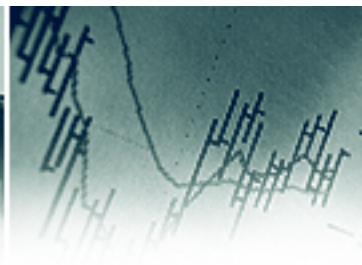


DUBAI COMMODITIES CLEARING CORPORATION DCCC

CLEARING RULES



PART A: GENERAL

A.1 BOARD APPROVAL OF THESE RULES

These Rules are approved by resolution of the Board in accordance with the Articles of Association.

A.2 DEFINITIONS

In these Rules the words standing in the first column below shall, except where inconsistent with the subject or context, bear the meanings set opposite to them respectively in the second column.

Words	Meanings
Abandonment	The abandonment of an Option Contract in accordance with the Rules and the Exchange By-Laws.
Account	A House Clearing Account or a Client Clearing Account. Affiliated Corporation In relation to a Clearing Member corporation, a corporation that (a) is beneficially owns the Clearing Member; (b) is beneficially owned by the Clearing Member; or (c) is owned by the same beneficial owner(s) as the Clearing Member.
Approved Clearing Bank	A bank approved by the Corporation in accordance with Rule E.4.
Approved Securities	Securities approved by the Corporation which may be accepted by the Corporation for the provision of Initial Margin or other deposits in accordance with Rule E.2.
Articles of Association	The articles of association of the Corporation.
Automated Trading System("ATS")	The electronic system provided by the Exchange to Members for trading of Contracts.
BCC	Business Conduct Committee.
Board	The board of directors of the Corporation.
Breach	Any of the events set out in Rule C.3.3 (a)
Broker Member	A Broker Member as defined in the Exchange By-Laws.
Business Conduct Committee or BCC	The Business Conduct Committee established under Rule C.2.1.
Business Day	Day on which the office of the Corporation is open for business.
Buyer	(a) In relation to a Market Contract, the Exchange Member who enters into Market Contract as buyer or if such Member is not a Clearing Member, its Guarantor Clearing Member, and (b) in relation to an Open Contract, the Clearing Member in the buying position with respect to such Open Contract.
Chief Executive	The chief executive officer of the Corporation appointed by the Board.
Class of Contract	As that term is defined in the Exchange By-Laws.

Class of Contract	As that term is defined in the Exchange By-Laws.
Clearing Account	A Client Clearing Account or a House Clearing Account.
Clearing Guarantee	As that term is defined in the Exchange By-Laws.
Clearing Member	Any person who is admitted and remains recognised as a Clearing Member pursuant to these Rules.
Clearing Rights	means the rights of a Clearing Member as set-out in Rule B.2.1.
Client	(a) "Client" as defined by the Exchange By-Laws; or
	(b) where a Clearing Member is providing clearing and settlement services to an Exchange Member, that Exchange Member.
Client Clearing Account	An Account established under Rule E.1.2.
Client Positions	Open Positions created as a result of trading in Market Contracts as a result of, or in accordance with instructions received by an Exchange Member from a Client of that Exchange Member.
Clients' Segregated Account	An account maintained in accordance with the Exchange By-Laws.
Close of Trading	The time on each Business Day Prescribed as the time at which trading on the ATS shall cease for that day.
Close Out	To extinguish an Open Contract by matching it with an offsetting Open Contract to the opposite effect between the same parties and effecting the settlement of the price under each such Open Contracts against the other.
CMI-Certified DGR	A CMI-Certified DGR as defined in the Dubai Gold Receipt Rules issued by DMCC.
Commitment	The commitment of a Clearing Member to provide financial support to the obligations of the Corporation as provided for in Rule B.6.
Committee	A committee of Members or other persons appointed by the Board to undertake tasks or responsibilities specified by the Board.
Commodity	Agricultural produce and natural resources having been processed and/or prepared for commercial use or services ancillary to such produce or resources.
Compulsory Settlement	Compulsory Settlement as provided for in Rule I.4.
Contract Unit	As that term is defined in the Exchange By-Laws.
Corporation	Dubai Commodities Clearing Corporation DMCC.
Corporation Official	A director, officer or employee of the Corporation.

Daily Settlement	Daily Settlement process effected pursuant to Rule E.3.
Daily Settlement Amount	On any Business Day, the amount payable by or to a Clearing Member pursuant to Rule E.3 calculated as the difference between the value of an Open Contract at the last Daily Settlement Price (or in the case of an Open Contract arising subsequent to the last Daily Settlement Price, the contract price) and the value of that Open Contract at the current Daily Settlement Price on such Business Day.
Daily Settlement Price	<p>(a) in the case of a Futures Contract, the Daily Settlement Price determined under Exchange By-Laws or if no such price is available, a price determined by the Corporation having regard to prevailing market prices and/or such other factors as the Corporation considers relevant; or</p> <p>(b) in the case of an Options Contract, the price determined by the Corporation using its options pricing model and taking into account the Daily Settlement Price of the Underlying Futures Contract.</p>
Declaration Date	The last day on which an Option Contract may be exercised by the Buyer of that Contract.
Default	The occurrence of any of the events set out in Rule H.1.
Deliverable Contract	A Futures Contract to be performed by Delivery of a Commodity.
Delivery	Delivery or performance of the relevant obligations in accordance with Exchange By-Laws and Part G of the Rules.
Deny Automatic Exercise Request	The notice which may be lodged on the ATS by Members who are Buyers under Option Contracts pursuant to which the automatic exercise on the Declaration Date of the relevant Option Contract in the money is denied.
ESCA	Emirates Securities and Commodities Authority.
Exchange	Dubai Gold and Commodities Exchange, DMCC.
Exchange Business Day	A business day as defined in the Exchange By-Laws.
Exchange By-Laws	The by-laws of the Exchange.
Exchange Committee	A committee appointed by the Exchange in accordance with the Exchange By-Laws.
Exchange Member	Any firm or corporation which has been admitted to membership of the Exchange and who has not resigned that membership or whose membership of the Exchange has not been terminated or suspended.
Exchange Markets	The markets of the Exchange.
Exercise	In respect of an Option Contract, the exercise by the Buyer of the Option Contract of the right of the Buyer to create a Futures Contract in accordance with Rule F.2.5.

Exercise Request	The notice to be lodged by Members who are Buyers under Option Contracts in the ATS pursuant to which options (whether or not in the money) are exercised prior to their expiry on the Declaration Date.
Extra Margin	A deposit with the Corporation pursuant to Rule E.4.
Financial Requirements	Net Current Tangible Assets of not less than an amount prescribed by the Corporation, or such other requirements as may be prescribed in the Schedules or which otherwise apply to a Clearing Member pursuant to Rule B.5.
Futures Contract	As that term is defined in the Exchange By-Laws.
Group of Contracts	A group of contracts which, in the opinion of the Corporation, have similar characteristics.
Guarantor Clearing Member	In relation to an Exchange Member who is not a Clearing Member, a Clearing Member acting as principal vis-à-vis the Corporation in relation to an Open Contract resulting from a Market Contract to which that Exchange Member is a party.
House Clearing Account	An Account established under Rule E.1.1
House Positions	Open Positions held other than Client Positions.
In Writing	Written, typed, printed or lithographed, or partly one and partly another and includes any other mode of representing or reproducing words in a visible form, including electronically produced, displayed and recorded matter.
Individual Contract Specifications	The terms of a Class of Contracts identified in the relevant Part of the Exchange By-Laws.
Initial Margin	A deposit with the Corporation in accordance with By-Law E.2.
Intra-Day Margin	A cash amount or Approved Securities deposited with the Corporation pursuant to Rule E.5.
Margin	Initial Margin, Intra Day Margin or Extra Margin.
Market Contract	A Futures Contract or an Options Contract traded on an Exchange Market and which is listed in accordance with the Exchange By-Laws, or otherwise executed in accordance with the Exchange By-Laws provided that where a transaction is for more than one Contract Unit there shall be nevertheless deemed to be a separate Market Contract with respect to each Contract Unit.
Minor Breach	Any of the breaches Prescribed by the Board in accordance with Rule C.3.11.
Net Liquid Assets	The net liquid assets of a Clearing Member as Prescribed in the Schedules.
Net Current Tangible Assets	That term as defined in the Exchange By-Laws or as otherwise Prescribed by the Board in the Schedules.
Non-Defaulting Clearing Member	A Clearing Member not in Default.

Officer	Includes director, partner or employee.
Open Contract	A contract of a Clearing Member with the Corporation deemed to arise from: (a) the registration of a Market Contract with the Corporation; (b) a Transfer; (c) the Exercise of an Option Contract; or (d) a Daily Settlement.
Open Position	An Open Position exists where the obligations under an Open Contract held by a party and which has not been Closed Out are yet to be performed.
Option Contract	An option contract over a Futures Contract.
Position	The position of a Buyer or Seller under an Open Position.
Prescribed	Prescribed by the Corporation.
Premium	The amount payable by the Buyer of an Option Contract to the Seller as consideration for the Option Contract.
Publish or Published	Make information available to the public and/or to Members by any means including electronic means.
Registered Contract	A Market Contract which has been registered with the Corporation under Rule D.1.
Representative	Any person who has been engaged in or is otherwise subject to an agreement, arrangement or understanding whereby that person will act on behalf of a Clearing Member.
Regular Clearing Member	A Clearing Member that is also an Exchange Member
Rules	These clearing rules of the Corporation, as amended from time to time.
Schedules	Schedules to the Rules.
Security Interest	Any mortgage pledge guarantee charge or security of any kind.
Seller	(a) In relation to a Market Contract the Exchange Member who enters into the contract as seller, or if such Member is not a Clearing Member, its Guarantor Clearing Member. (b) In relation to an Open Contract the Clearing Member in the selling position with respect to such Open Contract.
Settlement Guarantee Fund	The fund established in accordance with Rule A.7.
SPAN	The Standard Portfolio analysis of Risk Margin Calculation Methodology employed by the Corporation in its discretion.
Special Clearing Member	A Clearing Member that is not an Exchange Member and whose membership has been accepted under these Rules and has not been terminated.

Strike Price	The price at which an Option Contract may be exercised.
Trade Member	A Trade Member as defined in the Exchange By-Laws.
Transfer	A Transfer of Open Position in accordance with Rule D.3 or Rule H.4.
Underlying Futures Contract	In relation to an Options Contract, the Futures Contract upon which the Options Contract is based.
Variation Margin	An amount determined by the Corporation in its mark to market procedures.

A.3 INTERPRETATION

A.3.1 Numbers

In these Rules words importing the singular number only shall include the plural number and vice versa.

A.3.2 Reference to person

In these Rules the word “person” and words importing a person or persons shall include individuals, corporations, companies and partnerships.

A.3.3 Gender

In these Rules words importing the masculine gender shall include the feminine or neuter gender.

A.3.4 Headings

In these Rules headings shall not affect interpretation.

A.3.5 Knowledge of a Member

In these Rules references to knowledge of a Member that is a corporation shall include reference to the knowledge of a director, officer or employee of that corporation.

A.3.6 Exercise of Power by Corporation or Board

- (a) The powers of the Corporation under these Rules shall be exercised by the Board.
- (b) The Board may delegate any of its powers under these Rules to the Chief Executive, the BCC, a Corporation Officer and/or any other person or committee as the Board may think fit.

A.4 GOVERNING LAW AND JURISDICTION

A.4.1 Governing Law for Rules

These Rules are to be interpreted in accordance with the laws of the United Arab Emirates.

A.4.2 Forum

A.4.2.1 Notification

A Clearing Member shall notify the Corporation of any dispute with another Clearing Member or Exchange Member in connection with any Market and/or these Rules and which is not resolved within 30 days after that Clearing Member first became aware of that dispute.

A.4.2.2 Dispute resolution and arbitration

- (a) The parties hereto agree to negotiate in good faith to resolve any dispute arising between them in respect of these Rules, in the light of any guidelines offered by the Exchange with a view to conciliation and settlement. If any dispute referred to in Rule A.4.2.1 continues unresolved for more than 30 days from the day on which notification was (or should have been) given to the Corporation under Rule A.4.2.1, or on such sooner date as may be agreed by the relevant parties,

it shall be referred to arbitration in Dubai under the auspices of and in accordance with the Rules of Arbitration of the Dubai International Arbitration Centre (the “**DIAC Rules**”), the ICC Rules being incorporated into this clause by reference.

- (b) The number of arbitrators shall be three. Each party shall appoint an arbitrator of its choice from the list of arbitrators maintained by the Corporation. The two arbitrators shall within one week of the appointment of the second arbitrator appoint a third arbitrator.
- (c) The arbitration shall be conducted in English.
- (d) In the event of any inconsistency between the **DIAC Rules** and applicable law and procedure in the Emirate of Dubai, the inconsistency shall be resolved by reference to applicable law and procedure in the UAE.

A.4.2.3 Courts

Any disputes arising under or in connection with these Rules, to the extent that no other court or tribunal has been provided for in these Rules in relation to such disputes, shall be subject to the jurisdiction of the courts of the Emirate of Dubai, the parties hereto submit to the jurisdiction of these courts.

A.5 RIGHTS, OBLIGATIONS AND POWERS OF THE CORPORATION

A.5.1 General

Any right, entitlement, relief, obligation or power of the Corporation arising pursuant to the Rules shall be a right, entitlement, relief, obligation or power as the case may be of Dubai Commodities Clearing Corporation DMCC.

A.5.2 Exercise of Powers of the Corporation

Any power or function which under these Rules may be exercised or performed by the Corporation may be exercised or performed by the Board, Chief Executive or other duly authorised Corporation Officer.

A.5.3 No Duty Imposed on Corporation

No power conferred on the Corporation by these Rules including without limitation any power to Close Out, Transfer or call Margin or Daily Settlement Amounts, Exercise or Abandon any Option Contract, or realise any security shall impose any duty on the Board or the Corporation to exercise such powers or to exercise such powers in a particular way, and no person shall have any claim against the Corporation in relation to any decision made bona fide to exercise or refrain from exercising such powers.

A.5.4 Time of Performance of Corporation's Obligation

Where the Corporation is under the terms of an Open Contract obliged to perform an obligation by a particular time it shall be sufficient performance by the Corporation if it performs that obligation promptly after that time.

A.5.5 Interpretation of Obligations of Buyers and Sellers Under Exchange

By-Laws

Any reference in the Exchange By-Laws to the obligations of the Buyer and Seller of a Market Contract shall in relation to an Open Contract arising upon the registration of a Market Contract:

- (a) be read as a reference to the Corporation as a party to an Open Contract where appropriate;
- (b) in relation to an obligation of the Buyer and Seller to satisfy requirement of or do things in relation to the Corporation be read as relating to the obligations of Buyers and Sellers under Open Contracts other than the Corporation; and
- (c) be otherwise read in conjunction with these Rules.

A.5.6 Prohibition or Unenforceability of Rules

Any provision of these Rules which is prohibited or unenforceable in any jurisdiction will be ineffective as to that jurisdiction to the extent of the prohibition or unenforceability. That will not invalidate the remaining provisions of these Rules nor affect the validity or enforceability of that provision in any other jurisdiction.

A.5.7 No waiver

No failure to exercise and no delay in exercising any right, power or remedy under any Rule operates

as a waiver. Nor does any single or partial exercise of any right, power or remedy preclude any other or further exercise of that or any other right, power or remedy.

A.5.8 Corporation's Rights Cumulative and Not Exclusive

The rights, powers and remedies provided to the Corporation under these Rules are cumulative and not exclusive of any rights, powers or remedies provided by law.

A.6 LIMIT ON OBLIGATIONS OF THE CORPORATION

A.6.1 Corporation Not Liable for Certain Losses

The Corporation in performance of its obligations is entitled to rely upon the accuracy of information provided by the Exchange and its systems and shall not be liable with respect to any loss suffered as a result of any incorrect information provided to the Corporation or breakdown of Exchange systems.

A.6.2 Liability in Respect of Clearing Systems

Neither the Corporation nor the Exchange nor the developer of any trading system or of any computer system ("Clearing Systems") utilised by the Corporation in connection with the business of the Corporation will accept or bear any liability whatsoever in respect of the operation of any Clearing System or otherwise, whether for any breach of a provision of any relevant legislation, any act or omission (whether negligent or not), injury, death, damage to physical property, any direct or indirect losses including but not limited to lost profits, loss of files, loss of contracts, loss of data or use of data (including any error in information supplied or made available), loss of operation time or loss of equipment or process, economic loss, loss of reputation or losses or damages incidental or consequential to the installation, use or operation of any Clearing System. All warranties and conditions, both express and implied as to the condition, description, quality, performance, durability or fitness for purpose or otherwise of the Clearing Systems or any component thereof are excluded except as required by law; and neither the Corporation nor the Exchange warrants or forecasts that the Clearing Systems or any component thereof or any services performed in respect thereof will meet the requirements of any user, or that operation of the Clearing Systems will be uninterrupted or error-free, or that any services performed in respect of the Clearing Systems will be uninterrupted or error-free.

Nothing in this Rule A.6.2 shall limit any liability of a developer of any Clearing System to the Corporation.

A.6.3 Extent of Exemption From Liability

Every exemption from liability, defence or immunity applicable to the Corporation or to which the Corporation is entitled under Rule A.6.2 shall also be available and shall extend to protect every one of the Corporation's officers, agents or employees, and for the purposes of Rule A.6.2, the Exchange and any developer of any Clearing Systems shall be deemed to have been acting as and to be agents of and for the benefit of all persons who are or might be its agents or employees from time to time, as well as on its own behalf.

A.7 SETTLEMENT GUARANTEE FUND

- (a) The Corporation shall establish a Settlement Guarantee Fund which shall be used to satisfy the obligations of the Corporation in accordance with Part H of these By-Laws.
- (b)
 - (i) The Corporation may contribute funds to the Settlement Guarantee Fund or may make loans to the Settlement Guarantee Fund on such terms as sees fit.
 - (ii) The Corporation may arrange for the Exchange to contribute funds to the Settlement Guarantee Fund or for the Exchange to make loans to the Settlement Guarantee Fund on such terms as the Corporation may agree with the Exchange.
- (c) The Corporation, in consultation with the Exchange, may enact the rules and regulations for the setting up and regulating the Settlement Guarantee Fund.

PART B: MEMBERSHIP OF THE CORPORATION

B.1 MEMBERSHIP STRUCTURE

B.1.1 Categories of Clearing Membership

There shall be the following categories of Clearing Membership:

- (a) Regular Clearing Membership; and
- (b) Special Clearing Membership.

B.1.2 No transfer of Status or Rights

Clearing Membership status and rights are not transferable.

B.2 CLEARING MEMBERSHIP RIGHTS AND OBLIGATIONS

B.2.1 Clearing Membership Rights

- (A) A Clearing Member shall be entitled to represent itself as a Clearing Member of the Corporation.
- (B) Subject to these Clearing By-Laws a Regular Clearing Member.
 - (i) that is a Broker Member of the Exchange shall be entitled to
 - (1) have a Market Contract registered in its name, where that Market Contract has been traded by such Regular Clearing Member for its own account, by a Client of such Regular Clearing Member, for its own account by another Broker Member of the Exchange for whom such Regular Clearing Member has in place a current Clearing Guarantee, or by a Trade Member of the Exchange for whom the Clearing Member has in place a current Clearing Guarantee.
 - (2) to receive a Transfer from another Clearing Member in accordance with Rule B.10.5.
 - (ii) that is a Trade Member of the Exchange shall be entitled to have a Market Contract registered in its name, where that Market Contract has been traded by the Clearing Member for its own account and is a Market Contract in a Class of Contract to which such Trade Membership refers.
- (C) Subject to these Clearing By-Laws a Special Clearing Member shall be entitled to:
 - (i) have a Market Contract registered in its name, where that Market Contract has been traded by a Broker Member of the Exchange for whom the Clearing Member has in place a current Clearing Guarantee, by a Client of such a Broker Member, or by a Trade Member of the Exchange for whom the Clearing Member has in place a current Clearing Guarantee.
 - (ii) To receive a Transfer from another Clearing Member in accordance with Rule B.10.5.
- (D) In Rules B.2.1 (b) and (c) "Client" refers to that term as defined in the Exchange By-Laws. This entitlement shall be referred to in these Rules as the "Clearing Rights" of a Clearing Member.

B.2.2 Clearing Membership Obligations

- (a) Clearing Members shall be bound by these Rules and by any amendment to these Rules.
- (b) A Clearing Member shall at all times comply, and ensure that its Officers and Representatives comply with these Rules.
- (c) A Clearing Member shall notify the Corporation immediately upon becoming aware that it has breached or is likely to breach any provision of these Rules or of any law relating to the regulation of markets operated by the Exchange.
- (d) A Clearing Member shall cooperate with any Committee, Corporation Official, Exchange Committee or Exchange Official in the performance by those Committees or Officials of their respective duties.

B.2.3 Directions and Requirements of the Corporation and the Exchange

A Clearing Member shall comply with any prescriptions of the Corporation pursuant to the Rules, with all requests directions or requirements of the Corporation or the Exchange made pursuant to their powers under the Rules or the Exchange By-Laws or which are reasonably ancillary to or incidental to such powers.

B.3 ADMISSION OF CLEARING MEMBERS

B.3.1 Eligibility

- (a) A corporation (or in special circumstances to the satisfaction of the Board and with the consent

of the Board a person or body other than a corporation not being an individual) may apply to become a Regular Clearing Member or a Special Clearing Member with access to the facilities of the Corporation.

- (b) An applicant for Regular Clearing Membership must be:
 - (i) an Exchange Member; or
 - (ii) an applicant to become an Exchange Member.
- (c) An applicant for Special Clearing Membership must be a bank or other financial institution, not engaged in the buying or selling of Market Contracts, but with the capability to provide clearing services to Exchange Members.

B.3.2 Application Process

- (a) An applicant who wishes to be approved as a Clearing Member shall lodge with the Corporation:
 - (i) an application in the prescribed form signed by the applicant;
 - (ii) such information concerning the applicant and supported by such evidence as the Board may prescribe
 - (iii) an undertaking by the applicant in the prescribed form to abide by these Rules as amended from time to time, if the application is granted; and
 - (iv) an application fee of an amount determined by the Board from time to time
- (b) Where the applicant is a prospective Member of the Exchange the applicant shall lodge or cause to be lodged with the Corporation a copy of the application to become an Exchange Member made by the prospective Member. The Board may rely on any information contained in such application as if it formed part of its application for approval as a Clearing Member
- (c) In considering the application, the Board may call for the information provided pursuant to Rule B.3.2 (a) (ii) and such other information as it considers necessary and where the Board is satisfied that:
 - (i) the applicant satisfies or will satisfy the Financial Requirements;
 - (ii) the applicant is of good character, high business integrity and financial probity;
 - (iii) in the case of a corporation, the directors of the applicant, those concerned in its management and those who have control or substantial control of the corporation are of good character and of high business integrity and financial probity;
 - (iv) the applicant has or will have managerial, operational, financial and appropriate complementary business continuity arrangements in place to enable it to meet its ongoing obligations as a Clearing Member pursuant to the Rules and in particular is in a position to make immediate transfer of funds to meet its obligations;
 - (v) in the case of a Corporation the applicant is incorporated in, or has an office in, the Emirate of Dubai ; and
 - (vi) the applicant is otherwise a fit and proper person to be a Clearing Member, the Board may in its absolute discretion approve the application.
- (d) Any meeting of the Board held for the purpose of approving an application shall only be held on notice In Writing of not less than forty-eight (48) hours given to all members of the Board and any resolution approving an application to become a Clearing Member shall require the affirmative votes of not less than seventy five per cent (75%) of all Board members present and entitled to vote at such meeting. The Board shall not be obliged to furnish any reason for its decision. The Board may as a condition of its approval impose such conditions on the applicant as it sees fit and the applicant shall comply with any conditions. Any such conditions may be required by the Board to be complied with before or after admission as a Clearing Member or may be of a continuing nature.
- (e) An approval of the Board to admit a Clearing Member shall not take effect until:
 - (i) the Clearing Member has paid to the Corporation:
 - (1) an admission fee of such amount as the Board may determine from time to time; and
 - (2) an annual fee or a proportion thereof, as the Board may determine in each case; and
 - (3) in the case of prospective Exchange Members, confirmation by the Exchange that they have become Exchange Members.
 - (ii) the applicant has lodged with the Corporation a statement of its current financial position in the prescribed form which demonstrates to the satisfaction of the Board that the applicant meets the Financial Requirements.
- (f) Unless the requirements of Rule B.3.2 (e) are satisfied within two months of the date of the approval by the Board or such further time as the Board may in its absolute discretion allow, the approval shall lapse.

- (g) Recognition as a Clearing Member is a privilege granted by the Corporation and subject to the By-Laws may be withdrawn by the Corporation for cause at any time. A Clearing Member shall not purport to pledge or otherwise encumber its rights as a Clearing Member and the Corporation shall not be required to recognise any trust in relation to any such rights.

B.4 CONDUCT OF CLEARING MEMBERS

B.4.1 General conduct

(a) A Clearing Member shall at all times:

- (i) act in a manner consistent with the promotion and protection of the goodwill and public image of the Corporation and Clearing Members, and the Exchange and Exchange Members.
- (ii) Co-operate with the Business Conduct Committee and staff of the Corporation in the performance of their respective duties and in particular make available to the Business Conduct Committee and Corporation Officers its accounting and other records.
- (iii) Pay its debts as and when they fall due.
- (iv) Accept and act consistently with decisions of the Board, its Committees and the Business Conduct Committee.

(b) Where the Exchange By-Laws purport to impose an obligation on a Clearing Member, the Clearing Member shall comply with that obligation as though it were an obligation created by, and included in, these Rules.

B.4.2 Proscribed Behaviour

No Clearing Member shall:

- (a) Deal on behalf of a person other than in accordance with instructions accepted by the Clearing Member from that person.
- (b) Cheat, defraud, or deceive or attempt to cheat, defraud, or deceive any Client.
- (c) Make or cause to be made to a Client a report, or enter or cause to be entered for a Client a record, which report or record the Member knows (or ought reasonably to know) to be false.
- (d) Submit information to the Corporation or its agents which the Clearing Member knows (or ought reasonably to know) to be false or misleading. Where a Clearing Member finds that information that it has previously submitted to the Corporation is false or misleading, the Member shall immediately submit corrected information to the Corporation.

B.4.3 Obligations in Relation to Exchange Business

Subject to Rule B.4.4 it shall be the responsibility of each Clearing Member

- (a) To provide to the Corporation an annual audit certificate in the prescribed form within three (3) months of its financial year end.
- (b) To provide to the Corporation a copy of any licence or approval granted to it by a regulatory authority to enable it to carry on its business and to advise the Corporation of any variation to the conditions of such licence or of the suspension or cancellation of such licence.
- (c) To notify the Corporation In Writing immediately upon becoming aware that a regulatory body is investigating and/or instituting proceedings against it.
- (d) To notify the Corporation In Writing immediately upon the happening of any one or more of the following:
 - (i) the appointment of a receiver or liquidator or any other trustee or custodian appointed by the court or shareholders' resolution in respect of the property of the Clearing Member; and/or
 - (ii) the bankruptcy of any partner or director of the Clearing Member.
- (e) To maintain internal records of instructions received from Clients and clearing services provided for Clients showing:
 - (i) the time and date of receipt of instructions;
 - (ii) the nature of the instructions received;
 - (iii) the time and date of transmission of instructions; and
 - (iv) the time and date of execution of instructions, for a period of not less than six (6) years from the date of the service.
- (f) To maintain such accounting records as correctly record and explain the transactions of the Clearing Member and the financial position of the Clearing Member and in addition will enable

compliance with these Rules to be conveniently ascertained by the Corporation, such records to be maintained in a form that will enable them to be conveniently and properly audited.

- (g) Before accepting a person as a Client, to have in force with such person an agreement duly signed by the Clearing Member and the Client which sets out the agreement between the Clearing Member and the client.
- (h) To ensure that whilst such person is a Client an agreement as referred to in paragraph (h) above remains in force.
- (i) Not knowingly to deal on behalf of any director, partner or employee of any other Clearing Member, entitled to deal on behalf of Clients, or on behalf of any account in which such director, partner or employee has an interest either direct or indirect. For the purpose of this subclause "employee" shall include persons who as a representative of the Clearing Member advise or solicit instructions from persons or corporations in relation to transactions cleared by the Corporation. The provisions of this sub-clause shall not apply to clearing by a Clearing Member through another Clearing Member
- (j) Not to advertise or permit any other person, firm or corporation over which the Clearing Member has control to advertise in any manner which may be false or misleading or prejudicial to the goodwill and public image of the Clearing or Clearing Members.
- (k)
 - (i) Not to employ any person who has been a director, partner employee or Representative of a Clearing Member, if that person has to the knowledge of the Clearing Member taken part or been concerned in any failure to comply with the Rules which failure has been found to have occurred by the Board or BCC under Part C, and where the Board or BCC has determined (at the time that action is taken under Part C or at some later time) that this provision shall apply in relation to the person.
 - (ii) For the purposes of Rule B.4.3 (l) (i) the words "to employ" and cognate expressions shall include agreeing or arranging with a person for that person to act as the Clearing Member's Representative to advise or solicit instructions from other persons or to trade, on the Clearing Member's behalf in relation to dealings in Market Contracts.
- (l) To pay the following fees in such amounts as the Corporation may determine from time to time:
 - (i) an application fee for admission as a Clearing Member;
 - (ii) an admission fee;
 - (iii) an annual fee;
 - (iv) a clearing fee for each contract which is registered in the name of the Clearing Member;
 - (v) a fee for delivery of commodities or for the exercise of options.

In determining fees to be paid by Clearing Members the Corporation may determine different amounts of fee for different categories of Clearing Member.

Clearing Members shall pay any fees imposed in accordance with this Rule upon demand unless another time is specified. Fees payable pursuant to the Rule may be deducted by the Corporation from any credit balance of any account, excluding a Client Account, of the Clearing Member with the Corporation.

B.4.4 Dispensation by BCC

Without prejudice to the BCC's right to charge a fee in the circumstances referred to in Rule C.2.4 (e), the BCC may dispense with or temporarily postpone compliance by the Clearing Member with any of the provisions of Rule B.4.3 upon such conditions (if any) as the BCC sees fit.

B.5 FINANCIAL REQUIREMENTS

B.5.1 General Financial Requirement

A Clearing Member shall at all times comply with the Financial Requirements as prescribed from time to time by the Board. Pending any such prescription the Financial Requirements shall be a requirement that the Clearing Member have Net Current Tangible Assets:

- (a) in the case of a Clearing Member that is a Broker Member of the Exchange or is a Special Clearing Member, of not less than US\$350,000; and
- (b) in the case of a Clearing Member that is a Trade Member of the Exchange, of not less than US\$100,000.

B.5.2 Requirements Relating to Net Current Tangible Assets and Net Liquid Assets

Without affecting the generality of Rule B.5.1 the Board may prescribe financial requirements relating to:

- (a) the minimum level of each Clearing Member's Net Current Tangible Assets; and
- (b) the amount of Net Liquid Assets to be held by each Clearing Member

B.5.3 Additional Financial Requirements

The Board may determine that the Financial Requirements of a particular Clearing Member shall be in excess of those applying pursuant to Rule B.5.1 having regard to the number or value of Open Contracts held by the Clearing Member, the Board's assessment of the Clearing Member's risk under such Open Contracts, the requirement of insurers or without limitation any other relevant factor and the Financial Requirements of that Clearing Member shall be deemed to be prescribed accordingly.

B.5.4 Monthly Report of Financial Position

A Clearing Member shall lodge with the Corporation in the Prescribed form a statement of its financial position as at the end of each month by no later than the prescribed date or such other date as the Board may require.

B.5.5 Advice to Corporation in Certain Circumstances

- (a) A Clearing Member shall immediately advise the Corporation if:
 - (i) its Net Current Tangible Assets falls below 125% of the limit determined by the Corporation;
 - (ii) its Net Current Tangible Assets is greater than 125% of the limit determined by the Corporation and has decreased by more than 20% since the last advice provided to the Clearing Corporation pursuant to sub-paragraphs (a) or (b) hereof;
 - (iii) its financial position has altered in such other circumstances as are prescribed by the Corporation;
 - (iv) Default occurs, or the Clearing Member has reasonable grounds to suspect that a Default may occur.
- (b) The Clearing Member shall also provide such additional statement or statements of its financial position, in such form or forms as the Corporation may require, at such time or times as it may direct.

B.6 COMMITMENT TO SUPPORT OBLIGATIONS OF THE CORPORATION

B.6.1 Obligation to Provide Commitment

- (a) Each Clearing Member shall provide a commitment (the "Commitment") to the financial support of the obligations of the Corporation in accordance with and subject to the Rules:
 - (i) of such amount as is prescribed by the Corporation
 - (ii) in cash and/or other form of collateral as prescribed by the Corporation
- (b) The obligation of a Clearing Member to maintain the Commitment at the level prescribed by the Corporation, less that amount of the Commitment that is applied to meet the Initial Margin liabilities of the Clearing Member, is a continuing obligation.
- (c) The Corporation may in its absolute discretion determine the value of any part of a Commitment provided by a Clearing Member otherwise than in cash for the purpose of determining whether the Clearing Member has provided a Commitment of an amount which satisfies the requirements of the Rules.
- (d) The Corporation shall return the Commitment of a Clearing Member to the Clearing Member upon the resignation or termination of the Clearing Member's membership to the extent it was not applied by the Corporation pursuant to these Rules and provided that the Corporation may set off any monies owing to it against monies owing to the Clearing Member under this Rule.

B.6.2 Deposit of Commitment With the Corporation

Each Clearing Member shall deposit the cash and other collateral forming the Clearing Member's Commitment with the Corporation.

B.6.3 Application of Commitment to Margin Liability

The Corporation shall apply the Commitment of a Clearing Member to any obligation to provide a Margin that the Clearing Member may have at any time.

B.7 POSITION LIMITS

B.7.1 Determination of Position Limits

- (a) The Corporation may prescribe limits on the number of Open Positions (whether Client Positions or House Positions) a Clearing Member may hold in any Class of Market Contracts.
- (b) The Corporation may prescribe limits relating to the exposure of the Clearing Member under Open Contracts by reference to:
 - (i) the Initial Margin liability and/or Variation Margin liability and/or Daily Settlement liability of the Clearing Member;
 - (ii) the number of Open Positions held by a Clearing Member in any Class of Market Contract;
 - (iii) any other criteria relating to the Clearing Member's Open Positions or exposure as the Corporation thinks fit.

B.7.2 Special Limits

The Corporation may require a Clearing Member to comply with special limits having regard to any requirements of insurers to the Corporation or such other matters as it sees fit.

B.7.3 Actions in Respect of Excessive Positions

Where a Clearing Member's position is in excess of or appears likely to exceed the limits applicable to that Clearing Member pursuant to Rules B.7.1 or B.7.2 the Board may in its absolute discretion do, without being limited to such actions, all or any of the following:

- (a) Determine that the Clearing Member shall lodge additional Margin with respect to all or any Open Positions held by the Clearing Member of such amount as the Board may determine; and/or
 - (b) Direct that the Clearing Member reduce the number of its Open Positions so as not to exceed such limits; and/or
 - (c) Direct that the Clearing Member transfer all or any Open Contracts to another Clearing Member; and/or
 - (d) Refuse to register further Market Contracts in the name of the Clearing Member or accept any Transfer to that Clearing Member; and/or
 - (e) Declare the Member to be in Default,
- and a Clearing Member shall do all things necessary to give effect to any such determination, direction or decision by such time as is required by the Board.

B.7.4 Corporation to Advise Exchange

The Corporation shall immediately advise the Exchange of any determination pursuant to Rules B.7.3.

B.8 ACCESS TO RECORDS AND OFFICES AND CONFIDENTIALITY OF INFORMATION

B.8.1 Access to Records of Clearing Members

A Clearing Member shall provide the Corporation with immediate access to information and records concerning the Clearing Member's trading and financial position whether for client or principal trading and the Corporation may itself inspect the records of the Clearing Member or may appoint a person or persons to inspect the records on its behalf.

B.8.2 Requests for Exchange Information

The Corporation may request the Exchange to provide any information in its possession concerning a Clearing Member and may request the Exchange to conduct an inspection of the Clearing Member, or to appoint a person or persons to conduct an inspection, to assist the Corporation to obtain information for the purposes of Rule B.8.1. Each Clearing Member hereby authorises the Exchange to comply with such requests.

B.8.3 Provision of Information to Exchange

The Corporation shall provide to the Exchange, information concerning a Clearing Member and Open Positions held by that Clearing Member as may reasonably be required by the Exchange from time to time. Each Clearing Member hereby authorises the Corporation to provide such information to the Exchange.

B.8.4 Provision of Information to ESCA

The Corporation shall provide to ESCA all information requested by ESCA relating to the operations of the Corporation or a Clearing Member and Open Positions held by that Clearing Member.

B.8.5 Confidentiality

Except as provided by these Rules or as required by law the Corporation shall keep confidential information concerning Clearing Members or Open Positions held by them and shall only disclose such information to any other party as provided by these Rules, as required by law or for the purposes of discharging any of its functions or obligations under the Rules including, without limiting the generality of the foregoing, the provision of information to any insurers to the Corporation or to a provider of delivery facilities.

B.8.6 Access to Offices

Each Clearing member shall give access to each of ESCA and the Corporation to enter to its offices at any time requested by ESCA or the Corporation for the purposes of supervision and monitoring the compliance with these Rules and ESCA laws, rules and regulations.

B.9 SUSPENSION OF MEMBERSHIP STATUS AND CLEARING RIGHTS

B.9.1 Consequences of Suspension of Membership Status

- (a) Subject to Rule B.9.4, the Clearing Rights of a Clearing Member shall cease entirely for the duration of any period of suspension of the Clearing Membership status of that Clearing Member.
- (b) No suspension or termination of Clearing Membership status shall affect the Clearing Member's ability or obligation to comply with any direction given or condition imposed pursuant to these Rules or affect the operation of these Rules.
- (c) A suspended Clearing Member shall not except to the extent allowed by the Board in its absolute discretion, be entitled to have Market Contracts registered in its name or to receive a Transfer of an Open Contract.

B.9.2 Grounds for Immediate Suspension of Clearing Rights

The Clearing Rights of a Clearing Member shall automatically be suspended without a meeting of the Board or the BCC being required, if:

- (a) the Clearing Member is in Default; or
- (b) the Clearing Member is in breach of the Financial Requirements¹ and fails to rectify that breach within 24 hours or such longer period as the Corporation in its absolute discretion may allow. Rule B.9.3(a) gives 7 days in this case and its discretionary suspension.

B.9.3 Grounds for Discretionary Suspension of Clearing Rights

- (a) Without prejudice to any other action which the Exchange may take, the Clearing Rights of a Clearing Member may be suspended where:
 - (i) the Clearing Member fails to lodge a statement referred to in Rule B.5.4 within seven (7) days of the due date referred to in that Rule; or
 - (ii) the Clearing Member fails to pay any of the fees referred to in Rule B.4.3 (m) within one (1) month of its due date as determined by the Corporation.
- (b) Where a Clearing Member is suspended under Rule B.9.3 (a), the suspension shall be effective at the expiry of the period specified in that Rule or, if the BCC (either before or after the expiration of that period) extends the time for compliance at the expiry of that extension of time AND the Clearing Member shall be liable to pay a fine of such amount as is prescribed by the Corporation from time to time as the appropriate fine for such failure.
- (c) Failure to pay a fine imposed under Rule B.9.3 (b) within fourteen (14) days of the Clearing Member being notified of the imposition of the fine shall result in automatic suspension of the Clearing Member or, where the Clearing Member is already under suspension, continuation of that suspension until the fine is paid in full.

B.9.4 Transfer of Open Positions

Where a Clearing Member's Clearing Rights are suspended under Rules B.9.2 or B.9.3 the Board may direct the transfer of Open Positions in accordance with the procedures in Rule D.3.

B.9.5 Lifting of Suspension of Clearing Rights

Where a Clearing Member's Clearing Rights have been suspended in accordance with Rule B.9.3 (a) the suspension shall be lifted as soon as the statement referred to in Rule B.5.4 has been received by the Corporation or as soon as the outstanding fees due, including any interest determined by the Corporation, is paid, as applicable, unless prior to receipt of such statement or fees, the Clearing Member's Clearing Rights have been suspended for reasons other than the Clearing Member's failure

to lodge such statement, or the Clearing Membership has been terminated in accordance with Rule B.11.1.

B.10 TERMINATION OF MEMBERSHIP

B.10.1 Termination of Membership Status

Should the acts or omissions that gave rise to the suspension of a Clearing Member under Rules B.9.2 or B.9.3 not be remedied within one (1) month of the suspension date, or such other time as determined by the Corporation, the Board may without further notice terminate the membership and Clearing Rights of the Clearing Member.

B.10.2 No Entitlement to Refund of Fees

- (a) Annual membership fees shall be payable notwithstanding the suspension of a Clearing Member's status and rights.
- (b) There shall be no entitlement to a refund of any portion of the fees paid to the Corporation by a Member upon the suspension or termination of the Clearing Member's Clearing Membership status and Clearing Rights.

B.10.3 Notification of Suspension or Termination

- (a) Where the Clearing Membership status and Clearing Rights of a Clearing Member have been suspended or terminated or a Clearing Member has given notice of resignation the Corporation shall cause a notice to that effect to be Published to Clearing Members and may make any such other public announcements as it sees fit, and the Corporation may notify such other persons as it sees fit.
- (b) The Corporation shall advise ESCA of such action and all subsequent action taken by the Corporation in respect of that Clearing Member.
- (c) The Corporation may, in any notice Published pursuant to Rule B.10.3 (a), indicate the grounds on which the decision was made.

B.11 CHANGES IN CONTROL AND CHANGES IN DIRECTORS OR SHAREHOLDERS

B.11.1 Notification of Proposed Changes in Control and Application for Approval

A Clearing Member must forthwith submit to the Corporation full particulars of proposed changes and an application for approval where there is proposed in relation to a Clearing Member:

- (a) in the case of a partnership, a change in the partners (including the admission of a new partner whether or not that is consequent upon the death or retirement of a partner); or
- (b) in the case of a corporation:
 - (i) the transfer of fifteen per cent (15%) or more of the issued capital; or
 - (ii) the transfer of such lesser percentage of the issued capital whereby one party becomes the holder of fifteen per cent (15%) or more of the issued capital; or
 - (iii) the issue of any new shares (or option in relation thereto) whereby one party becomes the holder of fifteen per cent (15%) or more of the issued capital; or
- (c) in the case of a partnership or a corporation the entering into of any agreement, as a result of which act or event the control of the Clearing Member becomes (or could on the happening of any event contemplated in such agreement or sequential thereto by operation of law become) vested in persons other than those recorded with the Corporation forthwith.

B.11.2 Corporation to Consider Application for Approval

When the Corporation receives an application for approval pursuant to Rule B.11.1 it shall consider the application and may call for such further information as it deems necessary.

B.11.3 Effective Implementation of Changes

Implementation of a change in the constitution of a Clearing Member pursuant to Rule B.11.1 shall be deemed to have occurred when both of the following steps have been concluded:

- (a) an application for it has been approved by the Corporation; and
- (b) the Clearing Member has lodged with the Corporation a written acknowledgment that the changes submitted in the application have occurred.

B.11.4 Approval to lapse

If such implementation does not occur within two (2) months after the date of approval of the applica-

tion by the Corporation, or such other time as the Exchange may allow, that approval shall be deemed to have lapsed.

B.11.5 Change in Directors and Shareholding

A Clearing Member must notify the Corporation In Writing of any change in Directors or change in shareholding in excess of five per cent (5%) of the issued capital of the Clearing Member within twenty-one (21) days of such occurring.

B.12 RESIGNATION OF MEMBERSHIP

B.12.1 Notice of Resignation

A Clearing Member may resign by giving notice In Writing of its intention to do so.

B.12.2 No Refund of Fees upon Resignation

There shall be no entitlement to a refund of any portion of the fees paid to the Corporation by a Clearing Member upon the resignation of the Clearing Member.

B.12.3 Continuation of Liability

The resignation of a Clearing Member shall not in any way diminish any liability which that Clearing Member may have incurred to the Corporation or any other Clearing Member arising out of its activities and obligations as a Clearing Member and such shall continue to subsist until satisfied or discharged.

B.12.4 Corporation to Consent to Resignation

- (a) The resignation of a Clearing Member shall not be effective unless and until the Corporation consents In Writing.
- (b) Where the resignation of a Clearing Member is expressed to become effective after a period of time the resignation shall not be effective until the later of that date or the date upon which the Corporation consents in Writing.
- (c) A Clearing Member who resigns shall surrender to the Corporation any certificate of Clearing Membership that has been issued by the Corporation in relation to that Clearing Membership.

B.12.5 Open Positions Held by Resigning Clearing Member

Where a Clearing Member has resigned, the Open Positions held by such Clearing Member, whether on its own behalf or on behalf of Clients, shall be dealt with in accordance with Rule D.3.

C. REGULATION OF CLEARING MEMBERS

C.1 REGULATORY FUNCTION OF CORPORATION

C.1.1 Corporation's Responsibility

The Corporation has the responsibility for the investigation of potential and alleged breaches of the Rules and for the disciplining of Clearing Members in the event that such breaches are found to have occurred.

C.1.2 Corporation's Functions

In carrying out its responsibilities under Rule C.1.1 the functions of the Corporation include, but are not limited to:

- (a) undertaking such investigations as it sees fit;
- (b) undertaking such investigations, as it sees fit, of any allegations by a Clearing Member or any other person which it considers to warrant investigation;
- (c) maintenance of a program of inspections of the records and operations of Clearing Members for the purpose of ensuring compliance with, and detecting breaches of, the Rules and in particular ensuring that Clearing Members have appropriate procedures in place to prevent the occurrence of such breaches;
- (d) where practical and relevant, maintenance of a program for the monitoring of the markets for which the Corporation provides services, and Open Positions and Open Contracts held by Clearing Members and their Clients;
- (e) referring, where appropriate, alleged breaches of the Rules to the BCC where it considers that a Breach may have occurred;
- (f) co-opting the services of the auditors of the Corporation and such other persons as the BCC may approve, to assist in its activities; and
- (g) referring matters to ESCA where ESCA has jurisdiction over such matters or by agreement between the Corporation and ESCA.

C.2 BUSINESS CONDUCT COMMITTEE

C.2.1 Establishment of Committee

- (a) The Board may establish a Business Conduct Committee (BCC) with functions and powers as set out in Rule C.2.2.
- (b) Nothing in these Rules shall prevent the Board, with the agreement of the Exchange, appointing the Exchange BCC to act as the BCC.

C.2.2 BCC Functions and Powers

The functions and powers of the BCC shall be to:

- (a) exercise jurisdiction over Members with respect to conduct, trading practices, sales practices and trading ethics in accordance with these Rules;
- (b) to take disciplinary actions in accordance with these Rules;
- (c) to grant exemptions from the Rules as provided in Rule B.4.4 or as otherwise provided in the Rules; and
- (d) to undertake such other activities as the Board may refer from time to time to the Business Conduct Committee.

C.2.3 Referral by BCC to the Board

- (a) The BCC may refer a matter to the Board for consideration, either before or after consideration of a matter by the BCC itself.
- (b) The BCC shall not be required to make any finding but may do so, in relation to any matter, prior to directing that the matter be referred to the Board for its consideration. The Board shall not be bound by any such finding, if made.

C.2.4 BCC's Power to Co-opt or Exempt

- (a) When considering a particular matter the BCC shall be entitled to co-opt such other person or persons not exceeding two (2) whom it believes will assist the BCC in the consideration of the

matter.

- (b) Persons co-opted to the BCC under Rule C.2.4 (a) shall at the election of the BCC act as advisers to the Committee or become temporary members of the Committee and in which latter case they shall be deemed to be members of the BCC with full voting rights in relation to the consideration of that matter.
- (c) Persons co-opted to the BCC under Rule C.2.4 (a), whether as advisers or temporary members shall be subject to the confidentiality provisions of Rule B.8.5 and shall be required to sign undertakings to this effect.
- (d) The provisions of Rule B.8.5 relating to confidentiality shall apply to all members of the BCC, including any persons co-opted in accordance with Rule C.2.4 (a).
- (e) The BCC may where it believes it to be just and equitable, and to the extent permitted by law, and on payment of the application fee (if any) prescribed by the Board, exempt a Clearing Member or person or class of Clearing Member from compliance with such provisions of the Rules and on such conditions as it sees fit, including conditions relating to the payment of fees or costs in relation to the monitoring of such exemption.
- (f) The BCC may, at any time, revoke exemption granted under Rule C.2.4 (e).
- (g) A breach of a condition imposed in respect of an exemption granted under Rule C.2.4 (e) shall be deemed to be a Breach.

C.2.5 Fees

The BCC may impose a fee as determined by the Corporation, upon a Clearing Member to recover the reasonable costs of:

- (a) an investigation of an allegation against a Clearing Member and/or its Representatives, of misconduct or breach of these Rules which results in a finding that a Clearing Member and/or its Representatives have been guilty of misconduct or a breach of the Rules; and/or
- (b) an inspection (a follow-up inspection) carried out to satisfy the BCC that the Clearing Member has instituted procedures to ensure future compliance with the Rules following an investigation, or an earlier inspection or other report by the Corporation, or other regulatory agency which disclosed that the Clearing Member was in breach of the Rules
- (c) The Clearing Member shall pay the fee determined by the BCC not later than twenty-one (21) days following the Clearing Member being advised of the amount of such fee.
- (d) Failure to make a payment determined in accordance with Rule C.2.5 within the time specified in that Rule shall be deemed to be a Breach.

C.3 DISCIPLINARY POWERS

C.3.1 Powers to Require Attendance

- (a) Where the Board has reason to believe that any Clearing Member or Representative may have committed a Breach, the Board may require that Clearing Member or Representative or any other Clearing Member or Representative to appear before the Board and to furnish to the Board such information and explanations and answer questions concerning the matter as the Board may reasonably require.
- (b) Failure to comply with such a requirement under Rule C.3.1 (a) shall be a Breach.

C.3.2 Hearings

- (a) Hearings by the Board or BCC for the purposes of the exercise of powers under Rule C.1 shall be conducted in accordance with the procedures prescribed by the Board and as otherwise expressly provided in the Rules, in a fair manner and shall be subject to the direction and control of the Chairman of the Board or the BCC as the case may be.
- (b) Proceedings shall be conducted informally and need not have regard to the rules of evidence.

C.3.3 General Disciplinary Powers of Board and BCC

- (a) The following events shall constitute a Breach:
 - (i) where a Clearing Member fails to comply with any Rule or instruction or direction given to such Clearing Member in accordance with these Rules, after any grace periods have been granted to the Clearing Member, if any, provided that the event is not designated as a Default or Minor Breach under these Rules.
 - (ii) where a Clearing Member:
 - (1) has made a materially false or misleading statement in the course of an application for Clearing Member status or registration relating to the Clearing Member,

- (2) has been guilty of any breach of any relevant legislation,
 - (3) has notified the Corporation of a change in control pursuant to Rule B. 11.1 and the Board has declined to approve such change, or has failed to notify such change;
 - (4) has ceased to satisfy the conditions for admission as a Clearing Member as set out in the Rules including any conditions imposed by the Board; or
- (b) Where the Board is, whether upon reference to it under the Rules or on its own motion or other wise, satisfied that a Breach has occurred, the Board may take one or more of the following powers if it deems it, and in any order it deems appropriate:
- (i) to declare that the Clearing Member is in Default;
 - (ii) to terminate the membership and Clearing Rights of the Clearing Member;
 - (iii) to fine the Clearing Member at such level as may be determined by the Corporation;
 - (iv) to suspend a Clearing Member for a period as determined by the Board or BCC as the case may be;
 - (v) to reprimand a Clearing Member;
 - (vi) to bring a matter to a Clearing Member's notice;
 - (vii) to impose conditions in relation to any actions taken under this Rule or in relation to the future conduct of a Clearing Member (including measures to ensure future compliance) or otherwise to direct that a Clearing Member desist from specified conduct, and give directions in relation to Open Positions; and
 - (ix) order payment of all or part of the Corporation's costs of the relevant investigation and disciplinary procedure.
- (c) (i) Notwithstanding the power of the Board to delegate any of its powers to the BCC under these Rules, the determination of penalties referred to in paragraphs (i), (ii) and (iii) of Rule C.3.3 (b) may only be imposed by a decision of the Board.
- (ii) Where the BCC is considering a matter which could be penalized by any of these penalties set out in Rule C.3.3(b) , it may, if it deems appropriate, and shall in the case of the penalties referred to in Rule C.3.3(c)(i), refer the question of penalty to the Board in accordance with its powers with or without a recommendation as to the nature of any penalty or action which the BCC considers appropriate. In determining any such penalty the Board shall be entitled but is not obliged to rely upon any finding made by the BCC under this Rule C.3.3;

C.3.4 Board or BCC Meeting Procedure and Imposition of Penalties

- (a) Any action taken by the Board or the BCC under Rule C.3.3 shall be taken at a meeting convened on not less than 14 days notice or such lesser notice as is agreed to by the Clearing Member or by a resolution of the Board or BCC agreed to by not less than two thirds of the Board or BCC present at a meeting and entitled to vote.
- (b) Where all the members of the Board or BCC present and entitled to vote at a meeting resolve that having regard to the matters, notice of which is given pursuant to this Rule C.3.4, it is necessary to protect the interests of any market the products of which are cleared by the Corporation, or of the Corporation itself for the Clearing Member to be suspended, the Clearing Member shall be suspended pending such meeting.
- (c) The Board and the BCC before imposing any penalty shall satisfy itself that any proposed penalty is reasonable in the circumstances.
- (d) Where a penalty is imposed pursuant to Rule C.3.3, no further proceedings shall lie against the Clearing Member pursuant to the Rules in relation to the allegations which were the subject of the proposed proceedings insofar as they were disclosed to, or known by, the Board or BCC as the case may be.
- (e) The powers exercisable under Rule C.3.3 are not exclusive and the Board or BCC as the case may be, may exercise one or more of such powers in relation to a breach.

C.3.5 Carrying into Effect of Disciplinary Provisions

- (a) Any fine or cost is a debt to the Corporation due and payable by the Clearing Member on whom it is imposed, and shall be payable within fourteen (14) Business Days of a decision being notified to a Clearing Member unless expressly provided otherwise in the Rules.
- (b) If the fine or cost referred to is not paid by the Clearing Member by the due date the Corporation may terminate the Membership status and Clearing Rights of that Clearing Member.
- (c) Notwithstanding any termination of Clearing Membership status, the Corporation may by legal action pursue payment of the fine or accept security therefor or agree to payment over a period of time on such terms, including the rate of any interest to be charged, as it sees fit.
- (d) Proceedings may be commenced under the provisions of this Rule C.3.5 against a former Clearing Member within twelve (12) months after that former Clearing Member ceasing to be a Clearing

Member and such former Clearing Member shall be bound by any decision, finding, or penalty imposed.

C.3.6 Appeal from Original Decisions of BCC and BCC Delegates

- (a) Where there has been a finding of a breach of the Rules and the imposition of a penalty on a Clearing Member, the Clearing Member may, within ten (10) Business Days of notification of the decision, appeal the decision to:
 - (i) the Board, where the BCC makes a finding and imposes a monetary penalty or more serious penalty.
 - (ii) the BCC, where a BCC Delegate makes a finding and imposes a brought to notice penalty.
- (b) The Board or BCC, as the case may be may:
 - (i) consider the appeal and confirm the finding and/or penalty;
 - (ii) consider the appeal and cancel or vary the finding and/or penalty; or
 - (iii) (not consider the appeal but) elect to deal with the matter again pursuant to its own powers and in accordance with the Rules.
- (c) Unless an election is made to deal with the matter again, pursuant Rule C.3.6 (b) (iii), an appellant shall:
 - (i) be entitled to make written submissions to the Board or BCC, as the case may be, which shall be provided by a date notified by the Corporation;
 - (ii) not be entitled to appear before the Board or BCC, as the case may be; and
 - (iii) pay any appeal fee as determined by the Corporation, and which may be refundable at the discretion of the Board or BCC, as the case may be.
- (d) Unless the Board or BCC, as the case may be, determines otherwise, pending the determination of any appeal, any suspension imposed shall commence immediately and shall continue until the appeal is determined.
- (e) A member of the BCC who is also a member of the Board, and a BCC Delegate who is also a member of the BCC, will be ineligible to hear an appeal from a decision they made as a member of the BCC or a delegate of the BCC, as the case may be.

C.3.7 Appeal Tribunal and its Appointment

The Appeal Tribunal is an independent person or persons appointed by the Board to be utilised whereby notice In Writing to the Corporation is given within three (3) days of the notification of a decision, by a Clearing Member or Representative (the “Appellant”) indicating that it wishes to appeal against the decision of:

- (a) the Board’s original decision made under Rule C.3.3 (i.e. not the Board’s appeal decision); or
- (b) the BCC’s appeal decision from the BCC Delegate.

The Board shall within 21 days appoint an independent person or independent persons (hereinafter referred to as the “Appeal Tribunal”) to review the decision and shall forthwith notify the Appellant.

C.3.8 Appeal Tribunal Procedures and Decisions

- (a) A decision of the Appeal Tribunal shall be final and binding on the Corporation and the relevant Clearing Member.
- (b) The Appeal Tribunal shall make its decision as expeditiously as possible.
- (c) Unless the Appeal Tribunal otherwise determines, neither the Appellant nor the Corporation shall be entitled to appear before the Appeal Tribunal, but each shall be entitled to make written submissions to the Appeal Tribunal.
- (d) Any written submissions by the Appellant shall be lodged with the Corporation, and any written submissions by the Corporation shall be served upon the Appellant at its address for service, no later than ten (10) Business Days after notice is given under Rule C.3.7
- (e) All such submissions shall be provided by the Corporation to the Appeal Tribunal upon lodgement or service as above or upon the appointment of the Appeal Tribunal whichever is the later.
- (f) The Appeal Tribunal shall be entitled to call for such written or oral explanations, or clarification of the written submissions, from the Corporation or the Appellant, as it sees fit.
- (g) Subject to this Rule, proceedings of the Appeal Tribunal shall be in private.
- (h) Any notice given by the Appellant to the Corporation under Rule C.3.7 shall:
 - (i) be given within three Business Days after the decision of the Board or BCC;
 - (ii) include an address for service; and
 - (iii) be accompanied by such fee as the Corporation may determine, which fee shall be refundable if a termination of Clearing Membership status is cancelled or reduced to a suspension, fine, reprimand, direction or other order, a suspension is reduced or cancelled, or a fine is reduced or cancelled.

- (i) Pending a decision of the Appeal Tribunal unless the Appeal Tribunal otherwise determines:
 - (i) any decision to refuse an application to become a Clearing Member shall stand;
 - (ii) any suspension imposed by the Board shall remain in force;
 - (iii) any termination of a Clearing Member shall be deemed to be a suspension pending the decision of the Appeal Tribunal; and
 - (iv) any fine imposed shall not be required to be paid.
- (j) In making its decision the Appeal Tribunal shall have regard to the same criteria as the Board is required, pursuant to the Rules, in considering an application for approval as a Clearing Member or disciplinary action as the case may be.
- (k) Where the Appeal Tribunal is constituted by more than one person its decision shall be by a majority of those persons.
- (l) Where a member of the Appeal Tribunal is unable or unwilling to act, the remaining members of the Appeal Tribunal shall constitute the Appeal Tribunal.
- (m) In the event of a person who is the sole member of the Appeal Tribunal being unable or unwilling to act, the Board will, on request of the appellant, appoint a new Appeal Tribunal and no further fee will be payable by the appellant.
- (n) In the event that the Appeal Tribunal is unable to reach a decision the decision of the Board shall stand.
- (o) It shall be a condition of the submission of an appeal to the Appeal Tribunal that the Appellant and the Corporation release the Appeal Tribunal and each member thereof from any claims, suits or actions for damages or for costs in respect of any decision made by the Appeal Tribunal in good faith.

C.3.9 Costs

- (a) Each party shall bear its own individual costs of the appeal.
- (b) The costs of engaging the member or members of the Appeal Tribunal will be shared by the parties, with the Appellant's contribution being capped as set out herein
- (c) The Corporation will advise the Appellant of the costs of engaging the member(s) of the Appeal Tribunal and the Appellant will, within 30 days of receipt of a request for contribution, pay to the Corporation one half of such costs.

C.3.10 Advice of Tribunal Decision

Any decision of the Appeal Tribunal shall be promptly advised to the Board and the Appellant.

C.3.11 Minor Fines

- (a) The Board may prescribe from time to time fines not exceeding two thousand US dollars (US\$2,000) payable with respect to breaches of the Clearing Rules that the Corporation deem to be minor breaches ("Minor Breaches").
- (b) Upon a Minor Breach coming to the attention of the Corporation, the Corporation upon being satisfied that a breach has occurred may demand payment of the fine or in the alternative waive the fine and issue a reprimand.

D. REGISTRATION OF MARKET CONTRACTS AND OBLIGATIONS OF THE CORPORATION

D.1 REGISTRATION OF A MARKET CONTRACT WITH THE CORPORATION

D.1.1 Registration Process

- (a)
- (i) A Market Contract traded on the ATS shall be deemed to be recorded by the Exchange and registered with the Corporation upon the ATS producing a matched trade record of the transaction.
 - (ii) A Market Contract traded other than on the ATS shall be deemed to be recorded by the Exchange and registered with the Corporation upon being submitted to and accepted for registration by the Corporation.
- (b)
- (i) Only Clearing Members shall be entitled to have Market Contracts registered in their name.
 - (ii) Where the buyer of a Market Contract recorded by the Exchange is not a Clearing Member, the Buyer registered with the Corporation shall be the Guarantor Clearing Member of the buyer.
 - (iii) Where the seller of a Market Contract recorded by the Exchange is not a Clearing Member, the Seller registered with Corporation shall be the Guarantor Clearing Member of the seller.

D.1.2 Power to decline registration

- (a) Notwithstanding Rule D.1.1(a) the Board or the Chief Executive or a delegate of either may in their absolute discretion at any time prior to registration decline to register a Market Contract in the name of a Clearing Member or may impose conditions (including the deposit of Margin) on the registration of any Market Contract, without being required to give any reason and shall notify any such decision to the Clearing Member.
- (b) The Corporation shall where practical consult with the Exchange with respect to any decision under Rule D.1.2(a)

D.2 CONSEQUENCES OF REGISTRATION

D.2.1 Original Contract Extinguished and New Contracts Created

Upon and by virtue of registration with the Corporation, a Market Contract shall be extinguished and two new contracts which shall be binding on the Corporation and Clearing Members, shall come into existence:

- (a) an Open Contract between the Corporation and the Buyer in terms identical to the Market Contract except that the Corporation shall have the rights and obligations as seller; and
- (b) an Open Contract between the Corporation and the Seller in terms identical to the Market Contract except that the Corporation shall have the rights and obligations of buyer.

D.2.2 New Contracts Subject to Rules

The terms of each Open Contract created in accordance with Rule D.2.1 shall be subject to these Rules.

D.2.3 Clearing Member as Principal

Each Open Contract (whether designated to a House Clearing Account or a Client Clearing Account) shall be between the Corporation and a Clearing Member as principal and not as agent. No other person (including any Exchange Member which is guaranteed by the Clearing Member) shall have any rights or obligations under any Open Contract between the Clearing Member and the Corporation.

D.2.4 Corporation Entitled to Rely on Contract Particulars Recorded with Exchange

The Corporation shall be entitled to rely on the particulars of any Market Contract recorded with the Exchange being correct and shall not be bound to recognise any error in relation to such particulars.

D.3 TRANSFER OF CONTRACTS

D.3.1 Corporation's Power to Transfer Contracts

The Corporation may:

- (a) upon the request of a Clearing Member and the consent of the Exchange; or
- (b) where provided in Exchange By-Laws, at the direction of the Exchange; or

(c) pursuant to Part H or Part I of the Rules, transfer an Open Contract held in the name of a Clearing Member (the “Transferor Clearing Member”) to another Clearing Member (the “Transferee Clearing Member”).

D.3.2 Corporation’s Power to Decline to Effect Transfer

The Board or the Chief Executive may in their absolute discretion decline to effect a transfer without giving any reason.

D.3.3 Conditions of Transfer

A Transfer may be made subject to the Transferor Clearing Member and Transferee Clearing Member complying with any conditions imposed by the Corporation including the deposit of Margin, cash, securities or collateral by either or both of the Transferor and Transferee Clearing Member or any other party.

D.3.4 Effecting of Transfer

The Transfer shall be effected in such manner and at such time as the Corporation determines and shall be subject to the acceptance of the Transferee Clearing Member. For the purposes of determining the terms of the Open Contract to be transferred the determining time shall be the time of acceptance.

D.3.5 New Contract Created Upon Transfer

Upon the Transferee Clearing Member accepting the Transfer in the manner prescribed by the Corporation the Open Contract between the Transferor Clearing Member and the Corporation shall be extinguished and a new Open Contract will come into existence between the Corporation and the Transferee Clearing Member to which the Open Contract has been transferred on the same terms as the extinguished Open Contract.

D.4 REGISTRATION FEES AND EXCHANGE FEES

D.4.1 Payment of Fees

- (a) A Clearing Member shall pay to the Corporation such fees for the Registration of Market Contracts, creation of Open Contracts on the Exercise of Option Contracts, the Transfer or Allocation of Open Contracts etc, as may be determined in accordance with Rule B.4.3 (m).
- (b) Fees duly payable pursuant to the Rules may be deducted by the Corporation from any credit balance of any account of the Clearing Member with the Corporation other than a Client Clearing Account.

D.4.2 Fees Payable to Exchange

Each Clearing Member hereby authorises the Corporation to deduct from the relevant Account held by a Clearing Member with the Corporation any fees payable by the Clearing Member to the Exchange whether on its own behalf or on behalf of another Member of the Exchange with respect to the trading of Market Contracts in accordance with Exchange By-Laws and shall remit such fees to the Exchange.

D.5 CORPORATION REPORTS

The Corporation shall issue to Clearing Members a daily trade report and shall provide such other statements as to Open Positions of the Clearing Member and/or financial dealings between the Clearing Member and the Corporation

E. ACCOUNTS AND DAILY SETTLEMENT

E.1 ACCOUNTS

E.1.1 House Clearing Accounts

- (a) An account shall be established at the Corporation with respect to each Clearing Member, each such account to be known as a House Clearing Account.
- (b) Each House Clearing Account shall be the account to which all monies owing to or from the Corporation in relation to relevant House Positions of a Clearing Member shall be referable.

E.1.2 Client Clearing Accounts

- (a) In addition to each House Clearing Account, in respect of each Clearing Member which is a Broker Member of the Exchange or a Special Clearing Member, an account shall be established at the Corporation, each such account to be known as a Client Clearing Account.
- (b) Each Client Clearing Account shall be the account to which all monies owing to or from a Clearing Member with respect to relevant Client Positions shall be referable and to which all liabilities relating to such Client Positions shall attach.

E.1.3 Margining of Accounts

- (a) Margin and Daily Settlement Amounts shall be calculated separately for each of the House Clearing Account and the Client Clearing Account of each Clearing Member.
- (b) Any Margin deposited with the Corporation or Daily Settlement Amount paid to the Corporation by a Clearing Member with respect to an Open Position shall be designated to the Account of that Clearing Member to which the Open Position is designated.

E.1.4 Action Upon Default

Upon a Default by a Clearing Member the Corporation may in accordance with Part H of the Rules apply any surplus in any House Clearing Account to meet any deficiency in any Client Clearing Account of the Clearing Member but shall not apply any surplus in any Client Clearing Account to meet any deficiency in any House Clearing Account of that Clearing Member.

E.1.5 Collateral

All securities or other collateral held by the Corporation with respect to Positions designated to a Client Clearing Account or House Clearing Account shall be dealt with by the Corporation in the same way as monies paid to the relevant Account and shall be allocated by the Corporation to such account.

E.1.6 Restriction on Use of Client Account Monies

In no circumstances shall any monies payable to, or securities or collateral required to be allocated to, a Client Clearing Account be paid to or allocated to or used on the account of or in relation to Positions designated to a House Clearing Account.

E.1.7 Relationship of Clearing Member and Clients with the Corporation

- (a) The designation by a Clearing Member of an Open Position as a Client Position shall not in any way derogate from the fact that the Corporation is dealing with Clearing Members as principals as provided for in By-Law D.2.3, and the Corporation shall not in any way be required to recognise any clients of the Clearing Member and shall not be in any way responsible for the performance of the obligations under Open Contracts to such clients.
- (b) The Corporation shall not in any way, be on notice in relation to any matter arising between the Clearing Member and any Client or otherwise affecting the Client.
- (c) A Clearing Member's obligations as principal to the Corporation shall extend to any monies owing to the Corporation in relation to any Account established in relation to a Clearing Member at the Corporation including (subject to Rule E.1.6) any Client Clearing Account.

E.2 INITIAL MARGIN AND OTHER DEPOSITS

E.2.1 Clearing Member's Obligation to Deposit Initial Margin

- (a) A Clearing Member shall deposit with respect to each Open Position with the Corporation an

amount determined by the Corporation in its absolute discretion from time to time (whether before or after the opening of such Open Position) upon demand or by such time as prescribed by the Corporation.

- (b) Such amount shall be held by the Corporation which shall be entitled to apply it in satisfaction of performance by the Clearing Member of its obligations pursuant to these Rules.
- (c) A Clearing Member shall not be entitled to a refund or repayment of any amount so deposited except in accordance with these Rules and until the Position is Closed Out or completed by Delivery or acceptance of Delivery.
- (d) In this regard the Corporation shall without limitation of any other rights of the Corporation under the Rules have the rights of set-off referred to in Rule E.7.
- (e) The Corporation may in its absolute discretion accept the provision of Approved Securities or other collateral as a deposit instead of cash for such part of the amount referred to in Rule E.2.1
- (a) as the Corporation may determine, and may determine the valuation of any such securities or collateral for that purpose.
- (f) The Corporation may from time to time require the provision of a deposit by way of further cash, Approved Securities or collateral to be deposited to ensure that the valuation of such securities or property and any cash is at least equal to the Initial Margin liability of the Clearing Member or may require that any securities or collateral be replaced with cash.
- (g) The obligation upon a Clearing Member to make a deposit pursuant to this Rule shall be in addition to any other obligation of the Clearing Member to make deposits of cash, securities or collateral as otherwise provided in accordance with the Rules.

E.2.2 Variation in Initial Margin between Clearing Members and Over Time

- (a) The Corporation may determine a higher rate of Initial Margin for a particular Clearing Member or for all or some Clearing Members for a particular Market Contract or contract month or options series or in such other manner as it considers appropriate.
- (b) Initial Margins applicable to Open Positions held by Clearing Members may be changed from time to time and relate to both existing and new Open Positions.

E.2.3 Determination of Initial Margin in Particular Circumstances

- (a) The Corporation may prescribe the amount of Initial Margin which a Clearing Member shall deposit in relation to Open Contracts in the absence of any other determination requiring a greater Initial Margin pursuant to Rule E.2.
- (b) Such prescription may include provision for reduced amounts in circumstances prescribed by the Corporation for example in relation to spread positions.
- (c) The Board may not reduce the amount of Initial Margin applicable pursuant to this Rule E.2 without the prior consent of the Exchange.

E.3 DAILY SETTLEMENT

E.3.1 Corporation to Effect Daily Settlement

The Corporation shall on each Business Day after the determination of the Daily Settlement Price, and at any other time that it may determine, effect Daily Settlement of all Open Contracts arising from Market Contracts traded prior to that time at the Daily Settlement Price.

E.3.2 Mode of Effecting Daily Settlement

- (a) Daily Settlement of an Open Contract (the “**Settled Contract**”) shall be effected by:
 - (i) the deemed creation of an Open Contract on the same terms as the Settled Contract (other than as to price which shall be the Daily Settlement Price) except that the Open Contract created shall be to the opposite effect such that where the Corporation is Buyer under the Settled Contract shall give rise to an Open Contract (the “**Settlement Contract**”) where the Corporation is Seller and vice versa.
 - (ii)
 - (A) such Settlement Contract shall be settled against the Settled Contract, and Daily Settlement Amounts paid in accordance with Rule E.3.5;
 - (B) Upon such settlement, the Settled Contract and the Settlement Contract shall be extinguished; and
 - (C) a New Open Contract on the same terms, other than as to price, as the Settled Contract shall be created at the Daily Settlement Price.
- (b) where the Open Contract referred to in Rule E.3.2(a) is an Option Contract, the Daily Settlement Amounts referred to in Rule E.3.2 (a)(ii)(A) shall have regard to premiums that are due to be paid

and received in respect of that Option Contract in accordance with the Exchange By-Laws.

E.3.3 Payment of Daily Settlement Amounts

- (a) Subject to Rule E.6, on the Business Day following the determination of the relevant Daily Settlement Price in relation to an Open Position:
 - (i) Each Clearing Member shall by the Prescribed time or on demand, pay to the Corporation any Daily Settlement Amount owing with respect to Open Positions held by it.
 - (ii) The Corporation shall pay any Daily Settlement Amounts owing to a Clearing Member holding an Open Position to the respective Clearing Member.
- (b) Amounts payable under this Rule E.3 shall be paid by such time as is prescribed by the Corporation.

E.4 CLEARING BANKS AND PAYMENTS MECHANISM

E.4.1 Settlement Accounts at Approved Clearing Banks

- (a) The Corporation shall, from time to time, approve a list of banks to facilitate the process of payment of Daily Settlement Amounts.
- (b)
 - (i) Each Clearing Member shall establish and maintain a bank account with an Approved Clearing Bank to be known as the Settlement Account of the Member with the Approved Clearing Bank.
 - (ii) Each Settlement Account shall be the account:
 - (1) from which all monies owing to the Corporation by a Clearing Member in relation to relevant House Positions and Client Positions of the Clearing Member shall be paid, and
 - (2) into which all monies due to a Clearing Member from the Corporation in relation to relevant House Positions and Client Positions of the Clearing Member shall be paid.
- (c) Each Clearing Member shall authorize the Corporation to operate on its Settlement Account for the purpose of effecting the payment of Daily Settlement Amounts and Intra Day and Extra Margins due to the Corporation by the Clearing Member.
- (d) Where the Corporation pays monies into the Settlement Account of a Clearing Member in relation to Client Positions of the Clearing Member, the Clearing Member shall transfer such monies to a Clients' Segregated Account within twenty four (24) hours of receiving such monies from the Corporation.

E.5 INTRA DAY AND EXTRA MARGINS

E.5.1 Intra day Revaluation of Open Positions

- (a) The Corporation may prescribe procedures for the revaluation of Open Positions during each Business Day.
- (b) A Clearing Member shall by no later than the prescribed time on each Business Day deposit with the Corporation by way of Intra Day Margin amounts payable by it as a result of the revaluation in the prescribed manner of Open Contracts held by it.

E.5.2 Extra Margin

In addition to or instead of the Intra Day Margins provided by Rule E.5.1 the Corporation may at any time require at its absolute discretion a Clearing Member or all or any Clearing Members by a time determined by the Board or Chief Executive to deposit as Extra Margin further cash, securities, margin or cover for Open Contracts or Market Contracts eligible to be registered having regard to movements in the price of Market Contracts traded in any market of the Exchange.

E.5.3 Time for Deposit of Extra Margin

In the absence of any other determination by the Board or Chief Executive either generally or in a particular case the time for deposit of Extra Margin called pursuant to Rule E.5.2 shall be one hour.

E.6 DAILY CLOSE-OUT OF OPPOSITE POSITIONS

- (a) At the prescribed time on a Business Day the Corporation shall Close Out
 - (i) all opposite Open Positions in a Class of Contract held in a House Account of a Clearing Member, and
 - (ii) all opposite Open Positions in a Class of Contract held in a Client Account of a Clearing Member in respect of the same Client.

- (b) The resulting settlement amount shall be payable by or to the Corporation, as the case may be.

E.7 OFFSET – DAILY SETTLEMENT AMOUNTS

E.7.1 Separate Calculation of Daily Settlement Amounts Payable to and by The Corporation

On each Business Day the Corporation shall in relation to each Clearing Member calculate separately with respect to its relevant Client Clearing Accounts and House Clearing Accounts:

- (a) The sum of all Daily Settlement Amounts payable by the Clearing Member in respect of the Daily Settlements of the previous Business Day and all amounts payable by the Clearing Member to the Corporation in respect of Open Contracts which were Closed Out prior to that Daily Settlement and after the previous Daily Settlement.
- (b) The sum of all Daily Settlement Amounts payable by the Corporation to the Clearing Member in respect of Daily Settlements of the previous Business Day and all amounts payable by the Corporation to the Clearing Member in respect of Open Contracts which were Closed Out prior to that Daily Settlement and after the previous Daily Settlement.
- (c)
 - (i) If the amount payable by the Clearing Member under paragraph (a) is greater than the amount payable by the Corporation under paragraph (b) then the Clearing Member shall pay the difference to the Corporation.
 - (ii) If the amount payable by Corporation under paragraph (b) is greater than the amount payable by the Clearing Member under paragraph (a) then, subject to this Rule, and the deduction of any amounts otherwise owing by the Clearing Member or to the Clearing Member including amounts with respect to Deliveries or otherwise, the Corporation shall pay the difference to the Clearing Member.
- (d) The amounts payable to or by the Corporation under this Rule E.7.1 shall be paid by such time as is prescribed by the Corporation.

E.7.2 Set-Off Rights

The Corporation may, at any time:

- (a) combine or consolidate the balances (whether arising from Settlements, Margin payments or otherwise) in respect of all or any of the Open Contracts relating to Open Positions designated to a Clearing Member's House Clearing Accounts; and/or
- (b) set-off any amount or amounts standing from time to time to the credit of any of the Clearing Member's House Clearing Accounts, in or towards payment or satisfaction of all or any of that Clearing Member's liabilities to the Corporation in respect of:
 - (i) Open Contracts relating to Open Positions designated to any of that Member's House Clearing Accounts; or
 - (ii) Open Contracts relating to Open Positions designated to any of that Clearing Member's Client Clearing Accounts, to the extent of any shortfall where proceeds of a Client Clearing Account are insufficient to meet its liabilities to the Corporation in respect of Open Contracts designated to that Account.
- (iii) All other liabilities of the Clearing Member to the Corporation.

E.7.3 Set-Off in Relation to Client Clearing Accounts

The Corporation may combine or consolidate the balances (whether arising from Settlements, Margin payments or otherwise) in respect of all or any of the Open Contracts designated to a Clearing Member's Client Clearing Accounts and to set-off any amount or amounts standing from time to time to the credit of any of a Clearing Member's Client Clearing Accounts in or towards payment or satisfaction of all or any of the Clearing Member's liabilities to the Corporation in respect of Open Contracts designated to the Clearing Member's Client Clearing Accounts.

E.7.4 Debit Balances on Clearing Members' Accounts Payable on Demand

Debit balances due to the Corporation on the Clearing Member's House Clearing Accounts or Client Clearing Accounts are to be paid by the Clearing Member to the Corporation on demand.

E.8 EXCESS DEPOSITS

E.8.1 Deposits Deemed to Have Been Made for Certain Purposes

All deposits held by the Corporation in a Clearing Member's House Clearing Account or Client Clearing Account, including any monies deposited in excess of a Clearing Member's Margin and Daily Settle-

ment obligations at the time of the deposit, are deemed to have been deposited for the purpose of satisfying Margin and/or Daily Settlement and/or Commitment obligations.

E.8.2 Excess Deposits Refundable

Deposits held by the Corporation which are in excess of a Clearing Member's Margin, Daily Settlement and Commitment obligations from time to time are refundable to the Clearing Member by the Corporation upon demand, provided that the Corporation is satisfied, in its absolute discretion, that such deposits will not be required to satisfy a Margin or Daily Settlement obligation regarding an Open Position.

F. CLEARING OF OPTIONS CONTRACTS

F.1 OBLIGATIONS OF THE CORPORATION REGARDING OPTIONS

The Corporation shall give effect to the exercise of Open Positions which are Option Contracts, in accordance with Exchange By-Laws and the Rules.

F.2 EXERCISE AND ABANDONMENT OF OPTIONS

F.2.1 Corporation Actions in Respect of an Exercise Request

The Corporation shall act on an Exercise Request or a Deny Automatic Exercise Request with respect to an Option Contract in accordance with the terms of Open Contracts and the Exchange By-Laws.

F.2.2 Deemed Exercise of In the Money Options

Subject to any provisions in the Exchange By-Laws relating to the Exercise of Options, a Clearing Member that has not previously lodged an Exercise Request or a Deny Automatic Exercise Request in accordance with Rule F.2, will at the last time for exercise of an Option Contract be deemed to have exercised an Option Contract where upon the exercise of which the Futures Contract which vests in the holder of the Option Contract would result in an obligation of the Corporation to pay a Mandatory Settlement Amount to the holder, (an "in the money option").

F.2.3 Lodgement of Requests and Corporation Action Thereon

- (a) Exercise Requests and Deny Automatic Exercise Requests must be lodged in the prescribed form in the ATS and any exercise made pursuant to such requests shall be final and may not be withdrawn.
- (b) The Corporation may act upon any such Exercise Request and is under no obligation to check the accuracy or validity of any Exercise Request lodged but may reject such exercise or denial if it believes it to be made contrary to the Exchange By-Laws or the Rules.

F.2.4 Exercise and Abandonment in Accordance with Part H and I

The Corporation may Exercise or Abandon Option Contracts in accordance with Part H or Part I of the Rules.

F.2.5 Effect of Exercise

Upon the Exercise of a Futures Option Contract, in relation to the Futures Contract which is the subject of the Futures Option Contract (underlying Futures Contract).

- (a) In the case of a call option:
 - (i) an Open Contract in the Underlying Futures Contract shall arise at the Strike Price between the Corporation and the Buyer of the Option with the Corporation as Seller and the Buyer of the Option Contract as Buyer;
 - (ii) an Open Contract in the Underlying Futures Contract shall arise at the Strike Price between the Corporation and a Seller, as appointed by the Corporation in its absolute discretion, (being a Seller holding the Selling position under an Open Contract which is a Futures Option Contract in the same series) of an option, with the Corporation as Buyer and the Seller of the Option Contract as Seller and such option shall thereby be deemed to be exercised.
- (b) In the case of a put option:
 - (i) an Open Contract in the underlying Futures Contract shall arise at the Strike Price between the Corporation and the Buyer of the Option with the Corporation as Buyer and the Buyer of the Option Contract as Seller;
 - (ii) an Open Contract in the underlying Futures Contract shall arise at the Strike Price between the Corporation and a Seller as appointed by the Corporation in its absolute discretion, (being a Seller holding the selling position under an Open Contract which is a Futures Option Contract in the same series) of an option, with the Corporation as Seller and the Seller of the Option as Buyer and such option shall thereby be deemed to be Exercised, and the Open Contracts thereby arising in each case shall be deemed to arise from the registration of a Market Contract.

F.3.2 Sellers Entitlement to Receive Premiums

Sellers of Option Contracts shall only be entitled to receive premiums where there is a corresponding obligation of Buyers to pay premiums in accordance with the Exchange By-Laws.

G. DELIVERY PROCEDURES

G.1 OBLIGATIONS OF THE CORPORATION

The Corporation shall make and take or cause to be made and taken by buyers and sellers delivery of Commodities in relation to Open Contracts which are Deliverable Contracts, in accordance with the Exchange By-Laws and the Rules.

G.2 DELIVERY PROCEDURES

G.2.1 Effecting of Delivery

Subject to the Exchange By-Laws, Delivery under Deliverable Contracts shall, at the absolute discretion of the Corporation, be effected by:

- (a) (i) The Corporation directing Clearing Member holding Open Contracts under which they are obliged to make or take delivery to make delivery to or take delivery from a Clearing Member holding an opposite obligation nominated by the Corporation and to make or receive the settlement amount accordingly.
- (ii) Clearing Members shall comply with any direction so given and any failure to do so shall be deemed to be a Default; or
- (b) (i) the Corporation making or taking delivery under Open Contracts subject to delivery obligations and paying or receiving the settlement amounts accordingly.
- (ii) Any failure by a Clearing Member to give or take delivery or pay the settlement amount under an Open Contract with the Corporation shall be deemed to be a Default.

G.2.2 Delivery is Full Discharge of Obligations Under Open Contracts

Delivery effected under Rule G.2.1 shall be a full and complete discharge of obligations under the relevant Open Contracts.

G.2.3 Clearing Members' Obligations Regarding Delivery

- (a) A Clearing Member shall comply with all provisions of Exchange By-Laws and the Rules and the terms of Open Contracts relating to the delivery of information, documents or Commodity to the Corporation or to Clearing Members and shall comply with all time limits therein imposed.
- (b) Clearing Members shall be obliged to accept Delivery of any Commodity made in accordance with the Rules and the Exchange By-Laws.
- (c) The Corporation shall be under no obligation to check any Commodity or document received from a Clearing Member in relation to an obligation to give or take delivery under an Open Contract.
- (d) The passing on of such Commodity or a direction to deliver to a Clearing Member in respect to which the Corporation is making or taking delivery shall not be taken to be acceptance of such Commodity or document by the Corporation and rejection of such Commodity or documents by such Clearing Member in accordance with the Exchange By-Laws or the Rules shall be deemed to be a rejection by the Corporation.

G.2.4 Corporation Has No Liability in Respect of Forgery

The Corporation shall have no liability with respect to any forged Commodity or document delivered to Clearing Members pursuant to Rule G.2.1 (whether by or at the direction of the Corporation) and the sole recourse of a Clearing Member receiving such forged Commodity or document shall be to the Clearing Member which delivered or caused to be delivered that forged Commodity or document to the Clearing Member or the Corporation and the Corporation shall have no liability under any Open Contract as a result of any non-fulfillment of that Open Contract because of such forgery.

G.2.5 Failure of a Clearing Member to Deliver

- (a) Where the Corporation is obliged under Open Contracts to make or have effected delivery of a Commodity and does not receive delivery or delivery is not available, under an Open Contract opposite in effect in accordance with the Rules it shall not be obliged to effect or have effected delivery of the Commodity but may effect cash settlement with the Buyer at a price determined by the Exchange which price may include any compensation determined by the Exchange pursuant to Exchange By-Laws.
- (b) Where the Corporation is satisfied that any failure by a Clearing Member to deliver to the Corporation or to deliver at its direction is due to delivery being rendered impossible the Corporation may instead direct that such Clearing Member may make cash settlement to it in such an amount as it determines.

G.2.7 Late Invoice

- (a) If the Corporation invoice is not ready by the time prescribed by the Corporation then the Corporation may estimate the amount of such invoice and the Buyer shall pay such invoice on account.
- (b) The Corporation shall likewise estimate the amount payable to the Seller and shall pay the amount on account, pending final calculation.

H. PROCEDURES ON DEFAULT

H.1 EVENTS OF DEFAULT

Each of the following events shall constitute a Default in respect of a Clearing Member:

- (a) the occurrence of a Default as defined in the Exchange By-Laws;
- (b) the Clearing Member fails to pay Margins or Daily Settlement Amounts within the period provided by these Rules;
- (c) an administrator of the Clearing Member or an Affiliated Corporation of the Clearing Member or similar person is appointed;
- (d) except for the purposes of a solvent reconstruction or amalgamation previously notified to the Corporation:
 - (i) an application or an order is made, proceedings are commenced, a resolution is passed or proposed in a notice of meeting or an application to a court or other steps are taken for:
 - (1) the winding up, dissolution or official management or administration of the Clearing Member or a related body corporate of the Clearing Member; or
 - (2) the Clearing Member or an Affiliated Corporation of the Clearing Member enters into any arrangement, compromise or composition with or assignment for the benefit of its creditors or any class of them; or
 - (ii) the Clearing Member ceases or suspends or threatens to cease or suspend substantially all of its business or threatens to dispose of substantially all of its assets; or
 - (iii) the Clearing Member is or is deemed under any applicable legislation to be unable to pay its debts as and when they fall due (other than as a result of failure to pay a debt or claim the subject of a good faith dispute) or stops or suspends or threatens to stop or suspend payment of all or a class of its debts.
- (f) the Clearing Member or an Affiliated Corporation of the Clearing Member is suspended, expelled or terminated as a member of any, futures, securities, commodity or stock exchange or is subject to sanctions by any regulatory authority;
- (g) with respect to all or any of the assets and undertaking of the Clearing Member or a related body corporate of the Clearing Member:
 - (i) a receiver, receiver and manager, administrative receiver, administrator or similar officer is appointed;
 - (ii) a Security Interest is enforced; or
 - (iii) a distress, attachment, or other execution is levied or enforced.
- (h) anything analogous to anything referred to in paragraphs (a) to (g) inclusive, or having substantially similar effect, occurs with respect to the Clearing Member including, without limitation, anything occurring outside the United Arab Emirates or under the law of a jurisdiction other than United Arab Emirates;
- (i) the Clearing Member is the subject of a notice under any insurance referred to in Rule H.3.2 (d), or any other insurance taken out by the Corporation to enable it to meet its obligations to Clearing Members which affects the amount or conditions or operation of such insurance;
- (j) a Default is declared in respect of a Clearing Member under any of these Rules.

H.2 ACTIONS FOLLOWING A DEFAULT

H.2.1 Powers of Corporation

Upon declaration by the Board that a Default has occurred with respect to a Clearing Member the Corporation shall in its absolute discretion have the power to do all or any of the following in any order:

- (a) to Close Out all or any Open Contracts of the Clearing Member in Default including in its absolute discretion Open Contracts in the Client Account by Closing Out any opposite positions in each such Account and/or by buying or selling opposite positions on the Exchange Markets and to appropriate any excess after the application of Rule E.7;
- (b) to sell, realise, apply and set off any monies, securities, collateral or other property deposited with the Corporation by the Clearing Member in Default by way of Margin, Commitment or otherwise (whether or not arising from obligations under the Rules) and to apply the proceeds without being required to give notice to or obtain the consent of the Clearing Member in Default or any court order, with full power to execute any documents in its own name or as attorney for the Clearing Member in Default for that purpose, PROVIDED ALWAYS that any monies, securities or collateral deposited with the Corporation with respect to open positions designated to a Client Clearing Account may be used to meet obligations in a Client Clearing Account and shall not be used to meet any obligations in a House Clearing Account;

- (c) to apply any surplus in any House Clearing Account of the Clearing Member in Default to any deficiency on any Client Clearing Account of the Clearing Member in Default;
- (d) to Transfer pursuant to Rule H.4 all or any Open Positions designated to a Client Clearing Account of the Clearing Member in Default to another Clearing Member together with any Initial Margins which in the opinion of the Corporation are held with respect to such Open Positions;
- (e) (i) to Exercise or Abandon any Option Contract of the Clearing Member in Default.
(ii) Any such Exercise or Abandonment shall be deemed to have been effected by the Clearing Member which is the party to the Option Contract;
- (f) notwithstanding any direction given under Rule G.2, to itself give or take delivery of any Commodity;
- (h) (i) after, and only after, using all possible endeavours to close out the Open Positions of the Clearing in Default under Rule H.2.1(g) and after using all possible endeavours to cover its liability with respect to the Open Contracts of the Clearing Member in Default not so closed out by trading on any available futures forward cash or spot market and such other means as are available to protect its position, to effect Compulsory Settlement in accordance with Rule I.4.
(ii) Compulsory Settlement effected pursuant to this Rule H.2.1 (h) shall not in any way affect or diminish the rights of the Corporation against any Clearing Member in Default; and
- (i) to do all such other necessary acts and things as are in the opinion of the Corporation necessary to reduce or crystallise its exposure under Open Contracts or otherwise, arising from or as a result of the Default.

H.2.2 Offset of Exposure

- (a) The Corporation may offset any exposure arising from a Default by trading Market Contracts by means of trading on any trading system maintained by the Exchange through an Exchange Member ;
- (b) The Corporation shall register any Market Contract so traded and may Close Out the Open Contract so traded against Open Contracts of the Clearing Member as if such Market Contracts had been entered into by the Clearing Member in Default.

H.3 LOSS AND SATISFACTION OF THE OBLIGATIONS OF THE CORPORATION

H.3.1 Loss of the Corporation

Any deficiency in the Accounts of a Clearing Member in Default or Clearing Members in Default after the application of Rule H.2.1 shall be termed the “Loss of the Corporation” on the Default.

H.3.2 Satisfaction of Corporation’s Obligations

Without affecting the rights of the Corporation as otherwise provided in the Rules, upon Default by a Clearing Member the Corporation shall be entitled, in satisfying its obligations, to apply the following assets in the order stipulated, in whole or in part:

- (a) any monies, securities or collateral held by the Corporation in any account of the Clearing Member in Default or Clearing Members in Default (including, subject to the provisions of Rules E.1.4, E.1.5 and E.1.6 restricting access to a Client Clearing Account, a Client Clearing Account of the Clearing Member in Default or Clearing Members in Default);
- (b) the proceeds of the Commitment of the Clearing Member in Default or Clearing Members in Default;
- (c) the proceeds of any insurance designated for the purposes of this By-Law, provided that in the case of any relevant policy the relevant excess has been exceeded;
- (d) the proceeds of the Commitments of Clearing Members other than the Clearing Member in Default or Clearing Members in Default, other than that part of any such Commitments which have not been applied by the Corporation to the Margin obligations of Clearing Members;
- (e) the assets of the Settlement Guarantee Fund, if any;
- (f) any other monies or other assets available to the Corporation.

H.3.3 Application of Assets to Further Defaults

The application of any of the assets referred to in Rule H.3.2 with respect to a Default or Defaults shall not preclude the use of any remaining assets in any subsequent Default or Defaults.

H.3.4 Further Commitment

- (a) If the Corporation applies the proceeds of a Commitment of a Clearing Member under Rule H.3.2 (e), in full or in part, the Corporation may request the Clearing Member to make such further commitment by way of deposit of cash, securities or collateral in such amount and at such times as the Corporation believes necessary to provide continuing financial support for the obligations of the Corporation.
- (b) A Clearing Member that declines to provide the further commitment referred to in Rule H.3.4(a) shall thereupon cease to be a Clearing Member, but shall be under no further obligation to provide such further commitment.

H.3.5 Subsequent Recovery From Defaulting Clearing Member

Any amount later recovered from the Defaulting Clearing Member shall to the extent of such recovery reduce the Loss of the Corporation.

H.4 CLIENTS NOT IN DEFAULT TO CLEARING MEMBER IN DEFAULT

H.4.1 Transfer of Client Positions

- (a) Without prejudice to Rule D.3 and without being under any obligation to do so the Board may in its absolute discretion and with regard to the necessity to crystallise the Corporation position as soon as possible and after having regard to the liability or potential liability of the Corporation and any other relevant matter permit the Transfer to another Clearing Member of all or any Open Contracts designated as Client Positions of a Clearing Member in Default where the Corporation is advised by the Exchange that the Open Contract is held on behalf of a Client of the Clearing Member which is not in default of its obligations to the Clearing Member.
- (b) For that purpose the Corporation may transfer monies from a Client Clearing Account of the Clearing Member in Default to the relevant Clearing Account of the Clearing Member to whom the Open Contract is being transferred.
- (c) The Loss of the Corporation shall be adjusted accordingly.

H.4.2 Conditions of Transfer

A Transfer of Open Contracts under Rule H.4.1 may be made subject to conditions including without limitation;

- (a) the receipt of the written authority of the Clearing Member to whom the Open Contracts are to be transferred; or
- (b) an indemnity from any person, or conditions relating to Margin to be provided to the Corporation before or after such transfer.

H.4.3 Transfer of Monies, Securities or Collateral

Where the Corporation permits a Transfer of Open Contracts pursuant to Rule H.4.1 the Corporation may transfer such of the monies in or securities, collateral or property allocated to, a Client Clearing Account of the Clearing Member as the Corporation believes is referable to such Positions.

I. EMERGENCY SITUATIONS, FORCE MAJEURE AND COMPULSORY SETTLEMENT

I.1 PHYSICAL EMERGENCIES

I.1.1 Determination of Physical Emergencies

- (a) For the purposes of this Rule I.1.1, a physical emergency occurs when a situation arises where the physical functions of the Corporation are or are threatened to be severely and adversely affected by an event external to the trading of the Corporation, such as (but not limited to) fire, accident, flood, bomb threat, threat of violence, substantially inclement weather, power failure, communication breakdown, computer malfunction or danger to personnel, or when the ability of the Corporation to operate is restricted by the declaration by the relevant authorities of the United Arab Emirates of a public holiday at short notice.
- (b) If in the opinion of the Chief Executive or his delegate a physical emergency occurs or is likely to occur, he or she may take such action as shall be deemed necessary to deal with the emergency.
- (c) Upon a determination by the Chief Executive or his delegate, that the emergency has sufficiently abated to permit the orderly functioning of the Corporation, he shall order restoration of business and the removal of any restrictions which may have been imposed under this Rule, and may make such additional orders as he deems necessary or appropriate to minimise the effect of the emergency.
- (d) No person shall be entitled to make any claim or commence any action against the Corporation, the Board or the person making decisions referred to in sub-clauses (b) and (c) hereof in respect of any decision made or action taken pursuant to this Rule I.1.1.

I.2 MARKET EMERGENCIES AT THE EXCHANGE

I.2.1 Undesirable Situation or Practice

- (a) If the Corporation determines that an undesirable situation or practice is developing or has developed which is contrary to the maintenance of a fair and orderly market of the Exchange, the Corporation may take or refrain from taking or direct a Clearing Member to take or refrain from taking, any action which the Corporation considers is appropriate and in the interests of maintaining a fair and orderly market or underlying market.
- (b) For the purposes of this Rule I.2.1 :
 - (i) 'market' means a market conducted by the Exchange;
 - (ii) 'underlying market' means, in relation to:
 - (A) a Market Contract or an Open Contract which in either case is a futures contract, the market in the underlying commodity or thing; and
 - (B) a Market Contract or Open Contract which in either case is an options contract, a market in the underlying futures contract or the underlying market in relation to the futures contract as defined in sub-paragraph (A) above.
- (c) (i) The Corporation shall be entitled to give effect to any direction of ESCA in relation to Market Contracts or the operation of the Corporation or any other lawful direction.
- (ii) In giving effect to a determination referred to in this Rule I.2.1 or a direction referred to in Rule I.2.1 (c) (i) the Corporation shall be entitled to apply the Rules as varied or modified so far as necessary to give effect to a relevant decision or direction.

I.3 FORCE MAJEURE

Where the business of the Corporation is materially adversely affected for any reason including, without limiting the generality of the foregoing, the intervention of any government or government authority or agency, fire, power failure or restrictions, communication breakdown, accident, flood, war or the threat of war, embargoes, boycotts, labour disputes, unavailability of data processing or bank clearance systems or act of God such that the Corporation is unable to properly conduct the business of the Corporation in whole or in part the Corporation shall be released from its obligations under the Rules to the extent that the performance of such obligations are prevented or hindered in whole or in part by circumstances referred to above and the Corporation may vary or modify the Rules to the extent that in the opinion of the Corporation is reasonably necessary in the circumstances and without limiting the generality of the above the steps which the Corporation may take shall include:

- (a) The Compulsory Settlement in accordance with Rule I.4 of all or some Open Contracts at a price

- determined by the Exchange or failing that by the Corporation.
- (b) The Close Out of any Open Contract.
 - (c) The exercise of any power which would be exercisable by the Corporation in the event of a Default.

I.4 COMPULSORY SETTLEMENT

I.4.1 Scope of Rule

The provisions of this Rule I.4 shall apply where the Corporation invokes Compulsory Settlement or where such Compulsory Settlement is directed by the Exchange under Rules H.2.1(h) and I.3.

I.4.2 Deemed Close Out of Open Contracts

Upon the Corporation determining an Open Contract or Open Contracts shall be subject to Compulsory Settlement the Open Contract shall be deemed to be Closed Out by an Opposite Open Contract at the price determined by the Exchange pursuant to Exchange By-Laws or failing any determination by the Exchange at a price which in the opinion of the Corporation is fair and reasonable.

I.4.3 Effecting of Compulsory Settlement

Compulsory Settlement shall be effected by the Corporation giving notice to the Clearing Member holding the Open Contract or Open Contracts to be subject to Compulsory Settlement specifying the price at which that Compulsory Settlement is to occur and in such other manner and form as the Corporation in its absolute discretion shall determine.

I.4.4 Matters to Which Corporation Shall Have Regard

Subject to any Exchange direction and subject to Rule H.2.1(h), the Corporation shall direct the Compulsory Settlement of Open Contracts in its absolute discretion having regard as far as practicable to the proportion of Open Contracts held by Clearing Members and with respect to Open Contracts and Clearing members selected by the Corporation.

I.4.5 Compulsory Settlement Final and Binding

Compulsory Settlement (and the determination of any price for Compulsory Settlement) shall be final and binding on all parties and Compulsory Settlement shall be a full and effective discharge of obligations under Ope