday trading session will be submitted for clearing for the next Business Day.

Market Orders for VX futures will be accepted by the Exchange during regular trading hours for VX futures following the completion of the opening process for a VX futures Contract when that Contract is in an open state for trading. Market Orders for VX futures will not be accepted by the Exchange during extended trading hours for VX futures or during any other time period outside of regular trading hours for VX futures. Any Market Orders for VX futures received by the Exchange during a time period in which the Exchange is not accepting Market Orders for VX futures will be automatically rejected or canceled back to the sender.

(c) **Minimum Increments.** Except as provided in the following sentence, the minimum fluctuation of the VX futures contract is 0.05 index points, which has a value of $50.00.

The individual legs and net prices of spread trades in the VX futures contract may be in increments of 0.01 index points, which has a value of $10.00.

(d) **Position Accountability.** VX futures are subject to position accountability under Rule 412A.

The position accountability levels for VX futures are: (i) ownership or control at any time of more than 50,000 contracts net long or net short in all VX futures contracts combined, (ii) ownership or control of more than 30,000 contracts net long or net short in the expiring VX futures contract, commencing at the start of trading hours for the Friday prior to the final settlement date of the expiring VX futures or (iii) ownership or control of more than 10,000 contracts net long or net short in the expiring VX futures contract, commencing at the start of trading hours for the Business Day immediately preceding the final settlement date of the expiring VX futures.

For purposes of this Rule, the start of trading hours for the Friday prior to the final settlement date of expiring VX futures and the start of trading hours for the Business Day immediately preceding the final settlement date of expiring VX futures shall occur upon commencement of the first period of extended trading hours for the trading session for that Business Day.

For the purposes of this Rule, positions shall be aggregated in accordance with Rule 412A(f).

(e) **Termination of Trading.** Trading hours for expiring VX futures contracts end at 8:00 a.m. Chicago time on the final settlement date.

(f) **Contract Modifications.** Specifications are fixed as of the first day of trading of a contract. If any U.S. government agency or body issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such government orders.
(g) **Execution Priorities.** Pursuant to Rule 406(a)(i), the base allocation method of price-time priority shall apply to trading in VX futures contracts.

(h) **Crossing Two or More Original Orders.** The eligible size for an original Order that may be entered for a cross trade with one or more other original Orders pursuant to Rule 407 is one Contract. The Trading Privilege Holder or Authorized Trader, as applicable, must expose to the market for at least five seconds under Rule 407(a) at least one of the original Orders that it intends to cross.

(i) **Price Limits and Halts.**

   (i) **Price Limits During Extended Trading Hours.** Pursuant to Rule 413, VX futures are subject to the following price limits during extended trading hours:

   (A) Each VX futures Contract shall have a price limit that is 70% above the daily settlement price for that VX futures Contract for the prior Business Day (an “Upper Price Limit”) and a price limit that is 30% below the daily settlement price for that VX futures Contract for the prior Business Day (a “Lower Price Limit”). An Upper Price Limit and a Lower Price Limit may also be referred to as a “Price Limit.”

   (B) The CFE System will not consummate the execution of any trade in a VX futures Contract that is at a price that is more than the Upper Price Limit for that VX futures Contract or that is less than the Lower Price Limit for that VX futures Contract.

   (C) The CFE System will reject or cancel back to the sender any Limit Order to buy with a limit price that is above the Upper Price Limit and any Limit Order to sell with a limit price that is below the Lower Price Limit. Upon the triggering of a Stop Limit Order, the CFE System will cancel the Stop Limit Order back to the sender if it is a Stop Limit Order to buy that is triggered to a limit price which is above the Upper Price Limit or is a Stop Limit Order to sell that is triggered to a limit price which is below the Lower Price Limit.

   (D) The Upper Price Limit and Lower Price Limit will be applicable with respect to the execution of single leg VX Orders. The Upper Price Limit and Lower Price Limit will apply to VX Spread Orders in that each leg of a VX Spread Order will be subject to the applicable Upper Price Limit and Lower Price Limit for that individual leg and may not be executed at a price that is more than the Upper Price Limit for that single leg VX futures Contract or less than the Lower Price Limit for that single leg VX futures Contract. The Upper Price Limit and Lower Price Limit
shall not apply to TAS Orders because TAS transactions may only occur within a permissible price range.

(E) The price limit provisions of this Rule 1202(i)(i) shall be applicable during the opening process for a VX futures Contract during extended trading hours.

(F) In calculating a Price Limit, the calculation will be rounded to the nearest minimum increment in the VX futures Contract, with the midpoint between two consecutive increments rounded up.

(G) The daily settlement price that will be utilized to calculate the Price Limits for a newly listed VX futures Contract will be the daily settlement price of the VX futures Contract with the nearest expiration date in calendar days to the expiration date of the newly listed VX futures Contract. If there is a VX futures Contract with an earlier expiration date and a VX futures Contract with a later expiration date that each meet this criterion, the daily settlement price of the VX futures Contract with the earlier expiration date will be utilized.

(H) Notwithstanding any provisions of this Rule 1202(i)(i), the Trade Desk may, in its absolute and sole discretion, take any action it determines necessary to protect market integrity. For avoidance of doubt, this authority includes, but is not limited to, modifying or eliminating the Price Limit parameters in this Rule 1202(i)(i) at any time. The senior person in charge of the Trade Desk may exercise the authority of the Trade Desk under this Rule 1202(i)(i)(H). The Trade Desk will promptly issue an alert with respect to actions taken pursuant to this Rule 1202(i)(i)(H).

(ii) Consideration of Halts and Price Limit Activation in Other Markets. The Exchange shall take into consideration any trading halt in Cboe Volatility Index options and S&P 500 Index options traded on Cboe Options and any trading halt or price limit activation in the E-mini S&P 500 Index (“E-mini”) futures contract traded on Chicago Mercantile Exchange in determining whether or not to halt trading in VX futures under Rule 418(a)(ix) during extended trading hours.

(iii) Circuit Breaker Halts. Trading in VX futures contracts shall be halted pursuant to Rule 417A if there is a Level 1, 2 or 3 Market Decline.

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(j) **Exchange of Contract for Related Position.** Exchange of Contract for Related Position transactions, as set forth in Rule 414, may be entered into with respect to VX futures contracts. Any Exchange of Contract for Related Position transaction must satisfy the requirements of Rule 414.

The minimum price increment for an Exchange of Contract for Related Position involving the VX futures contract is 0.005 index points.

(k) **Block Trades.** Pursuant to Rule 415(a)(i), the minimum Block Trade quantity for the VX futures contract is 200 contracts if there is only one leg involved in the trade. If the Block Trade is executed as a transaction with legs in multiple contract expirations and all legs of the Block Trade are exclusively for the purchase or exclusively for the sale of VX futures contracts (a “strip”), the minimum Block Trade quantity for the strip is 300 contracts and each leg of the strip is required to have a minimum size of 100 contracts. If the Block Trade is executed as a spread transaction that is not a strip, one leg of the spread is required to have a minimum size of 200 contracts and the other leg(s) of the spread are each required to have a minimum size of 100 contracts.

The minimum price increment for a Block Trade in the VX futures contract is 0.005 index points.

(l) **No-Bust Range.** Pursuant to Rule 416, the Exchange error trade policy may only be invoked for a trade price that is greater than 10% on either side of the market price of the applicable VX futures contract. In accordance with Policy and Procedure III, the Trade Desk will determine what the true market price for the relevant Contract was immediately before the potential error trade occurred. In making that determination, the Trade Desk may consider all relevant factors, including the last trade price for such Contract, a better bid or offer price, a more recent price in a different contract expiration and the prices of related contracts trading on the Exchange or other markets.

(m) **Pre-execution Discussions.** The Order Exposure Period under Policy and Procedure IV before an Order may be entered to take the other side of another Order with respect to which there has been pre-execution discussions is five seconds after the first Order was entered into the CFE System.

(n) **Reportable Position and Trading Volume.**

(i) **Reportable Position.** Pursuant to Commission Regulation §15.03 and Commission Regulation Part 17, the position level that is required to be reported to the Commission is any open position in VX futures contracts at the close of trading on any trading day equal to or in excess of 200 contracts on either side of the market.

(ii) **Reportable Trading Volume.** Pursuant to Commission Regulation §15.04 and Commission Regulation Part 17, the reportable trading volume that triggers the requirement to report a volume threshold account to the Commission is 50 or more VX futures contracts during a single trading day or such other reportable trading volume threshold as may be designated by the Commission.
(o) **Threshold Widths.** For purposes of Rule 513A(e) and Rule 513A(f), 10% is the percentage used to determine the percentage of the mid-point between the highest bid and lowest offer in a VX futures Contract for purposes of calculating the Threshold Width in that VX futures Contract.

(p) **Daily Settlement Price.** The daily settlement price for a VX futures Contract is calculated in the following manner for each Business Day:

(i) The daily settlement price for a VX futures Contract is the average of the bid and the offer from the last best two-sided market in that VX futures Contract during the applicable Business Day prior to the close of regular trading hours on that Business Day which simultaneously includes both a pending bid with a non-zero value and a pending offer with a non-zero value. If a two-sided market includes either no bid or no offer, the bid or offer would be considered to have a zero value and that two-sided market would not be used for this purpose.

(ii) If there is no two-sided market in the VX futures Contract during the applicable Business Day prior to the close of regular trading hours on that Business Day which simultaneously includes both a pending bid with a non-zero value and a pending offer with a non-zero value, the daily settlement price for the VX futures Contract will be the daily settlement price of the VX futures Contract with the nearest expiration date in calendar days to the expiration date of the VX futures Contract for which the daily settlement price is being determined. If there is a VX futures Contract with an earlier expiration date and a VX futures Contract with a later expiration date that each meet this criterion, the daily settlement price of the VX futures Contract with the earlier expiration date will be utilized.

(iii) The daily settlement price may go out to four decimal places and may be a price that is not at a minimum increment for the VX futures Contract.

(iv) The Exchange may in its sole discretion establish a daily settlement price for a VX futures Contract that it deems to be a fair and reasonable reflection of the market if:

(A) the Exchange determines in its sole discretion that the daily settlement price determined by the parameters set forth in paragraphs (p)(i) - (p)(ii) above is not a fair and reasonable reflection of the market; or

(B) there is a trading halt in the VX futures Contract or other unusual circumstance at the scheduled close of regular trading hours for the VX futures Contract on the applicable Business Day.
(q) **Trade at Settlement Transactions.** Trade at Settlement ("TAS") transactions pursuant to Rule 404A are permitted in VX futures and may be transacted on the CFE System, as spread transactions, as Block Trades (including as spread transactions) and as Exchange of Contract for Related Position transactions. The trading hours for all types of TAS transactions in VX futures are (i) during extended trading hours, except during the extended trading hours period from 3:30 p.m. Chicago time to 4:00 p.m. Chicago time on a normal Business Day; and (ii) during regular trading hours until two minutes prior to the close of regular trading hours at the end of a Business Day. TAS transactions in an expiring VX futures contract are not permitted during the Business Day of its final settlement date.

The permissible price range for all types of TAS transactions in VX futures is from 0.50 index points below the daily settlement price to 0.50 index points above the daily settlement price. The permissible minimum increment for a TAS single leg transaction and a TAS spread transaction in VX futures that is not a Block Trade or an Exchange of Contract for Related Position transaction is 0.01 index points. The permissible minimum increment for a TAS Block Trade (including as a spread transaction) and a TAS Exchange of Contract for Related Position transaction in VX futures is 0.005 index points.

(r) **Price Reasonability Checks.** The Limit Order price reasonability percentage parameters designated by the Exchange for VX futures pursuant to Rule 513A(d) and the Market Order price reasonability percentage parameters designated by the Exchange for VX futures pursuant to Rule 513A(e) shall each be 10%.

Amended March 11, 2005 (05-09); March 28, 2005 (05-11); October 17, 2005 (05-28); February 17, 2006 (06-02); February 24, 2006 (06-04); May 30, 2006 (06-09); September 26, 2006 (06-13); October 9, 2006 (06-15); October 31, 2006 (06-19); March 26, 2007 (07-01); July 3, 2007 (07-04); October 11, 2007 (07-11); December 21, 2007 (07-14); March 6, 2008 (08-01); April 10, 2008 (08-04); January 5, 2009 (09-01); January 12, 2009 (09-02); February 2, 2009 (09-06); June 3, 2009 (09-13); September 28, 2010 (10-08); December 10, 2010 (10-13); January 20, 2011 (11-01); February 14, 2011 (11-03); April 8, 2011 (11-10); June 20, 2011 (11-14); November 4, 2011 (11-23); December 1, 2011 (11-26); January 18, 2012 (11-31); February 21, 2012 (12-04); March 26, 2012 (12-07); May 30, 2012 (12-12); October 10, 2012 (12-23); October 17, 2012 (12-26); October 22, 2012 (12-24); February 4, 2013 (13-04); February 21, 2013 (13-07); July 18, 2013 (13-28); October 28, 2013 (13-32); November 4, 2013 (13-34); January 23, 2013 (13-44); April 2, 2014 (14-05); June 23, 2014 (14-010); August 27, 2014 (14-016); September 30, 2014 (14-020); November 18, 2014 (14-25); December 15, 2014 (14-17); December 22, 2014 (14-030); March 11, 2015 (15-005); May 4, 2015 (15-008); May 24, 2015 (15-12); July 23, 2015 (15-015); September 4, 2015 (15-023); September 24, 2015 (15-025); October 9, 2015 (15-026); December 3, 2015 (15-031); March 4, 2016 (16-002); May 29, 2016 (16-006); September 28, 2016 (15-003), (15-022), (16-005); March 3, 2017 (17-002); March 7, 2017 (17-003); May 24, 2017 (17-010); October 31, 2017 (17-016); February 25, 2018 (17-017); February 25, 2018 (18-002); July 29, 2018 (18-010); March 13, 2019 (19-003); May 24, 2019 (19-006).

**1203. Settlement**

Settlement of VX futures contracts will result in the delivery of a cash settlement amount on the business day immediately following the settlement date. The cash settlement amount on the final settlement date shall be the final mark to market amount against the final settlement price of the VX futures contract multiplied by $1,000.00. The final settlement price of the VX futures contract will be rounded to the nearest $0.01.
Clearing Members holding open positions in VX futures contracts at the termination of trading in that Contract shall make payment to or receive payment from the Clearing Corporation in accordance with normal variation and performance bond procedures based on the final settlement amount.

If the settlement value is not available or the normal settlement procedure cannot be utilized due to a trading disruption or other unusual circumstance, the settlement value will be determined in accordance with the Rules and By-Laws of The Options Clearing Corporation.

Adopted March 26, 2004 (04-10). Amended March 26, 2007 (07-01); January 20, 2011 (11-01); May 4, 2015 (15-008).
CHAPTER 13
CBOE BITCOIN (USD) FUTURES CONTRACT SPECIFICATIONS

1301. Scope of Chapter

This chapter applies to trading in Cboe Bitcoin (USD) futures (Futures Symbol: XBT). The procedures for trading, clearing, settlement and any other matters not specifically covered herein shall be governed by the generally applicable rules of the Exchange. The XBT futures contract was first listed for trading on the Exchange on December 10, 2017.

1302. Contract Specifications

(a) Multiplier. The contract multiplier for each XBT futures contract is 1 bitcoin.

(b) Schedule and Prohibited Order Types. The Exchange may list for trading up to four near-term expiration weeks (weekly contracts), three near-term serial months (serial contracts) and three months on the March quarterly cycle (quarterly contracts) for XBT futures.

The final settlement date for weekly XBT futures is two business days prior to the Friday of the week denoted by the ticker symbol. The final settlement date for serial and quarterly XBT futures is two business days prior to the third Friday of the month denoted by the ticker symbol.

The trading days for XBT futures are any Business Days the Exchange is open for trading.

The trading hours for XBT futures are set forth in the charts below, except that the trading hours in an expiring XBT futures contract end at 2:45 p.m. Chicago time on its final settlement date. The trading hours for XBT futures contracts during extended trading hours and regular trading hours shall constitute a single trading session for a Business Day. All times set forth in the charts below are in Chicago time.

<table>
<thead>
<tr>
<th>Type of Trading Hours</th>
<th>Monday – Friday</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extended</td>
<td>5:00 p.m. (previous day) to 8:30 a.m.</td>
</tr>
<tr>
<td>Regular</td>
<td>8:30 a.m. to 3:15 p.m.</td>
</tr>
<tr>
<td>Extended</td>
<td>3:30 p.m. to 4:00 p.m.</td>
</tr>
</tbody>
</table>

Trading Week with No Exchange Holiday. Unless otherwise specified below in relation to Exchange holidays, the following schedule applies.
Domestic Holidays Always Observed on Mondays. The below schedule applies when the following domestic holidays are observed: Martin Luther King, Jr. Day, Presidents’ Day, Memorial Day and Labor Day.

<table>
<thead>
<tr>
<th>Type of Trading Hours</th>
<th>Monday</th>
<th>Tuesday</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extended</td>
<td>5:00 p.m. (Sunday) to 10:30 a.m.*</td>
<td>5:00 p.m. (Monday) to 8:30 a.m. and 3:30 p.m. to 4:00 p.m.</td>
</tr>
<tr>
<td>Regular</td>
<td>None</td>
<td>8:30 a.m. to 3:15 p.m.</td>
</tr>
</tbody>
</table>

Thanksgiving. The below schedule applies when the Thanksgiving Day holiday is observed.

<table>
<thead>
<tr>
<th>Type of Trading Hours</th>
<th>Thanksgiving</th>
<th>Friday</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extended</td>
<td>5:00 p.m. (Wednesday) to 10:30 a.m.*</td>
<td>5:00 p.m. (Thursday) to 8:30 a.m.</td>
</tr>
<tr>
<td>Regular</td>
<td>None</td>
<td>8:30 a.m. to 12:15 p.m.</td>
</tr>
</tbody>
</table>

Floating Holidays and Good Friday: The below schedules apply when the following holidays are observed: New Year’s Day, Good Friday, Independence Day (July 4) and Christmas Day. If the holiday falls on a Saturday, the holiday will be observed on the previous day (Friday), except for New Year’s Day. If the holiday falls on a Sunday, the holiday will be observed on the next day (Monday). The holidays specified in the below charts refer to the day on which the Exchange observes the applicable holiday. The Exchange will typically close at 12:15 p.m. on July 3 (the day before Independence Day) and December 24 (Christmas Eve). Holiday closures and shortened holiday trading hours will be announced by circular.

<table>
<thead>
<tr>
<th>Holiday</th>
<th>Type of Trading Hours</th>
<th>Holiday Observed (Monday - Thursday)</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Year’s Day and Christmas</td>
<td>Extended</td>
<td>5:00 p.m. (on holiday) to 8:30 a.m. (day after holiday) and 3:30 p.m. to 4:00 p.m. (day after holiday)</td>
</tr>
<tr>
<td>New Year’s Day and Christmas</td>
<td>Regular</td>
<td>8:30 a.m. to 3:15 p.m. (day after holiday)</td>
</tr>
<tr>
<td>Holiday</td>
<td>Type of Trading Hours</td>
<td>Holiday Observed (Monday - Thursday)</td>
</tr>
<tr>
<td>--------------</td>
<td>-----------------------</td>
<td>--------------------------------------</td>
</tr>
<tr>
<td>Christmas</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Good Friday and if New Year’s Day or Christmas is on a Friday:

<table>
<thead>
<tr>
<th>Holiday</th>
<th>Type of Trading Hours</th>
<th>Holiday Observed (Friday)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good Friday and if New Year’s Day or Christmas on Friday</td>
<td>Extended</td>
<td>None</td>
</tr>
<tr>
<td>Good Friday and if New Year’s Day or Christmas on Friday</td>
<td>Regular</td>
<td>None</td>
</tr>
</tbody>
</table>

Independence Day:

<table>
<thead>
<tr>
<th>Type of Trading Hours</th>
<th>Holiday Observed</th>
<th>Business Day After Holiday Observed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extended</td>
<td>5:00 p.m. (day before holiday) to 10:30 a.m.* (on holiday)</td>
<td>5:00 p.m. (on holiday or on Sunday if holiday observed on Friday) to 8:30 a.m. and 3:30 p.m. to 4:00 p.m.</td>
</tr>
<tr>
<td>Regular</td>
<td>None</td>
<td>8:30 a.m. to 3:15 p.m.</td>
</tr>
</tbody>
</table>

* A holiday trading session includes extended trading hours on the calendar day of the holiday and any extended trading hours for the holiday on the previous calendar day. Holiday trading sessions are not separate Business Days and are part of the next Business Day. Trading in XBT futures is suspended between sessions of extended trading hours on the calendar day of a holiday. Since these suspension periods are a regular feature for certain holiday trading sessions in XBT futures, they shall not be considered the declaration of a trading halt by the Exchange. Trades in XBT futures made during a holiday trading session will be submitted for clearing for the next Business Day.

Market Orders for XBT futures contracts will not be accepted by the Exchange during regular or extended trading hours for the XBT futures contract. Any Market Orders for XBT futures contracts received by the Exchange will be automatically rejected or canceled back to the sender.
(c) **Minimum Increments.** Except as provided in the following sentence, the minimum fluctuation of XBT futures is 5.00 points USD/XBT, which has a value of $5.00 per contract.

The individual legs and net prices of spread trades in XBT futures may be in increments of 0.01 points USD/XBT, which has a value of $0.01 per contract.

(d) **Position Limits.** XBT futures are subject to position limits under Rule 412.

A person: (i) may not own or control more than 25,000 contracts net long or net short in all XBT futures contract expirations combined; (ii) may not own or control more than 5,000 contracts net long or net short in the expiring XBT futures contract, commencing at the start of trading hours 5 business days prior to the final settlement date of the expiring XBT futures contract; and (iii) may not own or control more than 2,500 contracts net long or net short in the expiring XBT futures contract, commencing at the start of trading hours on the business day of final settlement date of the expiring XBT futures contract.

For the purposes of this Rule, positions shall be aggregated in accordance with Rule 412(e).

The foregoing position limits shall not apply to positions that are subject to a position limit exemption meeting the requirements of Commission Regulations and CFE Rules.

(e) **Termination of Trading.** Trading hours for expiring XBT futures contracts end at 2:45 p.m. Chicago time on the final settlement date.

(f) **Contract Modifications.** Specifications are fixed as of the first day of trading of a contract. If any U.S. government agency or body issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such government orders.

(g) **Execution Priorities.** Pursuant to Rule 406(a)(i), the base allocation method of price-time priority shall apply to trading in XBT futures contracts.

(h) **Crossing Two or More Original Orders.** The eligible size for an original Order that may be entered for a cross trade with one or more other original Orders pursuant to Rule 407 is one Contract. The Trading Privilege Holder or Authorized Trader, as applicable, must expose to the market for at least five seconds under Rule 407(a) at least one of the original Orders that it intends to cross.

(i) **Price Limits and Halts.**

   (i) **Price Limits.** Pursuant to Rule 413, XBT futures are subject to the following price limits during regular and extended trading hours to the extent set forth below:

   (A) Each single leg XBT futures Contract shall have price limits that are at 10% intervals above the XBT Reference Price for that
XBT futures Contract (each an “Upper Price Limit”) and price limits that are at 10% intervals below the XBT Reference Price for that XBT futures Contract (each a “Lower Price Limit”). An Upper Price Limit and a Lower Price Limit may also be referred to as a “Price Limit.”

(B) Price Limits shall be in effect during the following time frames on a Business Day:

(1) For any single leg XBT futures Contract for which the most recent daily settlement price was established on the calendar day of the start of that Business Day, the price limit provisions of this Rule 1302(i)(i):

(aa) shall be applicable during any opening process for that XBT futures Contract on that Business Day, and

(bb) shall be applicable during the remainder of the Business Day,

(cc) subject to Rule 1302(i)(i)(B)(3) below.

(2) For any single leg XBT futures Contract for which the most recent daily settlement price was established on an earlier calendar day than the calendar day of the start of that Business Day and for any newly listed single leg XBT futures Contract, the price limit provisions of this Rule 1302(i)(i):

(aa) shall not be applicable on that Business Day until the XBT Reference Price for that XBT futures Contract has been established by or following the initial opening process on that Business Day, and

(bb) shall be applicable during the remainder of that Business Day,

(cc) subject to Rule 1302(i)(i)(B)(3) below.

(3) In the event that there is a previously designated suspension period within a holiday trading session on that Business Day, the price limit provisions of this Rule 1302(i)(i):

(aa) shall not be applicable for any single leg XBT futures contract following the commencement of the previously designated suspension period until the XBT Reference Price for that XBT futures Contract has been established by or following the initial opening process after that suspension period, and
(bb) shall then be applicable during the remainder of that Business Day.

(C) The following describes the process for the adjustment of Price Limit levels during the time frames in which Price Limits are in effect on a Business Day:

(1) If during Trading Hours outside of an opening process the best bid for a single leg XBT futures contract is at the initial 10% Upper Price Limit or the best offer for a single leg XBT futures contract is at the initial 10% Lower Price Limit, the Trade Desk will retain the Price Limit at that Price Limit level for a minimum of two additional minutes.

(2) The Trade Desk may then adjust the applicable Price Limit to the next 10% Upper Price Limit level in the case of this occurrence with an Upper Price Limit and may then adjust the applicable Price Limit to the next 10% Lower Price Limit level in the case of this occurrence with a Lower Price Limit.

(3) If during Trading Hours outside of an opening process the best bid for a single leg XBT futures contract is then at the next 10% Upper Price Limit or the best offer for a single leg XBT futures contract is then at the next 10% Lower Price Limit, the Trade Desk will retain the Price Limit at that Price Limit level for a minimum of five additional minutes.

(4) The process described in Rule 1302(i)(i)(C)(2) and (3) will then continue for the remainder of the applicable Business Day.

(D) When Price Limits are in effect during a Business Day:

(1) The CFE System will reject or cancel back to the sender any Limit Order to buy with a limit price that is above the Upper Price Limit and any Limit Order to sell with a limit price that is below the Lower Price Limit.

(2) The CFE System will not consummate the execution of any trade that is at a price that is more than the Upper Price Limit or that is less than the Lower Price Limit.

(3) Upon the triggering of a Stop Limit Order, the CFE System will cancel the Stop Limit Order back to the sender if it is a Stop Limit Order to buy that is triggered to a limit price which is above the Upper Price Limit or is a Stop Limit Order to sell that is triggered to a limit price which is below the Lower Price Limit.
(E) Price Limits will also apply to XBT Spread Orders in that each leg of an XBT Spread Order will be subject to the applicable Upper Price Limit and Lower Price Limit for that individual leg and may not be executed at a price that is more than the Upper Price Limit for that single leg XBT futures Contract or less than the Lower Price Limit for that single leg XBT futures Contract.

(F) The XBT Reference Price for each single leg XBT futures Contract on a Business Day shall be determined in the following manner:

(1) For any single leg XBT futures Contract for which the most recent daily settlement price was established on the calendar day of the start of that Business Day, the XBT Reference Price will be daily settlement price of that XBT futures Contract on the prior Business Day (subject to Rule 1302(i)(i)(F)(3) below).

(2) For any single leg XBT futures Contract for which the most recent daily settlement price was established on an earlier calendar day than the calendar day of the start of that Business Day, the XBT Reference Price will be the first trade price of that XBT futures Contract established by or following the initial opening process on that Business Day (subject to Rule 1302(i)(i)(F)(3) below).

(3) If a Business Day includes a previously designated suspension period within a holiday trading session on that Business Day, the XBT Reference Price following the designated suspension period will be the first trade price of that XBT futures Contract established by or following the initial opening process after that suspension period.

(4) The first trade price of a single leg XBT futures Contract established by or following an opening process may be established by a trade between two single leg Orders, by a trade between a single leg Order and the leg of a Spread Order or by the leg print of a trade between two Spread Orders.

(G) The XBT Reference Price for a single leg XBT futures Contract shall be determined in the following manner when it is initially listed for trading:

(1) The XBT Reference Price that will be utilized for a single leg XBT futures Contract when it is initially listed for trading will be the XBT Reference Price of the single leg XBT futures Contract with the nearest expiration date in calendar days to the expiration date of the newly listed XBT futures Contract (subject to Rule 1302(i)(i)(G)(3) below).
(2) If there is a single leg XBT futures Contract with an earlier expiration date and a single leg XBT futures Contract with a later expiration date that each meet the above criterion, the XBT Reference Price for the XBT futures Contract with the earlier expiration date will be utilized (subject to Rule 1302(i)(i)(G)(3) below).

(3) If the most recent daily settlement prices for previously listed XBT futures Contracts were established on an earlier calendar day than the calendar day of the initial listing of the applicable single leg XBT futures Contract, the initial XBT Reference Price for that XBT futures Contract will be the first trade price of that XBT futures Contract established by or following the initial opening process for that XBT futures Contract.

(H) In calculating a Price Limit, the calculation will be rounded to the nearest minimum increment in the XBT futures Contract, with the midpoint between two consecutive increments rounded up.

(I) Notwithstanding any provisions of this Rule 1302(i)(i), the Trade Desk may, in its absolute and sole discretion, take any action it determines necessary to protect market integrity. For avoidance of doubt, this authority includes, but is not limited to, modifying or eliminating the Price Limit parameters in this Rule 1302(i)(i) at any time. Among others, one type of situation in which the Trade Desk may determine to modify or eliminate Price Limit parameters in this Rule 1302(i)(i) is during the last 15 minutes of trading on a Business Day. The senior person in charge of the Trade Desk may exercise the authority of the Trade Desk under Rule 1302(i)(i)(C) and this Rule 1302(i)(i)(I). The Trade Desk will promptly issue an alert with respect to actions taken pursuant to Rule 1302(i)(i)(C) or this Rule 1302(i)(i)(I).

(ii) Consideration of Halts on the Gemini Exchange. The Exchange shall take into consideration any trading halt in bitcoin in U.S. dollars traded on the Gemini Exchange in determining whether or not to halt trading in XBT futures under Rule 418(a)(ix).


For any ECRP transaction in which the related position is bitcoin, the related position portion of the transaction must be consummated through the facilities of Gemini.

The minimum price increment for an Exchange of Contract for Related Position transaction involving the XBT futures contract is 0.005 points USD/XBT.
(k) *Block Trades.* Pursuant to Rule 415(a)(i), the minimum Block Trade quantity for XBT futures is 50 contracts if there is only one leg involved in the trade. If the Block Trade is executed as a transaction with legs in multiple contract expirations, each leg must meet the minimum Block Trade quantity for the XBT futures contract.

The minimum price increment for a Block Trade in the XBT futures contract is 0.005 points USD/XBT.

(l) *No-Bust Range.* Pursuant to Rule 416, the Exchange error trade policy may only be invoked for a trade price that is greater than 5% on either side of the market price of the applicable XBT futures contract. In accordance with Policy and Procedure III, the Trade Desk will determine what the true market price for the relevant Contract was immediately before the potential error trade occurred. In making that determination, the Trade Desk may consider all relevant factors, including the last trade price for such Contract, a better bid or offer price, a more recent price in a different contract expiration and the prices of related contracts trading on the Exchange or other markets.

(m) *Pre-execution Discussions.* The Order Exposure Period under Policy and Procedure IV before an Order may be entered to take the other side of another Order with respect to which there has been pre-execution discussions is five seconds after the first Order was entered into the CFE System.

(n) *Reportable Position and Trading Volume.*

(i) *Reportable Position.* Pursuant to and for purposes of Rules 412B(a)(ii), 412B(b)(ii), and 412B(c)(ii), the position level that is required to be reported to the Exchange is any open position in XBT futures contracts at the close of trading on any trading day equal to or in excess of 5 contracts on either side of the market. This position reporting level shall be applicable notwithstanding that it is a lower reporting level than may be provided for under Commission Regulation 15.03.

(ii) *Reportable Trading Volume.* Pursuant to Commission Regulation §15.04 and Commission Regulation Part 17, the reportable trading volume that triggers the requirement to report a volume threshold account to the Commission is 50 or more XBT futures contracts during a single trading day or such other reportable trading volume threshold as may be designated by the Commission.

(o) *Threshold Widths.* For purposes of Rule 513A(e) and Rule 513A(f), 5% is the percentage used to determine the percentage of the mid-point between the highest bid and lowest offer in an XBT futures Contract for purposes of calculating the Threshold Width in that XBT futures Contract.

(p) *Daily Settlement Price.* The daily settlement price for an XBT futures Contract is calculated in the following manner for each Business Day:

(i) The daily settlement price for a XBT futures Contract is the average of the bid and offer from the last best two-sided market in that XBT futures Contract during the applicable Business Day prior to the close of regular
trading hours on that Business Day which simultaneously includes both a pending bid with a non-zero value and a pending offer with a non-zero value. If a two-sided market includes either no bid or no offer, the bid or offer would be considered to have a zero value and that two-sided market would not be used for this purpose.

(ii) If there is no two-sided market in the XBT futures Contract during the applicable Business Day prior to the close of regular trading hours on that Business Day which simultaneously includes both a pending bid with a non-zero value and a pending offer with a non-zero value, the daily settlement price for the XBT futures Contract will be the daily settlement price of the XBT futures Contract with the nearest expiration date in calendar days to the expiration date of the XBT futures Contract for which the daily settlement price is being determined. If there is an XBT futures Contract with an earlier expiration date and an XBT futures Contract with a later expiration date that each meet this criterion, the daily settlement price of the XBT futures Contract with the earlier expiration date will be utilized.

(iii) The daily settlement price may go out to four decimal places and may be a price that is not at a minimum increment for the XBT futures Contract.

(iv) The Exchange may in its sole discretion establish a daily settlement price for an XBT futures Contract that it deems to be a fair and reasonable reflection of the market if:

(A) the Exchange determines in its sole discretion that the daily settlement price determined by the parameters set forth in paragraphs (p)(i) - (p)(ii) above is not a fair and reasonable reflection of the market; or

(B) there is a trading halt in the XBT futures Contract or other unusual circumstance at the scheduled close of regular trading hours for the XBT futures Contract on the applicable Business Day.

(q) *Trade at Settlement Transactions.* Trade at Settlement ("TAS") transactions pursuant to Rule 404A are not permitted in XBT futures.

(r) *Price Reasonability Checks.* The Limit Order price reasonability percentage parameters designated by the Exchange for XBT futures pursuant to Rule 513A(d) shall each be 5%.

Adopted December 3, 2017 (17-018); amended December 18, 2017 (17-020); February 1, 2018 (18-001); February 25, 2018 (18-002); April 25, 2018 (18-005); May 1, 2018 (18-006); August 8, 2018 (18-015); May 24, 2019 (19-006).

**1303. Settlement**

Settlement of XBT futures contracts will result in the delivery of a cash settlement amount on the business day immediately following the settlement date. The
cash settlement amount on the final settlement date shall be the final mark to market amount against the final settlement price of the XBT futures contract.

Clearing Members holding open positions in XBT futures contracts at the termination of trading in that Contract shall make payment to or receive payment from the Clearing Corporation in accordance with normal variation and performance bond procedures based on the final settlement amount.

If the settlement value is not available or the normal settlement procedure cannot be utilized due to a trading disruption or other unusual circumstance, the settlement value will be determined in accordance with the Rules and By-Laws of The Options Clearing Corporation.

Adopted May 18, 2004 (04-15). Amended September 30, 2004 (04-18); March 11, 2005 (05-09); March 28, 2005 (05-11); February 24, 2006 (06-04); March 15, 2007 (07-02); October 11, 2007 (07-11); March 6, 2008 (08-01); January 12, 2009 (09-01); February 23, 2009 (09-03); March 2, 2009 (09-06); June 3, 2009 (09-13); September 28, 2010 (10-08); April 8, 2011 (11-10); November 4, 2011 (11-23). Deleted October 10, 2012 (12-23). Readopted February 13, 2014 (14-01); September 11, 2014 (14-018); December 15, 2014 (14-17); December 22, 2014 (14-030); January 1, 2015 (14-033); September 24, 2015 (15-025); September 28, 2016 (15-003), (15-022). Deleted December 3, 2015 (15-030); December 3, 2017 (17-018); March 13, 2019 (19-003).
CHAPTER 14
CBOE/CBOT 10-YEAR U.S. TREASURY NOTE VOLATILITY INDEX FUTURES
CONTRACT SPECIFICATIONS

1401. Scope of Chapter

This chapter applies to trading in futures on the Cboe/CBOT 10-Year U.S. Treasury Note Volatility Index (Futures Symbol: VXTY / Cash Index Ticker: TYVIX). The procedures for trading, clearing, settlement, and any other matters not specifically covered herein shall be governed by the generally applicable rules of the Exchange. The VXTY futures contract was first listed for trading on the Exchange on November 13, 2014.

Amended October 31, 2017 (17-016).

1402. Contract Specifications

(a) Multiplier. The contract multiplier for each VXTY futures contract is $1,000. For example, a contract size of one VXTY futures contract would be $14,000, if the TYVIX index level were 14 (14 x $1,000.00).

(b) Schedule. The Exchange may list for trading up to twelve contract months for the VXTY futures contract. The final settlement date for a VXTY futures contract is on the Wednesday that is thirty days prior to the Friday of the calendar month immediately following the month in which the VXTY contract expires and which Friday precedes the last business day of the calendar month by at least two business days (“Final Settlement Date”). If the Wednesday is a Chicago Board of Trade (“CBOT”) holiday or if the Friday described above is a CBOT holiday, then the Final Settlement Date shall be the business day immediately preceding the Wednesday.

The trading days for VXTY futures are any Business Days the Exchange is open for trading.

The trading hours for VXTY futures contracts are from 7:00 a.m. to 3:15 p.m. Chicago time, except that on the Final Settlement Date the trading hours for the expiring VXTY future will terminate at 2:00 p.m. Chicago time. Non-expiring VXTY futures will continue to trade until 3:15 p.m. Chicago time on that date.

(c) Minimum Increments. The minimum fluctuation of the VXTY futures contract is 0.01 index points for single and multiple leg trades and net prices of spread trades, which has a value of $10.00.

(d) Position Limits. VXTY futures are subject to position limits under Rule 412.

A person: (i) may not own or control more than 5,000 contracts net long or net short in all VXTY futures contract expirations combined; and (ii) may not own or control more than 5,000 contracts net long or net short in the expiring VXTY
futures contract held during the last 5 trading days for the expiring VXTY futures contract.

For the purposes of this Rule, positions shall be aggregated in accordance with Rule 412(e).

The foregoing position limit shall not apply to positions that are subject to a position limit exemption meeting the requirements of Commission Regulations and CFE Rules.

(e) **Termination of Trading.** Trading hours for expiring VXTY futures contracts end at 2:00 p.m. Chicago time on the Final Settlement Date.

(f) **Contract Modifications.** Specifications are fixed as of the first day of trading of a contract. If any U.S. government agency or body issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such government orders.

(g) **Execution Priorities.** Pursuant to Rule 406(a)(i), the base allocation method of price-time priority shall apply to trading in VXTY futures.

(h) **Crossing Two Original Orders.** The eligible size for an original Order that may be entered for a cross trade with one or more other original Orders pursuant to Rule 407 is one Contract. The Trading Privilege Holder or Authorized Trader, as applicable, must expose to the market for at least five seconds under Rule 407(a) at least one of the original Orders that it intends to cross.

(i) **Price Limits and Circuit Breaker Halts.** Pursuant to Rule 413, VXTY futures contracts are not subject to price limits. VXTY futures contracts shall not be subject to the circuit breaker trading halt provisions of Rule 417A.

(j) **Exchange of Contract for Related Position.** Exchange of Contract for Related Position transactions, as set forth in Rule 414, may be entered into with respect to VXTY futures contracts. Any Exchange of Contract for Related Position transaction must satisfy the requirements of Rule 414.

The minimum price increment for an Exchange of Contract for Related Position transaction involving the VXTY futures contract is 0.01 index points.

(k) **Block Trades.** Pursuant to Rule 415(a)(i), the minimum Block Trade quantity for the VXTY futures contract is 100 contracts if there is only one leg involved in the trade. If the Block Trade is executed as a transaction with legs in multiple expirations and all legs of the Block Trade are exclusively for the purchase or exclusively for the sale of VXTY futures contracts (a “strip”), the
minimum Block Trade quantity for the strip is 150 contracts and each leg of the strip is required to have a minimum size of 50 contracts. If the Block Trade is executed as a spread transaction that is not a strip, one leg of the spread is required to have a minimum size of 100 contracts and the other leg(s) of the spread are each required to have a minimum size of 50 contracts.

The minimum price increment for a Block Trade in the VXTY futures contract is 0.01 index points.

(l) **No-Bust Range.** Pursuant to Rule 416, the CFE error trade policy may only be invoked for a trade price that is greater than 10% on either side of the market price of the applicable VXTY futures contract. In accordance with Policy and Procedure III, the Trade Desk will determine what the true market price for the relevant Contract was immediately before the potential error trade occurred. In making that determination, the Trade Desk may consider all relevant factors, including the last trade price for such Contract, a better bid or offer price, a more recent price in a different expiration and the prices of related contracts trading in other markets.

(m) **Pre-execution Discussions.** The Order Exposure Period under Policy and Procedure IV before an Order may be entered to take the other side of another Order with respect to which there has been pre-execution discussions is five seconds after the first Order was entered into the CFE System.

(n) **Reportable Position and Trading Volume.**

   (i) **Reportable Position.** Pursuant to Commission Regulation §15.03 and Commission Regulation Part 17, the position level that is required to be reported to the Commission is any open position in VXTY futures contracts at the close of trading on any trading day equal to or in excess of 200 contracts on either side of the market.

   (ii) **Reportable Trading Volume.** Pursuant to Commission Regulation §15.04 and Commission Regulation Part 17, the reportable trading volume that triggers the requirement to report a volume threshold account to the Commission is 50 or more VXTY futures contracts during a single trading day or such other reportable trading volume threshold as may be designated by the Commission.

(o) **Threshold Widths.** For purposes of Rule 513A(e) and Rule 513A(f), 10% is the percentage used to determine the percentage of the mid-point between the highest bid and lowest offer in a VXTY futures Contract for purposes of calculating the Threshold Width in that VXTY futures Contract.

(p) **Daily Settlement Price.** The daily settlement price for a VXTY futures Contract is calculated in the following manner for each Business Day:

   (i) The daily settlement price for a VXTY futures Contract is the average of the bid and the offer from the last best two-sided market in
that VXTY futures Contract during the applicable Business Day which simultaneously includes both a pending bid with a non-zero value and a pending offer with a non-zero value. If a two-sided market includes either no bid or no offer, the bid or offer would be considered to have a zero value and that two-sided market would not be used for this purpose.

(ii) If there is no two-sided market in the VXTY futures Contract during the applicable Business Day which simultaneously includes both a pending bid with a non-zero value and a pending offer with a non-zero value, the daily settlement price for the VXTY futures Contract will be the daily settlement price of the VXTY futures Contract with the nearest expiration date in calendar days to the expiration date of the VXTY futures Contract for which the daily settlement price is being determined. If there is a VXTY futures Contract with an earlier expiration date and a VXTY futures Contract with a later expiration date that each meet this criterion, the daily settlement price of the VXTY futures Contract with the earlier expiration date will be utilized.

(iii) The daily settlement price may go out to four decimal places and may be a price that is not at a minimum increment for the VXTY futures Contract.

(iv) The Exchange may in its sole discretion establish a daily settlement price for a VXTY futures Contract that it deems to be a fair and reasonable reflection of the market if:

(A) the Exchange determines in its sole discretion that the daily settlement price determined by the parameters set forth in paragraphs (p)(i) - (p)(ii) above is not a fair and reasonable reflection of the market; or

(B) there is a trading halt in the VXTY futures Contract or other unusual circumstance at the scheduled close of trading hours for the VXTY futures Contract on the applicable Business Day.

(q) Trade at Settlement Transactions. Trade at Settlement (“TAS”) transactions are not permitted in VXTY futures.

(r) Price Reasonability Checks. The Limit Order price reasonability percentage parameters designated by the Exchange for VXTY futures pursuant to Rule 513A(d) and the Market Order price reasonability percentage parameters designated by the Exchange for VXTY futures pursuant to Rule 513A(e) shall each be 10%.

Adopted October 18, 2004. Amended March 11, 2005 (05-09); March 28, 2005 (05-11); February 17, 2006 (06-02); February 24, 2006 (06-04); October 19, 2006 (06-16). Deleted June 5, 2007 (07-03). Readopted March 2, 2009 (09-05). Amended March 5, 2009 (09-08); June 1, 2009 (09-12); September 28, 2010 (10-08); February 14, 2011 (1-03); April 8, 2011 (11-10); June 20, 2011 (11-14); November 4, 2011 (11-23); May 30, 2012 (12-12); October 10, 2012 (12-23); October 17, 2012 (12-26); February 4, 2013 (13-04); February 21, 2013 (13-07); July 18, 2013.
Settlement of VXTY futures contracts will result in the delivery of a cash settlement amount on the business day immediately following the settlement date. The cash settlement amount on the final settlement date shall be the final mark to market amount against the final settlement price of the VXTY futures contract multiplied by $1,000.00. The final settlement price of the VXTY futures contract will be rounded to the nearest $0.01.

Clearing Members holding open positions in VXTY futures contracts at the termination of trading in that Contract shall make payment to or receive payment from the Clearing Corporation in accordance with normal variation and performance bond procedures based on the final settlement amount.

If the settlement value is not available or the normal settlement procedure cannot be utilized due to a trading disruption or other unusual circumstance, the settlement value will be determined in accordance with the Rules and By-Laws of The Options Clearing Corporation.

CHAPTER 15
CBOE® iBOXX® iSHARES® BOND INDEX FUTURES CONTRACT SPECIFICATIONS

1501. Scope of Chapter

This chapter applies to trading in Cboe® iBoxx® iShares® Bond Index futures.* The procedures for trading, clearing, settlement, and any other matters not specifically covered herein shall be governed by the generally applicable rules of the Exchange. The Exchange may list Cboe® iBoxx® iShares® Bond Index futures for trading on the Exchange on the following bond indexes (“Corporate Bond Indexes” or “CB Indexes”):

iBoxx® iShares® $ High Yield Corporate Bond Index
iBoxx® iShares® $ Investment Grade Corporate Bond Index

Futures on these CB Indexes are referenced in the following manner:

Cboe® iBoxx® iShares® $ High Yield Corporate Bond Index Futures (“IBHY futures”)
Cboe® iBoxx® iShares® $ Investment Grade Corporate Bond Index (“IBIG futures”)

All of the futures on a particular CB Index are treated as a separate product.

The Exchange first listed CB Index futures for trading on the Exchange on September 10, 2018.

*iBoxx® is a service mark IHS Markit Limited. iShares® is a registered trademark of BlackRock Fund Advisors and its affiliates.

1502. Contract Specifications

(a) Multiplier. The contract multiplier for each CB Index future is $1,000. For example, a contract size of one CB Index futures contract would be $125,310 if the respective CB Index level was 125.31 (125.31 x $1,000.00).

(b) Schedule and Prohibited Order Types. The Exchange may list for trading up to four near-term serial months and four months on the March quarterly cycle for each CB Index futures product. The final settlement date for an CB Index future is the first business day of the calendar month denoted by the ticker symbol for the Contract. If the final settlement date is a CFE holiday, the final settlement date shall be the business day immediately following the holiday.

The trading days for CB Index futures are any Business Day the Exchange is open for trading.

The trading hours for CB Index futures are from 8:30 a.m. to 3:00 p.m. Chicago time,
except that the trading hours for an expiring CB Index future end at 2:00 p.m. Chicago time on its final settlement date. Non-expiring CB Index futures continue to trade until 3:00 p.m. Chicago time on that date.

Market Orders for CB Index futures will not be accepted by the Exchange for CB Index futures. Any Market Orders for CB Index futures received by the Exchange will be automatically rejected or canceled back to the sender.

(c) **Minimum Increments.** The minimum fluctuation of CB Index futures is 0.01 index points, which has a value of $10.00 per contract.

The individual legs and net prices of spread trades in CB Index futures may be in increments of 0.01 index points, which has a value of $10.00 per contract.

(d) **Position Limits.** CB Index futures are subject to position limits under Rule 412.

A person may not own or control more than 10,000 contracts net long or net short in all expirations combined for each CB Index futures product.

For the purposes of this Rule, positions shall be aggregated in accordance with Rule 412(e).

The foregoing position limit shall not apply to positions that are subject to a position limit exemption meeting the requirements of Commission Regulations and CFE Rules.

(e) **Termination of Trading.** Trading hours for an expiring CB Index future end at 2:00 p.m. Chicago time on its final settlement date.

(f) **Contract Modifications.** Specifications are fixed as of the first day of trading of a contract. If any U.S. government agency or body issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such government orders.

(g) **Execution Priorities.** Pursuant to Rule 406(a)(i), the base allocation method of price-time priority shall apply to trading in CB Index futures.

(h) **Crossing Two Original Orders.** The eligible size for an original Order that may be entered for a cross trade with one or more other original Orders pursuant to Rule 407 is ten Contracts. The Trading Privilege Holder or Authorized Trader, as applicable, must expose to the market for at least five seconds under Rule 407(a) at least one of the original Orders that it intends to cross.

(i) **Price Limits and Halts.**

   (i) **Price Limits.** Pursuant to Rule 413, CB Index futures are not subject to price limits.
(ii) **Circuit Breaker Halts.** Trading in CB Index futures shall be halted pursuant to Rule 417A if there is a Level 1, 2 or 3 Market Decline.

(iii) **Halts in Other Markets.** CFE shall halt trading in an CB futures product during any regulatory halt by the primary listing market in the exchange-traded fund with holdings that are used in determining the constituents of the CB Index underlying that CB Index futures product. The Exchange shall commence a trading halt in an CB Index futures product pursuant to this Rule 1502(i)(iii) as soon as practicable following the initiation of the regulatory halt by the primary listing market in the applicable exchange-traded fund, and there may be time between the initiation of the regulatory halt and the commencement of the trading halt in the CB Index futures product.

(j) **Exchange of Contract for Related Position.** Exchange of Contract for Related Position transactions, as set forth in Rule 414, may be entered into with respect to CB Index futures. Any Exchange of Contract for Related Position transaction must satisfy the requirements of Rule 414.

For any ECRP transaction involving IBHY futures, the related position portion of the transaction must be in one of the following Exchange Traded Products: iShares iBoxx $ High Yield Corporate Bond ETF (Ticker: HYG) and iShares $ High Yield Corp Bond UCITS ETF (Ticker: SHYU).

For any ECRP transaction involving IBIG futures, the related position portion of the transaction must be in one of the following Exchange Traded Products: iShares iBoxx $ Investment Grade Corporate Bond ETF (Ticker: LQD) and iShares $ Corp Bond UCITS ETF (Ticker: LQDE).

The minimum price increment for an Exchange of Contract for Related Position involving CB Index futures is 0.005 index points.

(k) **Block Trades.** Pursuant to Rule 415(a)(i), the minimum Block Trade quantity for CB Index futures is 50 contracts if there is only one leg involved in the trade. If the Block Trade is executed as a transaction with legs in multiple contract expirations, each leg must meet the minimum Block Trade quantity for CB Index futures. Any Block Trade must satisfy the requirements of Rule 415.

The minimum price increment for a Block Trade in CB Index futures is 0.005 index points.

(l) **No-Bust Range.** Pursuant to Rule 416, the CFE error trade policy may only be invoked for a trade price that is greater than .25% on either side of the market price of the applicable CB Index futures Contract. In accordance with Policy and Procedure III, the Trade Desk will determine what the true market price for the relevant Contract was immediately before the potential error trade occurred. In making that determination, the Trade Desk may consider all relevant factors, including the last trade price for such Contract, a better bid or offer price, a more recent price in a different contract month and the prices of related contracts trading in other markets.
(m) **Pre-execution Discussions.** The Order Exposure Period under Policy and Procedure IV before an Order may be entered to take the other side of another Order with respect to which there has been pre-execution discussions is five seconds after the first Order was entered into the CFE System.

(n) **Reportable Position and Trading Volume.**

(i) **Reportable Position.** Pursuant to Commission Regulation §15.03 and Commission Regulation Part 17, the position level that is required to be reported to the Commission is any open position in an CB Index futures Contract at the close of trading on any trading day equal to or in excess of 200 contracts on either side of the market.

(ii) **Reportable Trading Volume.** Pursuant to Commission Regulation §15.04 and Commission Regulation Part 17, the reportable trading volume that triggers the requirement to report a volume threshold account to the Commission is 50 or more contracts in an CB Index futures product during a single trading day or such other reportable trading volume threshold as may be designated by the Commission.

(o) **Threshold Widths.** For purposes of Rule 513A(e) and Rule 513A(f), 10% is the percentage used to determine the percentage of the mid-point between the highest bid and lowest offer in each CB Index future for purposes of calculating the Threshold Width in that CB Index future.

(p) **Daily Settlement Price.** The daily settlement price for an CB Index futures Contract is calculated in the following manner for each Business Day:

(i) The daily settlement price for a CB Index futures Contract is the average of the bid and the offer from the last best two-sided market in that CB Index futures Contract during the applicable Business Day which simultaneously includes both a pending bid with a non-zero value and a pending offer with a non-zero value. If a two-sided market includes either no bid or no offer, the bid or offer would be considered to have a zero value and that two-sided market would not be used for this purpose.

(ii) If there is no two-sided market in the CB Index futures Contract during the applicable Business Day prior to the close of trading hours on that Business Day which simultaneously includes both a pending bid with a non-zero value and a pending offer with a non-zero value, the daily settlement price for the CB Index futures Contract will be the daily settlement price of the futures Contract on the same CB Index with the nearest expiration date in calendar days to the expiration date of the CB Index futures Contract for which the daily settlement price is being determined. If there is an CB Index futures Contract with an earlier expiration date and an CB Index futures Contract with a later expiration date that each meet this criterion, the daily settlement price of the CB Index futures Contract with the earlier expiration date will be utilized.
(iii) The daily settlement price may go out to four decimal places and may be a price that is not at a minimum increment for the CB Index futures Contract.

(iv) The Exchange may in its sole discretion establish a daily settlement price for an CB Index futures Contract that it deems to be a fair and reasonable reflection of the market if:

(A) the Exchange determines in its sole discretion that the daily settlement price determined by the parameters set forth in paragraphs (p)(i) - (p)(ii) above is not a fair and reasonable reflection of the market; or

(B) there is a trading halt in the CB Index futures Contract or other unusual circumstance at the scheduled close of trading hours for the CB Index futures Contract on the applicable Business Day.

(q) Trade at Settlement Transactions. Trade at Settlement (“TAS”) transactions pursuant to Rule 404A are permitted in CB Index futures and may be transacted on the CFE System, as spread transactions, as Block Trades (including as spread transactions) and as Exchange of Contract for Related Position transactions. The trading hours for all types of TAS transactions in CB Index futures are during the trading hours for CB Index futures. TAS transactions in an expiring CB Index futures contract are not permitted during the Business Day of its final settlement date.

The permissible price range for all types of TAS transactions in CB Index futures is from 0.10 index points below the daily settlement price to 0.10 index points above the daily settlement price. The permissible minimum increment for a TAS single leg transaction, a TAS spread transaction, a TAS Block Trade (including as a spread transaction) and a TAS Exchange of Contract for Related Position transaction in CB Index futures is 0.005 index points.

(r) Price Reasonability Checks. The Limit Order price reasonability percentage parameters designated by the Exchange for CB Index futures pursuant to Rule 513A(d) shall be 1%.

1503. Settlement

Settlement of CB Index futures will result in the delivery of a cash settlement amount on the business day immediately following the settlement date. The cash settlement amount on the final settlement date shall be the final mark to market amount against the final settlement price of the CB Index future multiplied by $1,000.00. The final settlement price of the CB Index future will be rounded to the nearest $0.01.

Clearing Members holding open positions in CB Index futures at the termination of trading in that Contract shall make payment to or receive payment from the Clearing Corporation in accordance with normal variation and performance bond procedures based on the final settlement amount.
If the settlement value is not available or the normal settlement procedure cannot be utilized due to a trading disruption or other unusual circumstance, the settlement value will be determined in accordance with the Rules and By-Laws of The Options Clearing Corporation.

CHAPTER 16
INDIVIDUAL STOCK BASED AND EXCHANGE-TRADED FUND BASED VOLATILITY INDEX SECURITY FUTURES CONTRACT SPECIFICATIONS

1601. Scope of Chapter

This chapter applies to trading in Individual Stock Based and Exchange-Traded Fund Based Volatility Index ("Volatility Index") security futures contracts. The procedures for trading, clearing, settlement, and any other matters not specifically covered herein shall be governed by the generally applicable rules of the Exchange. The Exchange may list the following Volatility Index security futures contract for trading on the Exchange:

Cboe Equity VIX on Apple ("VXAPL")
Cboe Equity VIX on Amazon ("VXAZN")
Cboe Equity VIX on Goldman Sachs ("VXGS")
Cboe Equity VIX on Google ("VXGOG")
Cboe Equity VIX on IBM ("VXIBM")
Cboe Gold ETF Volatility Index ("GVZ")
Cboe Crude Oil ETF Volatility Index ("OVX")
Cboe Emerging Markets ETF Volatility Index ("VXEEM")
Cboe China ETF Volatility Index ("VXFII")
Cboe Brazil ETF Volatility Index ("VXEWZ")
Cboe Gold Miners ETF Volatility Index ("VXGDX")
Cboe Energy Sector ETF Volatility Index ("VXXLE")

The Exchange first listed Volatility Index security futures contracts for trading on the Exchange on March 25, 2011.

Amended October 31, 2017 (17-016).

1602. Contract Specifications

(a) **Multiplier.** The contract multiplier for each Volatility Index futures contract is $100. For example, a contract size of one Volatility Index futures contract would be $1,895 if the underlying Volatility Index level were 18.95 (18.95 x $100).

(b) **Schedule.** The Exchange may list for trading up to nine near-term serial months and up to five additional months on the February quarterly cycle for a Volatility Index futures contract.

The final settlement date for a Volatility Index futures contract shall be on the Wednesday that is thirty days prior to the third Friday of the calendar month immediately following the month in which the contract expires. If the third Friday of the month subsequent to expiration of the applicable Volatility Index futures contract is a Cboe Options holiday, the Final Settlement Date for the contract shall be thirty days prior to the Cboe Options business day immediately preceding that third Friday.
The trading days for a Volatility Index futures contract shall be the same as the trading days of the component options comprising the respective Volatility Index, as those days are determined by Cboe Options.

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<th><strong>Trading Hours</strong></th>
<th><strong>Volatility Index Security Future</strong></th>
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<td>8:30 a.m. – 3:00 p.m. (Chicago Time)*</td>
<td>VXAPL</td>
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<td>VXEEM</td>
</tr>
<tr>
<td></td>
<td>VXXLE</td>
</tr>
</tbody>
</table>

(c) **Minimum Increments.** Except as provided in the following sentence, the minimum fluctuation of a Volatility Index futures contract is 0.05 index points, which has a value of $5.00.

The individual legs and net prices of spread trades in a Volatility Index futures contract may be in increments of 0.01 index points, which has a value of $1.00.

(d) **Position Limits.** Volatility Index futures are subject to position limits under Rule 412.

A person may not own or control: (1) more than 30,000 contracts net long or net short in all Volatility Index futures contracts on the same Volatility Index combined; (2) more than 10,000 contracts net long or net short in the expiring futures contract month for a Volatility Index future; and (3) more than 1,000 contracts net long or net short in the expiring contract for a Volatility Index future, commencing at the start of trading hours for the Business Day immediately preceding the final settlement date for the expiring Volatility Index futures contract.

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding shall be cumulated.
The foregoing position limits shall not apply to positions that are subject to a position limit exemption meeting the requirements of Commission Regulations and CFE Rules.

(e) *Termination of Trading.* Trading on a Volatility Index futures contract terminates on the business day immediately preceding the final settlement date of the Volatility Index futures contract for the relevant spot month. When the last trading day is moved because of a CFE holiday, the last trading day for an expiring Volatility Index futures contract will be the day immediately preceding the last regularly-scheduled trading day.

(f) *Contract Modifications.* Specifications are fixed as of the first day of trading of a contract. If any U.S. government agency or body issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such government orders.

(g) *Execution Priorities.* Pursuant to Rule 406(a)(i), the base allocation method of price-time priority shall apply to trading in Volatility Index futures contracts.

(h) *Crossing Two or More Original Orders.* The eligible size for an original Order that may be entered for a cross trade with one or more other original Orders pursuant to Rule 407 is one Contract. The Trading Privilege Holder or Authorized Trader, as applicable, must expose to the market for at least three seconds under Rule 407(a) at least one of the original Orders that it intends to cross.

(i) *Price Limits and Halts.* Pursuant to Rule 413, Volatility Index futures contracts are not subject to price limits.

Trading in Volatility Index futures contracts shall be halted to the extent required by Rule 417 relating to “regulatory halts.” Trading in Volatility Index futures contracts shall also be halted pursuant to Rule 417A if there is a Level 1, 2 or 3 Market Decline.

(j) *Exchange of Contract for Related Position.* Exchange of Contract for Related Position transactions, as set forth in Rule 414, may be entered into with respect to Volatility Index futures contracts. Any Exchange of Contract for Related Position transaction must satisfy the requirements of Rule 414.

The minimum price increment for an Exchange of Future for Related Position involving a Volatility Index futures contract is 0.01 index points.

(k) *Block Trades.* Pursuant to Rule 415(a)(i), the minimum Block Trade quantity for a Volatility Index futures contract is 1,000 contracts if there is only one leg involved in the trade. If the Block Trade is executed as a transaction with legs in multiple contract months and all legs of the Block Trade are exclusively
for the purchase or exclusively for the sale of a Volatility Index futures contract (a “strip”), the minimum Block Trade quantity for the strip is 1,500 contracts and each leg of the strip is required to have a minimum size of 500 contracts. If the Block Trade is executed as a spread transaction that is not a strip, one leg of the spread is required to have a minimum size of 1,000 contracts and the other leg(s) of the spread are each required to have a minimum size of 500 contracts.

The minimum price increment for a Block Trade in a Volatility Index futures contract is 0.01 index points.

No natural person associated with a Trading Privilege Holder or Authorized Trader that has knowledge of a pending Block Trade of such Trading Privilege Holder or Authorized Trader, or a Customer thereof in a Volatility Index future on the Exchange, may enter an Order or execute a transaction, whether for his or her own account or, if applicable, for the account of a Customer over which he or she has control, for or in a Volatility Index future to which such Block Trade relates until after (i) such Block Trade has been reported to and published by the Exchange and (ii) any additional time period from time to time prescribed by the Exchange in its block trading procedures or contract specifications has expired.

(l) **No-Bust Range.** Pursuant to Rule 416, the Exchange error trade policy may only be invoked for a trade price that is greater than 10% on either side of the market price of the applicable Volatility Index futures contract. In accordance with Policy and Procedure III, the Trade Desk will determine what the true market price for the relevant Contract was immediately before the potential error trade occurred. In making that determination, the Trade Desk may consider all relevant factors, including the last trade price for such Contract, a better bid or offer price, a more recent price in a different contract month, and the prices of related contracts trading on the Exchange or other markets.

(m) **Pre-execution Discussions.** The Order Exposure Period under Policy and Procedure IV before an Order may be entered to take the other side of another Order with respect to which there has been pre-execution discussions is five seconds after the first Order was entered into the CFE System.

(n) **Reportable Position and Trading Volume.**

(i) **Reportable Position.** Pursuant to Commission Regulation §15.03 and Commission Regulation Part 17, the position level that is required to be reported to the Commission is any open position in a Volatility Index futures contract at the close of trading on any trading day equal to or in excess of 200 contracts on either side of the market.

(ii) **Reportable Trading Volume.** Pursuant to Commission Regulation §15.04 and Commission Regulation Part 17, the reportable trading volume that triggers the requirement to report a volume threshold account to the Commission is 50 or more futures contracts in a Volatility
Index futures contract during a single trading day or such other reportable trading volume threshold as may be designated by the Commission.

(o) **Threshold Widths.** For purposes of Rule 513A(e) and Rule 513A(f), 10% is the percentage used to determine the percentage of the mid-point between the highest bid and lowest offer in a Volatility Index futures contract for purposes of calculating the Threshold Width in that Volatility Index futures contract.

(p) **Daily Settlement Price.** The daily settlement price for a Volatility Index futures contract is calculated in the following manner for each Business Day:

  (i) The daily settlement price for a Volatility Index futures Contract is the average of the bid and the offer from the last best two-sided market in that Volatility Index futures Contract during the applicable Business Day which simultaneously includes both a pending bid with a non-zero value and a pending offer with a non-zero value. If a two-sided market includes either no bid or no offer, the bid or offer would be considered to have a zero value and that two-sided market would not be used for this purpose.

  (ii) If there is no two-sided market in the Volatility Index futures contract during the applicable Business Day which simultaneously includes both a pending bid with a non-zero value and a pending offer with a non-zero value, the daily settlement price for the Volatility Index futures contract will be the daily settlement price of the Volatility Index futures contract with the nearest expiration date in calendar days to the expiration date of the Volatility Index futures contract for which the daily settlement price is being determined. If there is a Volatility Index futures contract with an earlier expiration date and a Volatility Index futures contract with a later expiration date that each meet this criterion, the daily settlement price of the Volatility Index futures contract with the earlier expiration date will be utilized.

  (iii) The daily settlement price may go out to four decimal places and may be a price that is not at a minimum increment for the Volatility Index futures contract.

  (iv) The Exchange may in its sole discretion establish a daily settlement price for a Volatility Index futures contract that it deems to be a fair and reasonable reflection of the market if:

      (A) the Exchange determines in its sole discretion that the daily settlement price determined by the parameters set forth in paragraphs (p)(i) - (p)(ii) above is not a fair and reasonable reflection of the market; or

      (B) there is a trading halt in the Volatility Index futures contract or other unusual circumstance at the scheduled close of
trading hours for the Volatility Index futures contract on the applicable Business Day.

(q) **Trade at Settlement Transactions.** Trade at Settlement ("TAS") transactions are not permitted in Volatility Index Futures.

(r) **Price Reasonability Checks.** The Limit Order price reasonability percentage parameters designated by the Exchange for Volatility Index Futures pursuant to Rule 513A(d) and the Market Order price reasonability percentage parameters designated by the Exchange for Volatility Index Futures pursuant to Rule 513A(e) shall each be 10%.

Amended October 17, 2012 (12-26); February 4, 2013 (13-04); February 21, 2013 (13-07); July 18, 2013 (13-28); December 22, 2014 (14-030); September 24, 2015 (15-025); March 4, 2016 (16-002); September 28, 2016 (15-003), (15-022); October 31, 2017 (17-016); February 25, 2018 (17-017); March 13, 2019 (19-003).

### 1603. Settlement

Settlement of a Volatility Index futures contract will result in the delivery of a cash settlement amount on the business day immediately following the settlement date. The cash settlement amount on the final settlement date shall be the final mark to market amount against the final settlement price of the Volatility Index futures contract multiplied by $100. The final settlement price of the Volatility Index futures contract will be rounded to the nearest $0.01.

Clearing Members holding open positions in a Volatility Index futures contract at the termination of trading in that Contract shall make payment to or receive payment from the Clearing Corporation in accordance with normal variation and performance bond procedures based on the final settlement amount.

If the settlement value is not available or the normal settlement procedure cannot be utilized due to a trading disruption or other unusual circumstance, the settlement value will be determined in accordance with the Rules and By-Laws of The Options Clearing Corporation.

### 1604. Eligibility and Maintenance Criteria for Volatility Index Futures

Pursuant to Exchange Policy and Procedure VIII E. (Eligibility for Listing Security Futures on Securities Approved for Options Trading), the Exchange may list securities futures on the Volatility Indexes identified in Rule 1601 because the Volatility Index are eligible to underlie options traded on a national securities exchange. A Volatility Index security futures contract shall remain eligible for listing and trading on the Exchange so long as the applicable Volatility Index remains eligible to underlie options traded on a national securities exchange. If at any time a Volatility Index no longer remains eligible to underlie options traded on a national securities exchange, that Volatility Index shall be ineligible to underlie security futures and the Exchange will not open for trading any additional futures contracts on that Volatility Index until that
Volatility Index becomes eligible again to underlie options traded on a national securities exchange.

Adopted July 6, 2007 (07-05). Amended October 11, 2007 (07-11); December 21, 2007 (07-14); March 6, 2008 (08-01); January 12, 2009 (09-01); February 2, 2009 (09-02); February 23, 2009 (09-03); March 2, 2009 (09-06); June 3, 2009 (09-13); December 28, 2009 (09-19). Deleted February 19, 2010 (10-02). Readopted March 25, 2011 (11-06). Amended January 9, 2012 (11-28); February 21, 2012 (12-02); June 30, 2014 (14-15); December 15, 2014 (14-17).
CHAPTER 17
RESERVED

Amended October 17, 2012 (12-26); February 4, 2013 (13-04); February 21, 2013 (13-07); July 18, 2013 (13-28); September 11, 2014 (14-018); December 15, 2014 (14-17); December 22, 2014 (14-030); September 24, 2015 (15-025); September 28, 2016 (15-003), (15-022). Deleted December 3, 2015 (15-030).

Adopted April 25, 2005 (05-14). Amended February 17, 2006 (06-02); February 24, 2006 (06-04); September 26, 2006 (06-13); October 9, 2006 (2006-15); March 26, 2007 (07-01); July 3, 2007 (07-04); October 11, 2007 (07-11); December 21, 2007 (07-14); March 6, 2008 (08-01); January 12, 2009 (09-01); February 2, 2009 (09-02); February 23, 2009 (09-03); March 2, 2009 (09-06); June 3, 2009 (09-13). Deleted August 13, 2009 (09-14). Readopted May 23, 2012 (12-10). Amended June 30, 2014 (14-15). Deleted December 3, 2015 (15-030).
CHAPTER 18
SINGLE STOCK FUTURES

1801. Scope of Chapter

This chapter applies to trading in any Contract that is a Security Future based on a single security (each, a “Single Stock Future”). The procedures for trading, clearing, settlement, and any other matters not specifically covered herein shall be governed by the other Rules of the Exchange.

1802. Contract Specifications

(a) Specifications Supplements. The general specifications set forth in this Rule 1802 shall be subject to, and qualified by, the specific terms applicable to trading, clearing or settlement of particular Single Stock Futures, as provided in supplements (each a “Specifications Supplement”) from time to time adopted by the Exchange. Each Specifications Supplement for a Single Stock Future shall be substantially in the form set forth in Rule 1806 or such other form as the Exchange may from time to time approve. No Specifications Supplement shall become effective until the Exchange has submitted to the Commission (i) a certification satisfying the requirements set forth in Commission Regulation § 41.22 and (ii) a filing satisfying the requirements set forth in Commission Regulation § 41.23, with respect to the Single Stock Future to which it relates.

(b) Underlying Securities. Each Single Stock Future shall be based on an underlying security (the “Underlying Security”), which satisfies the requirements set forth in Commission Regulations § 41.21(a), as may be determined from time to time by the Exchange.

(c) Trading Hours; Delivery Months and Termination Dates. Single Stock Futures shall be traded during such hours, for delivery in such months, and shall terminate on such dates, as may be determined from time to time by the Exchange.

(d) Trading Units. Each Single Stock Future shall represent 100 shares of the Underlying Security.

(e) Minimum Price Fluctuations. The minimum price fluctuation for each Single Stock Future shall be $0.01 per share, which is equal to $1.00 per Contract.

(f) Speculative Position Limits. For purposes of Rule 412, the position limit applicable to positions in any Single Stock Future held during the last five trading days of an expiring Single Stock Future shall be the position limit adopted by the Exchange in accordance with Commission Regulation § 41.25. Each such position limit shall be published by the Exchange.

(g) Last Day of Trading. All trading in a particular Contract shall terminate at the close of business on the termination date of such Contract.
(h) **Contract Modifications.** The specifications for a particular Single Stock Future shall be as set forth in the filing made with respect thereto pursuant to Commission Regulation § 41.23. If any U.S. governmental agency or body issues an order, ruling, directive or law that conflicts with the requirements of these rules, including specifications set forth in any Specifications Supplement, such order, ruling, directive or law shall be deemed to take precedence over such specifications and become part of these Rules or of such Specification Supplement and all open and new Contracts shall be subject thereto.

(i) **Contract Adjustments.** Adjustments to Single Stock Futures related to actions or transactions by or affecting the issuer of the Underlying Securities shall be made under the circumstances and in the manner from time to time prescribed by the Clearing Corporation.

(j) **Daily Settlement Price.**

(i) The daily settlement price for each Single Stock Future Contract will be the average of the final Bid and final Offer of the Single Stock Future Contract at the close of trading. The daily settlement price may go out to four decimal places and may be a price that is not at a minimum increment for the Single Stock Future Contract.

(ii) If there is no bid or offer at the close of trading, then the Exchange shall set a reasonable settlement price by adjusting the average of the last bid and offer disseminated to the market and captured by an independent price reporting system during the trading day by the difference between the consolidated price of the Underlying Security at the time that the last bid or offer was quoted on the Exchange and the consolidated price of the Underlying Security at the close of regular trading hours.

(iii) Notwithstanding the above, the Exchange may in its sole discretion establish a settlement price that it deems to be a fair and reasonable reflection of the market. The Exchange will consider all relevant factors, including those discussed in this provision, when establishing such a settlement price.

(k) **Final Settlement Price.** The final settlement price of a Single Stock Future shall be calculated in accordance with paragraph (j), unless the final settlement price is fixed in accordance with the Rules and By-Laws of the Clearing Corporation.

(l) **Execution Priorities.** Pursuant to Rule 406(a)(i), the base allocation method of price-time priority shall apply to trading in each Single Stock Future. Pursuant to Rule 406(b)(iii), a DPM trade participation right priority shall overlay the price-time priority base allocation method.

(m) **Crossing Two or More Original Orders.** The eligible size for an original Order that may be entered for a cross trade with one or more other original Orders
pursuant to Rule 407 is one Contract. The Trading Privilege Holder or Authorized Trader, as applicable, must expose to the market for at least five seconds under Rule 407(a) at least one of the original Orders that it intends to cross.

(n) **Price Limits.** Pursuant to Rule 413, Single Stock Futures are not subject to price limits.

(o) **Block Trades.** Pursuant to Rule 415(a)(i), the minimum Block Trade quantity for each Single Stock Future shall be 100 contracts, unless otherwise set forth in the Specifications Supplement for that Single Stock Future. If the Block Trade is executed as a Spread Order, one leg must meet the minimum Block Trade quantity for the particular Single Stock Future and the other leg(s) must have a contract size that is reasonably related to the leg meeting the minimum Block Trade quantity.

No natural person associated with a Trading Privilege Holder or Authorized Trader that has knowledge of a pending Block Trade of such Trading Privilege Holder or Authorized Trader, or a Customer thereof in a Single Stock Future on the Exchange, may enter an Order or execute a transaction, whether for his or her own account or, if applicable, for the account of a Customer over which he or she has control, for or in the Single Stock Future to which such Block Trade relates until after (i) such Block Trade has been reported to and published by the Exchange and (ii) any additional time period from time to time prescribed by the Exchange in its block trading procedures or contract specifications has expired.

No natural person associated with a Trading Privilege Holder or Authorized Trader that has knowledge of a pending Block Trade of such Trading Privilege Holder or Authorized Trader, or a Customer thereof in a Single Stock Future on any other exchange or trading system, may enter an Order or execute a transaction on the Exchange, whether for his or her own account or, if applicable, for the account of a Customer over which he or she has control, for any Single Stock Future which has the same underlying security as the contract to which such block trade relates until after (i) such block trade is reported and published in accordance with the rules, procedures or contract specifications of such exchange or trading system and (ii) any additional time period prescribed by the Exchange in its block trading procedures or contract specifications has expired.

(p) **No-Bust Range.** Pursuant to Rule 416, the Exchange error trade policy may only be invoked for a trade price that is greater than 10% on either side of the market price of the applicable Single Stock Future contract. In accordance with Policy and Procedure III, the Trade Desk will determine what the true market price for the relevant Contract was immediately before the potential error trade occurred. In making that determination, the Trade Desk may consider all relevant factors, including the last trade price for such Contract, a better bid or offer price, a more recent price in a different contract month and the prices of related contracts trading in other markets.
(q) **Pre-execution Discussions.** The Order Exposure Period under Policy and Procedure IV before an Order may be entered to take the other side of another Order with respect to which there has been pre-execution discussions is five seconds after the first Order was entered into the CFE System.

Amended March 6, 2008 (08-01); June 3, 2009 (09-13); February 21, 2013 (13-07); December 22, 2014 (14-030).

1803. **Delivery**

Delivery of the Underlying Securities upon termination of a Single Stock Future, and payment of the price in respect thereof, shall be made in accordance with the Rules of the Clearing Corporation. As promptly as possible after the receipt of a notice of delivery from the Clearing Corporation with respect to a Single Stock Future held by a Trading Privilege Holder or Authorized Trader, such Trading Privilege Holder or Authorized Trader shall require the Customer to deposit the Underlying Security (in the case of a short position) or pay the aggregate price in respect thereof, in full and in cash (in the case of a long position), or in either case, if the transaction is effected in a margin account, to make the required margin deposit in accordance with the applicable regulations of the Federal Reserve Board.


If delivery or acceptance or any precondition or requirement of either, in respect of any Single Stock Future is prevented by a strike, fire, accident, act of God, act of government or any other event or circumstance beyond the control of the parties to such Contract, the seller or buyer of such Contract shall immediately notify the Exchange. If based on such notification, the President, or any individual designated by the President and approved by the Board, determines that an Emergency exists, he or she may take such action in accordance with Rule 418 as he or she may deem necessary under the circumstances, which action shall be binding upon both parties to the Contract in question; provided that any action taken in accordance with this sentence shall be reviewed by the Board as soon as practicable under the circumstances, and may be revoked, suspended or modified by the Board.

1805. **DPM Provisions**

(a) **DPM Appointment.** A Trading Privilege Holder will be appointed to act as a DPM for each Single Stock Future pursuant to Rule 515.

(b) **DPM Participation Right.** The DPM participation right percentage under Rule 406(b)(iii) for each Single Stock Future is 30%.
1806. Form of Specifications Supplement

Supplement No. ____
Title of Single Stock Future: _______________

Underlying Security: _______________
Type of Underlying Security: [common stock] [American Depositary Receipt] [share of exchange traded fund] [trust issued receipt] [share of closed-end management investment company] [other]

Trading Hours: _______________
Delivery Months: _______________
Termination Dates: _______________
Trading Unit: 100 shares of the Underlying Security
Minimum Price Fluctuation: $0.01 per share, equal to $1.00 per Contract
Threshold Width: Common Stock Price Threshold Width

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<th>Threshold Width</th>
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<th>$2.00</th>
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<tr>
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<tr>
<td>$50 &lt; share price</td>
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</tbody>
</table>

Position Limit: During the last five trading days, ____ Contracts net long or short
Reportable Position: 200 Contracts
Daily Price Limit: _______________
Minimum Block Trade Quantity: _______________
Time Period for Reporting Block Trades: Without delay, but no more than ten minutes after a Block Trade is negotiated.
Last Day of Trading: _______________
Delivery Day: _______________
Depositary for Underlying Security: _______________
Other Specifications: _______________

Adopted July 26, 2005 (05-20).
CHAPTER 19
NARROW-BASED STOCK INDEX FUTURES

1901. Scope of Chapter

This chapter applies to trading in any Contract that is a Security Future based on a “narrow-based security index” (as such term is defined in Section 1a(25) of the CEA) (each, a “Narrow-Based Stock Index Future”). The procedures for trading, clearing, settlement, and any other matters not specifically covered herein shall be governed by the other Rules of the Exchange.

1902. Contract Specifications

(a) Specifications Supplements. The general specifications set forth in this Rule 1902 shall be subject to, and qualified by, the specific terms applicable to trading, clearing or settlement of particular Narrow-Based Stock Index Futures, as provided in Specifications Supplements from time to time adopted by the Exchange. Each Specifications Supplement for a Narrow-Based Stock Index Future shall be substantially in the form set forth in Rule 1906 or such other form as the Exchange may from time to time approve. No Specifications Supplement shall become effective until the Exchange has submitted to the Commission (i) a certification satisfying the requirements set forth in Commission Regulation § 41.22 and (ii) a filing satisfying the requirements set forth in Commission Regulation § 41.23, with respect to the Narrow-Based Stock Index Future in question.

(b) Underlying Securities. Narrow-Based Stock Index Futures shall be based on such indices consisting of two or more Underlying Securities, which shall satisfy the requirements set forth in Commission Regulation § 41.21(b), as may be determined from time to time by the Exchange.

(c) Trading Hours; Delivery Months and Termination Dates. Narrow-Based Stock Index Futures shall be traded during such hours and for delivery in such months, and shall terminate on such dates, as may be determined from time to time by the Exchange.

(d) Minimum Price Fluctuations. The minimum price fluctuation for Narrow-Based Stock Index Futures shall be $0.01 per Contract.

(e) Position Limits. For purposes of Rule 412, the position limit applicable to positions in any physically settled Narrow-Based Stock Index Future held during the last five trading days of an expiring Narrow-Based Stock Index Future shall be the position limit adopted by the Exchange in accordance with Commission Regulation § 41.25. Commission Regulation § 41.25 applies the applicable position limit with respect to Narrow-Based Stock Index Futures to the security in the Narrow-Based Stock Index Future having the lowest average daily trading volume. Each such position limit shall be published by the Exchange.
Pursuant to Rule 412(a), the Exchange shall establish speculative position limits for each cash settled Narrow-Based Stock Index Future held during the last five trading days of an expiring Narrow-Based Stock Index Future according to the following methodology:

The position limit for each cash settled Narrow-Based Stock Index Future shall be the number of contracts calculated according to formula (i) “Market Cap Position Limit” or (ii) “SSF Position Limit” below, whichever is less, rounded to the nearest multiple of 1,000 contracts; provided, however, that if formula (i) or (ii), whichever is less, calculates a number less than 500 but not less than 400 for any such Security Future, the position limit will be 1,000 contracts.

(i) “Market Cap Position Limit”

(A) The Exchange will determine the market capitalization of the Standard & Poor’s 500 index (the “S&P 500”) as of the selection date for the component securities of the index underlying the Narrow-Based Stock Index Future (the “Selection Date”) (the “S&P 500 Market Cap”);

(B) then

(C) The Exchange will calculate the notional value of a future position in Chicago Mercantile Exchange’s (“CME”) S&P 500 futures contract at its maximum limit (the “S&P 500 Notional Value Limit”) by multiplying the S&P 500 by the position limit for CME’s S&P 500 futures (20,000 contracts in all months combined) and by the S&P 500 contract multiplier ($250) to calculate:

(D) S&P 500 Notional Value Limit = S&P 500 * 20,000 * $250;

(E) then

(F) The Exchange will divide the S&P 500 Market Cap by the S&P 500 Notional Value Limit to calculate the “Market Cap Ratio”:


(H) then

(I) The Exchange will calculate the market capitalization of the stock index underlying the Narrow-Based Stock Index Future by adding together the market capitalization of each stock comprising the stock index (the “Stock Index Market Cap”); then
(J) The Exchange will calculate the notional value of the Narrow-Based Stock Index Future (the “Notional Value”) as follows:

(K) Notional Value = Level of index underlying Narrow-Based Stock Index Future * contract multiplier

(L) The Exchange will calculate the Market Cap Position Limit of the Narrow-Based Stock Index Future by dividing the Stock Index Market Cap by the product of the Notional Value of the Narrow-Based Stock Index Future and the Market Cap Ratio:

(M) Market Cap Position Limit = Stock Index Market Cap/Notional Value * Market Cap Ratio

(ii) “SSF Position Limit”

(A) The Exchange will calculate the notional value of the Narrow-Based Stock Index Future (same as (i)(E) above):

(B) Notional Value = Level of index underlying Narrow-Based Stock Index Future * contract multiplier

(C) For each component security in the index underlying the Narrow-Based Stock Index Future, the Exchange will multiply its index weight\(^1\) by the Notional Value to determine that security’s proportion of the Narrow-Based Stock Index Future.

(D) For each component security, the Exchange will divide the result in (ii)(B) by the security’s price. This equals the number of shares of that security represented in the Narrow-Based Stock Index Futures contract.

(E) For each component security, the Exchange will divide the number of shares calculated in (ii)(C) by 100 to obtain the implied number of 100-share contracts per Narrow-Based Stock Index Futures contract.

(F) The Exchange will divide the applicable single stock futures contract speculative position limit set in Commission Regulation § 41.25(a)(3) (either 13,500 or 22,500 contracts) by the number of implied 100-share contracts. This provides the number

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\(^1\) Index weight of the component security = (assigned shares * price) of the component security/the sum of (assigned shares * price) for each component security.
of Narrow-Based Stock Index Futures contracts that could be held without violating the speculative position limit on a futures contract on that component security (if such single stock futures contract existed). If the security qualifies for position accountability, ignore that security for purposes of this calculation.

(G) The Exchange will list the results of (ii)(D) and (ii)(E). The SSF Position Limit is the minimum number of implied contracts based on this list.

(f) **Last Day of Trading.** All trading in a particular Contract shall terminate at the close of the last Business Day preceding the termination date of such Contract.

(g) **Contract Modifications.** The specifications for a particular Narrow-Based Stock Index Future shall be as set forth in the filing made with respect thereto pursuant to Commission Regulation § 41.23. If any U.S. governmental agency or body issues an order, ruling, directive or law that conflicts with the requirements of these rules, including specifications set forth in any specifications supplement, such order, ruling, directive or law shall be construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such government orders.

(h) **Contract Adjustments.** Adjustments to Narrow-Based Stock Index Futures related to actions or transactions by or affecting any issuer of Underlying Securities shall be made under the circumstances and in the manner from time to time prescribed by the Clearing Corporation.

(i) **Settlement Price.**

(I) **Daily Settlement Price.** The daily settlement price for cash-settled Narrow-Based Stock Index Futures will be calculated in the same manner as Rule 1802(j).

(II) **Final Settlement Price.**

(A) The final settlement price for cash-settled Narrow-Based Stock Index Futures shall be determined on the third Friday of the contract month. If the Exchange is not open for business on the third Friday of the contract month, the final settlement price shall be determined on the Business Day prior to the third Friday of the contract month. The final settlement price for cash-settled Narrow-Based Stock Index Futures shall be based on a special opening quotation of the underlying stock index (“Stock Index”).

(B) Notwithstanding subparagraph (II)(A) of this Rule, if an opening price for one or more securities underlying a Narrow-Based Stock Index Future is not readily available, the President of the Exchange or his designee for such purpose (referred to hereafter in this Rule 1902(i) as the “Designated Officer”) will
determine whether the security or securities are likely to open within a reasonable time.

(1) If the Designated Officer determines that one or more component securities are not likely to open within a reasonable time, then for the component security or securities which the Designated Officer determined were not likely to open within a reasonable time, the last trading price of the underlying security or securities during the most recent regular trading session for such security or securities will be used to calculate the special opening quotation.

(2) If the Designated Officer determines that the security or securities are likely to open within a reasonable time, then for the component security or securities which the Designated Officer determined were likely to open within a reasonable time, the next available opening price of such security or securities will be used to calculate the special opening quotation.

(C) For purposes of this provision:

(1) “Opening price” means the official price at which a security opened for trading during the regular trading session of the national securities exchange or national securities association that lists the security. If the security is not listed on a national securities exchange or a national securities association, then “opening price” shall mean the price at which a security opened for trading on the primary market for the security. Under this provision, if a component security is an American Depositary Receipt (“ADR”) traded on a national securities exchange or national securities association, the opening price for the ADR would be derived from the national securities exchange or national securities association that lists it.

(2) “Special opening quotation” means the Stock Index value that is derived from the sum of the opening prices of each security of the Stock Index.

(3) “Regular trading session” of a security means the normal hours for business of a national securities exchange or national securities association that lists the security.

(4) The price of a security is “not readily available” if the national securities exchange or national securities association that lists the security does not open
on the day scheduled for determination of the final settlement price, or if the security does not trade on the securities exchange or national securities association that lists the security during regular trading hours.

(D) Notwithstanding any other provision of this Rule, this Rule shall not be used to calculate the final settlement price of a Narrow-Based Stock Index Future if The Option Clearing Corporation fixes the final settlement price of such Narrow-Based Stock Index Future in accordance with its rules and by-laws and as permitted by Commission Regulation § 41.25(b) and SEC Rule 6h-1(b)(3).

(j) **Execution Priorities.** Pursuant to Rule 406(a)(i), the base allocation method of price-time priority shall apply to trading in each Narrow Based Stock Index Future. Pursuant to Rule 406(b)(iii), a DPM trade participation right priority shall overlay the price-time priority base allocation method.

(k) **Crossing Two or More Original Orders.** The eligible size for an original Order that may be entered for a cross trade with one or more other original Orders pursuant to Rule 407 is one Contract. The Trading Privilege Holder or Authorized Trader, as applicable, must expose to the market for at least five seconds under Rule 407(a) at least one of the original Orders that it intends to cross.

(l) **Price Limits.** Pursuant to Rule 413, Narrow Based Stock Index Futures are not subject to price limits.

(m) **Block Trades.** Pursuant to Rule 415(a)(i), the minimum Block Trade quantity for each Narrow Based Stock Index Future shall be 100 contracts, unless otherwise set forth in the Specifications Supplement for that Narrow Based Stock Index Future. If the Block Trade is executed as a Spread Order, one leg must meet the minimum Block Trade quantity for the particular Narrow Based Stock Index Future and the other leg(s) must have a contract size that is reasonably related to the leg meeting the minimum Block Trade quantity.

No natural person associated with a Trading Privilege Holder or Authorized Trader that has knowledge of a pending Block Trade of such Trading Privilege Holder or Authorized Trader, or a Customer thereof in a Narrow-Based Stock Index Future on the Exchange, may enter an Order or execute a transaction, whether for his or her own account or, if applicable, for the account of a Customer over which he or she has control, for or in the Narrow-Based Stock Index Future to which such Block Trade relates until after (i) such Block Trade has been reported to and published by the Exchange and (ii) any additional time period from time to time prescribed by the Exchange in its block trading procedures or contract specifications has expired.

No natural person associated with a Trading Privilege Holder or Authorized Trader that has knowledge of a pending Block Trade of such Trading Privilege
Holder or Authorized Trader, or a Customer thereof in a Narrow-Based Stock Index Future on any other exchange or trading system, may enter an Order or execute a transaction on the Exchange, whether for his or her own account or, if applicable, for the account of a Customer over which he or she has control, for any Narrow-Based Stock Index Future which has the same underlying index as the contract to which such block trade relates until after (i) such block trade is reported and published in accordance with the rules, procedures or contract specifications of such exchange or trading system and (ii) any additional time period prescribed by the Exchange in its block trading procedures or contract specifications has expired.

(n) No-Bust Range. Pursuant to Rule 416, the Exchange error trade policy may only be invoked for a trade price that is greater than 10% on either side of the market price of the applicable Narrow-Based Stock Index Future. In accordance with Policy and Procedure III, the Trade Desk will determine what the true market price for the relevant Contract was immediately before the potential error trade occurred. In making that determination, the Trade Desk may consider all relevant factors, including the last trade price for such Contract, a better bid or offer price, a more recent price in a different contract month and the prices of related contracts trading in other markets.

(o) Pre-execution Discussions. The Order Exposure Period under Policy and Procedure IV before an Order may be entered to take the other side of another Order with respect to which there has been pre-execution discussions is five seconds after the first Order was entered into the CFE System.

Amended March 6, 2008 (08-01); June 3, 2009 (09-13); February 21, 2013 (07-13); February 25, 2018 (17-017).

1903. Delivery

Delivery of the Underlying Securities upon termination of a Narrow-Based Stock Index Future, and payment of the price in respect thereof, shall be made in accordance with the Rules of the Clearing Corporation. As promptly as possible after the receipt of a notice of delivery from the Clearing Corporation with respect to a Narrow-Based Stock Index Future held by a Trading Privilege Holder or Authorized Trader, such Trading Privilege Holder or Authorized Trader shall require such Customer to deposit the Underlying Securities (in the case of a short position) or pay the aggregate price in respect thereof, in full and in cash (in the case of a long position), or in either case, if the transaction is effected in a margin account, to make the required margin deposit in accordance with the applicable regulation of the Federal Reserve Board.


If delivery or acceptance, or any precondition or requirement of either, in respect of any Narrow-Based Stock Index Future is prevented by a strike, fire, accident, act of God, act of government or any other event or circumstance beyond the control of the parties to such Contract, the seller or buyer of such Contract shall immediately notify the Exchange. If based on such notification, the President, or any individual designated
by the President and approved by the Board, determines that an Emergency exists, he or she may take such action in accordance with Rule 418 as he or she may deem necessary under the circumstances, which action shall be binding upon both parties to the Contract in question; provided that any action taken in accordance with this sentence shall be reviewed by the Board as soon as practicable under the circumstances, and may be revoked, suspended or modified by the Board.

1905. **DPM Provisions**

(a) **DPM Appointment.** A Trading Privilege Holder will be appointed to act as a DPM for each Narrow Based Stock Index Future pursuant to Rule 515.

(b) **DPM Participation Right.** The DPM participation right percentage under Rule 406(b)(iii) for each Narrow Based Stock Index Future is 30%.

1906. **Form of Specifications Supplement**

Supplement No. ____
Title of Narrow-Based Stock Index Future: ______________

Underlying Securities (including numbers of values thereof):
Weighting Methodology:
Trading Hours:
Delivery Months:
Termination Dates:
Minimum Price Fluctuation: $0.01 per Contract
Threshold Width: During the last five trading days, Contracts
Position Limit: Reportable Position:
Daily Price Limit:
Minimum Block Trade Quantity:
Time Period for Reporting Block Trades: Without delay, but no more than ten minutes after a Block Trade is negotiated
Last Day of Trading:
Delivery Day:
Depositary for Underlying Security:
Other Specifications:

Adopted July 26, 2005 (05-20).
CHAPTER 20
RESERVED

CHAPTER 21
CBOE RUSSELL 2000 VOLATILITY INDEX FUTURES
CONTRACT SPECIFICATIONS

2101. Scope of Chapter

This chapter applies to trading in futures on the Cboe Russell 2000 Volatility Index (“VU”). The procedures for trading, clearing, settlement, and any other matters not specifically covered herein shall be governed by the generally applicable rules of the Exchange. After previously being listed for trading on the Exchange, VU futures were re-listed for trading on the Exchange commencing on November 18, 2013.

Amended October 31, 2017 (17-016).

2102. Contract Specifications

(a) **Multiplier.** The contract multiplier for each VU futures contract is $1,000. For example, a contract size of one VU futures contract would be $21,000, if the VU index level were 21 (21 x $1,000.00).

(b) **Schedule.** The Exchange may list for trading up to nine near-term serial months and five months on the February quarterly cycle for the VU futures contract. The final settlement date for the VU futures contract shall be the Wednesday that is thirty days prior to the third Friday of the calendar month immediately following the month in which the applicable VU futures contract expires. If the third Friday of the month subsequent to expiration of the applicable VU futures contract is a Cboe Options holiday, the final settlement date for the contract shall be thirty days prior to the Cboe Options business day immediately preceding that Friday.

The trading days for VU futures contracts shall be the same trading days of options on the Russell 2000 Index traded on Cboe Options, as those days are determined by Cboe Options.

The trading hours for VU futures contracts are from 7:30 a.m. Chicago time to 3:15 p.m. Chicago time. The time period from 8:30 a.m. Chicago time until 3:15 p.m. Chicago time shall be considered regular trading hours for the VU futures contract, and the time period from 7:30 a.m. Chicago time until the commencement of regular trading hours for the VU futures contract shall be considered extended trading hours for the VU futures contract.

Market Orders for VU futures contracts will be accepted by the Exchange during regular trading hours for VU futures following the completion of the opening process for a VU futures Contract when that Contract is in an open state for trading. Market Orders for VU futures will not be accepted by the Exchange during extended trading hours for VU futures or during any other time period outside of regular trading hours for VU futures. Any Market Orders for VU futures received by the Exchange during a time period in which the Exchange is
not accepting Market Orders for VU futures will be automatically rejected or canceled back to the sender.

(c) **Minimum Increments.** Except as provided in the following sentence, the minimum fluctuation of the VU futures contract is 0.05 index points, which has a value of $50.00.

The individual legs and net prices of spread trades in the VU futures contract may be in increments of 0.01 index points, which has a value of $10.00.

(d) **Position Limits.** VU futures are subject to position limits under Rule 412.

A person may not own or control: (1) more than 5,000 contracts net long or net short in all VU futures contracts combined; and (2) more than 2,500 contracts net long or net short in the expiring VU futures contract, commencing at the start of trading hours for the Business Day immediately preceding the final settlement date of the expiring VU futures contract.

For the purposes of this Rule, positions shall be aggregated in accordance with Rule 412(e).

The foregoing position limit shall not apply to positions that are subject to a position limit exemption meeting the requirements of Commission Regulations and CFE Rules.

(e) **Termination of Trading.** Trading in VU futures contracts terminates on the business day immediately preceding the final settlement date of the VU futures contract for the relevant spot month. When the last trading day is moved because of a CFE holiday, the last trading day for an expiring VU futures contract will be the day immediately preceding the last regularly-scheduled trading day.

(f) **Contract Modifications.** Specifications are fixed as of the first day of trading of a contract. If any U.S. government agency or body issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such government orders.

(g) **Execution Priorities.** Pursuant to Rule 406(a)(i), the base allocation method of price-time priority shall apply to trading in VU futures.

(h) **Crossing Two Original Orders.** The eligible size for an original Order that may be entered for a cross trade with one or more other original Orders pursuant to Rule 407 is one Contract. The Trading Privilege Holder or Authorized Trader, as applicable, must expose to the market for at least five seconds under Rule 407(a) at least one of the original Orders that it intends to cross.

(i) **Price Limits and Halts.**
(i) **Price Limits During Extended Trading Hours.** Pursuant to Rule 413, VU futures are subject to the following price limits during extended trading hours:

(A) Each VU futures Contract shall have a price limit that is 70% above the daily settlement price for that VU futures Contract for the prior Business Day (an “Upper Price Limit”) and a price limit that is 10% below the daily settlement price for that VU futures Contract for the prior Business Day (a “Lower Price Limit”). An Upper Price Limit and a Lower Price Limit may also be referred to as a “Price Limit.”

(B) The CFE System will not consummate the execution of any trade in a VU futures Contract that is at a price that is more than the Upper Price Limit for that VU futures Contract or that is less than the Lower Price Limit for that VU futures Contract.

(C) The CFE System will reject or cancel back to the sender any Limit Order to buy with a limit price that is above the Upper Price Limit and any Limit Order to sell with a limit price that is below the Lower Price Limit. Upon the triggering of a Stop Limit Order, the CFE System will cancel the Stop Limit Order back to the sender if it is a Stop Limit Order to buy that is triggered to a limit price which is above the Upper Price Limit or is a Stop Limit Order to sell that is triggered to a limit price which is below the Lower Price Limit.

(D) The Upper Price Limit and Lower Price Limit will be applicable with respect to the execution of single leg VU Orders. The Upper Price Limit and Lower Price Limit will apply to VU Spread Orders in that each leg of a VU Spread Order will be subject to the applicable Upper Price Limit and Lower Price Limit for that individual leg and may not be executed at a price that is more than the Upper Price Limit for that single leg VU futures Contract or less than the Lower Price Limit for that single leg VU futures Contract.

(E) The price limit provisions of this Rule 2102(i)(i) shall be applicable during the opening process for a VU futures Contract during extended trading hours.

(F) In calculating a Price Limit, the calculation will be rounded to the nearest minimum increment in the VU futures Contract, with the midpoint between two consecutive increments rounded up.

(G) The daily settlement price that will be utilized to calculate the Price Limits for a newly listed VU futures Contract
will be the daily settlement price of the VU futures Contract with the nearest expiration date in calendar days to the expiration date of the newly listed VU futures Contract. If there is a VU futures Contract with an earlier expiration date and a VU futures Contract with a later expiration date that each meet this criterion, the daily settlement price of the VU futures Contract with the earlier expiration date will be utilized.

(H) Notwithstanding any provisions of this Rule 2102(i)(i), the Trade Desk may, in its absolute and sole discretion, take any action it determines necessary to protect market integrity. For avoidance of doubt, this authority includes, but is not limited to, modifying or eliminating the Price Limit parameters in this Rule 2102(i)(i) at any time. The senior person in charge of the Trade Desk may exercise the authority of the Trade Desk under this Rule 2102(i)(i)(H). The Trade Desk will promptly issue an alert with respect to actions taken pursuant to this Rule 2102(i)(i)(H).

(ii) Circuit Breaker Halts. Trading in VU futures contracts shall be halted pursuant to Rule 417A if there is a Level 1, 2 or 3 Market Decline.


The minimum price increment for an Exchange of Contract for Related Position involving the VU futures contract is 0.01 index points.

(k) Block Trades. Pursuant to Rule 415(a)(i), the minimum Block Trade quantity for the VU futures contract is 100 contracts if there is only one leg involved in the trade. If the Block Trade is executed as a transaction with legs in multiple contract months and all legs of the Block Trade are exclusively for the purchase or exclusively for the sale of VU futures contracts (a “strip”), the minimum Block Trade quantity for the strip is 150 contracts and each leg of the strip is required to have a minimum size of 50 contracts. If the Block Trade is executed as a spread transaction that is not a strip, one leg of the spread is required to have a minimum size of 100 contracts and the other leg(s) of the spread are each required to have a minimum size of 50 contracts.

The minimum price increment for a Block Trade in the VU futures contract is 0.01 index points.

(l) No-Bust Range. Pursuant to Rule 416, the CFE error trade policy may only be invoked for a trade price that is greater than 10% on either side of the market price of the applicable VU futures contract. In accordance with Policy and Procedure III, the Trade Desk will determine what the true market price for the
relevant Contract was immediately before the potential error trade occurred. In making that determination, the Trade Desk may consider all relevant factors, including the last trade price for such Contract, a better bid or offer price, a more recent price in a different contract month and the prices of related contracts trading in other markets.

(m) Pre-execution Discussions. The Order Exposure Period under Policy and Procedure IV before an Order may be entered to take the other side of another Order with respect to which there has been pre-execution discussions is five seconds after the first Order was entered into the CFE System.

(n) Reportable Position and Trading Volume.

(i) Reportable Position. Pursuant to Commission Regulation §15.03 and Commission Regulation Part 17, the position level that is required to be reported to the Commission is any open position in VU futures contracts at the close of trading on any trading day equal to or in excess of 200 contracts on either side of the market.

(ii) Reportable Trading Volume. Pursuant to Commission Regulation §15.04 and Commission Regulation Part 17, the reportable trading volume that triggers the requirement to report a volume threshold account to the Commission is 50 or more VU futures contracts during a single trading day or such other reportable trading volume threshold as may be designated by the Commission.

(o) Threshold Widths. For purposes of Rule 513A(e) and Rule 513A(f), 10% is the percentage used to determine the percentage of the mid-point between the highest bid and lowest offer in a VU futures contract for purposes of calculating the Threshold Width in that VU futures contract.

(p) Daily Settlement Price. The daily settlement price for a VU futures Contract is calculated in the following manner for each Business Day:

(i) The daily settlement price for a VU futures Contract is the average of the bid and the offer from the last best two-sided market in that VU futures Contract during the applicable Business Day which simultaneously includes both a pending bid with a non-zero value and a pending offer with a non-zero value. If a two-sided market includes either no bid or no offer, the bid or offer would be considered to have a zero value and that two-sided market would not be used for this purpose.

(ii) If there is no two-sided market in the VU futures Contract during the applicable Business Day prior to the close of trading hours on that Business Day which simultaneously includes both a pending bid with a non-zero value and a pending offer with a non-zero value, the daily settlement price for the VU futures Contract will be the daily settlement price of the VU futures Contract with the nearest expiration date in calendar days to the expiration date of the VU futures Contract for which
the daily settlement price is being determined. If there is a VU futures Contract with an earlier expiration date and a VU futures Contract with a later expiration date that each meet this criterion, the daily settlement price of the VU futures Contract with the earlier expiration date will be utilized.

(iii) The daily settlement price may go out to four decimal places and may be a price that is not at a minimum increment for the VU futures Contract.

(iv) The Exchange may in its sole discretion establish a daily settlement price for a VU futures Contract that it deems to be a fair and reasonable reflection of the market if:

(A) the Exchange determines in its sole discretion that the daily settlement price determined by the parameters set forth in paragraphs (p)(i) - (p)(ii) above is not a fair and reasonable reflection of the market; or

(B) there is a trading halt in the VU futures Contract or other unusual circumstance at the scheduled close of trading hours for the VU futures Contract on the applicable Business Day.

(q) Trade at Settlement Transactions. Trade at Settlement ("TAS") transactions are not permitted in VU futures.

(r) Price Reasonability Checks. The Limit Order price reasonability percentage parameters designated by the Exchange for VU futures pursuant to Rule 513A(d) and the Market Order price reasonability percentage parameters designated by the Exchange for VU futures pursuant to Rule 513A(e) shall each be 10%.

Adopted July 8, 2005 (05-21). Amended February 17, 2006 (06-02); February 24, 2006 (06-04); February 3, 2006 (06-10). Readopted November 18, 2013 (13-36); September 11, 2014 (14-018); December 15, 2014 (14-17); December 22, 2014 (14-030); June 30, 2015 (15-17); September 24, 2015 (15-025); December 3, 2015 (15-030); March 4, 2016 (16-002); April 18, 2016 (16-004); September 28, 2016 (15-003), (15-022), (16-005); October 31, 2017 (17-016); February 25, 2018 (17-017); February 25, 2018 (18-002); May 24, 2019 (19-006).

2103. Settlement

Settlement of VU futures contracts will result in the delivery of a cash settlement amount on the business day immediately following the settlement date. The cash settlement amount on the final settlement date shall be the final mark to market amount against the final settlement price of the VU futures contract multiplied by $1,000.00. The final settlement price of the VU futures contract will be rounded to the nearest $0.01.

Clearing Members holding open positions in VU futures contracts at the termination of trading in that Contract shall make payment to or receive payment from the Clearing Corporation in accordance with normal variation and performance bond procedures based on the final settlement amount.
If the settlement value is not available or the normal settlement procedure cannot be utilized due to a trading disruption or other unusual circumstance, the settlement value will be determined in accordance with the Rules and By-Laws of The Options Clearing Corporation.

Adopted November 18, 2013 (13-36); amended December 3, 2015 (15-030); March 13, 2019 (19-003).

2104. DPM Provisions

(a) **DPM Appointment.** A Trading Privilege Holder will be appointed to act as a DPM for the VU futures contract pursuant to Rule 515.

(b) **DPM Participation Right.** There is no DPM participation right percentage under Rule 406(b) for the VU futures contract.

Adopted November 18, 2013 (13-36); amended December 3, 2015 (15-030); February 25, 2018 (17-017).
CHAPTER 22
RESERVED

CHAPTER 23
S&P 500 VARIANCE FUTURES
CONTRACT SPECIFICATIONS

2301. Scope of Chapter

This chapter applies to trading in S&P 500 Variance futures contracts. The procedures for trading, clearing, settlement, and any other matters not specifically covered herein shall be governed by the generally applicable rules of the Exchange. The S&P 500 Variance futures contract was first listed for trading on the Exchange on September 27, 2012.

2302. Contract Specifications

(a) Multiplier. The contract multiplier for the S&P 500 Variance futures contract is $1.

(b) Schedule and Prohibited Order Types. The Exchange may list contract months for S&P 500 Variance futures that correspond to the listed contract months for options on the S&P 500 Composite Stock Price Index listed and traded on Cboe Options.

The final settlement date for an S&P 500 Variance futures contract shall be on the third Friday of the expiring futures contract month. If the third Friday of the expiring month is a CFE holiday, the Final Settlement Date for the expiring contract shall be the CFE business day immediately preceding the third Friday.

The trading days for S&P 500 Variance futures contracts shall be the same trading days of options on the S&P 500 Composite Stock Price Index, as those days are determined by Cboe Options.

The trading hours for the S&P 500 Variance futures contract are from 8:30 a.m. Chicago time to 3:15 p.m. Chicago time.

Good-’til-Canceled Orders and Good-’til-Date Orders are not permitted in S&P 500 Variance futures.

(c) Minimum Increments and Minimum Order Sizes. The minimum fluctuation of the S&P 500 Variance futures contract is 0.05 volatility index points.

The individual legs and net prices of spread trades in the S&P 500 Variance futures contract is 0.01 volatility index points.

The minimum Order size for the S&P 500 Variance futures contract is 1,000 vega notional and all Orders must be in multiples of 1,000 vega notional, except as provided for in subparagraph (s) below.
The sizes of Orders and trades in S&P 500 Variance futures are expressed and displayed in notional equivalent units of 1,000 vega notional. For example, an Order or trade size of 1 has a size of 1,000 vega notional, and an Order or trade size of 3 has a size of 3,000 vega notional. Order and trade expression and display in notional equivalent units of 1,000 applies to all trading in S&P 500 Variance futures, including Block Trades and Exchange of Contract for Related Position transactions.

(d) **Position Limits.** S&P 500 Variance futures are subject to position limits under Rule 412.

A person may not own or control contracts exceeding 125,000 units of variance notional net long or net short in all contract months of an S&P 500 Variance futures contract combined.

For the purposes of this Rule, positions shall be aggregated in accordance with Rule 412(e).

The foregoing position limit shall not apply to positions that are subject to a position limit exemption meeting the requirements of Commission Regulations and CFE Rules.

(e) **Termination of Trading.** Trading in S&P 500 Variance futures contracts terminates on the business day immediately preceding the final settlement date of the S&P 500 Variance futures contract for the relevant spot month. When the last trading day is moved because of a CFE holiday, the last trading day for an expiring S&P 500 Variance futures contract will be the day immediately preceding the last regularly-scheduled trading day.

(f) **Contract Modifications.** Specifications are fixed as of the first day of trading of a contract. If any U.S. government agency or body issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such government orders.

(g) **Execution Priorities.** Pursuant to Rule 406(a)(i), the base allocation method of price-time priority shall apply to trading in S&P 500 Variance futures contracts, including S&P 500 Variance future stub positions (defined below in subparagraph (s)).

(h) **Crossing Two or More Original Orders.** The eligible size for an original Order that may be entered for a cross trade with one or more other original Orders pursuant to Rule 407 is a Contract amount equal to 1,000 vega notional. The Trading Privilege Holder or Authorized Trader, as applicable, must expose to the market for at least five seconds under Rule 407(a) at least one of the original Orders that it intends to cross.
(i) **Price Limits and Circuit Breaker Halts.** Pursuant to Rule 413, S&P 500 Variance futures contracts are not subject to price limits.

Trading in S&P 500 Variance futures contracts shall be halted pursuant to Rule 417A if there is a Level 1, 2 or 3 Market Decline.

(j) **Exchange of Contract for Related Position.** Exchange of Contract for Related Position transactions, as set forth in Rule 414, may be entered into with respect to S&P 500 Variance futures contracts. Any Exchange of Contract for Related Position transaction must satisfy the requirements of Rule 414 and must be for a minimum Order size of 1,000 vega notional.

The minimum price increment for an Exchange of Contract for Related Position involving the S&P 500 Variance futures contract is 0.01 volatility index points.


(k) **Block Trades.** Pursuant to Rule 415(a)(i), the minimum Block Trade quantity for the S&P 500 Variance futures contract is a contract amount equaling 50,000 vega notional if there is only one leg involved in the trade. If the Block Trade is executed as a spread transaction that is not a strip, one leg of the spread is required to have a contract amount with a minimum size of 50,000 vega notional and the other leg of the spread is required to have a contract amount with a minimum size of 25,000 vega notional. A Block Trade may not be executed in S&P 500 Variance futures as a strip.

The minimum price increment for a Block Trade in the S&P 500 Variance futures contract is 0.01 volatility index points.

Block Trades in S&P 500 Variance future stub positions are not permitted.

(l) **No-Bust Range.** Pursuant to Rule 416 the Exchange error trade policy may only be invoked for: (i) a trade price that is greater than 10% on either side of the market price, quoted in volatility points, of the applicable S&P 500 Variance futures contract (referred to as trade price errors), and (ii) an error in the calculation of the number of variance units or the futures converted contract price for the trade (referred to as a standard formula input error).

In accordance with Policy and Procedure III, for trade price errors, the Trade Desk will determine what the true market price for the relevant Contract was immediately before the potential error trade occurred. For stub and non-stub positions in S&P 500 Variance futures, the “true market price” will be determined by reference to non-stub positions in S&P Variance futures and not by reference to S&P 500 Variance stub positions. In making that determination, the Trade Desk may consider all relevant factors, including the last trade price for such Contract, a better bid or offer price, a more recent price in a different contract month and the prices of related contracts trading on the Exchange and other markets.
In accordance with Policy and Procedure III: (i) the determination of whether a standard formula input error occurred is solely within the Trade Desk’s discretion and (ii) the busting or adjustment of a trade by the Trade Desk due to a standard formula input error may only occur on the same calendar or Business Day that the trade occurred.

(m) **Pre-execution Discussions.** The Order Exposure Period under Policy and Procedure IV before an Order may be entered to take the other side of another Order with respect to which there has been pre-execution discussions is five seconds after the first Order was entered into the CFE System.

(n) **Reportable Position and Trading Volume.**

(i) **Reportable Position.** Pursuant to Commission Regulation §15.03 and Commission Regulation Part 17, the position level that is required to be reported to the Commission is any open position in S&P 500 Variance futures contracts at the close of trading on any trading day equal to or in excess of 25 variance units on either side of the market.

(ii) **Reportable Trading Volume.** Pursuant to Commission Regulation §15.04 and Commission Regulation Part 17, the reportable trading volume that triggers the requirement to report a volume threshold account to the Commission is 50 or more S&P 500 Variance futures contracts during a single trading day or such other reportable trading volume threshold as may be designated by the Commission.

(o) **Threshold Widths.** For purposes of Rule 513A(e) and Rule 513A(f), 10% is the percentage used to determine the percentage of the mid-point between the highest bid and lowest offer in an S&P 500 Variance futures contract for purposes of calculating the Threshold Width in that S&P 500 Variance futures contract.

The minimum size of bids and offers that establish a Threshold Width is a contract amount equal to 1,000 vega notional.

Whether a Threshold Width exists with respect to S&P 500 Variance future stub positions is determined separately based upon the prevailing Orders for those positions. There is no minimum size of bids and offers needed to establish a Threshold Width in S&P 500 Variance futures contract.

(p) **Daily Settlement Price.** The daily settlement price for an S&P 500 Variance futures Contract is calculated in the following manner for each Business Day:

(i) The daily settlement price for a VA futures Contract is the average of the bid and the offer from the last best two-sided market in that VA futures Contract during the applicable Business Day which simultaneously includes both a pending bid with a non-zero value and a pending offer with a non-zero value. If a two-sided market includes either
no bid or no offer, the bid or offer would be considered to have a zero value and that two-sided market would not be used for this purpose.

(ii) If there is no two-sided market in the S&P 500 Variance futures Contract during the applicable Business Day prior to the close of trading hours on that Business Day which simultaneously includes both a pending bid with a non-zero value and a pending offer with a non-zero value, the daily settlement price for the S&P 500 Variance futures Contract will be the daily settlement price of the S&P 500 Variance futures Contract with the nearest expiration date in calendar days to the expiration date of the S&P 500 Variance futures Contract for which the daily settlement price is being determined. If there is an S&P 500 Variance futures Contract with an earlier expiration date and an S&P 500 Variance futures Contract with a later expiration date that each meet this criterion, the daily settlement price of the S&P 500 Variance futures Contract with the earlier expiration date will be utilized.

(iii) The daily settlement price may go out to four decimal places and may be a price that is not at a minimum increment for the S&P 500 Variance futures Contract.

(iv) The Exchange may in its sole discretion establish a daily settlement price for an S&P 500 Variance futures Contract that it deems to be a fair and reasonable reflection of the market if:

(A) the Exchange determines in its sole discretion that the daily settlement price determined by the parameters set forth in paragraphs (p)(i) - (p)(ii) above is not a fair and reasonable reflection of the market; or

(B) there is a trading halt in the S&P 500 Variance futures Contract or other unusual circumstance at the scheduled close of trading hours for the S&P 500 Variance futures Contract on the applicable Business Day.

(q) Trade at Settlement Transactions. Trade at Settlement (“TAS”) transactions are not permitted in S&P 500 Variance futures.

(r) Price Reasonability Checks. The Limit Order price reasonability percentage parameters designated by the Exchange for S&P 500 Variance futures pursuant to Rule 513A(d) and the Market Order price reasonability percentage parameters designated by the Exchange for S&P 500 Variance futures pursuant to Rule 513A(e) shall each be 10%

The prevailing best offer and prevailing best bid are calculated separately for S&P 500 Variance future stub positions based upon the prevailing Orders for those positions.
(s) **Trading S&P 500 Variance Future Stub Positions.** A stub position in the S&P 500 Variance futures contract is a position that when converted from variance units (number of contracts) to vega notional is equal to an amount that is less than 1 notional equivalent of 1,000 vega notional.

Except to the extent modified by this paragraph (s), the provisions of the other paragraphs of this Rule shall continue to be applicable in relation to trading in S&P 500 Variance future stub positions.

The sizes of Orders and trades in S&P 500 Variance future stub positions are expressed and displayed variance units (number of contracts). Upon receipt of an Order for an S&P 500 Variance stub position, the Exchange will convert the number of variance units (number of contracts) to vega notional and if that amount exceeds 1 notional equivalent of 1,000 vega notional, the Order will be automatically rejected or canceled back to the sender.

Orders for S&P 500 Variance future stub positions will only interact with other Orders for S&P 500 Variance future stub positions and will not interact with non-stub positions in the S&P 500 Variance futures contract.

Good-’til-Canceled Orders, Good-’til-Date Orders and spread trades are not permitted in S&P 500 Variance future stub positions.

Market Orders for S&P 500 Variance future stub positions will not be accepted by the Exchange outside of trading hours for the S&P 500 Variance futures contract. Any Market Orders for S&P 500 Variance future stub positions received by the Exchange outside of trading hours for the S&P 500 Variance futures contract will be automatically rejected or canceled back to the sender.

Amended October 17, 2012 (12-26); November 6, 2012 (12-27); January 2, 2013 (12-035); January 18, 2013 (12-01); February 4, 2013 (13-04); February 21, 2013 (13-07); July 18, 2013 (13-28); December 15, 2014 (14-17); December 22, 2014 (14-030); January 20, 2015 (14-001); September 24, 2015 (15-025); February 26, 2016 (16-001); March 4, 2016 (16-002); September 28, 2016 (15-003), (15-022), (16-005); October 31, 2017 (17-016); February 25, 2018 (17-017); March 13, 2019 (19-003); May 24, 2019 (19-006).

### 2303. Settlement

Settlement of S&P 500 Variance futures contracts will result in the delivery of a cash settlement amount on the business day immediately following the settlement date. The cash settlement amount on the final settlement date shall be the final mark to market amount against the final settlement price of the S&P 500 Variance futures contract multiplied by $1.00. The final settlement price of the S&P 500 Variance futures contract will be rounded to the nearest $0.0001.

Clearing Members holding open positions in S&P 500 Variance futures contracts at the termination of trading in that Contract shall make payment to or receive payment from the Clearing Corporation in accordance with normal variation and performance bond procedures based on the final settlement amount.
If the settlement value is not available or the normal settlement procedure cannot be utilized due to a trading disruption or other unusual circumstance, the settlement value will be determined in accordance with the Rules and By-Laws of The Clearing Corporation.

2304. DPM Provisions

(a) **DPM Appointment.** A Trading Privilege Holder will be appointed to act as a DPM for S&P 500 Variance futures contracts pursuant to Rule 515.

(b) **DPM Participation Right.** There is no DPM participation right percentage under Rule 406(b) for the S&P 500 Variance futures contract.