

**CME EUROPE**

# **EXCHANGE RULEBOOK**

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## CHAPTER 1

### DEFINITIONS AND INTERPRETATION

1.1 Unless the context otherwise requires, for all purposes of this Exchange Rulebook, the following words shall have the meanings specified:

**Affected Market Contract** means each Market Contract to which a Defaulting Member is a party;

**Affiliate** means, when applied to any person, any subsidiary undertaking or Parent Undertaking of that person and any subsidiary undertaking of any such Parent Undertaking, and the terms subsidiary undertaking and Parent Undertaking shall have the meanings given to them in section 1162 of the Companies Act 2006;

**Appeals Body** has the meaning given in Exchange Rule 8.5.1;

**Applicable Law** means all law, statutory provisions and other rules, regulations and instruments in force from time to time, including the rules, guidance, principles and codes of practice of any Regulatory Authority;

**APS** means average price system as referred to in Exchange Rule 6.23;

**Back-Off Transaction** means a transaction formed between a Clearing Member and a Non-Clearing Member pursuant to Exchange Rule 5.1.3;

**Bid** means an Order to buy;

**Bid/Offer Reasonability Allowance** has the meaning given in Exchange Rule 6.20.5;

**Board of Directors** means the Board of Directors of the Exchange whose names have been registered as a Director of the Exchange by Companies House as such from time to time;

**Business Day** means any day on which the Exchange is open for business as set out on the Exchange's Website or as communicated to Members from time to time by any other means;

**Clearing House** means CME Clearing Europe Limited;

**Clearing House Default Rules** means the Clearing House Rules specified as default rules by the Clearing House;

**Clearing House Rules** means the rules of the Clearing House;

**Clearing Member** means any person that has been granted membership in the Exchange and satisfies the Clearing Membership Criteria;

**Clearing Membership Criteria** means the criteria set out in Exchange Rule 3.3;

**ClearPort** means the service offered by CME Inc. for the submission of transactions to the Clearing House for clearing known as ClearPort;

**Client** has the meaning given to it in the Clearing House Rules;

**Client Account** has the meaning given to it in the Clearing House Rules;

**CME Clearing Europe Limited Client Clearing Documentation** means any documentation which the Clearing House requires either Clearing Members and/or Clients to enter into from time to time in relation to Client Accounts;

**CME Inc.** means Chicago Mercantile Exchange Inc.;

**Committee** means each committee of the Exchange established for the purpose set out in this Exchange Rulebook;

**Complaint** means either or all of a GCC Complaint, Phantom Order Complaint, Exchange Complaint or a Member Complaint, as the context requires;

**Complaints Procedure** means the Complaints Procedure in the Procedures;

**Contract** means a contract formed between a Clearing Member and the Clearing House pursuant to Exchange Rule 5.1.2;

**Contract Module** means the part of the Exchange Rules setting out the Contract Specifications for each asset class;

**Contract Specification** means the part of a Contract Module setting out the terms of a particular type of Transaction;

**Counterparty** means in relation to a Defaulting Member, a person (other than the Clearing House) party as principal to a Market Contract to which the Defaulting Member is party;

**Customer** means a person on behalf of which a Member executes Transactions through the Exchange;

**Customer Order** means an Order submitted to the Globex Platform on behalf of a Customer;

**Declaration of Default** has the meaning given in Exchange Rule 7.2.1;

**Defaulting Member** means a Member on which the Exchange has served a Declaration of Default in accordance with Exchange Rule 7.2.1;

**Defence** has the meaning given in Exchange Rule 8.4.5;

**Direct Market Access** means an arrangement through which a Member permits a Customer to transmit Orders to the Member's internal electronic trading systems for automatic onward transmission to the Globex Platform, in accordance with Exchange Rule 3.6;

**Disciplinary Notice** has the meaning given in Exchange Rule 8.4.4;

**Disciplinary Proceedings** has the meaning given in Exchange Rule 8.4.1;

**Disciplinary Panel** has the meaning given in Exchange Rule 8.4.3;

**Emergency Committee** means the committee formed for the purpose set out in Exchange Rule 7.1.5;

**Encumbrance** means any mortgage, charge, pledge, lien, option, restriction, right of set-off, right of first refusal, right of pre-emption, claim, right, interest or preference granted to any third party, or any other encumbrance or security interest of any kind (or an agreement or commitment to create any of the same);

**ESMA Guidelines** means the Guidelines issues by the European Securities and Markets Authority on 24 February 2012 entitled Systems and controls in an automated trading environment for trading platforms, investment firms and competent authorities and referred to as ESMA/2012/122, as shall be amended or replaced by equivalent guidance from time to time;

**Euro** means the lawful single currency of the member states of the European Union that have adopted and continue to retain such common single currency in accordance with European Union treaty law (as amended from time to time);

**Event of Default** has the meaning given in Exchange Rule 7.1.3;

**Exchange** means CME Europe Limited;

**Exchange Complaint** means a Complaint made by a Member that arises in connection with the performance of, or alleged failure to perform by, the Exchange any of the obligations to which it is subject under or by virtue of FSMA;

**Exchange for Related Positions** has the same meaning as in Exchange Rule 6.15;

**Exchange Default Rules** means Chapter 7 of the Exchange Rules;

**Exchange Rulebook** means the rules of the Exchange as set out herein as they may be amended from time to time;

**Exchange Rules** means:

- (a) where used in reference to one or more provisions of the Exchange Rulebook, those provisions of the Exchange Rulebook; or
- (b) otherwise, the Exchange Rulebook, the Contract Module, the Procedures and any Notices issued pursuant to the Exchange Rulebook and, for the purposes of any Rules concerning non-compliance with or breach of or failure to discharge any of the Rules, shall include provisions of the Membership Agreement;

**FCA** means the Financial Conduct Authority, including any successor body or bodies thereto;

**Fees and Charges Notice** means the Notice setting out the fees and charges of the Exchange from time to time;

**FSMA** means the Financial Services and Markets Act 2000;

**Global Command Centre** or **GCC** means the division of CME Inc. known as the Global Command Centre or any successor division of CME Inc.;

**GCC Complaint** means a Complaint the subject of which relates to direct losses caused by the negligence of GCC or other Exchange staff, or order status errors provided to a Member by GCC;

**Globex Platform** means the Globex electronic trading system, including certain software licensed to the Exchange by CME Inc. and its licensors, including any modification to the Globex Platform or any successor electronic trading platform on which the Products may be traded;

**Globex Operator** has the meaning given in Exchange Rule 6.5.1;

**Guarantor** means any person that provides a guarantee to the Exchange in respect of a Member's obligations under the Exchange Rules;

**Independent Investigator** has the meaning given in the Complaints Procedure;

**Insolvency Event** means, in relation to a person, that the person ceases to trade, or is unable to pay its debts as they fall due or has a petition presented or a meeting

convened for the purpose of its winding up (provided that such petition is not merely frivolous) or if it enters into liquidation whether compulsorily or voluntarily or compounds with its creditors generally or an administration order is made in relation to it or it has a receiver or administrative receiver appointed over all or a substantial part of its assets or distraint is levied over any of its assets or any similar or analogous order is made or proceeding is commenced or officer is appointed or action is taken in the United Kingdom or in any jurisdiction or outside the United Kingdom in consequence of debt;

**Investigation** has the meaning given in Exchange Rule 8.2.1;

**Liquidity Scheme** means a scheme that is operated by the Exchange and which is designed to enhance market liquidity;

**Market Contract** has the meaning set out in section 155(2)(a) Companies Act 1989 and includes Contracts, Transactions and Back-Off Transactions;

**Member** means any person that has been granted membership in the Exchange pursuant to Chapter 3 of the Exchange Rules including a Non-Clearing Member and a Clearing Member;

**Member Complaint** means a Complaint made by a Member that alleges a breach of the Exchange Rules by another Member;

**Membership Agreement** means the agreement of the same name entered into between the Exchange and each Member setting out each party's obligations in respect of the services of the Exchange;

**Membership Criteria** means the criteria set out in Exchange Rule 3.2;

**Membership Procedure** means the Membership Procedure in the Procedures;

**Non-Clearing Member** means any person that has been granted membership in the Exchange and is not a Clearing Member;

**Non-Reviewable Trading Range** has the meaning set out in the Trading Parameters Document;

**Notice** means any Notice published by the Exchange as such;

**Offer** means an Order to sell;

**Opening Hours** means the hours during which the Exchange is open for operations as set out on the Exchange's Website or as communicated to Members from time to time by any other means;

**Order** means a Bid or an Offer;

**Over the Counter** or **OTC** means executed outside the Exchange;

**Parent Undertaking** has the meaning given in section 1162 of the Companies Act 2006;

**Phantom Order** has the meaning given in Exchange Rule 6.19.1;

**Phantom Order Complaint** a Complaint the subject of which relates to a loss arising from a Phantom Order;

**Procedures** means the Procedures of the Exchange published as such;

**Product** means each type of Transaction that can be entered into through the Exchange and for which there is a Contract Specification;

**Regulatory Authority** means any relevant government entity or other authority, in any jurisdiction, which is responsible for authorising, supervising or otherwise regulating any part of the Exchange or its services or the Member or its business, as appropriate, or has any other regulatory, investigative, administrative or quasi-judicial jurisdiction, power or other similar function in relation to any part of the Exchange or its services or the Member or its business, as appropriate;

**Regulatory Functions** takes its meaning from section 291(3) of FSMA;

**Related Agreements** means the Customer Connection Agreement, Market Data Licence Agreement and any other agreement the Exchange requires Members to enter into in relation to activity on the Exchange, other than the Membership Agreement and the Exchange Rules;

**Representative** means, when applied to any person, any person which carries out or is responsible for any of that person's functions and shall include each director, officer, employee or agent of such person;

**Settlement Price** means, in relation to each Product, the official daily closing price as determined by the Exchange in accordance with Exchange Rule 6.2.2;

**Trading Procedure** means the Trading Procedure in the Procedures;

**Trading Session** means, in relation to each Product, each individual period during which Transactions can be executed on the Globex Platform as set out on the Website;

**Transaction** means a transaction formed between two Clearing Members in accordance with Chapter 5 of the Exchange Rules;



**User ID** means the unique user identification required to access the Globex Platform in accordance with Exchange Rule 6.5.1; and

**Website** means the Exchange's website from time to time at [www.cmeeurope.com](http://www.cmeeurope.com).

1.2 In these Exchange Rules unless otherwise specified:

- 1.2.1 the table of contents and the headings are inserted for convenience only and do not affect the interpretation of these Exchange Rules as specified;
- 1.2.2 references to Chapters are to the chapters of this Rulebook;
- 1.2.3 references to Exchange Rules are to the Exchange Rules or any particular one of the Exchange Rules;
- 1.2.4 references to any document are to that document as from time to time amended, restated, novated or replaced, however fundamentally;
- 1.2.5 references to a person include an individual, partnership, company, corporation, unincorporated body of persons and any government entity;
- 1.2.6 references to any statute or statutory provision include any subordinate legislation made under it;
- 1.2.7 references to any statute or statutory provision include any provision amending it or re-enacting it (whether with or without modification) which is the same as, or substantially similar to, the obligations imposed by the specified statute or statutory provision;
- 1.2.8 references to time are to London time unless otherwise specified and are set out in the 24 hour clock convention;
- 1.2.9 words importing the plural include the singular and vice versa and the use of any gender includes the other gender;
- 1.2.10 the words other, including and in particular shall not limit the generality of any preceding words or be construed as being limited to the same class as the preceding words where a wider construction is possible; and
- 1.2.11 any reference to the discretion exercised by the Exchange shall mean the Exchange's sole, unfettered and absolute discretion.

1.3 The Board of Directors shall have the authority to interpret the Exchange Rules. Save as otherwise provided, any such interpretations shall be final and conclusive.

- 1.4 This Exchange Rulebook shall be interpreted in conjunction with any Contract Module, Procedure and Notice. Each Member will be bound by such Contract Modules, Procedures and Notices as may be relevant to it which shall be set out on the Exchange's Website.
- 1.5 In the event of any conflict between:
- 1.5.1 the Exchange Rulebook and the Membership Agreement, the Exchange Rulebook shall take precedence;
  - 1.5.2 the Exchange Rulebook and the Procedures, the Exchange Rulebook shall take precedence;
  - 1.5.3 the Exchange Rulebook and a Notice, the Exchange Rulebook shall take precedence except to the extent that a Notice amends the Exchange Rulebook;
  - 1.5.4 the Exchange Rulebook and a Contract Module, the Contract Module shall take precedence insofar as the conflict relates to the Contract Specification for the type of Transaction governed by the Contract Module;
  - 1.5.5 between a Contract Module and the Clearing House Rules, the Clearing House Rules shall take precedence;
  - 1.5.6 between the Exchange Rules and any Related Agreement, the Exchange Rules shall take precedence; and
  - 1.5.7 between the Exchange Rules and the Clearing House Default Rules, the Clearing House Default Rules shall take precedence as set out in Exchange Rule 7.1.2.
- 1.6 No other exchange's rules shall apply to any activity on the Exchange.

## **CHAPTER 2**

### **GENERAL PROVISIONS**

#### **2.1 General**

- 2.1.1 The Exchange Rules, together with the Membership Agreement and any other documentation given contractual force pursuant to these Exchange Rules, form a contract between the Exchange and each Member. No person other than the Exchange has any obligation to Members under these Exchange Rules, the Membership Agreement or any Contracts, Transactions or Back-Off Transactions. No person who is not a Member, including for the avoidance of doubt a Customer, shall have any rights pursuant to the Contract (Rights of Third Parties) Act 1999 to enforce any provision of these Exchange Rules or the Membership Agreement.
- 2.1.2 A Member shall not assign, transfer or create any Encumbrance in relation to any of its rights or obligations under the Exchange Rules, the Membership Agreement or any Contract, Transaction or Back-Off Transaction save as otherwise set out in the Exchange Rules.

#### **2.2 Fees and set-off**

##### **Fees**

- 2.2.1 Members are liable to pay such fees and charges as shall be specified in the Fees and Charges Notice as published on the Website and emailed to Members, from time to time. The Exchange may amend its fees and charges at any time by way of a Notice and shall endeavour, but shall not be obliged, to give prior notice of any amendment by way of a Notice. The fees and charges incurred by a Member will reflect any discounts due to the Member from participation in any Liquidity Schemes that the Exchange may offer from time to time. Details of any Liquidity Schemes will be available on the Website.
- 2.2.2 The Clearing House will collect all fees due and payable under the Exchange Rules on behalf of the Exchange. The Clearing House shall invoice each Clearing Member in accordance with the Clearing House Rules for fees and charges incurred during the preceding month by that Clearing Member and any Non-Clearing Member or Customer for which it has cleared any Transaction during such preceding month. Each Clearing Member shall pay all such fees and charges incurred by it and any Non-Clearing Members or Customers for which it clears Transactions to the Clearing House in accordance with the Clearing House Rules.
- 2.2.3 Interest will be charged on any due but unpaid amount from the date on which the amount becomes due and payable under the Exchange Rules until the date of delivery

at such rate per annum as is set out in the Fees and Charges Notice and will be compounded daily.

2.2.4 All amounts set out in the Exchange Rules and elsewhere as being payable to the Exchange shall be deemed to be exclusive of any value added tax which is chargeable on the supply to which that amount relates. Accordingly, if value added tax is chargeable on any such supply and the corresponding amount, the relevant Member shall be responsible paying it in addition to the amount stated as payable.

2.2.5 All amounts payable by Members in connection with these Exchange Rules and any Transaction, Contract or Back-Off Transaction shall be paid without any deduction or withholding for or on account of tax unless such deduction or withholding is required by Applicable Law, in which case the amount of the payment due shall be increased to an amount which (after making the deduction or withholding) leaves an amount equal to payment which would have been due if no deduction or withholding had been required.

#### **Set off**

2.2.6 The Exchange may set off any obligation (whether mature or contingent) due to it from a Member against any obligation (whether matured or contingent) owed by the Exchange to the Member, regardless of the place of payment, account, branch or currency of either obligation.

2.2.7 If the obligations in relation to Exchange Rule 2.2.6 are in different currencies, the Exchange may convert either obligation at such rate of exchange prevailing at the time of calculation for the purpose of the set off. The Exchange shall be entitled to instruct the Clearing House, and the Clearing House shall be entitled to make any necessary adjustments to the Clearing Member's Accounts resulting from the exercise of its rights of set off.

2.2.8 Nothing in this Exchange Rule 2.2 will be effective to create a charge or other security interest. The rights of the Exchange under Exchange Rules 2.2.6 and 2.2.7 are without prejudice and in addition to any rights of set-off, lien, netting, liquidation, combination of accounts or appropriation under the Exchange Rules or otherwise.

#### **Currency of payment**

2.2.9 Amounts payable to the Exchange shall be paid in the currency stated by the Exchange. If a Member makes a payment in a currency other than that stated, the Exchange may convert such amount at such rate prevailing at the time of the calculation as it shall reasonably select. The Member shall indemnify the Exchange against any loss which the Exchange may suffer as a result of such conversion.

## 2.3 Amendments

- 2.3.1 The Exchange may amend the Exchange Rules at any time by issuing a Notice setting out the text of the amended Exchange Rules and, where appropriate, a brief explanation of the reason for the amendment.
- 2.3.2 Subject to Exchange Rule 2.3.5, the Exchange will publish any proposed amendment to an Exchange Rule for consultation and will invite Members to submit comments in writing within a specified deadline save that the Exchange shall not be required to consult on any amendments to Exchange Rules which:
- (a) are minor changes of an administrative or commercial character or where the Exchange reasonably considers that the amendment would not significantly affect the rights, obligations or liabilities of Members or that consultation is otherwise not appropriate;
  - (b) are considered by the Exchange necessary to ensure compliance with the Applicable Laws or a requirement of a Regulatory Authority by the Exchange or any Member;
  - (c) are considered by the Exchange necessary as a result of an Event of Default; or
  - (d) are otherwise considered by the Exchange to be necessary for the purpose of mitigating a significant risk to the Exchange (including by mitigating a significant risk to a Member) provided that the Exchange shall consult with Members on the continued applicability of the amendment following the conclusion of the urgent situation.
- 2.3.3 The Exchange may consult on a proposed amendment to the Exchange Rules with only a limited number of Members if it reasonably considers it appropriate to do so including where, in the Exchange's reasonable opinion, a proposed amendment will affect a limited number of Members or in the Exchange's reasonable opinion is a limited technical amendment.
- 2.3.4 Subject to Exchange Rule 2.3.5, a Notice setting out an amendment to the Exchange Rules shall state the date from which such amendment comes into effect, which shall not be earlier than ten (10) Business Days from the date of the Notice except that any of the amendments set out in Exchange Rule 2.3.2(a) to 2.3.2(d) may take immediate effect on the date of the Notice.
- 2.3.5 The Exchange may amend any Contract Module, any Contract Specification, the Procedures and Notices at any time by issuing a Notice setting out the text of the

amended Contract Module, Contract Specification, Procedure or Notice. Any such amendment shall have immediate effect unless otherwise stated in the Notice.

2.3.6 By continuing to use the Exchange, a Member will be deemed to accept any amendments to the Exchange Rules pursuant to Exchange Rules 2.3.1 and 2.3.5. For the avoidance of doubt, no Member shall be entitled to use the Exchange unless it accepts the Exchange Rules.

2.3.7 No amendment to the Exchange Rules shall have the effect of extinguishing any right or discharging any liability incurred under the Exchange Rules before such amendment came into effect.

2.3.8 The Exchange shall notify Members of any changes in its Business Days and Opening Hours from time to time by Notice published on the Website and emailed to Members.

2.3.9 If at any time the Exchange decides to cease acting as an exchange, either generally or in relation to a particular type of Product, it shall give prior notice to Members where possible and as soon as reasonably practicable of the proposed withdrawal date, by publishing a Notice on the website and by email to Members.

## 2.4 **Limitations of liability and indemnity**

2.4.1 Neither this Exchange Rule 2.4 nor any other Exchange Rule shall affect the application of section 291 FSMA nor exclude or restrict the liability of the Exchange or any other person:

- (a) in respect of fraud, bad faith or wilful default;
- (b) in respect of personal injury or death resulting from negligence, recklessness or an intentional act or omission; or
- (c) otherwise to the extent it cannot be excluded or restricted in accordance with the Applicable Law.

2.4.2 Except as provided in Exchange Rule 2.4.6 and Exchange Rule 2.4.7, the Exchange and each of its Affiliates and each of their respective Representatives shall not be liable to any person for any losses, liabilities, damages, claims, costs or expenses arising from:

- (a) any failure, malfunction, fault in delivery, delay, omission, suspension, inaccuracy, interruption, termination, or any other cause, in connection with the furnishing, performance, operation, maintenance, use of or inability to use, all or any part of any of the systems and services of the Exchange or services, equipment or facilities used to support such systems and services, including electronic order entry and delivery, trading through any electronic means,

electronic communication of market data or information, workstations used by Members or Customers and authorised employees of Members or Customers, price reporting systems and any and all terminals, communications networks, central computers, software, hardware, firmware and printers relating thereto; or

- (b) any failure or malfunction, fault in delivery, delay, omission, suspension inaccuracy, interruption or termination, or any other cause, of any system or service of the Exchange or services, equipment or facilities used to support such systems or services, caused by any third parties including independent software vendors and network providers; or
- (c) any errors or inaccuracies in information used in any systems of the Exchange or provided by the Exchange or any Exchange systems, services or facilities; or
- (d) any unauthorised access to or unauthorised use of any Exchange systems, services or facilities by any person; or
- (e) any error, delay or inaccuracy in the submission of an Order or the transmission of information to the Exchange; or
- (f) the acts or omissions of the Exchange, the Clearing House, any Member, any Customer or any third party and any of their respective Representatives;
- (g) any dispute relating to the validity, existence or terms of any Transaction, Contract or Back-Off Transaction; or
- (h) any inability to perform its obligations under these Exchange Rules as a result of an event of force majeure (as defined in Exchange Rule 3.13.1(e)).

2.4.3 The limitations of liability in Exchange Rule 2.4.2 shall apply whether:

- (a) a claim arises in contract, tort, negligence, strict liability, breach of statutory duty, contribution or otherwise; or
- (b) a claim is brought directly or as a third party claim.

2.4.4 Neither the Exchange nor any of its Affiliates, nor any of their respective Representatives, shall in any circumstances be liable to a Member or any other person for:

- (a) loss of or anticipated loss of profit, loss of or anticipated loss of revenue, loss of use, business interruption, loss of use of any equipment, loss of any contract or other business opportunity or goodwill or punitive loss; or

(b) indirect loss or consequential loss,

2.4.5 regardless of whether the Exchange has been advised of the possibility of such loss or whether such loss otherwise could have been foreseen.

*Liability in relation to GCC*

2.4.6 The Exchange may, in its sole discretion, assume responsibility for direct losses caused by the negligence of GCC or other Exchange staff and/or order status errors provided by GCC. If such liability is accepted, the total aggregate obligations for the Exchange shall not exceed USD 25,000 for all losses suffered from all causes in a single calendar month, except for losses caused by Phantom Orders which are subject to the provisions of Exchange Rules 2.4.10 to 2.4.14.

*Collective total aggregate liability per month in relation to GCC*

2.4.7 Without prejudice to Exchange Rule 2.4.1 to Exchange Rule 2.4.4, in no circumstances shall the collective total aggregate liability of the Exchange exceed USD 25,000 in any single calendar month for any claims arising out of any negligence, inaccuracies, interruptions, faults in delivery, delays, omissions, suspensions, other causes, except for Phantom Orders which are subject to the provisions of Exchange Rules 2.4.10 to 2.4.14, in connection with the furnishing, performance, operation, maintenance, use of or inability to use all or any part of the Exchange's systems or services, or services, equipment or facilities used to support such systems and services, or the negligence of Exchange staff.

2.4.8 Any initial claim of loss made under Exchange Rule 2.4.6 shall include a detailed description of any loss suffered and must be submitted to the Exchange within ten (10) Business Days of the date of the incident that caused the loss. A claimant's failure to pursue its claim within these time limits shall bar recovery on such claim under Exchange Rule 2.4.6. For the avoidance of doubt, should a Member fail to submit an initial claim of loss in accordance with this Exchange Rule 2.4.8, or not wish to have a GCC Complaint considered in accordance with Exchange Rule 2.4.6, the Member shall be entitled to submit an Exchange Complaint, in accordance with the Complaints Procedure, which covers the same content that could have formed the GCC Complaint had an initial claim of loss been filed under this Exchange Rule 2.4.8.

2.4.9 If the number of allowable claims in a single calendar month cannot be fully satisfied because to fully satisfy all claims would result in the monthly liability limitation set out in Exchange Rule 2.4.6 or Exchange Rule 2.4.7 being exceeded, all claims received in the relevant calendar month shall be settled with reference to a pro rata share of the maximum monthly liability limit.



*Liability in relation to Phantom Orders*

- 2.4.10 If Transactions executed on the Globex Platform, which have arisen from a Phantom Order are not voided in accordance with Exchanges Rules 6.19.3 or 6.19.4, the person who traded opposite such Phantom Order shall have no recourse against the Exchange. The gain or loss on the liquidation of positions resulting from execution of such Phantom Orders shall be the Exchange's responsibility. The Exchange's liability to such person shall be limited to the prices at which the positions could have been liquidated during the relevant time period set out in Rule 6.19.5. Without prejudice to the exclusion of liability above, in no circumstances shall the total aggregate obligations for the Exchange exceed USD 25,000 for all such losses in relation to which liability is accepted by the Exchange in a single calendar month.
- 2.4.11 Subject to Exchange Rule 2.4.1, the collective total aggregate liability of the Exchange for direct losses caused by Phantom Orders shall not exceed USD 25,000 in any single calendar month. Claims made under Exchange Rule 2.4.10 shall not be considered by the Exchange until a Member has liquidated all positions resulting from execution of Phantom Orders, as directed by the Exchange in accordance with Exchange Rule 6.19.5.
- 2.4.12 The initial claim of loss, including a detailed description of any loss suffered, must be made to the Exchange within ten (10) Business Days of the date of the incident that caused the loss. A claimant's failure to pursue its claim within these time limits shall bar any recovery on such claim under Exchange Rule 2.4.10. For the avoidance of doubt, should a Member fail to submit an initial claim of loss in accordance with this Exchange Rule 2.4.12, or not wish to have a Phantom Order Complaint considered in accordance with Exchange Rule 2.4.10, the Member shall be entitled to submit an Exchange Complaint, in accordance with the Complaints Procedure, which covers the same content that could have formed the Phantom Order Complaint had an initial claim of loss been filed under this Exchange Rule 2.4.12.
- 2.4.13 If the aggregate total liability of the Exchange for direct losses caused by Phantom Orders in a single calendar month cannot be fully satisfied because to fully satisfy all claims would result in the monthly liability limitation set out in Exchange Rule 2.4.10 being exceeded, all claims received in the relevant calendar month shall be settled with reference to a pro rata share of the maximum monthly liability limit.
- 2.4.14 Subject to Exchange Rule 2.4.1, a claim against the Exchange which arises out of any failure, malfunction or Phantom Order shall be strictly subject to the respective liability limits of this Exchange Rule.

*No warranty*

- 2.4.15 Except as expressly stated in the Exchange Rules and to the extent permitted by law, neither the Exchange, nor its Affiliates, nor any of their respective Representatives gives any express or implied warranties or representations (including warranties of satisfactory quality and fitness for a particular purpose or use) relating to any systems or services of the Exchange or services, equipment or facilities used to support such systems and services, including the Globex Platform.

*Indemnity*

- 2.4.16 Each Member shall indemnify the Exchange, each of its Affiliates and each of their Representatives against any and all losses, liabilities, damages, claims, costs or expenses suffered or incurred by the Exchange, an Affiliate or any of their Representatives arising out of or in connection with the Member's conduct or its breach of these Exchange Rules, any Transaction, Contract or Back-Off Transaction or the Applicable Law.
- 2.4.17 Nothing in these Exchange Rules shall require the Member to indemnify the Exchange to the extent not permissible in accordance with the Applicable Law.
- 2.4.18 Without prejudice to Exchange Rule 2.4.3, the Exchange shall not be liable to any person which is not a Member.
- 2.4.19 For the avoidance of doubt, each, and each part of, each Exchange Rule 2.4.1 to Exchange Rule 2.4.18 shall be construed separately, applying and surviving if for any reason one or more than one of the other of Exchange Rules 2.4.1 to Exchange Rule 2.4.18 or any part thereof is held in any jurisdiction to be invalid, illegal or unenforceable.

**2.5 Confidentiality**

- 2.5.1 The Exchange will treat as confidential all information received from a Member acquired by it in the course of its operations or investigations or which is held by the Exchange and relates to Transactions, Contracts and Back-Off Transactions which the Member has entered into as confidential and, subject to Exchange Rule 2.5.2, shall not disclose it to any other person unless the Member agrees otherwise, or the information is or comes into the public domain other than as a result of a breach of this Exchange Rule 2.5.1 by the Exchange or its Representatives.
- 2.5.2 The Exchange may disclose such information to such persons, agencies or authorities having responsibility for or in connection with the regulation of investment or any other financial business and this shall include without limitation the Secretary of State or his designated agency and investment exchanges, clearing houses and self regulating

organisations recognised under FSMA or in connection with the enforcement of any Applicable Law as the Exchange thinks fit (but without prejudice to any other right to disclosure given to it in the Exchange Rules) or to any other person to which, and on such terms, as the Exchange considers it reasonably appropriate to disclose such information.

- 2.5.3 Members shall be deemed to consent to any disclosure or non-disclosure of information by the Exchange that is required or permitted by section 348 of FSMA.
- 2.5.4 Any information that is provided to a Clearing Member in order to facilitate a delivery in accordance with Rule 11.3.1 of the Clearing House Rules, including, but not limited to, the subject matter of the Contract, the identity of the other Clearing Member and the value of the delivery, may only be used by the Clearing Member for the sole purpose of making the delivery as directed by the Clearing House.
- 2.5.5 As between the Exchange and each Member, the Exchange shall own all intellectual property rights in any data submitted to the Exchange by the Member or a Customer of the Member. The Member will promptly execute, and will use reasonable endeavours to procure that any third parties promptly execute, such documents and do such acts as the Exchange may reasonably consider necessary to give full effect to this provision. Notwithstanding Exchange Rule 2.5.1, the Exchange may licence such data in accordance with normal market practice.

#### **Data protection**

- 2.5.6 The Exchange is a data controller in relation to personal information provided by the Members and their Representatives. Each Member shall ensure that any of its Representatives whose personal data is provided to the Exchange has consented in advance to such data being controlled and processed by or on behalf of the Exchange and that the disclosure of such personal data is lawful.
- 2.5.7 The Exchange shall be entitled to disclose personal data to such persons and for such purposes as set out in Exchange Rule 2.5, and the Exchange and any such person to which personal data is provided may transfer it outside the European Economic Area for processing.
- 2.5.8 Each data subject may, on application to the Exchange and payment of a small fee to the Exchange, receive a copy of the personal data held by the Exchange in respect of it and require the Exchange to correct any errors or inaccuracies.
- 2.5.9 In this Exchange Rule 2.5.9, the terms **personal data**, **controller** and **data subject** have the meanings given to such terms in the Data Protection Act 1998.

## 2.6 **Severability**

2.6.1 Each of the Exchange Rules is severable and distinct from the others. It is intended that every Exchange Rule and every part of each Exchange Rule shall be and remain valid and enforceable to the fullest extent permitted by law. If any Exchange Rule or part of an Exchange Rule is or at any time becomes to any extent invalid, illegal or unenforceable for any reason, it shall to that extent be deemed not to form part of these Exchange Rules but the validity, legality and enforceability of the remaining Exchange Rules and parts of these Exchange Rules shall not be thereby affected or impaired.

## 2.7 **Waiver**

2.7.1 Except as specifically provided in these Exchange Rules, no waiver of any of these Exchange Rules or any part thereof shall be effective unless the same shall be in writing, and then such waiver shall be effective only in the specific instance, for the purpose for which the same is given, and such waiver shall not operate as a waiver of any future application of such Exchange Rule or part thereof.

2.7.2 The waiver of any right, and the failure to exercise any right or to insist on the strict performance of any of the Exchange Rules, shall not operate as a waiver of, or preclude any further or other exercise or enforcement of that or any other right.

2.7.3 Any times fixed by these Exchange Rules for the doing of any act or acts required by these Exchange Rules may be waived or suspended by the Exchange, the Board of Directors or such Committee as the Board of Directors may designate, whenever, in its, judgment, such extension, waiver or suspension is necessary or expedient.

## 2.8 **Governing law and arbitration**

2.8.1 The Exchange Rules shall be governed by and construed in accordance with the laws of England and Wales.

2.8.2 Subject to Exchange Rule 2.8.4, any dispute between the Exchange and Member arising out of or in connection with the Exchange Rules or any Transaction, Contract or Back-Off Transaction including any question regarding the validity of the Membership Agreement shall be referred to and finally resolved by arbitration under the rules of the London Court of International Arbitration, which rules are deemed to be incorporated by reference into this Exchange Rule 2.8.

2.8.3 The number of arbitrators shall be three (3). Each party shall appoint one (1) arbitrator and the remaining arbitrator shall be appointed by agreement between the arbitrators appointed by each party. The third arbitrator shall serve as chairman. The seat, or legal

place, of arbitration shall be London. The language to be used in the arbitral proceedings shall be English.

2.8.4 A Member may not submit a dispute, the subject matter of which could constitute a Complaint or which is subject to Disciplinary Proceedings under Chapter 8 of the Exchange Rules, to be resolved by arbitration in accordance with Exchange Rule 2.8.2 unless and until it has submitted a Complaint on such subject in accordance with the Exchange Rules and that Complaint has been subjected to the procedures set out in the Exchange Rules or the Disciplinary Proceedings to which it is subject have finished, including, where relevant, any related Appeal pursuant to Exchange Rule 8.5.

2.8.5 The commencement of any arbitral proceedings pursuant to Exchange Rule 2.8.2 shall be without prejudice to and shall not limit in any way the right of the Exchange to instigate any procedure under the Exchange Rules, including without limitation in relation to any Event of Default or any Investigation or Disciplinary Proceedings.

2.8.6 The Exchange will not be responsible for compliance or non-compliance by any other person with the requirements under the FCA's Rules, including concerning offers made to the public.

## 2.9 **Waiver of sovereign immunity**

2.9.1 In the event that a Member purports to be a state entity, such entity irrevocably acknowledges and accepts that the Exchange Rules and all agreements entered into or in connection herewith (including all appendices, schedules and exhibits thereto) and the performance or non-performance of its obligations under the Exchange Rules are commercial rather than public or governmental acts. In any event, the Member hereby waives in relation to any disputes arising out of or in connection with the Exchange Rules under any law or in any jurisdiction, notwithstanding the dispute(s) relate(s) to acts of a sovereign or governmental character, any claim the Member may have or may acquire to immunity on the grounds of sovereignty or otherwise (for itself/themselves and its/their property, present or subsequently acquired) from:

- (a) any jurisdiction and the service and pursuit of any proceedings in that jurisdiction;
- (b) procedural privileges relating to the obligation to disclose documents or information; and
- (c) any relief, before or after proceedings have been commenced, including but not limited to orders for injunction, specific performance, or recovery of land; any set off, attachment or execution or enforcement of a judgment or arbitral award against its sovereign property (or in an action in rem for the arrest, detention or

sale of its sovereign property) irrespective of that property's use or intended use, whether commercial or otherwise, including without prejudice to the generality of sovereign property, any assets held on behalf of a central bank, diplomatic assets, tax revenues or other payments to the sovereign or cultural, historic or scientific collections.

**2.10 No Proceedings**

- 2.10.1 No Member shall take any action to commence an insolvency or reorganisation proceeding (including, without limitation, by presentation of a winding up petition) in relation to the Exchange.
- 2.10.2 No Member shall take any action (including, but not limited to, commencing a court or arbitral proceeding) with the intention of or that would limit or interfere with the ability of the Exchange, acting lawfully and in good faith, to exercise its rights and perform its obligations in connection with its Regulatory Functions. For the avoidance of doubt, nothing in this provision shall prevent Members from taking any actions permitted under Chapter 8 of the Exchange Rules.

## **CHAPTER 3**

### **MEMBERSHIP**

#### **3.1 Types of membership and application**

- 3.1.1 A person must, at a minimum, demonstrate to the Exchange that it can satisfy the Membership Criteria. The process for applying for membership is set out in the Membership Procedure. Each application for membership shall be accompanied by the appropriate fee as set out in the Membership Procedure, unless such fee has been waived by the Board of Directors. The application fee is non-refundable in any event.
- 3.1.2 There are two categories of membership: Clearing Member and Non-Clearing Member. The Exchange may create further categories of Member depending on the types of Transaction to be executed. The Exchange may apply different Membership Criteria in respect of different categories of Member.
- 3.1.3 A Member must continue to satisfy the Membership Criteria applicable to its category of membership for so long as it remains a Member of that category.
- 3.1.4 Each Member shall, and shall procure that its Representatives shall act in accordance with the Exchange Rules. Different Exchange Rules may apply to different categories of Member and the applicable Exchange Rules may include a Contract Module that is specific to the type of Transaction entered into by a particular category of Member.

#### **3.2 Membership Criteria**

- 3.2.1 To satisfy the Membership Criteria, a person must at all times:
- (a) be incorporated as a body corporate, partnership or other business organisation or entity in any jurisdiction;
  - (b) have all necessary authorisations, licences, permissions, approvals or equivalent in respect of each Regulatory Authority;
  - (c) comply with all Applicable Law and the requirements of each Regulatory Authority which has jurisdiction over it;
  - (d) not be subject to an Insolvency Event or an Event of Default or any circumstances pursuant to which either an Insolvency Event or an Event of Default could be declared;
  - (e) have capital of at least the amount set out in the Membership Procedure for this purpose;

- (f) be party to an executed Membership Agreement and such other agreements as required by the Exchange from time to time, including where applicable the Related Agreements;
- (g) be a Clearing Member or ensure that a Clearing Member assumes responsibility for any Transactions and Contracts resulting from their activities and the activities of any of their Customers on the Exchange;
- (h) have nominated a Representative, who is sufficiently senior and familiar with the Exchange Rules and the Member's activities in relation to the Exchange, to be available to deal with any query or issue raised by the Exchange and be responsible for the Member's actions and the representation of the Member before the Exchange and its Committees (a **Nominee**);
- (i) not have been, or have any senior Representative who has been, convicted of any offence involving fraud, theft, false accounting, offences against the administration of public justice, serious tax offences or other dishonesty or an offence relating to companies, insurance, banking, other financial services, consumer credit or consumer protection, money laundering, bribery, market abuse or insider dealing or be, or have any senior Representative who is, under investigation for committing such an offence;
- (j) satisfy the Exchange as to its fitness and propriety, financial, operational, technical and risk management capacity, competence, facilities and organisational arrangements to be able to satisfy its obligations under the Exchange Rules and demonstrate, to the satisfaction of the Exchange, that its systems and controls ensure that all personnel, agents and representatives who act on behalf of or in the name of the Member in the conduct of business on the Exchange are fit and proper with appropriate qualifications and experience and are trained and properly supervised to perform such functions in connection with the conduct of business on the Exchange;
- (k) satisfy the Exchange that it has in place adequate systems and controls surrounding the submission of Orders to the Exchange, including any controls required by the Exchange or any Regulatory Authority and systems and controls to ensure that any individuals who submit Orders to the Exchange in its name are fit and proper, suitable, adequately trained and properly supervised to perform such activity;
- (l) satisfy the Exchange that it has in place adequate written anti-money laundering, bribery and corruption, risk management and disaster recovery and



business continuity policies and procedures to ensure that it is able to perform its obligations under the Exchange Rules and Applicable Law;

- (m) be engaged in or demonstrate immediate capacity to engage in activity on the Exchange;
- (n) demonstrate that it is in compliance with the Exchange Rules; and
- (o) satisfy any further requirements which the Exchange may reasonably impose on a Member from time to time, including, for the avoidance of doubt, in the case of an entity that is not authorised by the FCA or a Regulatory Authority within another Member State of the European Union, to agree to be bound by the ESMA Guidelines.

3.2.2 The Membership Criteria set out in paragraphs 3.2.1(b) to 3.2.1(d) shall also apply to each of the Member's Parent Undertakings and Guarantors.

### 3.3 **Clearing Membership Criteria**

3.3.1 To satisfy the Clearing Membership Criteria, a person must at all times:

- (a) satisfy the Membership Criteria; and
- (b) be a member of the Clearing House which is permitted to clear Transactions under the Clearing House Rules and be in compliance with the Clearing House Rules.

### 3.4 **Trading for Customers**

3.4.1 Each Member may submit Orders to the Exchange on behalf of a Customer provided that the Member shall be deemed to submit such Orders as principal.

3.4.2 Where a Member submits Orders to the Exchange on behalf of a Customer:

- (a) it shall provide such further information about such Customer and the Orders submitted on its behalf as the Exchange may require and use its best endeavours to procure that each Customer provides to the Exchange such information about such Customer and the Orders submitted on its behalf as the Exchange may require;
- (b) it must satisfy itself that the acts and omissions of its Customers and their Representatives will not prevent it from complying with the Exchange Rules, it must impose the prohibitions set out in Exchange Rule 3.11 on each Customer and its Representatives and it must procure that each Customer and its

Representative complies with Chapter 6 of the Exchange Rules as if the Customer were a Member; and

- (c) it must procure that each Customer cooperates with the Exchange in the event of any action being taken against the Member in the same way as set out in Exchange Rule 8.2.2 save that the Customer shall not be required to permit access without notice to its business premises.

3.4.3 Without prejudice to Exchange Rules 3.12 and 3.13, if the Exchange has reason to believe or suspect that any Customer is conducting trading activities in violation of the Exchange Rules or in a manner that otherwise threatens the integrity or liquidity of any Product, the Exchange may request such Customer to submit to the processes set out in Chapter 8 of the Exchange Rules for the purpose of such matter, in which case Chapter 8 of the Exchange Rules will apply to such matter as though the Customer were a Member and the Member shall cooperate with the Exchange in the same way as set out in Exchange Rule 8.2.2.

### 3.5 **Clearing for Clients**

3.5.1 Each Clearing Member shall be responsible for ensuring that, where applicable, each Non-Clearing Member for which the Clearing Member assumes responsibility in accordance with Exchange Rule 3.2.1(g) and each Customer for which a Clearing Member submits Orders to the Exchange in accordance with Exchange Rule 3.4 or allows to submit Orders to the Exchange via Direct Market Access in accordance with Exchange Rule 3.6 shall enter into the CME Clearing Europe Limited Client Clearing Documentation (where applicable).

3.5.2 Each Non-Clearing Member for which a Clearing Member assumes responsibility in accordance with Exchange Rule 3.2.1(g) shall be a Client of that Clearing Member for the purposes of the Clearing House Rules.

3.5.3 Each Customer for which a Clearing Member submits Orders to the Exchange in accordance with Exchange Rule 3.4 or allows to submit Orders to the Exchange via Direct Market Access in accordance with Exchange Rule 3.6 shall be a Client of that Clearing Member for the purposes of the Clearing House Rules.

### 3.6 **Direct Market Access**

3.6.1 Members may provide Direct Market Access.

3.6.2 Any Member responsible for providing Direct Market Access shall be responsible for all activity conducted and any messages, including any Orders, submitted to the Globex Platform, by any of its Customers via Direct Market Access. For the avoidance of doubt,

any Orders submitted via Direct Market Access will be deemed to have been submitted by the Member providing the service as principal and the Exchange may take disciplinary action, in accordance with Chapter 8 of these Exchange Rules, against a Member for failure to ensure that the provision of the Direct Market Access complies with this Exchange Rule 3.6.

3.6.3 Any Member who provides Direct Market Access must:

- (a) have systems and controls in place, including pre-trade and post-trade controls, to ensure the provision of Direct Market Access does not cause the Member to breach any Exchange Rule, lead to disorderly trading or facilitate conduct that may involve market abuse;
- (b) satisfy itself that any Customer to which it provides Direct Market Access is permitted to access Direct Market Access services from that Member and has the relevant level of fitness and propriety, financial, operational, technical and risk management capacity and competence to submit Orders via Direct Market Access, and provide evidence of such to the Exchange upon request; and
- (c) upon request, provide to the Exchange information about any Direct Market Access services it offers, including copies of any policies and procedures it has in place to ensure compliance with this Exchange Rule 3.6.3.

### 3.7 **Liquidity schemes**

3.7.1 The Exchange may from time to time, in the interest of promoting market liquidity, operate one or more Liquidity Schemes. The Exchange shall, in relation to each Liquidity Scheme, determine the terms of the Liquidity Scheme including, but not limited to, the categories of Member who shall be eligible to participate in a Liquidity Scheme, the maximum number of participants in a Liquidity Scheme, the benefits to the participating Members of a Liquidity Scheme and the Products to which the Liquidity Scheme shall relate. Details of any Liquidity Schemes offered by the Exchange from time to time will be published on the Website.

### 3.8 **Clearing Member Responsibilities**

3.8.1 A Clearing Member must promptly suspend or terminate a Non-Clearing Member's or a Customer's access to the Globex Platform if the Exchange considers it appropriate to protect the integrity of the Exchange or the liquidity of any Product or to deal with a violation of any Exchange Rule or if the Non-Clearing Member or Customer fails to cooperate in an Investigation and the Exchange so requests.

3.8.2 If a Clearing Member has not suspended or terminated a Non-Clearing Member's or a Customer's access to the Globex Platform, as required by Exchange Rule 3.8.1, within a period of time that either the Exchange or GCC considers in their sole discretion to be reasonable, the Exchange or GCC may take such action as is required to immediately suspend or terminate the NCM's or Customer's access to the Globex Platform.

### 3.9 Notification Requirements

3.9.1 Each Member shall notify the Exchange in writing immediately in the event of any of the following:

- (a) it ceases to be able to satisfy any of the Membership Criteria and, if applicable, the Clearing Membership Criteria, or reasonably believes it may cease to do so;
- (b) any material changes are made to the information previously provided to the Exchange;
- (c) the Member is notified that a Regulatory Authority shall investigate any of its affairs or those of any of its Parent Undertakings or Guarantors which is material in terms of the overall size of its group or take disciplinary or other formal action against it or a Parent Undertaking or Guarantor or the Member has reason to believe that a Regulatory Authority is considering the same; and
- (d) of anything relating to the Member of which the Exchange would reasonably expect notice.

3.9.2 Each Member shall give the Exchange prompt prior written notice of any material change in its form or organisation, ownership structure, or business operations, including:

- (a) a merger, combination or consolidation between the Member and another person;
- (b) a change in the direct or indirect beneficial ownership of 10% or more of the equity of the Member;
- (c) the sale of a significant part of the Member's business or assets to another person; and
- (d) a material change in its business operations.

3.9.3 Each Member shall furnish to the Exchange such documents in a timely manner with respect to any of the foregoing events as the Exchange may from time to time require.

3.9.4 All information provided to the Exchange by or on behalf of the Member shall be accurate, complete and not misleading and shall be provided in a format approved by the Exchange. All information provided to the Exchange shall be in English.

**3.10 Right to audit**

3.10.1 The Exchange shall be entitled to conduct audits on each Member's compliance with the Exchange Rules. Each Member shall for such purposes:

- (a) provide such information, books and records as the Exchange may reasonably request; and
- (b) cooperate with the Exchange in the same way as set out in Exchange Rule 8.2.2 for such purposes save that the Member shall not be required to permit access without notice to its business premises.

**3.11 Prohibitions**

3.11.1 A Member shall not:

- (a) breach any Applicable Law or requirements of a Regulatory Authority or any of these Exchange Rules;
- (b) engage in any behaviour which amounts to market abuse, insider dealing, market manipulation, money laundering, bribery or corruption, fraud or which is in breach of any similar Applicable Law and, which in the reasonable opinion of the Exchange, would be likely to have a material adverse effect on the Member's suitability as a Member;
- (c) engage in any other practice which the Exchange reasonably considers to be capable of impairing the integrity of the Exchange;
- (d) take any action which in the reasonable opinion of the Exchange is likely to bring the Exchange or any of the Members into disrepute or otherwise damage the reputation of the Exchange;
- (e) use any of the facilities provided by the Exchange in contravention of the Exchange Rules or other than for the purpose of conducting its business as a Member; or
- (f) fail to supervise properly its Representatives and Customers and their Representatives in their use of the Exchange in the reasonable opinion of the Exchange.

### 3.12 **Summary access denial**

- 3.12.1 The Chief Executive Officer or the Head of Market Regulation and Surveillance of the Exchange or any of their delegates, upon a good faith determination that there are substantial reasons to believe that such immediate action is necessary to protect the best interests of the Exchange, may order that any Member and/or Customer be denied access to the Exchange and/or the Globex Platform.
- 3.12.2 The relevant persons shall promptly be informed of the action taken pursuant to Exchange Rule 3.12.1, the reasons, and the effective date, time and duration of the access denial. If a Member wishes to have its access to the Exchange and/or the Globex Platform restored before the end of the stated period, it may request in writing the Exchange to refer the matter to a Disciplinary Panel. The Disciplinary Panel will hear the matter in accordance with Exchange Rules 8.4.10 to 8.4.17. In addition to the sanctions available to the Disciplinary Panel pursuant to Exchange Rule 8.4.14, the Disciplinary Panel shall have the right to cancel, shorten or extend the period for which the Member is denied access to the Exchange and/or the Globex Platform. The Member shall cooperate with the Exchange as set out in Exchange Rule 8.2.2 and the appeal process set out in Exchange Rule 8.5 shall also apply.
- 3.12.3 If a Customer wishes to have its access to the Exchange and/or the Globex Platform restored before the end of the stated period, it may request the Exchange to refer the matter to a Disciplinary Panel as if it were a Member seeking to have its access restored in accordance with Exchange Rule 3.12.2.

### 3.13 **Emergency actions**

- 3.13.1 The Chief Executive Officer or Head of Market Regulation and Surveillance of the Exchange or any of their delegates is authorised to determine whether an emergency exists and whether emergency action is warranted. The following events and/or conditions may constitute emergencies:
- (a) any actual, attempted or threatened behaviour contrary to Exchange Rule 3.11 or Exchange Rule 6.11;
  - (b) any action taken by any government or government body or any Regulatory Authority or any other exchange or clearing house which may have a direct impact on trading on the Exchange;
  - (c) the occurrence of an actual or threatened Insolvency Event in respect of a Member or the imposition of any injunction or other restraint by a Regulatory Authority or a Member which may affect the ability of that Member to perform

any obligations it may have under any Transactions, Contracts or Back-Off Transactions;

- (d) any circumstance in which it appears that a Member or any other person has failed to perform any obligations it may have under any Transactions, Contracts or Back-Off Transactions or the Member or such person is in such financial or operational condition or is conducting business in such a manner that the Member or such person cannot be permitted to continue in business without jeopardizing the safety of Members or the Exchange;
- (e) Force majeure, which shall mean any circumstances (including but not limited to a strike, lockout, national emergency, governmental action, or act of God) which is beyond the control of the buyer or seller, and which prevents the buyer or seller from making or taking delivery or effecting payment when and as provided for in the Exchange Rules (each of which is a **Force Majeure Event**);
- (f) any other circumstance which may have a severe or adverse effect on the functioning of the Exchange.

3.13.2 In the event that the Chief Executive Officer or the Head of Market Regulation and Surveillance of the Exchange or any of their delegates determines pursuant to Exchange Rule 3.13.1 that an emergency exists, such person may take any of the following actions or any other action that may be appropriate to respond to the emergency:

- (a) terminate trading;
- (b) limit or deny access to the Exchange or the Globex Platform;
- (c) limit trading to liquidation of Transactions, Contracts or Back-Off Transactions only;
- (d) impose or modify position limits and/or order liquidation of all or a portion of a Member's or Customer's account;
- (e) order liquidation of positions as to which the holder is unable or unwilling to make or take delivery;
- (f) confine trading to a specific price range;
- (g) modify price limits;
- (h) modify the Trading Sessions;
- (i) modify conditions of delivery;

- (j) establish the Settlement Price and/or the final settlement price of any Transactions, Contracts or Back-Off Transactions;
- (k) amend any Contract Specifications;
- (l) order any other action to address or relieve the emergency.

3.13.3 The Exchange shall notify the FCA of any actions taken pursuant to this Exchange Rule 3.13.

#### 3.14 **Termination of membership**

3.14.1 A Member shall give notice of its intention to terminate its membership of the Exchange by providing the Exchange with notice in writing. The termination will not be effective until thirty (30) Business Days from the date of the notice. For the avoidance of doubt, if a Clearing Member ceases to be a Clearing Member in accordance with the Clearing House Rules, such Member will cease to be a Clearing Member under the Exchange Rules. In such circumstances, the Exchange shall deem the Member to be a Non-Clearing Member provided that the Membership Criteria in Exchange Rule 3.2 continue to be met. If the Membership Criteria in Exchange Rule 3.2 are not met when the Member ceases to be a Clearing Member of the Clearing House, the Exchange shall, in its sole discretion, terminate the Member's membership of the Exchange with immediate effect.

3.14.2 Subject to Exchange Rule 8.4.14, the Exchange may terminate the membership of any Member by providing the Member with not less than thirty (30) Business Days' notice in writing.

3.14.3 Following termination of a Member's membership, the Member shall:

- (a) remain subject to the Exchange's jurisdiction as set out in Chapter 7 until any actions arising as a result of a Declaration of Default having been issued to the Member have been completed;
- (b) remain subject to the Exchange's jurisdiction as set out in Chapter 8 with respect to matters that occurred prior to termination provided that the Exchange gives written notice of the commencement of an inquiry into such matters to the former Member within one (1) year of termination; and
- (c) promptly discharge any of its remaining obligations under the Exchange Rules and take such other actions as the Exchange deems necessary or appropriate for this purpose.



3.15 **Suspension**

- 3.15.1 A Member which is suspended under Chapter 8 may not submit Orders but shall continue to comply with the Exchange Rules and take such actions or cease to take such actions as the Exchange deems necessary or appropriate.

**CHAPTER 4**  
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## **CHAPTER 5**

### **FORMATION OF TRANSACTIONS AND CONTRACTS**

#### **5.1 Formation of Transactions**

5.1.1 When one Order is matched with another Order on the Globex Platform, a Transaction is created between the Clearing Member which submitted one of the Orders or which is responsible for the relevant Order pursuant to Exchange Rule 3.2.1(g) and the Clearing Member which submitted the other Order or which is responsible for the relevant Order pursuant to Exchange Rule 3.2.1(g).

5.1.2 Subject to this Exchange Rule 5.1.2, each Transaction is immediately deemed to be discharged by novation to the Clearing House so that two Contracts are formed on identical terms to the Transactions and:

- (a) the Clearing House shall assume, for one Contract, the position of seller to the buyer and, for the other Contract, the position of buyer to the seller, in each case in respect of the Transaction;
- (b) the Clearing House shall have all the rights and be subject to all the liabilities of each Clearing Member which was, or was deemed to be, party to the Transaction with respect to such Contract; and
- (c) each Clearing Member which has, or is deemed to have, any rights or obligations under the Transaction shall be released and discharged from all such rights and liabilities,

If a Transaction relates to a Contract Specification which is not capable of being accepted for clearing by the Clearing House it shall not be novated. If the Transaction is not novated, it shall be unwound by the Clearing Members concerned.

5.1.3 Where a Transaction is entered into by a Clearing Member on behalf of a Non-Clearing Member, immediately on the creation of the Contract, a Back-Off Transaction shall be formed between that Clearing Member and that Non-Clearing Member, the terms of which shall be identical to those of the Contract save that the Clearing Member shall assume the obligations of the Clearing House and the Non-Clearing Member shall assume the obligations of the Clearing Member.

5.1.4 For Transactions made pursuant to Exchange Rules 6.14 and 6.15, the Contract is formed on the basis set out in the Clearing House Rules and any Back-Off Transaction is formed at the time at which the Contract becomes unconditional in accordance with such rules. If the novation of the Transaction to the Clearing House does not become

unconditional in accordance with the Clearing House Rules, the Transaction shall be unwound by the Members concerned.

## 5.2 **Transactions**

- 5.2.1 Transactions may only be entered into by Clearing Members.
- 5.2.2 Each Clearing Member shall be party to and liable as principal in respect of each Transaction it enters into regardless of whether it is acting on its own behalf or on behalf of a Non-Clearing Member or a Customer.
- 5.2.3 Each Clearing Member shall be party to and liable as principal in respect of each Back-Off Transaction it enters into.
- 5.2.4 Each Non-Clearing Member shall be party to and liable as principal in respect of each Back-Off Transaction it enters into regardless of whether it is acting on its own behalf or on behalf of a Customer.
- 5.2.5 The Exchange has no contractual relationship with Customers under the Exchange Rules and Customers do not have any of the rights or benefits of a Member.
- 5.2.6 The validity of a Transaction is determined pursuant to the Exchange Rules. Each Transaction is subject to the Exchange Rules.

## 5.3 **Contracts**

- 5.3.1 The validity of a Contract is determined pursuant to these Exchange Rules and the Clearing House Rules. Each Contract is subject to the Exchange Rules and the Clearing House Rules as applicable.

## 5.4 **Transactions on behalf of Customers**

- 5.4.1 Where a Clearing Member enters into a Transaction on behalf of a Customer or a Non-Clearing Member enters into a Back-Off Transaction on behalf of a Customer, if the Member is buying from the Customer, it will be selling under the Transaction (if it is a Clearing Member) or the Back-Off Transaction (if it is a Non-Clearing Member) and if the Member is selling to the Customer, it will be buying under the Transaction (if it is a Clearing Member) or the Back-Off Transaction (if it is a Non-Clearing Member). For the avoidance of doubt, a contract between a Clearing Member and a Customer, or between a Non-Clearing Member and a Customer are not Market Contracts.
- 5.4.2 A Member must not represent to a Customer that it has entered into a CME Europe Exchange Limited transaction (in whatever terms) for a Customer unless a Transaction is entered into in respect of the relevant contract with the Customer.

## **CHAPTER 6**

### **TRADING**

#### **6.1 General**

- 6.1.1 Transactions shall be executed on the Exchange in accordance with this Chapter 6 and the Trading Procedure.
- 6.1.2 Transactions may be executed on the Exchange in any Product. The Exchange will only allow a Product to be traded if it believes the Product will satisfy the requirements of paragraph 7A(2) and (3) Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges and Clearing Houses) Regulations 2001.
- 6.1.3 The Exchange shall not exercise its power to suspend or remove from trading any financial instrument which no longer complies with the Exchange Rules where such an action would be likely to cause significant damage to the interests of Members or Customers or the orderly functioning of the Exchange.
- 6.1.4 The Exchange shall determine the Trading Session for each Product and set them out on the Website.
- 6.1.5 The Exchange may impose minimum and maximum price fluctuations in respect of any Product. Such limits are set out in the Contract Specifications.
- 6.1.6 The Exchange may impose trading parameters in respect of any Product as set out in the Trading Procedure.

#### **6.2 Globex opening and closing**

- 6.2.1 Prior to the opening of each Trading Session, the Globex Platform will provide an indicative opening price or prices for each Product, based on the Globex equilibrium price algorithm described in the Trading Procedure and on all pending Orders that may be executed on the opening. During the 30-second period prior to the opening, no previously entered Orders may be modified or cancelled, although new Orders may be entered.
- 6.2.2 The Exchange shall implement such procedures as it deems appropriate for determination of the Settlement Price and which are set out in the Trading Procedure.

#### **6.3 Globex access restrictions**

6.3.1 All connections to the Globex Platform, including direct connections of Non-Clearing Members, must be guaranteed by a Clearing Member that assumes full responsibility for all activity through the connection including the performance of all obligations under Transactions, Contracts and Back-Off Transactions formed pursuant to such activity.

#### 6.4 **Give ups**

6.4.1 A Clearing Member may give up a Contract to another Clearing Member in accordance with the Clearing House Rules, in which case, the guarantee referred to in Rule 6.3.1 is effective only until such time that the other Clearing Member accepts the Contract.

#### 6.5 **Identification of Globex Operators**

6.5.1 Each individual using the Globex Platform (a **Globex Operator**) must use a unique User ID to access it. If User IDs are required to be registered with the Exchange, the Clearing Member shall ensure that each such registration is current and accurate at all times. In no event may a person enter an Order or permit the entry of an Order by an individual using a User ID other than the individual's own User ID.

6.5.2 Any individual who submits Orders to the Exchange must have all necessary authorisations, licences, permissions, approvals or equivalent required by any relevant Regulatory Authority.

#### 6.6 **GCC**

##### ***Customer Support***

6.6.1 GCC provides Globex customer support and problem management to Representatives of Members and Customers designated by Clearing Members that have registered with GCC (**Registered Contacts**). GCC may not always be available to assist Registered Contacts. The telephone number through and hours during which GCC is available are on the Website. Persons other than Registered Contacts must contact their Clearing Members to make support requests.

##### ***Order Status***

6.6.2 A Member who has submitted an Order or executed a Transaction shall promptly advise GCC in the event that information relating to such Order or Transaction is not displayed or is displayed incorrectly.

6.6.3 In addition to the obligation set out in Exchange Rule 6.6.2, a person who believes he has received an incorrect Order status or does not receive an appropriate Order status shall immediately notify GCC or a Registered Contact who will do so on its behalf. Additionally, such person shall take any necessary and appropriate market action to

mitigate any potential losses arising from the incorrect Order status or lack of appropriate Order status immediately after the person knew or should have known that the Order status information was incorrect or should have been received.

#### 6.7 **Globex Transaction matching algorithms**

The Globex Platform may employ one or more of several predefined sets of matching algorithms to match Bids and Offers on the Exchange. Information on the operation of each of the matching algorithms is available on the Website.

#### 6.8 **Customers**

##### ***Priority of Orders***

- 6.8.1 A person shall exercise due diligence in the handling and execution of Customer Orders.
- 6.8.2 A person submitting non-discretionary Customer Orders as well as Orders for its own account (**House Orders**) shall always give priority to the Customer Orders. This Exchange Rule does not require a Member with a House Order which is already entered in the Globex Platform when a Customer Order is received to give precedence to that Customer Order.
- 6.8.3 Non-discretionary Customer Orders received by a Globex Operator shall be entered into the Globex Platform in the sequence received. Non-discretionary Orders that cannot be immediately entered into the Globex Platform must be entered when the Orders become executable in the sequence in which the Orders were received.

##### ***Trading against a Customer***

- 6.8.4 A person may not knowingly trade against a Customer Order, an account in which it or any of its Representatives has a direct or indirect financial interest or an account over which it has discretionary trading authority unless the Customer Order has been entered immediately upon receipt and has first been exposed on the Globex Platform for a minimum of 5 seconds in the case of futures Orders or for a minimum of 15 seconds in the case of options Orders.

#### 6.9 **Disclosing, withholding and withdrawing Orders**

- 6.9.1 No person shall disclose another person's Order except to the Exchange or a Regulatory Authority, and no person shall solicit or induce another person to disclose Order information. No person shall take action or direct another to take action based on non-public Order information, however acquired.

6.9.2 Any person entering Orders on the Globex Platform shall not withhold or withdraw from the market any Order or any part of any Order for the benefit of any person.

6.10 **Pre-execution communications**

6.10.1 Subject to Exchange Rule 3.11 and Exchange Rule 6.11, persons may engage in pre-execution communications with regard to Transactions and Back-Off Transactions executed on the Globex Platform where one party which initiates the pre-execution communication (the first party) wishes to be assured that a contra party (the second party) will take the opposite side of the Order under the following circumstances:

- (a) A person may not engage in pre-execution communications with other market participants on behalf of another person unless the person for whose benefit the Transaction or Back-Off Transaction is being made has previously consented to permit such communications.
- (b) Parties to pre-execution communications shall not (i) disclose to a non-party the details of such communications or (ii) enter an Order to take advantage of information conveyed during such communications except in accordance with this Exchange Rule.
- (c) In the case of futures Orders, the first party's Order must be entered into the Globex Platform first and the second party's Order may not be entered into the Globex Platform until a period of 5 seconds has elapsed from the time of entry of the first Order.
- (d) In the case of options Orders, subsequent to the pre-execution communication, a Request for Quote (**RFQ**) for the particular option or option spread or combination must be entered into the Globex Platform. Thereafter, a Request for Cross (**RFC**) Order which contains both the buy and the sell Orders must be entered into the Globex Platform no less than fifteen (15) seconds and no more than thirty (30) seconds after the entry of the RFQ in order to proceed with the Transaction or Back-Off Transaction, except in equity options where the RFC Order must be entered no less than five (5) seconds and no more than thirty (30) seconds after the entry of the RFQ. The RFQ and the RFC Order must be entered within the same Trading Session. Failure to enter the RFC Order within 30 seconds after the entry of the RFQ will require a new RFQ to be entered prior to the entry of the RFC Order, which must be entered in accordance with the time parameters described above in order to proceed with the Transaction or Back-Off Transaction.
- (e) An RFC cannot be used to cross futures Orders.



### ***Guaranteeing execution of Transactions***

6.10.2 A Member is prohibited from directly or indirectly guaranteeing the execution of an Order or any of its terms such as the quantity or price. A Member may only report an execution that has been effected through the Globex Platform or has been executed as a permissible privately negotiated Transaction in accordance with Exchange Rule 6.11.2(e). This Exchange Rule shall not be construed to prevent a Member from assuming or sharing in the losses resulting from an error or the mishandling of an Order.

### **6.11 Prohibited practices**

6.11.1 A person shall not engage in any of the behaviour set out in Exchange Rule 3.11.

6.11.2 Notwithstanding the generality of, and without prejudice to, Exchange Rule 6.11.1 a Member shall not engage in the following practices or behaviour:

- (a) Reporting or publication of false information about Orders or Transactions;
- (b) Transactions or Back-Off Transactions in which a party is improperly indemnified against losses;
- (c) Orders and Transactions which create a false appearance of trading activity or are intended to do so as further detailed in Exchange Rule 6.12 and the Trading Procedure;
- (d) Cross trades executed otherwise than in accordance with Exchange Rule 6.13.
- (e) Prearranging or pre-negotiating a Transaction made or intended to be made on the Exchange, except a Transaction made or to be made under Exchange Rule 6.10 or Exchange Rule 6.15;
- (f) knowingly, or having reason to know, entering into a Transaction or Back-Off Transaction in an attempt to conceal a potential or actual trading abuse by the Member or another person;
- (g) entering into a Transaction or Back-Off Transaction which the Member or the other party does not intend to close out or settle;
- (h) assigning a Transaction or Back-Off Transaction due to a Customer to another account;
- (i) executing one or more Transactions the principal rationale of which is to effect a monetary transfer between accounts in a concealed manner without creating or eliminating open interest or for no legitimate purpose; and

- (j) disorderly trading.

#### 6.12 **Wash trades**

Without prejudice to the generality of Exchange Rule 6.11.2(c), no person shall place or accept buy and sell Orders in the same Product and Contract Month, or, for a put or call option, the same strike price, where the person knows or reasonably should know that the purpose of the Orders is to avoid taking a bona fide market position exposed to market risk. 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 in Exchange Rule 6.11.2(c). Additionally, no person shall knowingly execute or accommodate the execution of such Orders by direct or indirect means.

#### 6.13 **Cross trades**

Opposite Orders for different beneficial owners that are simultaneously placed by a person with discretion over both accounts may be entered into the Globex Platform provided that one Order is exposed for a minimum of 5 seconds in the case of futures Orders or a minimum of 15 seconds in the case of options Orders before the other is entered. An Order allowing for price and/or time discretion, if not entered immediately upon receipt, may be knowingly entered opposite another Order entered by the same firm only if this other Order has been entered immediately upon receipt and has been exposed on the Globex Platform for a minimum of 5 seconds for futures Orders or a minimum of 15 seconds for options Orders.

#### 6.14 **Block trades**

- 6.14.1 The Exchange shall, in the Trading Procedure, designate the Products in which block trades shall be permitted and determine the minimum quantity thresholds for such Transactions.
- 6.14.2 A block trade must be for a quantity that is at or in excess of the applicable minimum threshold. Orders may not be aggregated in order to achieve the minimum Transaction size.
- 6.14.3 A Member shall not execute any Order by means of a block trade for a Customer unless such Customer has specified that the Order be executed as a block trade. During subsequent negotiation of the Order, it must be made clear to any potential counterparties that the price being quoted is a block trade price. A Member must not disclose the identity of the party to a block trade order to potential counterparties unless the Member has previously received that party's permission to do so.

- 6.14.4 The price at which a block trade is executed must be fair and reasonable in light of
- (a) the size of the block trade;
  - (b) the prices and sizes of other Transactions in the same Product at the relevant time;
  - (c) the prices and sizes of Transactions in other relevant markets including the underlying cash market or related futures markets at the relevant time; and
  - (d) the circumstances of the markets or the parties to the block trade.
- 6.14.5 Block trades shall not set off conditional Orders or otherwise affect Orders ordinarily submitted to the Globex Platform.
- 6.14.6 The seller or a third party authorised by the seller to act on its behalf (i.e. broker, the buyer, Clearing Member) must ensure that each block trade is reported within the time frame set out in Annex 1 of the Trading Procedure. The report must include the Product, contract month, price, quantity of the Transaction, the respective Clearing Members, the time of execution, and, for options, strike price, put or call and Contract Month. The Exchange shall promptly publish such information separately from the reports of Transactions submitted to the Globex Platform.
- 6.14.7 Block trades must be submitted to the Clearing House for clearing as set out in the Trading Procedure.
- 6.14.8 Members involved in the execution of block trades must maintain a record of the Transaction in accordance with Exchange Rule 6.21. The time of execution of the block trade must also be recorded.
- 6.15 **Exchange for related positions**
- 6.15.1 The following Transactions may be permitted by arrangement between the parties in accordance with the requirements of this Exchange Rule 6.15 and the Trading Procedure:
- (a) Exchange for Physical (**EFP**) – A privately negotiated and simultaneous exchange of a futures Transaction for a corresponding cash position.
  - (b) Exchange for Risk (**EFR**) – A privately negotiated and simultaneous exchange of a futures Transaction for a corresponding OTC swap or other OTC instrument.

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

6.15.2 For the purposes of this Exchange Rule, an EFP, EFR or EOO shall be referred to as an **Exchange for Related Position** or **EFRP**.

***Nature of an EFRP***

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

6.15.4 However, a Member may facilitate, as principal, the related position on behalf of a Customer, provided that the Member can demonstrate that the related position was passed through to the Customer who received the Transaction as part of the EFRP.

***Related Positions***

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

***Quantity***

6.15.6 The quantity covered by the related position must be approximately equivalent to the quantity covered by the Transaction.

***Prices and Price Fluctuations***

6.15.7 An EFRP transaction may be entered into in accordance with the applicable price fluctuations or option premium fluctuations set out in the Contract Specification governing the relevant Product, at such prices as are mutually agreed upon by the two parties to the EFRP transaction.

***Date and Time of EFRP transaction***

6.15.8 The date and the time of execution of all EFRP transactions must be denoted on the record of the Transaction required to be created pursuant to Exchange Rule 6.21. Notwithstanding the preceding sentence, EFRP transactions entered into ClearPort do not need a separate record of the transaction or time of execution provided that such

transactions are entered immediately after the relevant terms have been determined, but in no event later than the earlier of the time at which ClearPort next becomes available or the end of the permissible posting period as set out in the Trading Procedure for EFRP transactions following the expiration of the Contract Month.

***Identification and submission to the Clearing House***

- 6.15.9 Each EFRP transaction shall be designated as such and shall be cleared through the Clearing House. Each such transaction shall be submitted to the Clearing House within the time period and in the manner specified in the Trading Procedure. Clearing Members are responsible for exercising due diligence as to the bona fide nature of EFRP transactions submitted on behalf of Non-Clearing Members and Customers.

***Documentation***

- 6.15.10 Parties to any EFRP transaction must maintain all documents relevant to the Transaction and the cash, OTC swap, OTC option, or other OTC derivative, including all documents customarily generated in accordance with relevant market practices and any documents reflecting payment and transfer of title. Any such documents must be provided to the Exchange upon request, and it shall be the responsibility of the Clearing Member to provide such requested documentation on a timely basis.

***Account Requirements***

- 6.15.11 The accounts of the parties involved in the execution of an EFRP transaction must be:
- (a) independently controlled accounts with different beneficial ownership; or
  - (b) independently controlled accounts of separate legal entities with the same beneficial ownership, provided that the account controllers operate in separate business units; or
  - (c) independently controlled accounts within the same legal entity, provided that the account controllers operate in separate business units.

For EFRPs between accounts with common beneficial ownership, the parties to the trade must be able to demonstrate the independent control of the accounts and that the transaction had economic substance for each party to the trade.

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

entity and when the date of the futures Contract being offset is not the same as the date of the offsetting transaction.

**6.16 Position limits**

6.16.1 The Exchange may, at any time, impose a limit on the size of a position in any particular Product which a person may hold. Any such position limits and their application in terms of aggregation, exemptions and the consequences of violations will be set out in the Trading Procedure.

6.16.2 Exemptions may be available for:

- (a) position limits for bona fide hedge positions;
- (b) position limits for risk management; and
- (c) position limits for arbitrage, intracommodity spread, intercommodity spread, and eligible option/option or option/futures spread positions.

6.16.3 Any positions in excess of any limits imposed by the Exchange from time to time shall be deemed position limit violations. Additionally, any person making a Bid or Offer that would, if accepted, cause such person to exceed the applicable position limits shall be in violation of this Exchange Rule.

**6.17 Position accountability**

6.17.1 The Exchange may, at any time, require a person who owns or controls positions in Products traded on or cleared by the Exchange to provide information relating to such person's positions as set out in the Procedures. For the purposes of this Exchange Rule, all positions in accounts for which a person directly or indirectly holds positions or controls trading shall be included with the positions held by such person. Additionally, positions held by two or more persons acting pursuant to an express or implied agreement or understanding shall be treated the same as if the positions were held by a single person.

6.17.2 Upon request by the Exchange, such person shall provide information relating to the positions owned or controlled by that person including, but not limited to, the nature and size of the position, the trading strategy employed with respect to the position, and hedging information, if applicable. If the person from whom such information is requested fails to provide the information as directed, the Exchange may order the reduction of such position.

6.17.3 A person who exceeds position accountability or position limit levels as a result of maintaining positions at more than one Clearing Member shall be deemed to have

waived confidentiality regarding his position and the identity of the Clearing Members at which the positions are maintained.

- 6.17.4 A person who holds or controls aggregate positions in excess of specified position accountability levels or in excess of position limits pursuant to an approved exemption shall be deemed to have consented, when so ordered by the Exchange, not to further increase the positions, to comply with any prospective limit which exceeds the size of the position owned or controlled, or to reduce any open position which exceeds position accountability or position limit levels. Any order to reduce an open position shall be issued by the Head of Market Regulation and Surveillance of the Exchange or his delegate, if he determines in his sole discretion, that such action is necessary to maintain an orderly market.
- 6.17.5 A Clearing Member that carries positions for another person shall be responsible for taking reasonable and diligent actions to effect the timely compliance with any order issued pursuant to this Exchange Rule 6.17 upon notification of such order by the Exchange. All positions must be initiated and liquidated in an orderly manner.

6.18 ***Intentionally blank***

6.19 **Phantom Orders**

***Definition***

- 6.19.1 A Phantom Order is an Order:
- (a) that was not authorized by any person but was caused by a failure, malfunction or negligent operation of the Globex Platform or any other Exchange system, service or facility; or
  - (b) whose terms (contract, Contract Month, quantity, price or direction) were changed without authorisation of the person placing the Order solely as a result of a failure, malfunction, or negligent operation of the Globex Platform or any other Exchange system, service or facility.

***Permissible Responses***

- 6.19.2 If the Exchange has reason to believe that Phantom Orders have been or are being entered into and/or executed on any Exchange system, service or facility, the Exchange may take appropriate action with respect to any affected Product, including without limitation, closing the market in such Product, deleting Bids and Offers, and/or suspending new Bids and Offers.

- 6.19.3 The Exchange shall promptly notify by Notice on the Website and by email to Members that all Transactions that were directly or indirectly caused by the execution of Phantom Orders and were executed at prices outside of the Non-Reviewable Trading Range, as determined in accordance with Exchange Rule 6.20, shall be voided. The Exchange shall have no liability or responsibility to the parties to any Transactions that are voided pursuant to this Exchange Rule 6.19.3.
- 6.19.4 The Exchange shall also be empowered to void Transactions that were directly or indirectly caused by the execution of Phantom Orders and were executed at prices within the Non-Reviewable Trading Range if the Exchange concludes that such Transactions impair the integrity of the market. The Exchange's liability for voiding transactions within the Non-Reviewable Trading Range is limited as provided in Exchange Rule 2.4.10.
- 6.19.5 If Transactions arising from a Phantom Order are not voided in accordance with Exchange Rules 6.19.3 or 6.19.4, the Exchange shall promptly direct the Member carrying such positions to liquidate them in a commercially reasonable manner. Such Member shall liquidate within 30 minutes of such notification or within 30 minutes of the time it knew or should have known that it had been assigned Transactions resulting from Phantom Orders, whichever is sooner.

## 6.20 **Transaction cancellations and price adjustments**

### ***GCC authority regarding cancellations and price adjustments***

- 6.20.1 GCC has the authority to adjust prices or cancel Transactions and Contracts when such action is necessary to mitigate market disrupting events caused by the improper or erroneous use of the Globex Platform or by system defects. Notwithstanding any other provisions of this Exchange Rule, GCC may adjust prices or cancel any Transaction or Contract if GCC determines that allowing the Transaction and/or Contract to stand as executed may have a material, adverse effect on the integrity of the market. All decisions of GCC shall be final.

### ***Review of Transactions and Contracts***

- 6.20.2 GCC may determine to review a Transaction or Contract based on its independent analysis of market activity or upon a request for review by any person. A request for review must be made in accordance with the Trading Procedure within eight (8) minutes of the execution of the Transaction or Contract.
- 6.20.3 GCC shall determine whether or not a Transaction or Contract will be subject to review. In the absence of a timely request for review, during volatile market conditions, upon the release of significant news, or in any other circumstance in which GCC deems it to be



appropriate, GCC may determine, in its sole discretion, that a Transaction or Contract shall not be subject to review.

- 6.20.4 Upon deciding to review a Transaction or Contract, GCC will promptly issue an alert indicating that the Transaction or Contract is under review.

***Price adjustments and cancellations***

- 6.20.5 Upon making a determination that a Transaction or Contract will be subject to review, GCC will first determine whether the price is within the Non-Reviewable Trading Range for futures or within the Bid/Offer Reasonability Allowance for options. The Bid/Offer Reasonability Allowance for an option is the maximum width of the Bid/Offer range which will be considered reasonable for use in applying the parameters necessary to establish the Non-Reviewable Trading Range for the option. In applying the Non-Reviewable Trading Range, GCC shall determine the fair value market price for that Product at the time the Transaction or Contract under review occurred.

- 6.20.6 GCC may consider any relevant information, including, but not limited to, the last price in the Product or a better Bid or Offer price on the Globex Platform, a more recent price in a different Contract Month, the price of the same or related Products established in another venue or another market, the market conditions at the time of the Transaction or Contract, the theoretical value of an option based on the most recent implied volatility and responses to a Request for Quote (RFQ).

- (a) Price inside the Non-Reviewable Trading Range

If GCC determines that the price of the Transaction or Contract is inside the Non-Reviewable Trading Range, GCC will issue an alert indicating that the Transaction or Contract shall stand.

- (b) Price outside the Non-Reviewable Trading Range

- a) Futures Product

If GCC determines that a price is outside the Non-Reviewable Trading Range for a futures Product (including futures spreads), the price shall be adjusted to a price that equals the fair value market price for that Product at the time the Transaction or Contract under review occurred, plus or minus the Non-Reviewable Trading Range. In the event there are multiple parties, prices and/or Products involved in the Transactions or Contracts at issue, GCC has the authority, but not the obligation, to cancel rather than price adjust such Transactions or Contracts. GCC will issue an alert regarding its decision.

b) Option Products

If GCC determines that a price is outside the applicable Non-Reviewable Trading Range for an option Product, the price shall be adjusted. In the case of a buy (sell) error, the price will be adjusted to the determined Offer (Bid) price set forth in the Bid/Offer Reasonability Allowance plus (minus) the Non-Reviewable Trading Range. In the event there are multiple parties, prices and/or Products involved in the Transactions or Contracts at issue, GCC has the authority, but not the obligation, to cancel rather than price adjust such Transactions or Contracts. GCC will issue an alert regarding its decision.

6.20.7 Cancelled prices and any prices that have been adjusted shall be cancelled in the Exchange's official record of time and sales. Transactions or Contracts that are price adjusted shall be inserted in the time and sales record at the adjusted price.

***Alternative resolution by agreement of parties***

6.20.8 With the approval of GCC, parties to a Transaction or Contract that is price adjusted may instead mutually agree to cancel the Transaction or Contract. With the approval of GCC, parties to a Transaction or Contract that is cancelled may instead mutually agree to price adjust the Transaction or Contract to a price consistent with the adjustment provisions of Exchange Rule 6.20.5.

6.20.9 Parties to a Transaction or Contract that is cancelled or price adjusted may mutually agree to a cash adjustment provided that such adjustments are reported to GCC and the parties maintain a record of the adjustment.

6.20.10 An executed Transaction or Contract may not be reversed via transfer except where such Transaction or Contract is determined by GCC to be outside of the Non-Reviewable Trading Range but not reported timely, subject to agreement of the parties and approval of GCC. Any such transfer must occur at the original trade price and quantity; however the parties may mutually agree to a cash adjustment.

6.20.11 A Transaction or Contract that is not cancelled may not be reversed via a prearranged offsetting Transaction unless such Transactions are permitted and effected in accordance with Exchange Rule 6.10.1.

***Liability for losses resulting from price adjustments or cancellations***

6.20.12 A party entering an Order that results in a price adjustment or Transaction or Contract cancellation shall be responsible for demonstrated claims of realised losses incurred by persons whose trade prices were adjusted or cancelled provided, however, that a

claimant shall not be entitled to compensation for losses incurred as a result of the claimant's failure to take reasonable actions to mitigate the loss.

6.20.13 A claim for a loss pursuant to this section must be submitted to the Exchange on a claim form within five (5) Business Days of the event giving rise to the claim. The Exchange shall reject any claim that is not filed in a timely manner or is not permitted by this Exchange Rule and such decisions shall be final. Eligible claims shall be forwarded by the Exchange to the party responsible for the Order(s) that resulted in a Transaction or Contract cancellation or a price adjustment and to the Clearing Member through which the Transaction was placed. Such party, or the Clearing Member on behalf of the party, shall, within ten (10) Business Days of receipt of the claim, admit or deny responsibility in whole or in part. Failure to respond to the claim within ten (10) Business Days shall be considered a denial of liability.

6.20.14 To the extent that liability is admitted, payment shall be made within ten (10) Business Days. Unless otherwise agreed upon in writing by the parties, failure to make the payment within ten (10) Business Days shall be considered a denial of liability for purposes of this Exchange Rule. A copy of any such written agreement must be provided to the Exchange.

6.20.15 To the extent that liability is denied, the party making the claim may submit the claim to arbitration. Such claims must be submitted to the Exchange within ten (10) Business Days of the date the party was issued notification that liability was denied.

***Schedule of administrative fees***

6.20.16 When GCC cancels or price adjusts a Transaction or Contract, the party responsible for entering the order into the Globex Platform that gave rise to the Transaction or Contract cancellation or price adjustment shall pay an administrative fee to the Exchange as set out on the Website. If the party is not a Clearing Member and fails to pay the fee, the Clearing Member through which the Transaction or Contract was placed shall be responsible for payment of the fee.

6.21 **Record keeping**

***General requirements for Globex Operators***

6.21.1 Each Globex Operator entering Orders into the Globex Platform shall input for each Order:

- (a) the User ID assigned to him by the Exchange, a Clearing Member or other authorised entity; and

- (b) the price, quantity, product, Contract Month, CTI code and account number and, for options, put or call and strike price.

For a Globex Operator with access pursuant to Exchange Rule 6.3, Clearing Members authorising such access will be responsible for the Globex Operator's compliance with this Exchange Rule.

With respect to Orders received by a Globex Operator which are capable of being immediately entered into the Globex Platform, no record other than that set out in Exchange Rule 6.21.1 need be made. However, if a Globex Operator receives an Order which cannot be immediately entered into the Globex Platform, the Globex Operator must prepare a written Order and include the account designation, date, time of receipt and the account for which the Order was placed. The Order must be entered into the Globex Platform when it becomes executable.

***General requirements for block trades and EFRPs***

- 6.21.2 The parties to a block trade or an EFRP must maintain all records relevant to the transactions for a minimum period of five (5) years. In addition, the parties to an EFRP must maintain records of the related position transaction, including order tickets, records customarily generated in accordance with relevant market practices, records reflecting payments between the parties and, where appropriate, transfer of title, as well as any other records required to be kept pursuant to Exchange Rule 6.21.1.
- 6.21.3 Records related to block trades and EFRPs must be provided to the Exchange upon request. It shall be the responsibility of the Clearing Member to obtain and submit the requested records of their Non-Clearing Members and/or Customers to the Exchange on a timely basis.
- 6.21.4 A third party that facilitates block trades and EFRPs must maintain all records corresponding to their facilitation of the block trade or EFRP.

***Electronic audit trail requirements for electronic order routing/front-end systems***

- 6.21.5 Clearing Members guaranteeing a connection to the Globex Platform are responsible for maintaining or causing to be maintained the order routing/front-end audit trail for all electronic orders, including Order entry, modification, cancellation and responses to such messages (referred to as the "electronic audit trail"), entered into the Globex Platform through the CME iLink gateway. This electronic audit trail must be maintained for a minimum of five (5) years, and Clearing Members must have the ability to produce this data in a standard format upon the request of the Exchange.

6.21.6 This electronic audit trail must contain all Order receipt, Order entry, Order modification, and response receipt times to the highest level of precision achievable by the operating system, but at least to the hundredth of a second. The times captured must not be able to be modified by the person entering the Order. The data must also contain all Fix Tag information and fields which should include the following:

- (a) A record of all fields relating to Order entry, including Transaction date, Product, Exchange code, Contract Month, quantity, Order type, Order qualifier, price, buy/sell indicator, stop/trigger price, Order number, unique Transaction number, account number, session ID, User ID, host Order number, trader Order number, Clearing Member, type of action, action status code, Customer type indicator, origin, and timestamps.
- (b) For executed Orders the audit trail must record the execution time of the Transaction along with all fill information.

## 6.22 **Customer Type Indicator (CTI) Codes**

6.22.1 Each Member must identify each Transaction executed on Globex on the record of Transactions submitted to the Exchange with the correct customer type indicator (CTI) code. The CTI codes are as follows:

- (a) CTI 2: Orders entered or Transactions executed for the Member's own account.
- (b) CTI 4: Orders entered and Transactions executed that are not included in CTI category 2.

## 6.23 **Average prices**

6.23.1 The Clearing House's average price system or an average price system developed by a Clearing Member, allows a Clearing Member to confirm to Customers an average price when multiple execution prices are received on an Order or series of Orders for futures, options or combination Orders. Further information is set out in the Trading Procedure.

## 6.24 **Market Performance Protection**

6.24.1 In order to maintain a fair and orderly market and the continued functioning of the Globex Platform, the Exchange may impose restrictions on Members' activities conducted on the Globex Platform. Such restrictions may be imposed through the implementation of technological controls and policies, amongst other means, and will be set out in the Trading Procedure and may be revised by the Exchange from time to time.

## **CHAPTER 7**

### **DEFAULT**

#### **7.1 Application of the Exchange Default Rules**

7.1.1 In the event of any conflict between the Exchange Default Rules and the Exchange Rules, the Exchange Default Rules shall take precedence. The Exchange Rules in Chapter 6 shall not be affected by this Chapter 7 unless otherwise specified.

7.1.2 Market Contracts entered into by the Defaulting Member will be dealt with under the Exchange Default Rules, save that, where a Clearing Member is declared to be in default by the Clearing House, all Market Contracts entered into by that Defaulting Member which are Contracts will be dealt with under the Clearing House Default Rules.

In the event that the Clearing House defaults in respect of a Contract, this shall be dealt with under the Clearing House Default Rules (or such other of the Clearing House Rules which set out the process to be followed in the event of a default by the Clearing House).

In all cases, in the event that the Clearing House Default Rules are applicable, the Clearing House Default Rules shall take precedence over the Exchange Default Rules.

7.1.3 The Exchange may take the actions set out in the remainder of these Exchange Default Rules in respect of a Member in the event of any of the following circumstances (each an **Event of Default**):

- (a) the Member fails to discharge any obligation in respect of a Market Contract, whether under the Membership Agreement, the Exchange Rules, any Market Contract or otherwise;
- (b) the Member notifies the Exchange that it is, or is likely to be, unable to discharge any obligation in respect of a Market Contract, whether under the Membership Agreement, the Exchange Rules or otherwise; or
- (c) the Exchange believes that a Member is, or is likely to be, unable to discharge any obligation in respect of a Market Contract, whether under the Membership Agreement, the Exchange Rules or otherwise.

7.1.4 Without prejudice to the generality of Exchange Rule 7.1.3, the Exchange may take into account any or all of the following events in determining whether an Event of Default has occurred:

- (a) the Member or any of its Affiliates is subject to an Insolvency Event; or

- (b) the Exchange reasonably considers that the financial condition of the Member or any of its Affiliates is such that to allow the Member to continue its operation as such would introduce an unacceptable level of risk to the Exchange or its Members.

7.1.5 The Emergency Committee has absolute discretion to determine whether an Event of Default exists and, if it does, whether to take the actions set out in the remainder of the Exchange Default Rules in the circumstances. The composition of the Emergency Committee shall be determined by the Exchange from time to time. One or more members of the Emergency Committee may exercise its powers in accordance with its terms of reference.

7.1.6 The Emergency Committee has absolute discretion to determine whether a Transaction, Contract or Back-Off Transaction is a Market Contract for the purposes of exercising the Exchange's powers under the Exchange Default Rules.

7.1.7 Each Member shall notify the Exchange of the occurrence of any event or circumstance set out in Exchange Rules 7.1.3 or 7.1.4 in relation to the Member.

## 7.2 **Actions on a Declaration of Default**

7.2.1 If, being satisfied that an Event of Default has occurred, the Emergency Committee decides to take the actions set out in the remainder of the Exchange Default Rules or the Exchange is required by the Secretary of State or the FCA to take action under section 166 Companies Act 1989, the Exchange shall, as soon as reasonably practicable:

- (a) notify such decision in writing to the Defaulting Member (a **Declaration of Default**);
- (b) provide a copy of the Declaration of Default to the FCA; and
- (c) publish a Notice of the Declaration of Default on the Website.

7.2.2 A Declaration of Default will be given by the Exchange by:

- (a) email to the email address provided by the Defaulting Member for services of notices under the Membership Agreement or the email address of any member of the board of directors or any other person specified by the FCA and the Declaration of Default will be deemed to be issued on receipt by the Exchange of an automated delivery receipt or confirmation of receipt from the relevant server if given by email; or
- (b) fax to the fax number provided by the Defaulting Member for service of notices under the Membership Agreement and the Declaration of Default will be

deemed to be issued on a confirmed completion of the transmission if given by fax; or

- (c) publication of a Notice on the Website.

Notwithstanding the foregoing, the Exchange may give confirmation of a Declaration of Default to the Defaulting Member by personal delivery or recorded or special delivery post in accordance with the Membership Agreement.

- 7.2.3 Upon the Exchange issuing a Declaration of Default, the Defaulting Member shall:
- (a) subject to Exchange Rule 7.2.3(c), cease to take any action in respect of its Market Contracts;
  - (b) not enter into any new Market Contracts; and
  - (c) comply with any directions of the Exchange.
- 7.2.4 Upon the Exchange issuing a Declaration of Default, each non-defaulting Member shall work cooperatively with the Exchange and comply with any reasonable directions of the Exchange in relation to the Exchange's actions under this Chapter 7.
- 7.2.5 Upon the Exchange issuing a Declaration of Default or at any time afterwards, the Exchange may terminate the Defaulting Member's membership of the Exchange by giving written notice to the Defaulting Member. The Defaulting Member shall remain subject to Exchange Rule 3.14.3.
- 7.2.6 Upon or shortly after the Exchange issuing a Declaration of Default, it shall specify on the Website the timetable to which it expects to be able to take the actions set out in Exchange Rule 7.3.

### 7.3 **Calculation and certification of net amount**

- 7.3.1 Upon the Exchange issuing a Declaration of Default, the Exchange shall seek to discharge the Defaulting Member's rights and liabilities (excluding any rights and/or liabilities in respect of margin or which arise out of a failure to perform an Affected Market Contract) under each of the Affected Market Contracts with each Counterparty to an Affected Market Contract.
- 7.3.2 For the purposes of discharging a Defaulting Member's rights and liabilities, the Exchange may take any of the following actions or any combination of the following actions:



- (a) directing that any Affected Market Contract is terminated in accordance with the terms of the agreement between the Defaulting Member and its Counterparty;
- (b) directing that any Affected Market Contract is settled by setting it off against an Affected Market Contract on the same terms save as to price;
- (c) directing that any Affected Market Contract is closed out by a Clearing Member making a Transaction on the same terms and, if appropriate, it being allocated to the Defaulting Member or by reversal of the relevant entries in the books and records of the Defaulting Member at a price determined by the Exchange;
- (d) subject to the Clearing House agreeing to effect such transfer, facilitating the transfer of any Affected Market Contract by directing that the Affected Market Contract be closed out and that a Transaction on the same terms be entered into between the relevant Clearing Member and another Clearing Member at a price determined by the Exchange;
- (e) directing that any option granted by an Affected Market Contract be exercised or shall expire without being exercised;
- (f) directing that any Affected Market Contract which is to be cash settled which is open at the close of trading on the last trading day for such Affected Market Contract be settled by payment of the Settlement Price;
- (g) directing any Affected Market Contract under the terms of which delivery of the underlying is required to be made be settled in accordance with its terms;
- (h) auctioning any of the Defaulting Member's open positions under any Affected Market Contracts;
- (i) taking any other action to achieve the purpose of Exchange Rule 7.3.1,

in each case, on such terms as the Exchange shall determine and the rights and liabilities of the Defaulting Member referred to in Exchange Rule 7.3.1 shall include all rights and liabilities arising in consequence of any such action.

7.3.3 Following the completion of all actions taken by the Exchange under Exchange Rule 7.3.2, all rights and liabilities (excluding any rights and/or liabilities in respect of margin or which arise out of a failure to perform an Affected Market Contract) of the Defaulting Member and its Counterparty to an Affected Market Contract shall be discharged and the Defaulting Member or its Counterparty (as the case may be) shall be liable to pay the

final settlement amount (if any) which is determined by the Exchange to be payable by one party to the other in respect of such Affected Market Contract.

7.3.4 The final settlement amount (if any) in respect of an Affected Market Contract shall be determined by the Exchange. Without prejudice to the generality of the foregoing, the final settlement amount of an Affected Market Contract:

- (a) which has been closed out in accordance with Exchange Rule 7.3.2(b), shall be determined by reference to the difference (if any) between the price of the unsettled Affected Market Contract and the price at which the relevant entries in the books of account were directed to be reversed;
- (b) which has been the subject of a direction pursuant to Exchange Rule 7.3.2(e), shall be the Settlement Price; and
- (c) which, pursuant to a direction under Exchange Rule 7.3.2(f), has been performed in whole or part, shall be determined having regard to such performance and to its terms,

provided that if, pursuant to the terms of any agreement between the Defaulting Member and its Counterparty, the rights and obligations of the parties have become or been converted to an obligation to pay and a right to receive a single liquidated sum, the Exchange may determine that such sum shall be the final settlement amount in respect of one or more Affected Market Contracts.

7.3.5 Following the calculation of the final settlement amount (if any), the Exchange shall;

- (a) subject to Exchange Rule 7.3.7, aggregate all final settlement amounts (if any) payable by the Defaulting Member to a Counterparty;
- (b) subject to Exchange Rule 7.3.7, aggregate all final settlement amounts (if any) payable to the Defaulting Member from a Counterparty; and
- (c) set-off the two aggregated amounts against one another,

so as to produce a single net sum due between the Defaulting Member and a Counterparty.

7.3.6 The Exchange shall certify the single net sum resulting from the calculations pursuant to Exchange Rule 7.3.5 as being the amount payable between the Defaulting Member and the Counterparty in respect of all the Affected Market Contracts between them (subject to Exchange Rule 7.3.7). Such certificate shall be conclusive.

7.3.7 Subject to the provisions of this Rule 7.3.7, the process set out in Exchange Rules 7.3.1 to 7.3.3 shall be applied separately in respect of:

- (a) Affected Market Contracts to which the Defaulting Member or its Counterparty to the Affected Market Contract is a segregated client and related rights and liabilities; and
- (b) all other Affected Market Contracts between such Defaulting Member and such Counterparty and related rights and liabilities.

The Exchange shall be entitled to assume that neither the Defaulting Member nor the Counterparty to any Affected Market Contract is a segregated client. Either the Defaulting Member or the Counterparty may notify the Exchange in writing that such assumption is incorrect, and subject to the notifying party identifying for which of the Affected Market Contracts either it or the counterparty should be treated as a segregated client, the Exchange shall separately apply the processes set out in Exchange Rules 7.3.1 to 7.3.3 in respect of all such identified Affected Market Contracts.

7.3.8 For the purposes of Exchange Rule 7.3.7, a person is a segregated client in respect of any Affected Market Contract entered into by that person if the monies received by the relevant Member as collateral in respect of that Market Contract are held in accordance with the Client Money Rules (as contained in the CASS Sourcebook) or would be so held were they not regarded in accordance with those rules as immediately due and payable to the Member for its own account.

7.3.9 The Exchange shall not be obliged to include in its actions pursuant to Exchange Rule 7.3.1 nor its calculations in accordance with Exchange Rules 7.3.4 and 7.3.5 any Affected Market Contract of which it does not have actual notice within 2 weeks of the date of the Declaration of Default.

7.3.10 For the avoidance of doubt, the parties to an Affected Market Contract shall remain obliged to discharge those of their rights and liabilities under any Affected Market Contracts that are not discharged under the Exchange Default Rules, including any rights or liabilities in respect of margin or which arise out of a failure to perform a Market Contract.

7.3.11 The Exchange may make any currency conversions which it considers appropriate for the purposes of the Exchange Default Rules at such rates as the Exchange may reasonably determine.

7.3.12 The Exchange shall notify the Defaulting Member or a relevant office holder acting in relation to the Defaulting Member or its estate of the actions taken in relation to the Defaulting Member under the Exchange Default Rules.

7.4 **Notification to other Members and cooperation with the Regulatory Authorities**

7.4.1 The Exchange may notify the non-Defaulting Members of the actions taken under the Exchange Default Rules at various other points in the process.

7.4.2 The Exchange may share information (including information received from or about any Member), and otherwise cooperate, with any Regulatory Authority, exchange or clearing house and any office holder acting in relation to the Defaulting Member or its estate in relation to the issue of a Declaration of Default.

7.5 **Costs**

The Defaulting Member shall indemnify the Exchange against any and all costs, charges and expenses suffered or incurred by the Exchange in taking any action under the Exchange Default Rules.

## CHAPTER 8

### COMPLAINTS AND ENFORCEMENT

#### 8.1 Complaints

- 8.1.1 Any Complaint shall be made in accordance with the Complaints Procedure.
- 8.1.2 The Exchange shall consider a Complaint in accordance with this Chapter 8 of the Exchange Rules and the Complaints Procedure:
- (a) a GCC Complaint shall be dealt with in accordance with the Complaints Procedure;
  - (b) a Phantom Order Complaint shall be dealt with in accordance with the Complaints Procedure;
  - (c) an Exchange Complaint shall be dealt with in accordance with the Complaints Procedure; and
  - (d) the Exchange will investigate each Member Complaint in accordance with the Exchange Rules.
- 8.1.3 If the Exchange, in its discretion, considers it appropriate or if it is otherwise required to do so under Applicable Law, the Exchange may provide details to a Regulatory Authority about any Complaint, matter or concern which it considers requires investigation and about any outcome of an Investigation or Disciplinary Proceeding.
- 8.1.4 The provisions of this Chapter 8 of the Exchange Rules are without prejudice to the provisions of Exchange Rules 3.12 and 3.13.

#### 8.2 Investigations

- 8.2.1 The Exchange may investigate breaches or alleged breaches of the Exchange Rules, whether or not such breaches or alleged breaches have arisen as a result of a Member Complaint, its own instigation or otherwise (an **Investigation**). The Exchange may refer any breaches or alleged breaches of the Exchange Rules to a Regulatory Authority at any stage of an Investigation, including prior to conducting its own Investigation.
- 8.2.2 A Member shall cooperate fully with any Investigation irrespective of whether such Member is the subject of or otherwise involved in the Investigation. Without limitation, each Member shall:
- (a) provide to the Exchange such information in whatsoever form as the Exchange may reasonably request, within the time period specified;

- (b) permit Representatives of the Exchange access, with or without notice, during business hours to any of the Member's business premises (which for the avoidance of doubt includes those premises in which records are stored) in order to carry out the Investigation;
- (c) make its Representatives readily available for meetings with the Representatives of the Exchange conducting the Investigation, as the Exchange may reasonably request, and use its best endeavours to procure that such persons answer truthfully, fully and promptly, all questions that are put to them;
- (d) produce and give the Representatives of the Exchange conducting the Investigation reasonable access to documents, records, files, tapes, computer systems and any other pertinent information which are within the Member's possession or control and provide any facilities which such Representatives may reasonably request; and
- (e) print information in the Member's possession or control which is held on computer or otherwise convert it into a readily legible document or any other record that may be reasonably requested by the Representatives of the Exchange conducting the Investigation.

### 8.3 Investigation process

8.3.1 Once the Exchange has carried out an initial Investigation, it may exercise one (1) or more of the following powers in relation to the Member concerned:

- (a) decide that no further action should be taken against the Member;
- (b) issue a private written warning to the Member;
- (c) instigate Disciplinary Proceedings in accordance with Exchange Rule 8.4;
- (d) carry out further enquiries if the Investigation indicates that this is necessary in order to conclude satisfactorily the investigation; or
- (e) refer all or a portion of the Investigation to a Regulatory Authority.

8.3.2 Before exercising any power under Exchange Rule 8.3.1, the Exchange may send to the relevant Member a preliminary letter that describes the matter under investigation, the Exchange's preliminary factual conclusions and the action it proposes to take in the light of such breach. The Exchange may also invite the Member to either attend a meeting or to send written comments to the Exchange, in each case, to enable the Member to correct any factual error that it reasonably considers has been made in the preliminary

letter and the Exchange may finalise its initial findings and present them in writing to the Member.

8.3.3 The Exchange shall notify the Member in writing of the power to be exercised pursuant to Exchange Rule 8.3.1. The Exchange may, in an appropriate case, take different actions in relation to Members concerned in the same Disciplinary Proceedings or in different Disciplinary Proceedings on the same or similar facts.

#### 8.4 **Disciplinary Proceedings**

8.4.1 The Exchange shall commence the disciplinary proceedings set out in this Exchange Rule 8.4 (the **Disciplinary Proceedings**) only when it is reasonably satisfied that the Member has breached the Exchange Rules, whether as a result of an Investigation or otherwise.

8.4.2 The Exchange may decide at any time to terminate the Disciplinary Proceedings or reach a settlement with the Member on such terms as it considers appropriate, at any stage during the Disciplinary Proceedings.

8.4.3 For the purposes of each Disciplinary Proceeding the Board of Directors shall nominate the members of a disciplinary panel, as it deems appropriate, which shall accordingly be referred to for the purposes of this Exchange Rule 8.4 as the **Disciplinary Panel**. Each Disciplinary Panel shall comprise any two of the Exchange's independent non-executive directors and any two Members chosen at random which do not have a conflict of interest in relation to the relevant Disciplinary Proceeding. Each Member shall, at any time, provide a suitable Representative to serve on the Disciplinary Panel should the Exchange so request.

8.4.4 To commence the Disciplinary Proceedings the Exchange shall send to the Member concerned a written notice (the **Disciplinary Notice**), which contains details of the alleged breach of the Exchange Rules and sufficient information to enable the Member to understand and respond to such allegations.

8.4.5 The Member shall have twenty (20) Business Days from receipt of the Disciplinary Notice to provide a statement of defence (the **Defence**) in respect of the allegations. The Defence shall set out the plea that the Member intends to make and any admissions of fact. If no Defence has been served within that time frame the Member shall be deemed to have accepted the facts and matters alleged in the Disciplinary Notice.

8.4.6 After due consideration of the Defence, the Exchange may either:

- (a) proceed with the Disciplinary Proceedings;

- (b) terminate the Disciplinary Proceedings; or
- (c) amend the Disciplinary Notice in accordance with Exchange Rule 8.4.7.

8.4.7 The Exchange may at any time amend a Disciplinary Notice provided that:

- (a) the amendment is relevant to the allegation or breach of the Exchange Rules;
- (b) the essential character of the allegation or the breach of the Exchange Rules has not been changed; and
- (c) the Member would not be substantially prejudiced in any defence it may put before the Disciplinary Panel.

8.4.8 The Disciplinary Panel may order an adjournment at any stage upon an application by the Exchange to enable an alleged separate or unrelated breach of the Exchange Rules which it reasonably believes the Member to have committed to be investigated further.

8.4.9 Following the amendment of a Disciplinary Notice, the Member shall have ten (10) Business Days to make any necessary changes to its Defence. If no amended Defence has been served within that time frame the Member will be deemed to have accepted the facts and matters alleged in the amended Disciplinary Notice and indicated that its original Defence stands.

8.4.10 The Disciplinary Panel shall hear submissions on the matter of the alleged breach of the Exchange Rules and shall determine whether there has been a breach of the Exchange Rules and, if so, the appropriate sanction that shall be imposed. In carrying out this function, the Disciplinary Panel may adopt such procedure as it thinks fit. The Disciplinary Panel may:

- (a) order the disclosure by the Exchange or Member of such further information, documents or other evidence as may be necessary;
- (b) issue directions and take such other steps as it considers appropriate to clarify the facts and issues and determine the case;
- (c) if it considers appropriate, but only with the express agreement of the Exchange and the Member concerned, decide to determine the case upon written submissions and evidence placed before it;
- (d) in all other cases, give the opportunity to, or require, the Exchange and the Member to attend hearings before the Disciplinary Panel and the Exchange and the Member may call witnesses to give evidence and be questioned;



- (e) allow the Member and the Exchange to be assisted or represented by any person, whether or not legally qualified;
- (f) require hearings to be held in private unless the Member or Exchange requests otherwise and the other party consents; and
- (g) appoint its own legal advisers.

8.4.11 The Disciplinary Panel shall apply the civil standard of proof on the balance of probabilities.

8.4.12 The Disciplinary Panel shall not be bound by any rule of law or court procedure concerning admissibility of evidence and may accept as conclusive any finding of fact made by a court or any other Regulatory Authority.

8.4.13 The Disciplinary Panel shall communicate in writing its findings and particulars of any sanction determined to the Exchange and to the Member concerned. Such findings and sanctions shall be deemed conclusive and binding upon expiry of the time permitted for appeal or receipt by the Exchange of any earlier written notice from the Member that such right of appeal will not be exercised. Subject to Exchange Rule 8.4.14(b), such findings and sanctions shall not be made public.

8.4.14 The Disciplinary Panel may impose one or more of the following sanctions:

- (a) issue a private written warning to the Member;
- (b) issue a public notice of censure;
- (c) impose a fine of any amount;
- (d) require the disgorgement of any gain made by the Member or its Representatives in connection with the breach of the Exchange Rules;
- (e) deny the Member access to the Exchange and/or the Globex Platform;
- (f) order the relevant Clearing Member not to enter into any new Transactions in relation to the Member;
- (g) order the relevant Clearing Member to liquidate all or any portion of a Member's Contracts;
- (h) recommend to the Exchange to suspend or terminate the membership of the Member with immediate effect; or

- (i) issue an order requiring the Member to take such steps including making an order for compensation, as the Disciplinary Panel may direct, to remedy the situation caused by the breach of the Exchange Rules.

8.4.15 The Disciplinary Panel has discretion as to the appropriate sanction in each case and such differentiation may take into account factors including whether the breach was deliberate or negligent, the seriousness of the consequences, any impact on Customers and whether the Member has since taken action to remedy the breach or prevent a recurrence.

8.4.16 The contravention of any sanction imposed or direction made under or pursuant to Exchange Rule 8.4.14 may be treated for all purposes as a breach of the Exchange Rules.

8.4.17 A Disciplinary Panel may order any party to the Disciplinary Proceedings to pay costs related to such proceedings as it thinks appropriate, including, but not limited to the costs of running the Disciplinary Panel and including the reasonable costs of the Exchange's and Disciplinary Panel's external advisers.

## 8.5 Appeals

8.5.1 Within ten (10) Business Days of receiving notice in writing of a decision of a Disciplinary Panel, or a notice of sanction (whichever is the later), a Member (whether current or former in the case of expulsion) or the Exchange, or both, may appeal to the appeals body (the **Appeals Body**) by lodging with the Exchange a notice of appeal in writing and by delivering a copy thereof to any other party to the Disciplinary Proceedings. The Exchange shall refer the appeal to the Appeals Body within ten (10) Business Days of receipt of the appeal.

8.5.2 A notice of appeal shall set out the grounds of the appeal and shall contain a brief statement of all matters relied on by the appellant. The grounds of the appeal may be any one or more of the following:

- (a) the Disciplinary Panel's decision was:

- a) arbitrary, capricious, or an abuse of its discretion; or

- b) based on a clearly erroneous application or interpretation of the Exchange Rules.

8.5.3 In the case of appeal against a sanction, the Appeals Body may affirm, vary or revoke the sanction. The Appeals Body may make such order or give such direction as it

considers fit including a direction for a rehearing of the case by another newly constituted Disciplinary Panel.

8.5.4 The Appeals Body shall consist of one (1) or more persons who shall be nominated for the purposes of this Exchange Rule 8.5.4 by the Centre for Effective Dispute Resolution in London. Such person shall:

- (a) be independent of the Exchange, meaning for the purposes of these Exchange Rules, that such person is not and has not ever been an officer, director or employee of the Exchange or an Affiliate;
- (b) have appropriate experience of the European derivatives exchange market and the operations of such exchanges; and
- (c) have appropriate knowledge of the Exchange Rules and relevant Applicable Law.

8.5.5 An Appeals Body may adopt such procedure as it thinks fit and just, including, without limitation, the procedures described in Exchange Rule 8.4.10 and shall notify the Member accordingly. The Appeals Body shall be bound by Exchange Rule 8.4.11. The appellant and the respondent shall be entitled to appear, make representations and (subject to any restriction on adducing new evidence or arguments), call witnesses, who may be examined and cross-examined at any hearing, which will not be held in public.

8.5.6 The decision of an Appeals Body shall be final and binding and there shall be no further appeal. The decision shall be supported with reasons and shall be notified to the appellant and respondent in writing without undue delay. The decision of an Appeals Body shall not be made public unless otherwise agreed between the appellant and the respondent.

## 8.6 Fines

8.6.1 The proceeds of any fine imposed by the Exchange shall be used for the following purposes only:

- (a) to meet expenses incurred by the Exchange in the course of the Investigation, Disciplinary Proceeding or appeal from a Disciplinary Proceeding in respect of which it has been imposed;
- (b) for the benefit of the Members generally; or
- (c) for charitable purposes.