

Ethics Guidelines for Members of the New York Mercantile Exchange, Inc.

I. Statement of Policy

The purpose of these guidelines is to set forth the policy of the New York Mercantile Exchange Inc. (the "Exchange") regarding ethical responsibilities for members of the Exchange and conflicts of interest and potential conflicts of interest for members, directors, and committee members.

Any failure to abide by these guidelines may be deemed a violation of Exchange Rule 8.53(F) (prohibiting conduct detrimental to the best interests of the Exchange) and/or may constitute grounds for removal of a member from a Committee or the Board of Directors.

II. Introduction

Members of the Exchange enjoy rights and privileges that enable them to participate in, and benefit from, the business transacted on the Exchange. Along with these rights and privileges, members have a responsibility to conduct their business affairs in compliance with the Rules and Bylaws of the Exchange, and with the laws of New York State and the United States. General policy statements applying to all NYMEX members are:

- A member must be familiar with the Exchange's rules, and must stay current with any changes to the rules.

- Should there be a question concerning a particular practice, open discussion will likely resolve the issue. Senior Staff and Exchange Committees are readily available for discussion and resolution of issues.

- The Exchange will seek to deter and punish any member engaged in any practice which is unethical or illegal. Should the Exchange discover any business being done in any other than an absolutely proper manner, appropriate disciplinary action will be taken.

III. Dealings With Staff

(A) Generally

1. Members and Directors shall deal with staff in a courteous, professional and respectful manner.

2. Adverse comments or complaints regarding an employee's performance of his or her duties shall be referred to the President, Executive Vice President or staff officer senior to the employee in question.

3. Members and Directors shall refrain from making threatening remarks to staff, or personal advances, or attempt to obtain any favor, advantage or assistance from staff for the member's personal affairs or non-

Exchange related business activities.

(B) Members and Directors shall not make excessive use of staff's offices or resources to conduct personal business.

(C) Cooperation with Compliance Staff

The NYMEX is a self-regulatory institution, and has a responsibility to its members and the public to assure that its rules are followed. The Compliance Department of the Exchange is the vehicle which the Exchange employs to investigate possible violations of NYMEX rules and by-laws.

To help fulfill the Exchange's self-regulatory responsibility, each member should, and is required to, cooperate with Compliance personnel in performing their duty. Records must be turned over if requested, and interview appointments must be kept, or rescheduled in advance. If a member observes or learns of a rule violation, it is his obligation to turn the matter over to Compliance to investigate.

By virtue of the sensitive nature of its investigations, the Compliance Department is required by Federal law to be independent of the Exchange's membership. Exchange members and committee members may request that an investigation be conducted, but cannot direct that one be conducted, and cannot direct what steps to take in pursuing an investigation.

A member (other than the subject of an investigation) also is not entitled to know the status of any investigation, because the rules require that such information be held in confidence by the staff. A member subject to an investigation may properly request to know whether or not an investigation is ongoing or completed, but not specific steps or actions taken. A member's effort to obtain information concerning an investigation may be interpreted by Staff as an attempt to affect the course or outcome of an investigation. The independence and integrity of the Compliance Department may be adversely affected by such effort.

In the event a member has a question about the Department's procedures, or takes issue with any action by a Compliance staff member, he should approach the supervisor or department head with his complaint. If the member cannot get a satisfactory explanation to his questions, the Exchange's President and Executive Vice President, or the Compliance Review Committee may be approached with the complaint or question.

IV. Service on the Board of Directors

(A) Directors of the Exchange are elected by the stockholders, and are entrusted with the duty to maintain the well-being of the Exchange. When a Director accepts his seat on the Board, he agrees to place the Exchange's interests ahead of his own, and to act fairly and honestly on behalf of the institution. The Director has a fiduciary duty under law to assure that his actions meet the standards of honesty and ethics that are expected of any person who accepts such a position of trust.

(B) While acting in his capacity, a Director shall represent only the interests of the Exchange. Board members shall not act to further their personal business while fulfilling their function as Directors or Exchange representatives, except as provided in section (D) below.

(C) The provisions of Guideline IV(B) shall also apply to the handing out of personal business cards and the discussion of personal business matters.

(D) Members and Directors who travel for official Exchange purposes, may, subject to prior or subsequent notification to the Chairman of the Board, take additional time to further personal business. Where appropriate, a Director will reimburse the Exchange for a proportionate share of his personal travel expenses when, at the discretion of the Executive Committee, he is requested to do so.

(E) A Director must avoid conflicts of interest between his personal affairs and the affairs of the corporation. In fact, a Director must make every reasonable effort to avoid the appearance of a conflict of interest.

1. A Director shall be required to file a Disclosure Form at least annually with the Vice President of the Compliance Department, following the first meeting after Board elections. Each Director shall file an amended Disclosure Form within 30 days of any material change to information supplied therein. The

Disclosure Form shall be in the form prescribed by the Board and shall at a minimum, require disclosure by each Director of:

- (i) Business dealings, other than arrangements for the rendering of clearing or brokerage services, with other Directors or the Member Firms with which other Directors are directly affiliated;
- (ii) Outstanding debts to other Directors or the Member Firms with which other Directors are directly affiliated;
- (iii) Financial arrangements with other Directors or the Member Firms with which other Directors are directly affiliated;
- (iv) Tax liens in excess of ten thousand (\$10,000) dollars due to outstanding tax payments; and
- (v) such other items as the Board requires.

2. In addition to the provisions noted above, a Director is obligated to immediately disclose a conflict of interest to the Board if a failure to disclose may result in the Director exercising his duties while affected by such conflict or if a failure to disclose may serve to deceive his fellow Directors in the exercise of their duties. A Director shall take all necessary steps to ensure that he does not participate in the conflicted matter, including excusing himself from any meeting during the Board's consideration of the matter.

3. Several areas of Exchange life present more potential for conflicts of interest. These include: service on Committees, particularly as a Chairman or Vice-Chairman; trade relationships with other members; and interaction with staff officials. Conflicts of interest may take the form of, but shall not be limited to:

- (i) Accepting Rewards for Official Service;
- (ii) Influencing Committee Actions for Personal Gain; and
- (iii) Directing Staff Efforts for Personal Gain or Favors.

A reward for service on the Board or on a Committee, other than approved stipends, is prohibited in any form, whether the reward is direct or indirect. Efforts to circumvent this prohibition-to give the appearance of legitimacy to a practice which is illegitimate-will result in prompt and appropriate disciplinary action when uncovered.

A Director carries the authority and weight of his office with him in all aspects of his day-to-day Exchange life. On a Committee his opinions should be expected to carry great weight. As a result, persons or firms who are interested in the outcome of a Committee's decision, may seek to influence the thinking of a Director serving on the Committee. Such influence may properly consist of intellectual discussion; but when influence extends to a potential personal financial or business reward, the Director must recognize that his office may be compromised, and should disclose the reward to the Committee.

A Floor Member Director likewise carries great weight with his fellow Floor Members. This authority can be used to set an example to protect the integrity of the public. However, it improperly may be used to intimidate, as well as to seek advantageous trades, or to offer impunity to others to break the rules. Commission sharing arrangements may be used to channel a reward to a Director for some official favor.

It is improper for a Director to enter into personal employment negotiations with a staff member without disclosing such negotiations to the president, so that they do not confuse the employee's loyalties, and compromise his independence and trustworthiness.

A Director's duties are many and complex, and questions may arise about the propriety of some action. The Director is not expected to know it all, but he is expected to discuss his questions about his duties with the President, Executive Vice President or General Counsel when those questions arise.

4. (a) The Compliance Department shall review all Disclosure Forms filed by Directors with the Exchange, including all amended Disclosure Forms. The Compliance Department shall, in addition, review complaints about possible violation of ethics standards by a Director filed by Exchange members, Directors, staff or any other source whom it deems reliable.

(b) Should the Compliance Department determine that statements made in a Disclosure Form, or the allegations stated in a complaint, demonstrate possible ethics violations, it shall refer the matter to the Executive Committee. Should the Compliance Department determine that the facts presented warrant a disciplinary investigation due to a possible violation of Exchange Rules, other than Ethics Guidelines, it shall have the power to initiate such investigation.

(c) The Executive Committee shall have the power to investigate all Compliance Department referrals as well as referrals from any other source it deems reliable, and may, at its discretion, refer its findings and recommendations to the Board of Directors. The Executive Committee shall have the power to determine its own procedures when conducting investigations.

V. Service on Exchange Committees

Much of Exchange life revolves around the efforts and decisions of its Committees. The use of Committees is intended to ensure that the membership has a voice in the important affairs of the Exchange. Service on a Committee is a way of giving back some benefit to the Exchange and its members, and carries with it a responsibility to avoid making decisions based on self-interest rather than the interest of the Exchange and its members.

If a member is called on to make a decision in a Committee which might have an impact on his or his firm's trading; on the location of his physical facilities; or on his business relationship with a customer, he should disclose the specifics of his possible conflict to the staff liaison or general counsel before voting.

A Committee member serves because he is interested in the well-being of the Exchange. It is never appropriate to serve with the expectation or intent to reap a reward or financial benefit from any Committee service.

Service on the Committee is not an appropriate selling point when seeking new business from customers, and it is not appropriate to seek to improve a customer relationship by voting a particular way on a Committee. Once again, service is to benefit the Exchange, not to reward the Committee member.

In the event a Committee member has a question about any potential conflict of interest arising from his duties of committee service and his business activities, it is his responsibility to bring that question to the full Committee or to a senior member of the NYMEX staff such as the President, Executive Vice President or General Counsel, for resolution. Relying on ignorance of the rules of conduct will not be viewed as a reasonable and satisfactory defense in the event a member is found to have improperly served on a Committee or participated in a Committee decision.

VI. Prohibition Against Disclosing Confidential Information

No member may disclose to any person confidential information that he learns by virtue of his service on a Committee (such as the Control Committee or Business Conduct Committee) or on the Board of Directors. Confidential information includes advance knowledge of anticipated regulatory action; positions or intentions of market users; information which, if disclosed, may have an impact on price or other market conditions; proposed rules, rule amendments, or contracts or contract changes; or any other information which is conveyed as being confidential information in the course of a committee's or board's function.

VII. Service on the Floor Committee, the Settlement Price Committee, and as Ring Chairman

Service on a Committee which can have an immediate impact on trading, market prices and on member and investor confidence carries with it special obligations. Such Committees include the Floor Committee, and the Settlement Price Committee. Special requirements also apply to the selected few Floor Members who are chosen to represent the trading rings as Ring Chairmen. Members of these groups have the most frequent and visible contact with the Floor Membership, and are perceived to be symbols of self-regulation and the serious intent of the Exchange to police itself.

Floor Committee members and Ring Chairmen enforce rules governing decorum and orderliness of trading. Their decisions can immediately affect a member's profit or loss, or the direction of the market. In a less direct way, the example that Ring Chairmen and Floor Committee members set, in how they conduct themselves in their personal business and in performing their Committee functions, will determine whether members respect the rules of decorum and fair and orderly trading, or feel free to disregard them. Members of the Settlement Price Committee also carry significant powers to affect the market, and are themselves examples for the rest of the floor community.

In sum, members of the Floor and Settlement Price Committees, and Ring Chairmen, must act fairly, in good faith, and with no personal motivation driving their actions. Rather, their motivation should be market oriented, to protect the integrity of the marketplace.

If any member feels that a Floor or Settlement Committee member or Ring Chairman is abusing his authority-not because he made an innocent mistake or error in calculation-he has every right to report the abuse to the Committee Chairman, the Exchange President or Executive Vice President, or to the Vice President for Compliance.

VIII. Business Negotiations or Relationships with Exchange Staff

A member may not negotiate or discuss any potential employment or business relationship with any member of the Compliance Staff, or with any other officer or employee of the Exchange, where the member knows that such staff person is engaged in an investigation or specific regulatory function concerning the member, unless the member discloses such discussions immediately to the Vice President of the Compliance Department or to the Exchange President.

IX. Conclusion

Membership on the Exchange, and service on the NYMEX Board or on a Committee are positions of honor requiring ethical actions. Fellow members and the public at-large require and demand a high standard of conduct and service.

If at any time, any member has a question concerning his duties of membership or Committee service, he should and must raise the question with the Committee affected or with a senior-level Exchange officer.

Change History

III. Dealings With Staff: (Amended: 05/19/94)

IV. Service on the Board of Directors: (Amended: 05/19/94)