

**Exhibit M: Rulebook**

**Railbird Exchange, LLC**

**Rulebook**

Date: 8/15/2025

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## CHAPTER 1:DEFINITIONS

Except where the context requires otherwise, as used herein:

- (i) Words used in the singular shall be deemed to import the plural and vice versa, as the context may require
- (ii) The term “include” means “include without limitation”
- (iii) Any reference to the masculine, feminine, or neutral gender includes each other gender
- (iv) Any reference to a number of days shall mean calendar days unless Business Days are specified
- (v) Any reference to a time shall mean the local time in New York, NY unless otherwise specified
- (vi) Any reference to dollars, \$ or USD shall mean U.S. dollars
- (vii) Any reference to these Rules, and the words herein, hereof, hereto, and hereunder and words of similar import refer to these Rules as a whole and not to any particular Rule unless otherwise indicated

When used in this Rulebook the following terms shall have the respective meanings as follows:

“Accountability Level” means a number of contracts that if a Member holds in excess of the specified level, such member may be asked by the Company to provide additional information regarding the nature of the position. Furthermore, the Company may direct a Member to not increase or decrease positions in excess of an Accountability Level.

“Affiliate” means, with respect to any Person, any Person who, directly or indirectly, Controls, is Controlled by, or is under common Control with, such other Person.

“Appeal Committee” means a committee of the Board to consider appeals under Chapter 9.

“Applicable Law” means, with respect to any Person, any statute, law, regulation, rule or ordinance of any governmental or self-regulatory authority applicable to such Person, including the CEA and CFTC Regulations, and state regulations where applicable.

“Binary Contract” means a Contract where the Market Outcome is either YES or NO.

“Board” means the Board of Directors of Railbird, which manages the Company and is constituted from time to time in accordance with the Operating Agreement.

“CFTC” or “Commission” means the U.S. Commodity Futures Trading Commission or any successor regulatory body.

“CFTC Regulations” means the rules and regulations promulgated by the CFTC, as amended.

“Clearinghouse” means QC Clearing LLC (“QC Clearing”), or its successor, a registered Derivatives Clearing Organization.

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

“Company” means Railbird Exchange, LLC.

“Contract” means any contract, agreement, or transaction approved for trading on Railbird pursuant to these Rules.

“Contract Market” has the meaning set forth in CFTC Regulation § 1.3.

“Contract Specifications” means, with respect to any Contract, the rules or other trading protocols containing specifications for such Contract, as adopted, amended, supplemented or otherwise modified from time to time by the Company.

“Derivatives Clearing Organization” has the meaning set forth in Section 1a(15) of the CEA.

“Director” means any member of the Board.

“Disciplinary Panel” means the panel appointed by the Board at the recommendation of the Chief Regulatory Officer to act in an adjudicative role and fulfill various adjudicative responsibilities and duties described in Chapter 9.

“Emergency” means any occurrence or circumstance that, in the opinion of the Board, requires immediate action and threatens or may threaten such things as the fair and orderly trading in, or the liquidation of or delivery pursuant to, any Contract or the timely collection and payment of funds in connection with clearing and settlement by a Derivatives Clearing Organization, including, without limitation, the following:

1. any manipulative or attempted manipulative activity;
2. any circumstance that may materially affect the performance of a Contract, including failure of the payment system or the bankruptcy or insolvency of any Member;
3. any action taken by any domestic or foreign regulatory, self-regulatory, judicial, arbitral, or governmental (whether national, state or municipal) or quasi-governmental authority, or any agency, department, instrumentality, or sub-division thereof; or other Person exercising, or entitled to exercise any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power; or any other registered entity, board of trade, market, facility, or other exchange or trade association (foreign or domestic) that may have a direct impact on trading, clearing, and settlement of any Contract;
4. any actual, attempted, or threatened corner, squeeze, congestion, manipulative activity, or undue concentration of positions in a Contract;
5. any circumstance that may have a severe, adverse effect upon the functions and facilities of Railbird, including, but not limited to, acts of God, fire, flood or other natural disasters, bomb threats, acts of terrorism or war, severely inclement weather, or failure or

malfunction of all or a portion of the Railbird Platform, or other system breakdowns or interruptions such as power, computer, communication or transportation systems or the Internet;

6. the bankruptcy or insolvency of any Derivatives Clearing Organization or the imposition of any injunction or other restraint by any Government Agency, clearing house, court or arbitrator upon a Derivatives Clearing Organization which may affect the ability of a Derivatives Clearing Organization to trade in or perform on a Contract;
7. any circumstance in which it appears to the Board that a Derivatives Clearing Organization or any other Person:
  - (i) has failed to perform on a Contract;
  - (ii) is insolvent; or
  - (iii) is in a financial or operational condition or is conducting business such that the Derivatives Clearing Organization or Person cannot be permitted to continue in business without jeopardizing the safety of customer funds, Members, Railbird or the Derivatives Clearing Organization; or
8. any circumstance which may have a material impact on the reliability or transparency of the Underlying related to a Contract; or
9. any other unusual, unforeseeable or adverse circumstance as determined by the Company.

“Expiration” means the time on the Expiration Date established pursuant to these Rules at which a Contract expires and the Expiration Value of that Contract is determined.

“Expiration Date” means the date established by these Rules on which the Expiration Value of each Contract is determined.

“Expiration Value” means the rate, level, amount, measure, or other value of the Underlying at Expiration.

“Government Agency” means any governmental entity (including the United States, a State, or a foreign government).

“Market Outcome” means the result of the Contract. For a Binary Contract, if the Expiration Value is encompassed within the Payout Criterion, then the Market Outcome is YES, and if the Expiration Value is not encompassed within the Payout Criterion, then the Market Outcome is NO. For a Variable Payout Contract, the Market Outcome is a numerical value equivalent to the Expiration Value.

“Material Relationship” has the meaning attributed to such term in Rule 2.2(g).

“Member” means any Person who is authorized to access or utilize Railbird and is bound by these Rules as they may be amended from time to time.

“Member Account” means an account carried by Railbird’s Derivatives Clearing Organization partner, Clearinghouse, on behalf of a Member.

“Officer” has the meaning attributed to such term in Rule 2.3.

“Operating Agreement” means the Limited Liability Company Agreement of Railbird Exchange, LLC dated December 12, 2022, and as amended from time to time.

“Order” means either a bid or an offer for a Contract.

“Outcome Review Committee” means a committee of the Board to determine Market Outcomes in accordance with Chapter 7.

“Oversight Panel” means any panel, or any subcommittee thereof, authorized by Railbird to recommend or establish policies or procedures with respect to Railbird’s surveillance, compliance, rule enforcement, or disciplinary responsibilities.

“Payout Criterion” of a Contract means the Expiration Value or set of Expiration Values that specifies that Contract to pay a specific Settlement Value to the holder of a position in such Contract. Solely for purposes of a Binary Contract, the holder of a position in a Contract that receives a Settlement Value is considered to be “in the money” while the holder of a position in a Contract that does not receive a Settlement Value is considered to be “out of the money.”

“Person” means a natural person or entity as defined in Section 1a(38) of the CEA.

“Platform” means the Railbird electronic trade execution system that is used for trading Contracts, including any licensed software that is a part thereof from time to time, and any successor electronic trading system thereto.

“Position Limit” means the maximum position (net long or short) that a person may hold or control without an exemption, and as prescribed by Railbird and/or the Commission.

“Proprietary Data and Personal Information” means information identifying a natural person (e.g., name, e-mail address) or other data proprietary to any Person that discloses such Person’s trade secrets, market positions and/or other business transactions, excluding Transaction data.

“Public Director” means an individual with the qualifications set forth in Rule 2.2(g).

“Railbird” or “Company” means Railbird Exchange, LLC, or any successor thereto.

“Regulatory Agency” means any governmental or self-regulatory authority applicable to Railbird, including the CFTC and applicable foreign regulators.



“Regulatory Oversight Committee” means the committee of the Board constituted in accordance with Rule 2.6.

“Rulebook” or “Rules” means the Railbird Rulebook, interpretations, orders, resolutions, advisories, notices, statements of policy, decisions, manuals, and directives of the Company or Clearinghouse.

“Self-Regulatory Organization” shall, unless otherwise provided, have the meaning set forth in CFTC Regulation § 1.3 and, in addition, shall include a Contract Market, Derivatives Clearing Organization, and registered futures association.

“Settlement” means payment to Members who have the right to receive money pursuant to a Contract, held until Expiration.

“Settlement Date” means the date on which Settlement occurs.

“Settlement Value” means the amount which the holder of a Contract may receive for a Contract held until Expiration. It is determined by the Payout Criterion.

“Source Agency” means the agency that publishes the Underlying and/or Expiration Value for any Contract.

“Trade” or “Transaction” means any purchase or sale of any Contract on Railbird, either directly or indirectly.

“Underlying” means the index, rate, risk, measure, instrument, differential, indicator, value, contingency, occurrence, or extent of an occurrence that is observed and measured to determine the Expiration Value of a Contract.

“Variable Payout Contract” means a Contract where the Market Outcome is a numerical value.

## **CHAPTER 2: EXCHANGE OWNERSHIP AND GOVERNANCE**

### **RULE 2.1 OWNERSHIP**

Railbird is a Delaware limited liability company. The management and operation of Railbird is governed by the Operating Agreement and the Rules. Member status does not confer any equity interest or voting rights in the Company.

### **RULE 2.2 BOARD OF DIRECTORS**

The Board has the power to manage and direct Railbird including but not limited to the power to define the standards for membership in Railbird and the power to amend, adopt, or repeal these Rules, and the power to oversee the business conduct of Members and impose penalties for violation of these Rules.

- (a) The Board shall manage the day to day business operations of the Company. The Board has the power and authority to call for review, and to affirm, modify, suspend or overrule, any and all decisions and actions of standing committees or special committees of the Board or any panel of the Officers related to the day to day business operations of the Company.
- (b) The Chief Executive Officer of Railbird shall serve as chairman of the Board.
- (c) Any authority or discretion by the Rules vested in any Officer or delegated to any committee or subcommittee shall not be construed to deprive the Board of such authority or discretion and, in the event of a conflict, the determination of the matter by the Board shall prevail. This does not apply to the Outcome Review Committee.
- (d) A majority of the Directors serving on the Board, including at least one Public Director, shall constitute a quorum for the transaction of business of the Board. At all times when the Board is conducting business at a meeting of the Board, a quorum of the Board must be present at such meeting, and the Board may act only by the decision of a majority of the Directors constituting a quorum of the Board by vote at a meeting, by unanimous written consent without a meeting, or as otherwise set forth in the Operating Agreement.
- (e) The Board shall comprise the number of Directors set forth in the Operating Agreement and shall include Public Directors as no less than 35% of the Board, at all times. Each Director (including Public Directors) shall be appointed in accordance with the Operating Agreement and shall serve until his or her successor is duly appointed, or until his or her earlier resignation or removal, with or without cause.
- (f) Each Director is entitled to indemnification pursuant to the Operating Agreement with respect to matters relating to the Company.
- (g) To qualify as a Public Director, an individual must first be found, by the Board and on the record, to have no Material Relationship, as defined below, with the Company. The Board must make such a finding at the time the Public Director is elected and as often as necessary in light of all circumstances relevant to such Public Director, but in no case less than annually. The Board need not consider previous service as a Director of the Company to constitute a Material Relationship. A Material Relationship is one that reasonably could affect the independent judgment or decision-making of the Director. In addition, a Director shall be considered to have a Material Relationship with the Company if any of the following circumstances exist or have existed within the past year:
  - (1) Such Director is or was an Officer or an employee of the Company, or an officer or an employee of an Affiliate of the Company;
  - (2) Such Director is or was a Member, or an officer or director of a Member; or
  - (3) Such Director, or a firm with which the Director is an officer, director, or partner, receives more than \$100,000 in combined annual payments from

Railbird, or any Affiliate thereof, for legal, accounting, or consulting services. Compensation for services as a Director of Railbird or an affiliate does not count toward the \$100,000 payment limit, nor does deferred compensation for services prior to becoming a Director, so long as such compensation is in no way contingent, conditioned, or revocable.

- (h) If any immediate family of a Director are found to have a Material Relationship, then such Material Relationship will be determined to apply to the Director.
- (i) The Board shall have procedures, as may be adopted by the Board from time to time, to remove a Director where the conduct of such Director is likely to be prejudicial to the sound and prudent management of the Company.
- (j) The Board shall review its performance and that of its individual directors annually.

### **RULE 2.3      OFFICERS**

- (a) The Board shall appoint a Chief Executive Officer, Chief Operating Officer, Chief Regulatory Officer, and other such officers of Railbird as it may deem necessary or appropriate from time to time (collectively, the “Officers”).
- (b) Any Officer may also be a director, officer, partner or employee of the Company or of any of its Affiliates, subject to disclosure and resolution of conflicts of interest.
- (c) The Officers shall have such powers and duties in the management of the Company as the Board may prescribe from time to time, subject to any limitations set forth in the Operating Agreement.
- (d) Each Officer is entitled to indemnification pursuant to the Operating Agreement with respect to matters relating to the Company.

### **RULE 2.4      RESTRICTIONS ON WHO MAY BE MEMBERS OF THE BOARD, MEMBERS OF COMMITTEES, OR TEN PERCENT OR GREATER OWNERS**

- (a) An individual may not serve as a Director or Officer, serve on a committee or subcommittee established by the Board, including the Disciplinary Panel, or hold a 10% or greater ownership interest in the Company, if the individual:
  - (1) Within the prior three years has been found, by a final decision of a court of competent jurisdiction, an administrative law judge, the CFTC, or any Self-Regulatory Organization, to have committed a disciplinary offense;
  - (2) Within the prior three years has entered into a settlement agreement in which any of the findings or, in the absence of such findings, any of the acts charged included a disciplinary offense;
  - (3) Is currently suspended from trading on a Designated Contract Market or a Swap Execution Facility, is suspended or expelled from membership in a Self-

Regulatory Organization, is serving any sentence of probation, or owes any portion of a fine or penalty imposed pursuant to either: a finding by final decision of a court of competent jurisdiction, an administrative law judge, the CFTC or any Self-Regulatory Organization that such person committed a disciplinary offense; or a settlement agreement in which any of the findings or, in the absence of such findings, any of the acts charged included a disciplinary offense;

- (4) Is currently subject to an agreement with the CFTC or Self-Regulatory Organization not to apply for registration with the CFTC or for membership in the Self-Regulatory Organization;
- (5) Is currently, or within the past three years has been, subject to a revocation or suspension of registration by the CFTC, or has been convicted within the past three years of any of the felonies listed in Section 8a(2)(D)(ii) through (iv) of the CEA;
- (6) Is currently subject to a denial, suspension or disqualification from serving on a Disciplinary Panel, arbitration panel or governing board of any self-regulatory organization as that term is defined in Section 3(a)(26) of the Securities Exchange Act of 1934; or
- (7) Is subject to a statutory disqualification pursuant to Section 8a(2) of the CEA.

For purposes of this Rule 2.4(a), the terms “disciplinary offense,” “final decision” and “settlement agreement” have the meaning given those terms in CFTC Regulation 1.63(a).

- (b) Any Director, Officer, member of a committee established by the Board and any individual nominated to serve in any such role, shall immediately notify the Chief Executive Officer and Chief Regulatory Officer if such individual is subject to one or more of the criteria in Rule 2.4(a). Prior to nomination to the Board, each individual shall certify that he or she is not disqualified pursuant to Rule 2.4(a). Upon appointment, each Director, Officer, and a member of a committee shall provide to the Company, where applicable, changes in registration information within 30 days and certification of compliance accordingly. The Company shall verify information supporting Board compliance with eligibility criteria.
- (c) To serve as a Director, an individual must possess the ability to contribute to the effective oversight and management of the Company, taking into account the needs of the Company and such factors as the individual’s experience, perspective, skills and knowledge of the industry in which the Company operates.
- (d) A Director or Officer must meet any qualifications set forth from time to time in the Operating Agreement and these Rules.

- (e) An individual may not serve on any Disciplinary Panel, arbitration panel, or the Appeals Committee during any proceeding affecting or concerning such individual, to be determined in a reasonable manner by the Company.
- (f) If the Company determines that an individual subject to this Rule 2.4 no longer meets the criteria set forth in Rule 2.4(a), the Company shall inform the CFTC of such determination. The Company shall provide to the CFTC, upon request, an individual's certification of compliance with the criteria set forth in Rule 2.4(a).

## **RULE 2.5 COMMITTEES AND SUBCOMMITTEES**

- (a) The Board may create, appoint Directors to serve on, and delegate powers to, committees and subcommittees. There shall be a Regulatory Oversight Committee, Disciplinary Panel, Outcome Review Committee, and Appeals Committee. The Board shall designate the chairperson of each such committee.
- (b) Each committee and subcommittee shall assist in the supervision, management and control of the affairs of the Company within its particular area of responsibility, subject to the authority of the Board.
- (c) Subject to the authority of the Board, each committee and subcommittee shall determine the manner and form in which its proceedings shall be conducted. A majority of the members serving on a committee or subcommittee, including at least one Public Director, shall constitute a quorum for the transaction of business of a committee or subcommittee. Each committee and subcommittee may act only by the decision of a quorum, by vote at a meeting or by unanimous written consent without a meeting.

## **RULE 2.6 REGULATORY OVERSIGHT COMMITTEE**

- (a) The Regulatory Oversight Committee shall be a standing committee of the Board consisting of only Public Directors, as appointed from time to time. No fewer than two Public Directors shall serve on the Regulatory Oversight Committee.
- (b) Each member of the Regulatory Oversight Committee shall serve for a term of one calendar year from the date of his or her appointment or for the remainder of his or her term as a Public Director, and until the due appointment of his or her successor, or until his or her earlier resignation or removal, with or without cause, as a member of the Regulatory Oversight Committee or as a Public Director. A member of the Regulatory Oversight Committee may serve multiple terms.
- (c) The Regulatory Oversight Committee shall oversee the Company's regulatory program on behalf of the Board. The Board shall delegate sufficient authority, dedicate sufficient resources, and allow sufficient time for the Regulatory Oversight Committee to fulfill its mandate. The Regulatory Oversight Committee shall make such recommendations to the Board that will, in its judgment, best promote the interests of the Company. The Regulatory Oversight Committee shall also have such

other powers and perform such other duties as set forth in the Rules and as the Board may delegate to it from time to time.

- (d) The Regulatory Oversight Committee shall appoint individuals to the Disciplinary Panel in accordance with these Rules, Applicable Law and the composition requirements of the Disciplinary Panel. The Regulatory Oversight Committee shall appoint at least one person who would not be disqualified from serving as a Public Director.
- (e) The Regulatory Oversight Committee shall prepare an annual report that assesses the Company's self-regulatory program for the Board and the CFTC. The annual report sets forth the regulatory program's expenses, describes its staffing and structure, catalogs disciplinary actions taken during the year, and reviews the performance of the Disciplinary Panel, as provided in Exhibit B to Part 38 of the CFTC Regulations.
- (f) Without limiting the generality of the foregoing, the Regulatory Oversight Committee shall have the authority to:
  - (1) Monitor the regulatory program of the Company for sufficiency, effectiveness, and independence;
  - (2) Oversee all facets of the regulatory program, including trade practice and market surveillance; audits, examinations, and other regulatory responsibilities with respect to Members (including ensuring compliance with financial integrity, financial reporting, sales practice, recordkeeping, and other requirements); and the conduct of investigations;
  - (3) Review the size and allocation of the regulatory budget and resources; and the number, hiring, termination, and compensation of regulatory personnel;
  - (4) Supervise the Chief Regulatory Officer of the Company, who will report directly to the Regulatory Oversight Committee;
  - (5) Recommend changes that would ensure fair, vigorous, and effective regulation; and
  - (6) Review all regulatory proposals prior to implementation and advise the Board as to whether and how such changes may impact regulation.
- (g) In determining the appropriate level of compliance resources and staff, the ROC should consider trading volume increases, the number of new products or contracts to be listed for trading, any new responsibilities to be assigned to compliance staff, the results of any internal review demonstrating that work is not completed in an effective or timely manner, and any other factors suggesting the need for increased resources and staff.
- (h) Consistent with Rule 2.5(c) above, the Regulatory Oversight Committee may only act by the decision of a majority of its members. For the avoidance of doubt, if the

Regulatory Oversight Committee consists of only two members at any given time, it may only act upon the decision of both members.

## **RULE 2.7 OUTCOME REVIEW COMMITTEE**

(a) The Outcome Review Committee shall be:

(1) A standing committee consisting of three members who are appointed by the Regulatory Oversight Committee. At least two of the members must be Public Directors. Members of the Regulatory Oversight Committee may also concurrently serve on the Outcome Review Committee.

(2) Responsible for determining Market Outcomes as provided in Rule 7.1.

(b) Each member of the Outcome Review Committee shall serve for a term of one calendar year from the date of his or her appointment or, if shorter, for the remainder of his or her term as a Public Director, as applicable, until the due appointment of his or her successor, or until his or her earlier resignation or removal, with or without cause, as a member of the Outcome Review Committee or as a Public Director. A member of the Outcome Review Committee may serve multiple terms.

## **RULE 2.8 EMERGENCY AUTHORITY**

(a) Railbird may adopt emergency Rules in response to an Emergency. In the event of an Emergency, the Board or at least two members of the management team may, without giving prior notice to, or securing prior approval from the Commission, adopt a temporary emergency rule to address the Emergency. Adoption of a temporary emergency rule requires the Chief Executive Officer's approval. Adoption of a temporary emergency rule by the management team requires the written authorization and acknowledgement of two members of the management team, indicating the emergency action to be taken and the reasons for that action, before the action is taken.

(b) Any temporary emergency rule adopted under this Rule may authorize Railbird to act as the Board or management team deems necessary or appropriate to meet the Emergency, and those actions may adversely affect the ability to trade on the Platform. Therefore, the chance of an Emergency is one of the risks that Members should consider when deciding whether to trade on the Platform.

(c) If deemed necessary to combat perceived market threats caused by an Emergency, Railbird may suspend trading on the Platform during the duration of the Emergency or take any other action that the official thinks is necessary or appropriate. Market suspensions, halts, or other action necessary to combat market threats caused by an Emergency require the directive of the Chief Executive Officer, Chief Operating Officer, Chief Regulatory Officer, or Railbird's Head of Engineering. The official will order an end to the action taken in response to the Emergency as soon as the official determines that the Emergency has sufficiently abated to permit the Platform

to function properly. Reasonable actions resulting under this Rule include but are not limited to:

- (1) Liquidation or transfer of open positions in any Contract (provided that, in situations where a Contract is fungible with a contract on another platform, emergency action to liquidate or transfer open interest must be as directed, or agreed to, by the Commission or the Commission's staff);
  - (2) Requiring Members in any Contract to meet special margin requirements;
  - (3) Modification to position limits, price limits, and intraday market restrictions;
  - (4) Ordering the fixing of a settlement price;
  - (5) Extending or shortening the expiration date or the trading hours;
  - (6) Reduction of positions and exposure by participating Members to certain Contracts;
  - (7) Cancellation of a Contract and the return of any funds paid to enter Trades on the Contract;
  - (8) Suspension and curtailment of trading; and
  - (9) Changing a Contract's terms and conditions and/or specifications.
- (d) Railbird will make every effort practicable to notify the Director of the Division of Market Oversight, the Director's delegates, and/or other persons designated by the Commission's Regulations that Railbird intends to implement, modify, or terminate a temporary emergency rule pursuant to Rule 2.8(a) or an action in response to an emergency pursuant to Rule 2.8(c) prior to the implementation, modification, or termination of the rule or action. If it is not possible to notify the Commission prior to the implementation, modification, or termination of the rule or action, Railbird will notify the Commission of the implementation, modification, or termination of the rule or action at the earliest possible time, and in no event more than 24 hours after implementation, modification, or termination.
- (e) The Commission should be notified promptly of the DCM's exercise of emergency action, explaining how conflicts of interest were minimized, including the extent to which the DCM considered the effect of its emergency action on the underlying markets and on markets that are linked or referenced to the contract market and similar markets on other trading venues;
- (f) Any time that Railbird takes action in response to an Emergency, either under Rule 2.8(a) or Rule 2.8(c), Railbird shall publish a notice of such action on its website, notify Members through the API, and notify Members via email. Railbird will likewise document its decision-making process and reasons for taking emergency action.



- (g) The Exchange may also take such market action as directed by the Commission.

## **RULE 2.9 VOTING BY INTERESTED BOARD MEMBERS**

Core Principle 16 of Section 5(d) of the CEA requires that contract markets have adequate procedures to prevent conflicts of interest. In this regard, Railbird has adopted provisions of Commission Regulation 1.69 as Rules provided herein. Commission Regulation 1.69 prohibits a member of the Board or any disciplinary or oversight committee or subcommittee from taking part in any deliberations or voting on any matter in which the board, committee, or subcommittee member has an interest or has a relationship with a named party in interest. Regulation 1.69 also requires disclosure by Board, committee, or subcommittee members of interests and relationships in certain circumstances. Consequently, Board, committee, and subcommittee members shall not deliberate or vote on any matter in which the Board, committee, or subcommittee member has an interest or has a relationship with a named party in interest and shall disclose such interests in accordance with Regulation 1.69.

## **RULE 2.10 INDEMNIFICATION OF DIRECTORS, OFFICERS, AND OTHERS**

- (a) Railbird will indemnify, to the full extent authorized by law, any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative in nature, by reason of the fact that such person is or was a director, officer, employee, or agent of Railbird or is or was serving at the request of Railbird as a director, officer, employee, or agent of Railbird against expenses, including attorneys' fees, judgments, fines, and amounts paid in connection with such action, suit, or proceeding.
- (b) Indemnification shall not be deemed exclusive of any other rights to which a person may be entitled under any agreement or as a matter of law or otherwise.
- (c) Railbird may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of Railbird against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not Railbird would have the power to indemnify such person against such liability under the provisions of this Rule.
- (d) Notwithstanding the above, no person shall be indemnified from liability for fraud, bad faith, willful misconduct, or gross negligence. Further, no person shall be indemnified against a civil penalty imposed by the Commission under Section 6b of the CEA.

## **RULE 2.11 PROHIBITION ON USE OF MATERIAL, NON-PUBLIC INFORMATION**

- (a) Commission Regulation 1.59 prohibits employees, Board members, committee members, and consultants from using or disclosing material, nonpublic information gained through their duties in certain circumstances. This Rule prohibits the use and disclosure of material, nonpublic information as further described in Commission

Regulation 1.59. In this regard, Railbird has adopted provisions of Regulation 1.59 as a Rule of Railbird in Chapter 12 of these Rules.

- (b) No member of the Board or any committee established by the Board or these Rules will use or disclose material, nonpublic information obtained as a result of participation on the Board or such committee for any purpose other than the performance of official duties as a board or committee member.
- (c) No employee, consultant, or member of the Board or any committee of Railbird will disclose to any other person material, nonpublic information obtained as a result of such person's position for purposes inconsistent with such person's official duties.
- (d) No employee, consultant, or member of the Board or any committee of Railbird will trade for such person's account, or for or on behalf of any other account, in any commodity interest on the basis of any material, non-public information obtained through special access related to the performance of such person's duties as an employee, consultant, or member of the Board or committee.
- (e) No Member who inadvertently or otherwise comes into possession of any material, non-public information held by Railbird or any employee, consultant, or member of the Board or any committee of Railbird gained through their employment by or service to Railbird will disclose to anyone such material, non-public information or trade for such person's account, or for or on behalf of any other account, in any commodity interest on the basis of such material, nonpublic information.
- (f) For purposes of this Rule, the terms "material information," "nonpublic information," "linked exchange", "commodity interest," and "related commodity interest" have the same meanings as they do in Commission Regulation 1.59.
- (g) Any Director, officer, or employee of Railbird who violates any provision of this Rule will be required to indemnify Railbird for any losses, damages, or costs caused by that violation.

## **RULE 2.12 CONSENT TO JURISDICTION**

Any Person initiating or executing a transaction subject to these Rules, directly or indirectly, and any Person for whose benefit such a transaction has been initiated or executed, expressly consents to the jurisdiction of Railbird and agrees to be bound by and comply with the Rules of the Company in relation to such transactions, including, but not limited to, Rules requiring cooperation and participation in investigatory and disciplinary processes.

## **RULE 2.13 RECORDKEEPING**

- (a) Railbird shall keep, or cause to be kept, complete and accurate books and records of accounts and activities of the Company, including all books, records and other documentation required to be maintained pursuant to the CEA and CFTC Regulations. Railbird must maintain such records, including trade records and

investigatory and disciplinary files, in accordance with the requirements of Commission Regulation 1.31 and for a period of at least five (5) years.

- (b) Railbird shall retain all such books and records in a form and manner acceptable to the Commission and in accordance with the CEA and CFTC Regulations.
- (c) Railbird will provide information required to be maintained or provided pursuant to the CEA and CFTC Regulations to the Commission, the U.S. Securities and Exchange Commission, the U.S. Department of Justice or any representative of a prudential regulator as authorized by the Commission, upon request, in each case in the form and manner required under these Rules, and/or the CEA and CFTC Regulations. This shall include any records relating to swaps defined in section 1a(47)(A)(v) of the Act open to inspection and examination by the U.S. Securities and Exchange Commission.
- (d) With respect to all listed option contracts that are defined as swaps in section 1a(47)(A)(v) of the Act (“Swap Contracts”), Railbird will seek relief from the CFTC for reporting swap data to a swap data repository. To be eligible for such relief, Railbird will comply with the below-listed conditions for all Swap Contracts. The CRO will be responsible for ensuring that the Exchange remains in compliance with these conditions.
  - i. Railbird will require all binary option contracts to be fully collateralized positions, as defined by CFTC Regulation 39.2;
  - ii. Railbird will clear all binary option contracts through QC Clearing and QC Clearing will clear all Railbird binary option contracts;
  - iii. Railbird will publish on its website the following information on all Railbird binary options transactions promptly after execution thereof: trade timestamp, contract, quantity, and price;
  - iv. Railbird will provide the CFTC with all transactional information as described in CFTC Regulation 16.02.
  - v. Railbird and QC Clearing will comply with all swap reporting and recordkeeping requirements of the CEA and Commission regulations applicable to each in their respective capacities as a DCM or a DCO, other than the reporting requirements for which they are granted relief, including, but not limited to, the applicable requirements of Parts 38 and 39 of the CFTC’s regulations (the records required to be retained by this condition (v) are referred to below as the “Required Records”);
  - vi. Railbird will not allow Members to clear a Railbird binary option contract through a third-party clearing Member;
  - vii. Railbird and QC Clearing will keep the Required Records open to inspection upon request by any representative of the CFTC, the United States Department of

Justice, or the Securities and Exchange Commission, or by any representative of a prudential regulator as authorized by the CFTC. Copies of all such records shall be provided, at the expense of Railbird or QC Clearing, as applicable, to any representative of the CFTC upon request. Railbird or QC Clearing, as applicable, shall provide copies of the Required Records either by electronic means, in hard copy, or both, as requested by the CFTC, with the sole exception that copies of records originally created and exclusively maintained in paper form may be provided in hard copy only.

#### **RULE 2.14 INFORMATION-SHARING AGREEMENTS**

- (a) Railbird may enter into any information-sharing agreements or other arrangements or procedures, including an information-sharing agreement or other arrangement or procedure with any Person or body (including but not limited to a Regulatory Agency) if the Company considers such agreement, arrangement or procedures to be in furtherance of the Company's purpose or duties under these Rules or Applicable Law.
- (b) Railbird may provide information to a duly authorized foreign governmental authority, as directed by the CFTC, in accordance with an information-sharing agreement or other arrangements or procedures executed with such foreign governmental authority or the CFTC.

#### **RULE 2.15 RECORDKEEPING AND REPORTING REQUIREMENTS**

- (a) In the event the Board rejects a recommendation or supersedes an action of the Regulatory Oversight Committee or the Chief Regulatory Officer, Railbird shall maintain documentation detailing:
  - (1) The recommendation or action of the Regulatory Oversight Committee or the Chief Regulatory Officer as the case may be;
  - (2) The rationale for such recommendation or action;
  - (3) The rationale of the Board for rejecting such recommendation or superseding such action; and
  - (4) The course of action that the Board decided to take contrary to such recommendation or action.
- (b) Railbird shall record and report to the CFTC all data required to be reported to the CFTC under Part 16 of CFTC Regulations, in the form and manner required by CFTC Regulations.
- (c) Railbird shall keep and maintain books and records identifying each Order submitted to the Company and each Transaction effected pursuant to these Rules, including the identification of the execution method (e.g., central limit order book) with respect to

each such Order and Transaction. These books and records shall be kept and maintained in accordance with the CEA and CFTC Regulations.

- (d) Railbird shall submit to the CFTC within thirty days after each Board election a list of the Board's Directors, the Member interests they represent, and how the composition of the Board meets the requirements of CFTC Regulation 1.64(b) and the Company's Rules and procedures.

## **RULE 2.16 PUBLIC INFORMATION**

- (a) Accurate, complete and current copies of these Rules and Contract Specifications will be published in Chapter 13 of this Rulebook as well as on the Company website. Railbird will provide information that it believes, to the best of its knowledge, is accurate and complete, and will not omit material information.
- (b) Railbird shall make public on a daily basis information on settlement prices, volume, open interest, and opening and closing ranges for actively traded Contracts.
- (c) Except as provided herein, Railbird shall publish on its Website a notice regarding new product listings, new Rules, Rule amendments, modifications to Contract Specifications, or other changes to previously-disclosed information concurrently with the filing of such information or submission with the Commission.
- (d) If confidential treatment is sought with respect to any information the Company submits to a Regulatory Agency, only the public version of such filing shall be disclosed.
- (e) Any notice contemplated by this Rule shall be deemed to have been made to all Members and any other such Person as may be required by sending such notice to the email address on file with the Company and by posting the notice on the Company website.

## **CHAPTER 3: MEMBERSHIP**

### **RULE 3.1 MEMBERS – APPLICATIONS, AGREEMENTS, ELIGIBILITY CRITERIA, CLASSIFICATIONS, AND PRIVILEGES**

Railbird will provide access to the Platform (including but not limited to the central limit order book) and related services in an impartial, transparent, fair and non-discriminatory manner.

- (a) To be eligible to become a Member, an applicant must:
  - (1) Be a Person;
  - (2) Provide Railbird with any information or documentation Railbird deems necessary in order to verify the applicant's identity, perform a criminal background check, or otherwise review information provided on an application or by a third-party provider;

- (3) Maintain an account, or accounts, in the Member's name with a U.S. Financial Institution that the Member will use to fund its Railbird account at Clearinghouse, and to receive funds from its Railbird account, or, if the Member is a non-United States resident, have an account or accounts in the Member's name with either a U.S. Financial Institution or a Foreign Bank capable of transacting with Clearinghouse either directly, through a correspondent account, or other acceptable intermediary that the Member will use to fund its Railbird account at Clearinghouse, and to receive funds from its Railbird account via one of the acceptable methods as stated on the Railbird website;
  - (4) Not be subject to any economic or trade sanctions programs administered by OFAC or other relevant U.S. or non-U.S. authority; and must not be listed on OFAC's List of Specially Designated Nationals and Blocked Persons;
  - (5) If an applicant is an entity, be validly organized and in good standing in its jurisdiction of organization;
  - (6) Have a good reputation and business integrity and maintain adequate financial resources and credit;
  - (7) Not have filed for bankruptcy and not be insolvent; and
  - (8) Certify the following:
    - (i) The applicant is old enough to enter into a legally enforceable contract and has reached the required age as stated on the Member Agreement;
    - (ii) The applicant has read, understands and agrees to comply with the Railbird Rulebook, Terms of Use, Privacy Policy, and Member Agreement; and
    - (iii) The applicant will trade only for itself and will not serve as an intermediary for any other Person.
- (b) In order to become a Member, an applicant must complete an online member application (the "Member Application") and provide Railbird with any other relevant information upon request. Railbird may return any account balance and terminate any account upon the discovery that the Member Application was completed by anyone other than the Person identified on the Member Application. All funds deposited by Members shall constitute "Member Property" in accordance with CFTC Regulations.
- (c) Submission of a Member Application to Railbird constitutes the applicant's agreement to be bound by these Rules and other policies of Railbird. Among other things, this also includes the applicant's agreement to become a member of Railbird's clearing partner, Clearinghouse, and be bound by Clearinghouse's Rules in its capacity as a Designated Clearing Organization.

- (d) If an application is approved by Railbird, the applicant will be a Member and will have the following privileges, which Railbird may revoke, amend, or expand in accordance with, or by amending, these Rules:
- (1) To maintain a Railbird account;
  - (2) To buy Contracts on the Platform using the funds in its Railbird account;
  - (3) To sell Contracts on the Platform using the funds in its Railbird account;
  - (4) To view “real-time” the same best bids to buy and offers to sell the Contracts traded on the Platform as are available to all other Members;
  - (5) To view the current trading volume and open interest for the Contracts traded on the Platform; and
  - (6) To view all non-secure parts of the Railbird website, including these Rules, and descriptions of Contracts traded on the Platform as well as all secure parts of the Railbird website outlined above in Rule 3.1(d)(1)-(5).
- (e) Railbird may in its sole discretion approve, deny, or condition any Member application as Railbird deems necessary or appropriate.
- (1) In the event that Company staff decides to decline or condition an application for admission as a Member, or to terminate a Person’s status as Member, Company staff shall notify such Person thereof in a written notice sent to the address provided by the Person in the Member Application and Agreement or maintained in the Company’s registry of Members. The written notice will specify the basis for the Company’s decision. Such Person may, within 28 business days, request in writing that the Company reconsider the determination.
  - (2) Within 28 business days of receiving a request for reconsideration, the Company shall confirm, reverse or modify the denial, condition or terminate the Member status of such Person, and shall promptly notify such Person accordingly in writing. The Company may, in its sole discretion, schedule a hearing (in person or by teleconference), request additional information from such Person or establish any other process that it believes is necessary or appropriate to consider the request for reconsideration.
  - (3) The Company’s decision is the final action of the Company and is not subject to appeal.
- (f) A Member may not maintain and/or trade more than one Railbird account.
- (g) Applicants for Member status of the Company may withdraw their applications at any time without prejudice or without losing their right to apply at a future time.

- (h) Railbird will apply Member access criteria in a fair and nondiscriminatory manner that is not anti-competitive.

### **RULE 3.2 MEMBER OBLIGATIONS**

- (a) Each Member must comply with these Rules, applicable provisions of the CEA and Commission regulations. Each Member must also cooperate promptly and fully with Railbird, its agents, and/or the Commission in any investigation, call for information, inquiry, audit, examination, or proceeding. Such cooperation shall include providing Railbird with access to information on the activities of such Member in any referenced market that provides the underlying prices for any Contract. Additionally, each Member must update its e-mail address within 24 hours after any change and update all other information provided in its Member Application within five days after that information has changed. If any Member thereof fails to satisfy these obligations, Railbird may revoke or suspend the Member's privileges in full or in part. Each Member may also be subject to civil or criminal prosecution.
- (b) Each Member consents to allow Railbird to provide all information Railbird has about the Member, including the Member's trading activity, to the Commission or any other Regulatory Agency, law enforcement authority, or judicial tribunal, including (as may be required by information sharing agreements or other contractual, regulatory, or legal provisions) foreign regulatory or self-regulatory bodies, law enforcement authorities, or judicial tribunals without notice to the Member.
- (c) Each Member consents to Railbird providing information related to Know Your Customer or Anti-Money Laundering to its Derivatives Clearing Organization, Clearinghouse.
- (d) Each Member is required to review the "Notices" section of the Railbird website to make itself aware of material changes to these Rules or other notices that may affect its rights and obligations as a Member of Railbird.
- (e) Each Member must immediately notify Railbird in writing upon becoming aware:
  - (1) That the Member has had access or trading privileges suspended, or membership denied, in any commodity, securities, or swaps exchange, brokerage, association, or Regulatory Agency;
  - (2) That the Member has been convicted of, pled guilty or no contest to, or entered a plea agreement to, any felony in any domestic, foreign or military court;
  - (3) That the Member has been convicted of, pled guilty or no contest to, or entered a plea agreement to a misdemeanor in any domestic, foreign or military court which involves:
    - (i) Embezzlement, theft, extortion, fraud, fraudulent conversion, forgery, tax evasion, counterfeiting, false pretenses, bribery, gambling, racketeering, or misappropriation of funds, securities, or properties; or



- (ii) Any transaction in or advice concerning swaps, futures, options on futures, leveraged transactions or securities;
  - (4) That the Member has been subject to, or associated with a firm that was subject to regulatory proceedings before any governmental or Regulatory Agency;
  - (5) That the Member is currently a party to any investigation or proceeding, the resolution of which could result in an event described in Rule 3.3(d)(1)-(4);
  - (6) Of any other material change in any information contained in the Member Application;
  - (7) Of becoming subject to early warning reporting under Commission Regulation 1.12;
  - (8) Of becoming the subject of a bankruptcy petition, receivership proceeding, or the equivalent, or being unable to meet any financial obligation as it becomes due; or
  - (9) Of information that concerns any financial or business developments that may materially affect the Members' ability to continue to comply with participation requirements.
- (f) A Member is not required to engage in trading activity or maintain a minimum balance in its account after initial funding.
  - (g) Each Member, upon a request of the Company or any Regulatory Agency, must promptly respond to any requests for information, including by providing any necessary information for the Company to perform any of the functions described in CEA Section 5(h).
  - (h) Railbird shall enforce its audit trail and recordkeeping requirements through periodic reviews of Members subject to Railbird's recordkeeping requirements. Such reviews shall include, but are not limited to, reviews of randomly selected samples of front-end audit trail data; a review of the process by which user identifications are assigned and user identification records are maintained; a review of usage patterns associated with user identifications to monitor for violations of user identification rules; and reviews of account numbers and customer type indicator codes in trade records to test for accuracy and importer use. Railbird's enforcement of its audit trail and recordkeeping requirements shall include identification of Members that have failed to maintain high levels of compliance with such requirements, and impose meaningful sanctions when deficiencies are found. Such sanctions shall be sufficient to deter recidivist behavior.
  - (i) Each Member shall maintain appropriate books and records of its trading, including records of any activity in the underlying commodity and related derivatives markets, and make such records available, upon request, to Railbird. Such books and records

may also include, but are not limited to records required to be retained pursuant to CFTC Rule 1.35.

- (j) The Exchange offers direct access to its Members via its user interface. Since access is disintermediated, Railbird will maintain a database of read-only audit trail data on behalf of its Members. Railbird will perform an annual audit of such trade information using the trade data currently being collected and compare it against the immutable trade data stored in its database to ensure that the Exchange is storing trade information sufficient to reconstruct trading activity.
- (k) The Exchange will conduct annual Member audit trail reviews for those Members who maintain their own audit trail information. This review will ensure that the Member maintains accurate trading records in compliance with CFTC Regulation 1.35. Any deficiencies in the audit trail identified by the Exchange shall be remediated in a timely manner. Recurring deficiencies shall be subject to regulatory sanctions up to and including fines or cancellation of Membership.

### **RULE 3.3 REJECTION OF APPLICANT AND LIMITATIONS OF TRADING PRIVILEGES**

- (a) Notwithstanding Railbird's authority granted under any other Rule, Railbird may, in its sole discretion, deny any Member application, or suspend, revoke, limit, condition, restrict, or qualify the trading privileges of any account owner pursuant to this section (a) or authorized trader of an account owner as it deems necessary or appropriate.
- (b) An account owner who has had trading privileges limited pursuant to Section (a) of this Rule will be provided, in writing, the reason such action was taken.
- (c) If Railbird denies the Member Application of any Person or places limitations on trading privileges pursuant to this section, the applicant whose trading privileges have been limited may appeal the decision by filing with Railbird a petition for review of such membership denial or trading limitation. The petition should describe in detail the reasons why the Member Application should be granted, or trading limitations removed. The petition must be filed within 28 days from the date upon which notice of the denial of membership or limitation of trading privileges was provided by Railbird. The decision of the Company will be final. A Person that has been denied membership by the Company will not be eligible for reapplication during the six months immediately following such denial.
- (d) If trading privileges are limited pursuant to Section (a) of this Rule, Railbird may initiate a transfer of the Member's balance to the bank account on record, or cause for the same to be effected by the Derivatives Clearing Organization.
- (e) Railbird has full discretion to limit or restrict a Member from trading in specific Contracts or categories of Contracts to mitigate risks of market manipulation.

#### **RULE 3.4      COMMUNICATIONS BETWEEN RAILBIRD AND MEMBERS**

- (a) Each Member must provide Railbird with its current electronic mail address and immediately notify the Company of any changes. All communications between Railbird and its Members, including confirmation of all Transactions executed on a Member Account, may be transmitted by electronic mail, on the Railbird website, or via the Railbird API.
- (b) A Member is responsible for promptly reviewing and, if necessary, responding to all communications from Railbird.
- (c) Railbird may record conversations and retain copies of electronic communications between the Company and Members. Any such recordings may be retained by the Company in such manner and for such periods of time as Railbird may deem necessary or appropriate. Railbird shall retain such records for the retention periods necessary to comply with CFTC Regulation 1.31 or such longer period as the Company deems appropriate.

#### **RULE 3.5      MEMBER FUNDS MAINTAINED WITH THE COMPANY**

All Member funds deposited with Railbird's clearing partner, Clearinghouse, shall be held in accordance with CFTC Regulations in accounts identified as Member Accounts. Such funds shall be segregated by Clearinghouse and treated as belonging to such Members.

#### **RULE 3.6      DUES, FEES, AND EXPENSE PAYABLE BY MEMBERS**

- (a) Members are not required to pay dues.
- (b) Members may be charged fees in connection with the trading of Contracts in such amounts as may be revised from time to time to be reflected on the Company's Website. Such fee structure will be designed and applied in a non-discriminatory manner.
- (c) Members may be charged fees for Settlement of Contracts in an amount to be reflected from time to time on Railbird's website.
- (d) Railbird may cause and/or instruct Clearinghouse to deduct from the Member Account fees or expenses incurred in connection with the Member's trading or account activity or Railbird's administration in connection with that activity, such as fees for wire transfer or other payment methods processing fees. All such fees will be charged in an amount to be reflected from time to time on the Company's Website.
- (e) If Railbird determines in the future to impose dues or additional fees, the Member will be provided notice of the change at the time the amended fees are filed with the Commission. The new fee structure will be implemented no earlier than on the first available trade date for which the change may be implemented according to the Commission's self-certification filing requirements as set forth in Commission Regulation 40.6(a).

- (f) Railbird may from time to time establish incentive programs that provide participants with incentives that encourage membership and trading.

### **RULE 3.7      OPERATOR ID AND FIRM ID REQUIREMENTS**

Each Member of the Exchange is required to have an Operator ID in order for the Exchange to identify individual traders. The Exchange shall assign each Member an Operator ID upon registration.

In addition, legal entity Members shall be assigned a Firm ID, and each individual authorized to trade on behalf of the legal entity Member shall be assigned an Operator ID. Legal entity Members are required to maintain and keep current its list of individual(s) holding Operator IDs to trade on behalf of the legal entity Member on the Exchange, and must notify the Exchange of any additions or deletions to the list within 10 days. Failure to maintain a current list, or unauthorized use of Operator IDs shall result in disciplinary action.

### **CHAPTER 4:[RESERVED]**

### **CHAPTER 5:METHOD FOR MEMBERS TO TRADE CONTRACTS**

#### **RULE 5.1      PRIOR REVIEW OF THESE RULES AND ACCEPTANCE OF TERMS OF MEMBER AGREEMENT**

No Person may become a Member of Railbird or trade any Contracts on the Platform unless such Person has received, read, understood, and accepted the Railbird Rulebook, Terms of Use, Privacy Policy, and Member Agreement, and has certified having done so.

#### **RULE 5.2      MEMBER ACCESS TO RAILBIRD**

- (a) During the Railbird Member Application process, an applicant to become a Member will be required to choose a unique user identification (“ID”) and password. The applicant will be required to enter the ID and password to log onto and access secure portions of the Railbird website. Each time the applicant submits its ID and password to Railbird in order to log onto Railbird, the applicant affirms that it understands and agrees to be bound by these Rules and other policies of Railbird, as amended.
- (b) After a Member Application has been approved by Railbird, the applicant shall be notified of its designation as a Member. As a Member, such a Person will be able to access the Platform, execute Trades, and otherwise access information regarding, or perform functions in, such a Person's account using its ID and password.
- (c) For account security and audit trail purposes, each Member agrees that Railbird may maintain logs of its IP address used to access the Railbird website.
- (d) Each Member will be responsible for protecting its ID and password from improper disclosure. In addition, a Member may not knowingly or negligently permit any Person not authorized by Railbird and by the Member to use the ID and password to access the secure portion of the Railbird website. Each Member is required to

immediately notify Railbird if it knows, or has reason to believe, that its ID or password have been disclosed to any Person not authorized by Railbird and the Member to use such ID and/or password.

- (e) Each Member will be liable for all costs and any losses that it may incur from Transactions executed on the Platform by any Person, authorized or not, using its ID and password. Railbird will not be responsible in any way for unauthorized Transactions in a Member Account.
- (f) Each Member is responsible for contracting with an Internet service provider through which it will access the Railbird website and for having a backup service provider if the Member thinks it is necessary. Each Member is also responsible for maintaining an Internet connection speed adequate for its needs. Railbird will not be responsible in any way for any orders delayed or trades missed or not executed in a timely fashion because of failure of the Member's Internet service provider or slowness of its Internet connection speed. No communication from a Member will be deemed to have been received by Railbird until that communication is logged by the Railbird server.
- (g) Railbird in its discretion may place a Member Account on hold (prohibiting any order activity) or on hold-liquidation only (allowing only orders to liquidate existing positions). In such circumstances, Railbird will promptly notify the affected Member of the nature of and reason for the action.

## **RULE 5.3      TRADING CONTRACTS – MEMBERS**

- (a) Members will be able to trade Contracts by entering Orders on such Contracts. After logging into the secure portion of the Railbird website, the Member will input its Orders into the Platform.
- (b) When a Member's Order is matched by an Order from another Member:
  - (1) If the Member's Order is to enter into one or more Contracts for which it does not have an offsetting position in its account, Railbird will check the Member Account to ensure it has enough funds to cover its maximum loss under the Contract(s) it is attempting to enter into. If the Member does not have the necessary funds in its account, Railbird will reject the order and notify the Member. If the Member does have the necessary funds in its account, Railbird will execute the trade. Upon trade execution, Railbird will cause and/or instruct Clearinghouse to:
    - (i) Debit the funds from the Member Account in an amount necessary to cover the maximum loss;
    - (ii) Credit those funds towards the appropriate settlement account;
    - (iii) Place the Contracts that were the subject of the Order into the Member Account; and

- (iv) Notify the Member by electronic mail that the Trade has been executed.
- (2) If the Transaction involves entering into one or more Contracts for which a Member has an offsetting position in its account, upon execution of the Trade Railbird will cause and/or instruct Clearinghouse to:
  - (i) Close the offsetting position in the Member Account;
  - (ii) Debit the settlement account in the amount of any gains realized by the offsetting Transaction and any funds that were debited from the Member Account at the time the Contract(s) that is being closed was entered into and that were not also used to pay any losses on such Contract(s);
  - (iii) Credit those amounts to the Member Account; and
  - (iv) Notify the Member by electronic mail that the Trade has been executed.
- (3) If a Member's Order is placed on the Platform and not immediately matched by an Order from another Member, it will rest on the Platform until it is matched and executed in accordance with the procedures outlined above in this Rule, until the Member cancels it, or until it is cancelled by Railbird or its Derivatives Clearing Organization partner upon the Expiration of the Contract or otherwise in accordance with these Rules.

## **RULE 5.4 ORDER ENTRY**

### **(a) Member Orders**

- (1) A Member will enter Orders to trade Contracts by electronic transmission over the Internet. Order rate limiter functionality will cap the maximum number of orders that may be submitted to the Company per second (or per a specific time period expressed in seconds) per Member in order to prevent a risk of harm to the Company.
- (2) A Member will enter an Order to trade one or more Contracts by indicating to Railbird in the manner required by Railbird:
  - (i) Order direction (i.e., buy/yes or sell/no);
  - (ii) Price at which the Member wants to buy or sell the Contract; and
  - (iii) Number of Contracts the Member wants to buy or sell.
- (3) In order to enter an Order to trade one or more Contracts, a Member will be required to submit the Order to Railbird. Once the Order is accepted by Railbird, Railbird will assign to the Order an Order ID. This ID will appear next to the associated Order on the Member's Order Ticket and Order History

account pages. The Member will be responsible for any and all Order entries confirmed for its account and accepted by Railbird.

- (4) Any Member submitting Orders, or any other messages directly to Railbird, including but not limited to messages related to the cancellation or amendment of an Order, whether manually or via automated functionality, must ensure adequate controls are in place to prevent excessive messaging or other activity that may be deemed detrimental or disruptive to the Company.
- (b) Railbird's trading system will keep an electronic record of all orders to trade Contracts, and all executed Contract trades. The records kept by Railbird will include all of the terms identified in paragraph (a) of this Rule as well as the date and time that the Transaction was completed to the nearest thousandth of a second and the member ID, for all executed Contract trades and to the nearest thousandth of a second for all Orders to trade Contracts.
- (c) A Railbird Contract will not be void, voidable, subject to rescission, or otherwise invalidated or rendered unenforceable due to:
  - (1) A violation by Railbird of the provisions of sections 5 or 5h of the CEA or Part 38 of CFTC Regulations;
  - (2) Any CFTC proceeding to alter or supplement a rule, term or condition under section 8a(7) of the CEA or to declare an emergency under section 8a(9) of the CEA; or
  - (3) Any other proceeding where the effect of which is to alter or supplement a specific term or condition or trading rule or procedures, or requires Railbird to adopt a specific term or condition, trading rule or procedure, or to take or refrain from taking a specific action.

## **RULE 5.5     HANDLING OF CUSTOMER ORDERS**

- (a) All trading on Railbird's central limit order book is conducted on a fully anonymous basis.
- (b) Disclosing Orders Prohibited
  - (1) It is a violation of this Rule 5.5 for any Person to disclose another Person's Order to buy or sell any Contracts except as may be requested by Railbird or the Commission.
  - (2) It is a violation of this Rule 5.5 for any Person to act or direct another Person to act based on non-public order information, however acquired.

## **RULE 5.6     DISPUTED ORDERS**

- (a) If a Member believes that an Order to trade one or more Contracts was incorrectly executed or rejected by Railbird that Member may request a review of the Order by providing the confirmation number for the order and stating the grounds for its disagreement with the handling of the order.
- (b) Upon receipt of a request for review of an Order and the accompanying confirmation number, Railbird will review its electronic audit trail to determine if the Railbird trading system correctly interpreted and executed the Order.
- (c) If the review described in paragraph (b) of this Rule reveals that the Railbird trading system made a mistake, the Order will be cancelled and the accounts of all Members that were party to the Order will be returned to their state before the Trade was executed.
- (d) If the review described in paragraph (b) of this Rule reveals that the Railbird trading system did not make a mistake, Railbird will inform the Member who requested the review of its determination that the Order was properly handled, the evidence supporting that determination, and that an adjustment will not be made.
- (e) A Member may appeal a determination under paragraph (d) of this Rule to a Railbird compliance officer through the electronic mail address provided on the Railbird website. The Member making the appeal will be required to provide a response to the evidence described in paragraph (d) of this Rule that the order was properly handled, and the Member may provide any other information it wishes to disclose. If the Member's appeal does not contain a response to the evidence described in paragraph (d), it will be rejected. The compliance officer will decide on the appeal no later than 10 [business] days after its receipt, and that decision will be final.
- (f) Railbird will document in writing all requests for review of orders received by Railbird, the time and manner in which Railbird reviewed its electronic audit trail in response to the request, the outcome of that review, and the action or actions taken by Railbird in response to that review, including the results of any appeal filed under paragraph (e) of this Rule and the review conducted by the compliance officer in deciding that appeal.

## **RULE 5.7     PRIORITY OF ORDERS**

Railbird's central limit order book matches orders in an open and competitive manner. Subject to the provisions of Rule 5.10(b) regarding orders, Railbird's trading algorithms execute all trades by matching orders according first by price and then time priority. This means that orders and quotes entered at different prices will be executed in order of price, from best to worst, regardless of what time they were placed on the Platform, and orders and quotes placed on the Platform at the same price will be executed in order of time, from oldest to most recent.



## **RULE 5.8 FILLING ORDERS TO TRADE CONTRACTS**

- (a) Subject to the provisions of Rule 5.10(b) regarding orders, the Railbird trading system will fill all orders to trade Contracts on an “or better” basis. This means that if a Member places an Order to buy a Contract or Contracts at a price higher than the price of the best sell offer on the Platform, the system will fill that Order to buy at the better sell offer price(s) until all available sell offers under or equal to that buy Order’s limit price are filled or until that buy Order is completely filled. Likewise, if a Member enters a sell Order at a price lower than the price of the best bid, the system will fill that sell Order at the better bid price(s) until all available bids over that sell Order’s limit price are filled or that sell Order is completely filled. If an Order is only partially filled, the unfilled portion of that Order will remain in the order book as a resting Order at the limit price specified. Should an opposite Order at the same price or better than the original Order subsequently be placed on the system, the unfilled portion of the original Order will be executed opposite that new Order at the original Order’s limit price.
- (b) A written record of all of the terms of each Trade entered into on Railbird or pursuant to the Rules will be available immediately upon execution on the Railbird interface on the Member’s activity page. Such record shall legally supersede any previous agreement and serve as a confirmation of each such trade. Railbird will send confirmation messages to Members upon execution of a Trade via the API, mobile application, and/or website, if such Members are online at the time. However, please note that if any applicable Member is not online at the time of execution, such Member will see the confirmation(s) when it next logs on to the interface. The contract type, size, execution time and execution method for each Trade will be made available on the website to all Members after execution of the relevant Trade.

## **RULE 5.9 CANCELLATION OF ORDERS**

- (a) A Member can submit instructions, via Railbird’s interface (website, mobile application) or the API, to cancel an Order which that Member has placed on the Platform if that Order has not yet been executed. Upon submission of instructions to either cancel or modify an Order that has not been executed, the Railbird system will withdraw the Order from the order book and confirm the cancellation of the Order.
- (b) Railbird will attempt to cancel an existing Order as soon as possible after a Member enters a cancellation instruction. However, the Order may be executed before Railbird is able to cancel it. If an Order has been filled in whole or in part, a Member may cancel only that portion of the Order (if any) that has not been executed.

## **RULE 5.10 TRADE CANCELLATIONS**

- (a) As a designated contract market, Railbird has the authority to adjust Trade prices or cancel Trades when necessary to mitigate market disrupting events caused by malfunctions on its Platform or errors in Orders submitted by Members. However,

due to the fully collateralized and short-term nature of trading on Railbird, the circumstances in which this authority may be exercised are limited.

- (b) Railbird, in its discretion and in accordance with these Rules, may cancel a Trade that has been executed on the market at a price that is inconsistent with prevailing market conditions due to improper or erroneous orders or quotes being matched on the Platform. Likewise, because of the nature of Railbird Contracts, there will generally be no cancellation or adjustment of an erroneous trade except in extraordinary circumstances as determined by the Company.
- (c) In addition to a Contract adjustment raised under Chapter 7 of these Rules, Railbird may review a Trade based on its own analysis of the market or pursuant to a request for review by a Member or other third party. A request for a review by a Member or other third party must be received by Railbird no later than fifteen (15) minutes after the trade has been executed on the Platform and before Expiration of the Contract. Railbird will promptly determine whether the Trade will be subject to review and then promptly post notice indicating that the Trade is under review.
  - (1) During the review, Railbird will calculate a fair market value for the Contract at the time of the questioned Trade by utilizing the last value or price of the Contract at the time of the Trade and/or any other relevant market information obtained or presented to the Company.
  - (2) Once a fair market value has been calculated, a fifteen (15) percent range will be added above and below such fair market value to determine the “No Cancellation Range”.
  - (3) If a Trade has been executed within the No Cancellation Range, the executed Trade will stand. If a Trade has not been executed within the No Cancellation Range, Railbird shall have the authority, but not the obligation, to cancel or adjust such Trade. Once a Trade is determined to be cancelled or adjusted, Railbird will:
    - (i) notify all interested Members to the Trade as soon as practicable following such determination; and
    - (ii) publish its decision on the Railbird website.
  - (4) The decisions of Railbird regarding fair market value of the Contract, the No Cancellation Range, the cancellation of a Trade, or any other determination hereunder shall be final and not subject to appeal.

## **RULE 5.11 VIEWING THE MARKET AND EXECUTED ORDERS**

Railbird will, at all times, allow its Members to view the current best bid and offer on the Platform, the open interest, the trade volume, as well as the depth of the order book up to the fifth level of prices.

## **RULE 5.12 HOURS FOR TRADING CONTRACTS**

Trading shall be available at all times outside of any maintenance windows, which may be announced from time to time.

## **RULE 5.13 PROHIBITED TRANSACTIONS AND ACTIVITIES**

- (a) Members are prohibited from entering Orders on the Platform if there are insufficient funds or Contracts in the Member's settlement account to satisfy such Orders if they are executed. Railbird may, in its discretion, take such action against a Member if the circumstances warrant, subject to Rule 9.3(e) and Rule 9.7.
- (b) No Person or party acting as an agent on behalf of the person trading shall enter into or attempt to enter into any non-competitive trade on the Platform, including any accommodation trade or any trade that has been directly or indirectly prearranged. For example, a Member may not agree in advance with another Member that one of the Members will enter an Order and the other Member will attempt to trade against that Order by timing the submission of Orders or otherwise.
- (c) No Person or party acting as an agent on behalf of the person trading shall enter into or attempt to enter into any trade on the Platform that:
  - (1) Does not result in a change in beneficial ownership;
  - (2) Is designed to unnaturally inflate trading volume;
  - (3) In any way attempts to circumvent the Platform's order processing, trade ordering, trade execution systems, or otherwise to circumvent exposure of the Order to open and competitive bidding on the Platform; or
  - (4) That has some other illegitimate purpose.
- (d) No Person or party acting as an agent on behalf of the person trading shall enter into any trade designed or used to cause any price for a Contract other than a true and bona fide price to be reported, registered, or recorded by the Platform.
- (e) No Person or party acting as an agent on behalf of the person trading shall trade in, transfer, assign, or otherwise dispose of Contracts other than as provided for in these Rules.
- (f) No Person or party acting as an agent on behalf of the person trading shall enter into or agree to transfer or transfer the benefit of any position in any Contract to another person other than through a transaction executed through the Platform. Provided however, transfers of open contracts on the books of the Clearinghouse to another account on the books of the Clearinghouse need not be made competitively where no change in beneficial ownership is involved in the transfer. For purposes of this Rule 5.13(f), a change in beneficial ownership shall not be deemed to have occurred with

respect to (A) transfers between entities that are 100% owned by the same Person, and (B) transfers between any person and any entity owned 100% by such Person.

- (g) No Member shall trade for a Person other than itself.
- (h) No Member may deposit funds or allow funds to be deposited into their Railbird account from any bank account or credit card or debit card or other account not held in the same name as their Railbird account (except as otherwise provided in these Rules).
- (i) The Company may deposit funds into a Member's Railbird account, including but not limited to, in the event of an order cancellation, trade cancellation, expiration value adjustment, ledger adjustment, refund of wire transfer fees, or incentive program.
- (j) No Person or party acting as an agent on behalf of the person trading shall engage in any activity that presents a risk of harm to Railbird, its Members, or the public.
- (k) No Person or party acting as an agent on behalf of the person trading shall engage in any activity that adversely affects the integrity of the Platform or its underlying systems.
- (l) No Person or party acting as an agent on behalf of the person trading subject to arbitration under these rules shall fail to abide by an arbitration decision or award handed down under Chapter 10 of these Rules.
- (m) No Person or party acting as an agent on behalf of the person trading shall intentionally provide misleading, erroneous, or fraudulent information to Railbird on a Member Application or otherwise.
- (n) No Person or party acting as an agent on behalf of the person trading shall create a false appearance of a partnership, agency, employment or affiliate relationship with Railbird and no Person shall unlawfully solicit customer funds for deposit at Railbird.
- (o) No Member may operate or solicit in any capacity that may require registration with the CFTC without being properly registered.
- (p) No Person or party acting as an agent on behalf of the person trading shall engage in any activity that is intended to, or has the effect of, manipulating the market in violation of Sections 6(c) and 9(a)(2) of the CEA and no Person shall engage in any other activity that would violate the CEA or the Commission's Regulations.
- (q) No Member shall deposit funds into its Railbird account from an account which does not hold sufficient funds at the time of deposit, and at the time the deposit is presented by Railbird for payment.
- (r) No Member shall make a false representation to a third party regarding any deposit made into that Member's Railbird account which would result in a chargeback or stop payment of funds to the Member Account.

- (s) No Member shall allow its Member Account balance to become negative by any means. In the event that a Member's settlement account balance becomes negative, the Member must immediately deposit additional funds to correct the deficiency. Any Member whose settlement account carries a negative balance for 30 days or more is subject to summary termination of membership. Railbird may, in its discretion, take such other action against a Member if the circumstances warrant, subject to Rule 9.3(e) and Rule 9.7.
- (t) No Member shall engage in conduct or practices inconsistent with just and equitable principles of trade or conduct or practices detrimental to the best interests of the Company.
- (u) If a Member is an Insider that has access to material non-public information that is the subject of an Underlying of any Contract or that has the ability to exert any influence on the subject of an Underlying of any Contract, that Member is prohibited from attempting to enter into any trade or entering into any trade, either directly or indirectly, on the market in such Contracts. An "Insider" means any person who has access to or is in a position to have access to material nonpublic information before such information is made publicly available. A Member who is an employee or affiliate of a Source Agency for any Contract is prohibited from attempting to enter into any trade or entering into any trade, either directly or indirectly, on the market in such Contracts.
- (v) If a Member is a decision maker, either directly or indirectly, or has any influence, either directly or indirectly, no matter the scale and importance of the influence, on the outcome of the Underlying (event) of any Contract, that Member is prohibited from attempting to enter into any trade or entering into any trade, either directly or indirectly, on the market in such Contracts.
- (w) No Person or party acting as an agent on behalf of the person trading shall engage in any activity that constitutes fraudulent or abusive trading, including but not limited to violating bids or offers, demonstrating intentional or reckless disregard for the orderly execution of transactions during the closing period, or spoofing.
- (x) No Person or party acting as an agent on behalf of the person trading shall engage in any trading activity intended to accomplish a "money pass", "wash trade" or "front-running" as such terms are defined by the Commission and any regulations promulgated thereunder.
- (y) No Person or party acting as an agent on behalf of the person trading shall, directly or indirectly, intentionally or recklessly:
  - (1) Use or employ, or attempt to use or employ, any manipulative device, scheme, or artifice to defraud;
  - (2) Make, or attempt to make, any untrue or misleading statement of a material fact or to omit to state a material fact necessary in order to make the statements made not untrue or misleading; or

- (3) Engage, or attempt to engage, in any act, practice, or course of business, which operates or would operate as a fraud or deceit upon any Person.

#### **RULE 5.14 POSITION LIMITS AND ACCOUNTABILITY LEVELS**

- (a) Railbird shall adopt Position Limits and/or Accountability Levels on a Contract-by-Contract basis. The Position Limit and/or Accountability Levels shall be set forth in a Position Limit Table as may be amended from time to time by the Company in a notice and on its website. Any Member who exceeds a Position Limit absent an exemption shall be deemed in violation of this Rule 5.14. Any member who exceeds an Accountability Level may be asked by the Railbird compliance department ("Compliance Department") to provide information relating to the position (*e.g.*, the nature and size of the position, the trading strategy, hedging information, *etc.*). Furthermore, each Member that holds or controls positions in excess of a Position Accountability Level consents to not increase or decrease its position when so ordered by the Compliance Department. Generally, a Member that holds or controls positions in excess of an Accountability Level will be contacted by the Compliance Department in advance of an instruction not to increase or decrease a position.
- (b) A Member seeking an exemption from Position Limits must apply to Railbird on forms provided by the Company.
  - (1) The Compliance Department shall, on the basis of the application and any requested supplemental information, determine whether an exemption from Position Limits shall be granted.
  - (2) A Member intending to exceed position limits, including limits established pursuant to a previously approved exemption, must file the required application and receive approval from the Railbird Compliance Department prior to exceeding such limits. Provided however, the Railbird Compliance Department may approve a hedge exemption application filed up to five (5) business days after a Member exceeds an applicable Position Limit, but if the application is denied, the applicant will be in violation of the applicable Position Limit until the position is reduced below the limit.
- (c) In order to obtain an exemption from a Position Limit, a Member must:
  - (1) Provide a description of the exemption sought;
  - (2) Provide a complete and accurate explanation of the underlying exposure related to the exemption request;
  - (3) Agree to promptly provide, upon request by the Railbird Compliance Department, information or documentation regarding the Member's financial condition;
  - (4) Agree to comply with all terms, conditions or limitations imposed by the Railbird Compliance Department with respect to the exemption;

- (5) Agree that the Railbird Compliance Department may, for cause, modify or revoke the exemption at any time;
- (6) Agree to initiate and liquidate positions in an orderly manner;
- (7) Agree to comply with all Company rules; and
- (8) Agree to promptly submit a supplemental statement to the Railbird Compliance Department whenever there is a material change to the information provided in the most recent application.

(d) Position Limits Exemptions:

- (1) *Bona Fide* Hedging Transactions or Positions: The Railbird Compliance Department may grant an exemption from Position Limits for *bona fide* hedging transactions or positions that are economically appropriate to the reduction of risk in the conduct and management of a commercial enterprise.
  - (2) Spread Positions: The Railbird Compliance Department may grant exemptions for an intra-market spread, inter-market spread, intra-commodity spread, and inter-commodity spread.
- (e) If a Member fails to reduce any position in a manner and time as directed by Railbird, Railbird shall have the authority to liquidate the applicable position to a level below the defined Position Limit or Accountability Level stipulated under the relevant Contract in Chapter 13 of these Rules.
- (f) In addition to the restrictions and requirements imposed in Section 5.14(a) and (b), the first violation by a Member of a Position Limit or failure to respond or follow Compliance Department instructions in connection with positions in excess of an Accountability Level may result in a letter of warning to be issued by the Railbird Compliance Department to the Member or the initiation of proceedings in accordance with Chapter 9 of these Rules.
- (g) In addition to the restrictions and requirements placed in Section 5.14(f), any subsequent violation by a Member of an Accountability Level instruction or Position Limit within 12 months after a violation that resulted in a letter of warning, will result in the initiation of proceedings in accordance with Chapter 9 of these Rules.

(h) Aggregation of positions:

- (1) All positions in accounts for which any Person by power of attorney or otherwise, directly or indirectly controls trading or holds a 10 percent of greater ownership or equity interest must be aggregated with the positions held and trading done by such person.

- (2) Positions held by two or more Persons acting pursuant to an express or implied agreement or understanding the same as if the positions were held by, or the trading of the position were done by, a single individual.
- (3) Exemptions from aggregation in all products subject to Railbird's position limits must comply with the provisions of CFTC Regulation 150.4(b).
- (4) Any Member claiming an exemption from Railbird's position limits under the provisions of CFTC Regulation 150.4(b)(1)(ii), (b)(2), (b)(3), (b)(4), or (b)(7) must provide a notice to the Company which sets forth 1) a description of the relevant circumstances that warrant disaggregation and 2) a statement by a senior officer or executive of the entity certifying that the conditions set forth in the applicable CFTC aggregation exemption provision have been met. Upon request by the Company, any Member claiming an exemption from aggregation under 5.14(h)(3) must provide any requested information that demonstrates the person meets the applicable requirements for the exemption. The Company, in its sole discretion, may amend, suspend, terminate, or otherwise modify a person's exemption from aggregation for failure to comply with the provisions of this Chapter 5.

## **CHAPTER 6: CLEARING AND SETTLING CONTRACT TRADES, SETTLEMENT, AND MEMBER WITHDRAWAL REQUESTS**

### **RULE 6.1 CLEARANCE**

- (a) In its capacity as a registered Derivative Clearing Organization, Clearinghouse shall serve as the clearing party to all orders matched pursuant to Chapter 5.
- (b) All Member positions are fully cash collateralized, and no Member can take positions that would lead to an exposure that exceeds the funds deposited in the Member Account.
- (c) Upon the successful matching of orders pursuant to Rules 5.3 or 5.4 the Derivatives Clearing Organization shall immediately, through the process of novation, be substituted as, and assume the position of, seller to the Member buying and buyer to the Member selling the relevant contract. Upon such substitution, the buying and selling Members shall be released from their obligations to each other, and such Member shall be deemed to have bought the contracts from or sold the contracts to the Derivatives Clearing Organization, as the case may be, and the Derivatives Clearing Organization shall have all the rights and be subject to all the liabilities of such Member with respect to such transaction. Such substitution shall be effective in law for all purposes.
- (d) If a trade is rejected for clearing by the Derivatives Clearing Organization for any reason, such trade is void *ab initio*.
- (e) In the event of any conflict or inconsistency between these Rules and the Clearinghouse Rules with respect to any Member's responsibilities or obligations



under the Clearinghouse Rules, the Clearinghouse Rules shall prevail. As stated in Rule 3.1(c), all Members are bound by the Clearinghouse Rules.

## **RULE 6.2     SETTLING CONTRACT TRADES**

Railbird will maintain, on its system, a record of Member balances and Contracts. Railbird's Derivatives Clearing Organization partner, Clearinghouse, will also maintain a Member Account, which will reflect funds used by Members to buy and sell Contracts. Railbird may also maintain a "proprietary account," which will be credited with all fees debited from Member Accounts due to trades and Settlements.

## **RULE 6.3     SETTLEMENT**

(a) When a Contract expires, the Contract will pay its Settlement Value to the holders of long and short positions based on the Contract's Payout Criterion, as follows:

- (1) When a Binary Contract expires and has a Market Outcome of YES, such Contract will pay its Settlement Value to the holders of long positions in such Contracts. Conversely, when a Binary Contract expires and has a Market Outcome of NO, such Contract will pay its Settlement Value to the holders of short positions in such Binary Contracts.
- (2) When a Variable Payout Contract expires, such Contract will:
  - (i) Pay its Settlement Value to the holders of long positions in such Contracts; and
  - (ii) Pay the difference between its maximum possible Settlement Value and its Settlement Value and to the holders of short positions in such Contracts.

(b) On the Settlement Date, Railbird will cause and/or instruct Clearinghouse to:

- (1) Notify all Members whether they will receive a Settlement Value pursuant to Rule 6.3(a);
- (2) Settle the Contracts as follows:
  - (i) For Binary Contracts, by debiting the settlement account in an amount no less than the Settlement Value for such Contracts multiplied by the total number of outstanding in-the-money Contract positions, and credit those funds to the applicable Member Accounts of the Members holding the in-the-money Contract position following any holding period described in Rule 6.3(c); and
  - (ii) For Variable Payout Contracts, by debiting the settlement account in an amount no less than the Settlement Value for both long and short positions for such Contracts multiplied by the total number of respective

outstanding Contract positions and credit those funds to the applicable Member Accounts of the Members holding those respective positions following any holding period described in Rule 6(c). Delete all Contracts from Members' accounts, as applicable.

- (3) Before Settlement, Railbird may, at its sole discretion initiate the Market Outcome Review Process as provided in Rule 7.1.
- (4) Railbird will distribute notification via electronic mail at Settlement to all Members who hold the relevant Contract.

#### **RULE 6.4     SETTLING MEMBER WITHDRAWAL REQUESTS**

- (a) Within one business day of when a Member requests to withdraw funds from its Railbird account, Railbird will transmit such request to Clearinghouse in electronic batch mode transmission. Clearinghouse will then cause and/or instruct its settlement bank to process the request and distribute funds to the account at the U.S. Financial Institution or Foreign Bank in the case of a non-United States resident Member who does not have an account at a US Financial Institution, registered with Railbird by the Member (unless the Member has unsatisfied outstanding obligations on Railbird, in which case such balances may be retained as necessary to satisfy such obligations or until the Member otherwise satisfies such obligations, or unless such transfer would otherwise violate applicable law or regulation as determined by either Railbird or Clearinghouse in its sole discretion). The Member should refer to Railbird's website under the Fee Schedule for all fees and costs associated with withdrawal of funds from the Member's Railbird account. The processing of a Member withdrawal request may be suspended or denied if circumstances, whether present or imminent, would make the request impossible or impractical to fulfill, cause a potential risk of harm to Railbird, its Members, or Clearinghouse, violate applicable law or regulation as determined by either Railbird or Clearinghouse in its sole discretion, or if, either Railbird or Clearinghouse determine in its sole discretion that the funds are relevant to a pending investigation.
- (b) Members are responsible for providing accurate account numbers to allow Railbird and its clearing partner, Clearinghouse, to effect transfers to Members.

#### **RULE 6.5     INSTANT DEPOSITS**

To facilitate trading on the Exchange for the time period between the initiation of an ACH transfer and clearance of those funds, the Exchange may, in its discretion and in cooperation with its Clearinghouse, advance funds to Members for immediate use. The Exchange attests that:

- (1) Such advance is administrative in nature due to the normal course timing of banking transactions by the Clearinghouse.
- (2) Such Member has submitted a bona-fide funds deposit request.

- (3) Such funds deposit request is being processed in the normal course of banking transaction by the Clearinghouse; and
- (4) Such advanced funds shall not exceed the lesser of the funds deposit request or \$1,000.

## **CHAPTER 7: MARKET OUTCOME REVIEW AND ADJUSTMENTS NECESSITATED BY MATERIAL CHANGES IN THE UNDERLYING**

### **RULE 7.1 THE MARKET OUTCOME REVIEW PROCESS**

- (a) Before Settlement, Railbird may initiate the Market Outcome Review Process, at its sole discretion and by taking into account several factors including any circumstances that may have a material impact on the reliability or transparency of the Underlying related to the Contract. Under this process, the Outcome Review Committee will determine the final Market Outcome. Settlement will occur on the date that the Outcome Review Committee reaches a determination on the Contract's final Market Outcome. If the Market Outcome Review Process is initiated, Railbird will post on its website that the Contract's Market Outcome is under review.
- (b) The Outcome Review Committee shall review all relevant evidence and determine a final Market Outcome within a 24-hour period after the Outcome Review Process is initiated.
- (c) The Outcome Review Committee has full discretion in resolving the Market Outcome Review Process. The determinations made by the Outcome Review Committee are final.

### **RULE 7.2 CONTRACT MODIFICATIONS**

If any event or any circumstance which may have a material impact on the reliability or transparency of a Contract's Source Agency or the Underlying related to the Contract arises, including but not limited to if a Contract's Source Agency is unavailable or undergoes significant modifications, Railbird retains the authority to designate a new Source Agency and Underlying for that Contract and to change any associated contract specifications after the first day of trading. That new Source Agency and Underlying would be objective and verifiable. Railbird would announce any such decision on its website.

## **CHAPTER 8: INVESTMENT OF MEMBER ACCOUNT FUNDS**

### **RULE 8.1 INVESTMENT OF MEMBER ACCOUNT FUNDS**

- (a) Member funds on deposit with Clearinghouse will be held in a settlement account segregated as Member Property, as that term is defined in CFTC Regulation 190.09(a).
- (b) Clearinghouse may invest such funds subject to the limitations and conditions set forth in Commission Regulations 22.2(e)(1) and 1.25.

- (c) Clearinghouse may pay interest to Members' accounts at a floating rate to be determined by Clearinghouse on funds in Members' accounts in excess of an amount to be determined by Clearinghouse.
- (d) Clearinghouse will retain all profit from investment of Member funds not paid to Members.

## **CHAPTER 9:DISCIPLINE AND RULE ENFORCEMENT**

### **RULE 9.1 MONITORING THE MARKET**

- (a) Railbird's trading system will record and store for a period of not less than five (5) years in a searchable, read-only database a record of all data entered into the Railbird trading system, including the Member's identity and the information in Rule 5.4. Such records shall be maintained in a readily available manner during the first two years. Railbird shall conduct market surveillance and trade practice surveillance using this data with programs designed to alert Railbird when potentially unusual trading activity takes place. Railbird, through the Compliance Department, will initiate review and, where appropriate, investigate such unusual trading activity. The Compliance Department will also investigate any time it has other reason to believe that inappropriate activity of any sort is taking place on the Railbird Platform or its website. Including actions related to margin payments and ACH transfers.
- (b) Enforcement staff may not include either members of the DCM or persons whose interests conflict with their enforcement duties. Enforcement staff may not operate under the direction or control of any person or persons with trading privileges at the DCM.
- (c) All Persons within Railbird's jurisdiction are subject to this Chapter 9 if they are alleged to have violated, to have aided and abetted a violation, to be violating, or to be about to violate, any Rule or any provision of Applicable Law for which Railbird possesses disciplinary jurisdiction.

### **RULE 9.2 DISCIPLINARY PANEL AND APPEALS COMMITTEE**

- (a) The Disciplinary Panel shall be:
  - (1) A standing committee consisting of at least three members, including at least one person who would not be disqualified from serving as a Public Director. No member of the Disciplinary Panel shall also be a member of the Company's compliance staff or any person involved in adjudicating any other stage of the same proceeding. The Board may establish more than one Disciplinary Panel. The Regulatory Oversight Committee will appoint individuals for membership on the Disciplinary Panel. Each Disciplinary Panel shall include members with sufficient differing experience and Member interests so as to ensure fairness and to prevent special treatment or preference for any Person.

- (2) Responsible for conducting hearings, rendering decisions, and imposing sanctions with respect to any Disciplinary Action. The Disciplinary Panel shall also have such other powers and perform such other duties as set forth in the Rules and as the Board may determine from time to time.
- (b) Each member of the Disciplinary Panel shall serve for a term of one calendar year from the date of his or her appointment, and until the due appointment of his or her successor, or until his or her earlier resignation or removal, with or without cause, as a member of the Disciplinary Panel. A member of the Disciplinary Panel may serve for multiple terms.
- (c) The Appeals Committee shall be:
  - (1) A standing committee consisting of at least three members of the Board. No member of the Appeals Committee shall also be a member of the Company's compliance staff or any person involved in adjudicating any other stage of the same proceeding.. The Appeals Committee shall include members with sufficient differing experience and Member interests so as to ensure fairness and to prevent special treatment or preference for any Person. The members of the Appeals Committee and its chairperson shall be appointed by the Chairperson of the Board, provided that, at all times the Appeals Committee shall include at least one Public Director.
  - (2) Responsible for conducting hearings of appeals of decisions of the Disciplinary Panel, rendering decisions of such appeals, and imposing sanctions with respect to such appeals. The Appeals Committee shall also have such other powers and perform such other duties as set forth in these Rules and as the Board may determine from time to time.
- (d) Each member of the Appeals Committee shall serve for a term of one calendar year from the date of his or her appointment or, if shorter, for the remainder of his or her term as a Public Director, as applicable, until the due appointment of his or her successor, or until his or her earlier resignation or removal, with or without cause, as a member of the Appeals Committee or as a Public Director. A member of the Appeals Committee may serve multiple terms.

### **RULE 9.3 INVESTIGATIONS, HEARINGS, AND APPEALS**

- (a) The Compliance Department shall investigate unusual trading activity or other activity that the Compliance Department has reasonable cause to believe could constitute a violation of these Rules, or upon the receipt of a request from Commission staff. Railbird's Disciplinary Panel adjudicates findings by the Compliance Department that are disputed by Members. The Disciplinary Panel and the Compliance Department may not communicate regarding the merits of a matter brought before the Disciplinary Panel without informing the Member who is the subject of the communication of its substance and allowing the Member an opportunity to respond. The Compliance Department and Disciplinary Panel may

compel testimony, subpoena documents, and require statements under oath from any Member. Disciplinary Panel, Compliance Department staff and other employees or agents of Railbird working under their supervision, may not be a Member or trade, directly or indirectly, in any commodity interest traded on or subject to the rules of any registered contract market. Members of the Disciplinary Panel shall be individuals that do not have a direct interest (financial, personal or otherwise) in the matter, but in no event may be members of the Compliance Department or any Persons involved in adjudicating any other stage of the same proceeding. Likewise, members of the Disciplinary Panel may not operate under the direction or control of any person or persons with trading privileges on the Platform and may not include persons whose interests conflict with their enforcement duties.

- (b) The Compliance Department shall investigate unusual trading activity or other activity that the Compliance Department has reasonable cause to believe could constitute a violation of these Rules, and shall enforce the Rules and prosecute possible Rule violations within Railbird's disciplinary jurisdiction. The Compliance Department will endeavor to complete any investigation within twelve months, unless there exists significant reason to extend it beyond such period. Upon the conclusion of any investigation, the Compliance Department will draft a document detailing the facts that led to the opening of the investigation, the facts that were found during the investigation, and the Compliance Department's analysis and conclusion. If the Compliance Department concludes that there is reasonable cause to believe a Member has violated Railbird's Rules or other applicable statutes or regulations, the Compliance Department will submit to the Member whose activity is the subject of the investigation a notice of charges, by electronic mail to that Member's last known email address, that will include:
- (1) The reason the investigation was initiated, including the acts, conduct, or practices in which the Member engaged;
  - (2) The charges or a summary of the charges, including the Rule or Rules alleged to have been violated;
  - (3) The response, if any, or a summary of the response;
  - (4) A summary of the investigation conducted;
  - (5) Findings of fact and the Compliance Department's conclusions as to each charge, including which of the Rules the Member or its authorized representative violated, if any;
  - (6) A summary of the Member's, and any relevant authorized representative's, disciplinary history, if any;
  - (7) The period within which a hearing on the charges may be requested;
  - (8) A statement notifying the Member that failure to request a hearing within the period prescribed will be deemed a waiver of the right to a hearing;

- (9) A statement notifying the Member that the failure to answer or to deny expressly a charge may be deemed to be an admission of such charge; and
  - (10) The penalty, if any, proposed by the Company.
- (c) If the Compliance Department initiates an investigation in which any Affiliate of Railbird is a subject, the Chief Regulatory Officer shall notify the Commission's Division of Market Oversight of that fact. At the conclusion of any such investigation, the Chief Regulatory Officer shall provide the Commission's Division of Market Oversight with a copy of the documentation specified in paragraph (b) of this Rule.
- (d) The Member whose activity is the subject of the investigation may contest the Compliance Department's findings by forwarding a response to those findings by electronic mail to the Compliance Department within 15 days. The Member has a right to examine all relevant books, documents, or other evidence in the possession or under the control of Railbird, except that Railbird may withhold from inspection any documents that:
- (1) Are privileged or that constitute attorney work product;
  - (2) Were prepared by any employee of Railbird but which will not be offered in evidence in the disciplinary proceedings;
  - (3) May disclose a technique or guideline used in examinations, investigations, or enforcement proceedings; or
  - (4) Disclose the identity of a confidential source.

The Member's response must contain a detailed response to the findings and conclusions as to each charge and any other information the Member thinks is relevant. The outcome of settlement negotiations between the Member and the Compliance Department may include, but is not limited to, a letter of warning.

- (e) If the findings of the Compliance Department are not contested by the Member, Railbird will deem those findings admitted by the Member, the findings of fact and the Compliance Department's conclusions as to each charge shall become final and the Compliance Department shall impose the penalty (if any) proposed by the Compliance Department. The Member will be notified of the imposition of any penalty and be sent a copy of the notice of disciplinary action by electronic mail to that Member's last known email address.
- (f) If the findings of the Compliance Department are contested, the Compliance Department's report and the Member's response will be submitted to the Disciplinary Panel. Members of the Disciplinary Panel may not have a financial, personal or other direct interest in the matter under consideration.

- (1) The Disciplinary Panel will conduct a hearing with the Compliance Department and the Member within 20 business days of receipt of the Member's response contesting the compliance officer's finding and/or proposed sanction which the parties may attend telephonically. However, the Member is entitled to appear personally at the hearing, to cross-examine any persons appearing as witnesses at the hearing, and to call witnesses and to present such evidence as may be relevant to the charges.
- (2) The formal rules of evidence shall not apply, but the hearing must be fair. The Compliance Department shall present its case on all charges and sanctions that are the subject of the hearing.
- (3) Prior to the hearing, the parties may (but need not) submit proposed findings, briefs, and exhibits (including affidavits), and during the hearing the parties may present witnesses. Persons within Railbird's jurisdiction who are called as witnesses must participate in the hearing and produce evidence, as requested. Railbird shall likewise make reasonable efforts to secure the presence of all other persons called as witnesses whose testimony would be relevant to the matter at hand.
- (4) Within 20 business days after that hearing, the Disciplinary Panel will issue findings, which will be delivered to the Member by electronic mail to the Member's last known email address. The findings of the Disciplinary Panel will contain the following information:
  - (i) A summary of the charges and any answer to the charges;
  - (ii) A summary of the evidence received;
  - (iii) Findings and conclusions with respect to each charge;
  - (iv) An indication of each specific rule that the member was found to have violated;
  - (v) A declaration of any penalty to be imposed on the Member as the result of the findings and conclusions;
  - (vi) The effective date and duration of that penalty; and
  - (vii) A statement that the Member has the right to appeal any adverse decision by the panel to the Appeals Committee and must do so within 15 days.
- (5) The panel's decision shall be final on the date it is signed by the hearing Disciplinary Panel. The Disciplinary Panel's decision shall become the final decision of Railbird after the appeal period has lapsed.



- (6) The hearing will be recorded, and all information submitted by the parties (including the Compliance Department's report and the Member's response) as well as the recording of the hearing, will be preserved by the Compliance Department, along with the Disciplinary Panel's findings, as the record of the proceedings (the "hearing record"). For the avoidance of doubt, if the Member has requested a hearing, a copy of the hearing shall be made and become a part of the record of the proceeding. The record shall be one that is capable of being accurately transcribed; however, it need not be transcribed unless the transcript is requested by Commission staff or the Member, the decision is appealed pursuant to the Rules of Railbird, or is reviewed by the Commission pursuant to section 8c of the Act. In all other instances a summary record of a hearing is permitted.
- (g) Either the Member or the Compliance Department may appeal the decision of the panel within 15 days by filing an appeal by electronic mail with the Appeals Committee and forwarding a copy to the other parties to the appeal. Any penalties will be stayed pending appeal unless the Disciplinary Panel determines that a stay pending appeal would likely be detrimental to the Company, other Members, or the public. The Appeals Committee will review the hearing record and any information submitted by the Compliance Department and the Member on appeal and issue its decision promptly following the appeal proceeding, which shall be final on the date of such issuance. The Member shall be notified of the decision by electronic mail to the Member's last known email address. The hearing record, any information submitted on appeal, and the Appeals Committee's decision shall be preserved as the record on appeal. The decision will contain the information listed in paragraph (f) of this Rule, outside of (f)(5), as well as:
  - (1) A statement that any person aggrieved by the action may have a right to appeal the action pursuant to Part 9 of the Commission's Regulations, within 30 days of service; and
  - (2) A statement that any person aggrieved by the action may petition the Commission for a stay pursuant to Part 9 of the Commission's Regulations, within 10 days of service.
- (h) No Railbird officer or employee shall interfere with or attempt to influence the process or resolution of any disciplinary action, except to the extent provided under these Rules with respect to a proceeding in which a Person is a member of the relevant Disciplinary Panel or Appeals Committee.

#### **RULE 9.4 SETTLEMENT OF INVESTIGATIONS**

- (a) Railbird may enter into settlements with any Member who is the subject of an investigation. The Member may initiate a settlement offer. Any settlement offer shall be forwarded to a Railbird disciplinary panel with a recommendation by the Compliance Department that the proposed settlement be accepted, rejected, or

modified. A settlement offer may be withdrawn at any time before it is accepted by the Disciplinary Panel.

- (b) The panel may accept or reject a proposed settlement, and the decision of the relevant panel will be final. In addition, the panel may propose a modification to the proposed settlement for consideration by the Member or its authorized representative and the Compliance Department.
- (c) Any settlement under this Rule will be written and will state:
  - (1) The charges or a summary of the charges;
  - (2) The response, if any, or a summary of the response;
  - (3) A summary of the investigation conducted;
  - (4) Findings and conclusions as to each charge, including each act the person charged was found to have committed or omitted, be committing or omitting, or be about to commit or omit, and each of these Rules that such act or practice violated, is violating, or is about to violate; and
  - (5) Any penalty imposed and the penalty's effective date.
- (d) Failed settlement negotiations, or withdrawn settlement offers, will not prejudice a Member or otherwise affect subsequent procedures in the rule enforcement process.

#### **RULE 9.5 NOTICE AND PUBLICATION OF DISCIPLINARY ACTION**

- (a) Railbird will provide to the Person charged, notice of the disciplinary action, appeal determination, or settlement in which sanctions are imposed, no later than two business days after it becomes final in accordance with the provisions of Commission Regulation 38.710.
- (b) Railbird will make public notice of the disciplinary action by posting on its website, in accordance with Commission Regulation 9.13, the information required by Commission Regulation 9.11. The disciplinary action will be considered final on the date the notice of the disciplinary action is published on the Railbird website.

#### **RULE 9.6 PENALTIES**

As a result of a disciplinary proceeding or as part of a settlement, Railbird may impose one or more of the following penalties, commensurate with the violation committed, in consideration of any relevant disciplinary history, and including full restitution where Member harm is identified and where such restitution can be reasonably determined:

- (a) A letter of warning, censure, or reprimand (although no more than one such letter may be issued to the same Person found to have committed the same rule violation within a rolling twelve-month period);

- (b) A fine or penalty fee for each violation of any Rule or Applicable Law sufficient to deter recidivism, which Railbird may cause and/or instruct Clearinghouse to deduct from the Member Account balance;
- (c) Disgorgement of profits that resulted from the violation of any Rule, plus the cost of damages to any unoffending counterparties, which Railbird may cause and/or instruct Clearinghouse to deduct from the Member Account balance;
- (d) Suspension of Member status or privileges for a specified period, including partial suspension of such privileges (for example, suspension of trading privileges in particular types of Contracts or of placement of certain types of orders);
- (e) Revocation of Member status or privileges, including partial revocation of such privileges (for example, revocation of trading privileges in particular types of Contracts or of placement of certain types of orders); and
- (f) Interest, at the prime rate, as reported by the Wall Street Journal as of the date the amount becomes due, on any outstanding account balance, monetary fine, penalty fee, or disgorgement amount owed, compounded monthly and calculated from the date when the amount was first due and payable.

#### **RULE 9.7 SUMMARY SUSPENSION**

- (a) Railbird may summarily suspend or restrict a Member's privileges if the Chief Regulatory Officer believes suspension or restriction is necessary to protect the markets, Railbird, the public, or other Members.
- (b) Whenever practicable Railbird will notify the Member whose privileges are to be summarily suspended by electronic mail before the action is taken. If prior notice is not practicable, the Member shall be served with notice by electronic mail at the earliest opportunity. This notice shall:
  - (1) State the action taken or to be taken;
  - (2) Briefly state the reasons for the action;
  - (3) State the time and date when the action became or becomes effective and its duration; and
  - (4) State that any Member aggrieved by the action may petition the Commission for a stay of the effective date of the action pending a hearing pursuant to Part 9 of the Commission's Regulations, within 10 days of service.
- (c) The Member whose privileges are to be summarily suspended shall be given an opportunity for appeal under the procedures outlined in Rule 9.3(f) of these Rules. The decision affirming, modifying, or reversing the summary suspension shall be furnished by electronic mail to the suspended Member and the Commission no later than one business day after it is issued. The decision shall contain:

- (1) A description of the action taken and the reasons for the action;
- (2) A brief summary of the evidence received during the appeal process;
- (3) Findings and conclusions;
- (4) A determination as to whether the summary action that was taken should be affirmed, modified, or reversed;
- (5) A declaration of any action to be taken against the suspended Member as the result of that determination;
- (6) The effective date and duration of that action;
- (7) A determination of the appropriate relief based on the findings and conclusions;
- (8) A statement that any person aggrieved by the action may have a right to appeal the action pursuant to Part 9 of the Commission's Regulations, within 30 days of service; and
- (9) A statement that any person aggrieved by the action may petition the Commission for a stay pursuant to Part 9 of the Commission's Regulations, within 10 days of service.

#### **RULE 9.8 REPRESENTATION BY COUNSEL**

A Member who is a subject of any proceedings under this Chapter has the right to retain and be represented by counsel or any other representative of its choosing in all succeeding stages of the disciplinary process, except any member of Railbird's Board of Directors or Disciplinary Panel, any employee of Railbird, or any person substantially related to the underlying investigations, such as material witness or respondent.

#### **RULE 9.9 REPORTING VIOLATIONS TO THE COMMISSION**

- (a) Whenever Railbird suspends, expels, fines or otherwise disciplines or denies any Person access to the Platform, Railbird will make the disclosures required by Commission Regulations.
- (b) Railbird will submit to the Commission a schedule listing all those Company Rule violations which constitute disciplinary offenses as defined in paragraph (a)(6)(i) of CFTC Regulation 1.63 and, to the extent necessary to reflect revisions, will submit an amended schedule within thirty days of the end of each calendar year. Railbird will maintain the schedule required by this section and post the schedule on Railbird's website.
- (c) Railbird will submit to the Commission within thirty days of the end of each calendar year a certified list of any Members or Persons who have been removed from any

Disciplinary Panel, the Board or any Company committee pursuant to these Rules or Applicable Law during the prior year.

- (d) Whenever Railbird finds by final decision that a Member or Person has violated a Rule or otherwise committed a disciplinary offense and such finding makes such person ineligible to serve on Railbird's Disciplinary Panels, Company committees, or the Board, Railbird shall inform the Commission of such finding and the length of the ineligibility in a notice it is required to provide to the Commission pursuant to either CEA Section 17(h)(1) or CFTC Regulation 9.11.

## **CHAPTER 10:        ARBITRATION**

### **RULE 10.1    JURISDICTION OVER DISPUTES**

- (a) All disputes involving Members, including, pursuant to the provisions of Section 11.3, claims against the Company, that arise out of or are related to any Contract will be settled by mandatory arbitration in accordance with the rules of this Chapter before a Board of Arbitration unless the parties expressly agree otherwise.
- (b) Refusal by a Member to submit any such dispute to arbitration upon demand by the opposite party will constitute a violation of the Rules.
- (c) By submitting a Complaint for arbitration or counter claim pursuant to this Chapter, any Person consents to the jurisdiction of the Board of Arbitration to hear and finally determine the claim and any counterclaim that is properly submitted pursuant to 10.4.

### **RULE 10.2    INITIATING A CLAIM**

- (a) Any Claimant desiring to submit a dispute pursuant to these Rules must file a written Complaint (see **Form 10-3**) or Petition for Joint Arbitration (see **Form 10-4**) made under oath and in duplicate with the Secretary. Such Complaint must be accompanied with the applicable filing fee provided in Rule 10.10.
- (b) Such Complaint or Petition must be filed within two (2) years after the date of the transaction from which the dispute arose.
- (c) A copy of the Complaint or Petition must be served on the Respondent at such Person's last known address by (1) handing it to the Person; (2) leaving it at the Person's office with a clerk or other person in charge thereof; (3) if the office is closed or the Person has no office, leaving it at the Person's dwelling or usual place of abode with some person of suitable age and discretion then residing therein; (4) sending via mail, which shall be considered complete upon mailing.
- (d) If the Respondent desires to defend against or otherwise contest allegations made in a Complaint, the Respondent must file a written Answer (see **Form 10-5**) made under oath and in duplicate with the Secretary within ten (10) business days from the day the Complaint was served.

- (e) In the event that the Respondent files a counterclaim, the Claimant must file a written Answer, made under oath and in duplicate with the Secretary within ten (10) business days from the day the Statement of Counterclaim Form (see **Form 10-6**) was served.
- (f) The Secretary may grant further time for the filing of such Answer upon reasonable cause. A copy of such Answer must be served on the Claimant or Respondent within the time allotted by the Company.
- (g) If the Respondent or the Claimant fails to answer within the time provided and has not been granted further time by the Secretary, the Board of Arbitration will, upon the filing of proof of service of the Complaint or Statement of Counter Claim Form (see **Form 10-6**), consider the allegations contained in the forms admitted and proceed to hear and decide the matter on the basis of the evidence and testimony available under the circumstances.

### **RULE 10.3 COUNTERCLAIMS**

- (a) In the hearing on any dispute, the Board of Arbitration may hear or consider any matters of dispute between the parties as counter claims if such matters are within the jurisdiction of the Board of Arbitration, directly connected with the matter set forth in the Complaint or arise under the same set of operative facts, and are properly raised by the Respondent in a Statement of Counter Claim Form (see **Form 10-6**). If the Respondent desires to present a counter claim, the Respondent must file a written Statement of Counter Claim Form made under oath and in duplicate with the Secretary at the same time as its Answer.
- (b) If a party to a dispute fails to raise a counter claim that would otherwise be under the Board of Arbitration's jurisdiction, the party waives all rights to, and is barred from, raising the dispute that is the subject of the counterclaim in any other proceeding or venue.

### **RULE 10.4 BOARD OF ARBITRATION**

- (a) Only persons serving on the Arbitration Pool are eligible to serve on a Board of Arbitration. The Arbitration Pool consists of twenty (20) or more persons, all of whom must be Members of the Company. The Chairperson will recommend persons to serve during their term of office.
- (b) Following the filing of a Complaint or Petition with the Secretary, the Secretary will constitute the Board of Arbitration by selecting three (3) persons from the Arbitration Pool, who will hear and decide the dispute between the parties (each known as an "Arbitrator"). The Board of Arbitration has all the powers and duties set forth in these Rules. Once appointed, each Arbitrator must submit an Impartiality Form (see **Form 10-2**) to the Company. Each Arbitrator must be available for the Board of Arbitration to hear or decide any dispute.

- (c) In any dispute brought by a Member against a Member, upon receipt of a Complaint, the Company will inform the Claimant in writing of the nature and amount of any other fees or costs that may be assessed against the party if a dispute is submitted for arbitration pursuant to this Chapter.
- (d) At the time of their appointment to any Board of Arbitration, each Arbitrator will receive and be responsible for understanding and following the American Arbitration Association's "Code of Ethics for Arbitrators in Commercial Disputes" then in effect.
- (e) The Board of Arbitration will be fully independent and impartial to the dispute. No Arbitrator will serve in any dispute in which they have a financial, personal, or prejudicial interest or concern is before such Board of Arbitration. For the purpose of this Rule, a financial interest includes not only that of the person themselves, but also that of a partner, a dependent, a firm of which they are a copartner or employee or a corporation of which they are an officer, majority stockholder, director, or employee. Each Arbitrator has an affirmative duty to report any such financial, personal, or prejudicial interest or concern to the Secretary, and upon appointment to the Board of Arbitration, each Arbitrator will complete the Arbitrator Profile Form (see **Form 10-1**) and submit the same to the Secretary.
- (f) If an Arbitrator discloses a financial, personal, or prejudicial interest or concern, the disinterested Arbitrators involved will determine whether any person has such financial, personal, or prejudicial interest. If the disinterested Arbitrators determine that an Arbitrator is not fully independent and impartial, that Arbitrator will be dismissed, and the Secretary shall replace such Arbitrator in accordance with Rule 10.4(h), and shall inform both parties.
- (g) After selecting the Arbitrators to hear a dispute or difference, the Secretary will notify each party in writing of the names and company affiliations of the Arbitrators who will hear said dispute. The Arbitrator Profile Form (see **Form 10-1**) and the Impartiality Form (see **Form 10-2**), will additionally be provided at this time. Upon receipt of such notice, either party may challenge the appointment of an Arbitrator for prejudice or other good cause within ten (10) business days of receipt of said notice. Upon the determination that such a challenge is valid, the Secretary shall replace such Arbitrator in accordance with Rule 10.4(h), and will inform both parties.
- (h) The Secretary will appoint to the Board of Arbitration, from the Arbitration Pool, as many Arbitrators as necessary to take the places of Arbitrators who may not or cannot serve on the particular Board of Arbitration due to the following reasons:
  - (1) The Board of Arbitration determines that it is improper for an Arbitrator to serve during the hearing or decision of a dispute; or
  - (2) An Arbitrator is unable to serve during a hearing or decision.
- (i) When so appointed, such Arbitrators will have all the powers and duties of the members of the Board of Arbitration whom they replaced.

- (j) An Arbitrator that fails to attend any duly scheduled hearing of that Board of Arbitration will be fined two hundred fifty dollars (\$250.00), (for use by the Company) for each time that an Arbitrator fails to appear, unless an excuse satisfactory is made to the other Arbitrators.
- (k) At any time during the course of an Arbitration, the Board of Arbitration may, at the joint request of the parties involved, dismiss the proceeding and refer the parties to the remedies provided by law.
- (l) The Secretary may act as administrator of any arbitrations brought pursuant to this chapter. The Secretary may assist the Board of Arbitration as requested, but in no event will the Secretary be involved substantively in deciding any claim or counterclaim, nor will the Secretary affect in any way the impartiality of the Arbitrators.

#### **RULE 10.5 PRE-HEARING PROCEDURES**

- (a) The parties will cooperate in all voluntary exchange of material and relevant documents and written information which may serve to facilitate a fair, equitable and expeditious hearing.
- (b) The Company will make available to the parties, upon request, any documents or written information in its possession that might bear on the case, which would otherwise not be available to the parties or the Board of Arbitration.
- (c) The Board of Arbitration may subpoena documents when necessary and may apply reasonable sanctions for noncompliance with such subpoena orders or any other reasonable requests or orders to provide documents.
- (d) The names of all witnesses must be furnished to the Board of Arbitration and be made available to all parties.
- (e) In the event that a party refuses to comply with any subpoena of the Board of Arbitration, the opposing party may apply to a court of appropriate jurisdiction to enforce such subpoena to compel the production of books or papers before any Board of Arbitration.
- (f) The Board of Arbitration will schedule one or more pre-hearing meetings as early as is practicable to select a chairperson from among its Arbitrators, determine appropriate hearing dates and address any other issues deemed to be appropriate or raised by the parties.

#### **RULE 10.6 HEARINGS**

- (a) Either party may request an oral hearing by written request to the Secretary on or before the date that is five (5) business days after the date that Respondent's Answer is due. If neither party requests an oral hearing, the Board of Arbitration may proceed to decide the matter on the basis of the materials submitted by the parties.



- (b) If an oral hearing is requested, the Board of Arbitration will set a date for hearing at a pre-hearing meeting, and notice of the date, time and place of such hearing will be served upon the parties in accordance with the procedures set forth in Rule 10.2(c). All hearings must be held at the Company's offices in New York, New York. The parties will cooperate with the Secretary in the process of preparing for the hearing, and must submit all relevant documentation and information to the Secretary at least ten (10) business days prior to the date of the hearing. The parties bear the responsibility to provide the Secretary reasonable advance notice of the inability of any witness to attend the hearing. In any case where witnesses are unable to attend a hearing, the Board of Arbitration, upon the request of the parties involved, may permit the use of electronic participation.
- (c) If a party to a dispute fails to appear for the hearing, the Board of Arbitration may, upon the filing of proof of service of notice of the hearing on such party, proceed to hear and decide the dispute and make its Decision and Award on the basis of the evidence and testimony adduced at the hearing.
- (d) The Board of Arbitration may grant a postponement of the hearing at its sole discretion if a party makes a request in writing to the Board of Arbitration at least five (5) business days prior to the date of the hearing.
- (e) In each case before the Board of Arbitration the statements and testimony of the parties and witnesses must be made under oath (or affirmation), the form of which will be as follows:

You do solemnly swear that the evidence you give in the matter of dispute between \_\_\_\_\_, as Claimant, and \_\_\_\_\_ as Respondent, now on hearing, shall be the truth, the whole truth, and nothing but the truth, so help you God.

- (f) Any party to a dispute before the Board of Arbitration may be represented by counsel at their own expense, provided that party has filed written notice of his intention to be represented by counsel with the Secretary at least ten (10) business days prior to any hearing. A Complaint, Answer, or other document filed by an attorney constitutes notification of either party's intention to be represented by counsel. This notice of intention may be waived by the Board of Arbitration, but such waiver may result in a delay of the hearing date.
- (g) The Board of Arbitration may issue a notice of citation requiring any Person to appear before it and to answer any question that is proper and pertinent to the matter under investigation and to submit to it for examination any books, papers, records, or other documents that are pertinent to the matter under investigation. In the event that a Person refuses to comply with any citation of the Board of Arbitration, the opposing party may apply to a court of appropriate jurisdiction to enforce such citation to compel the appearance of any Person and to submit for examination any requested documents before any Board of Arbitration. No witness will be required to answer

any question if the answer would incriminate them. The Board of Arbitration may exclude any evidence or testimony it deems incompetent, irrelevant, or immaterial.

#### **RULE 10.7 HEARING PROCEDURES**

- (a) Prior to the commencement of any hearing, the Secretary will administer an oath in the following form to the Arbitrators:

You, and each of you, do solemnly swear that in the hearing and determination of the matter of dispute submitted to you by \_\_\_\_\_, as Claimant, and by \_\_\_\_\_, as Respondent, will well, truly and faithfully perform your duty as arbitrators, and an honest and conscientious Award make between the parties.

- (b) The case will proceed in the following manner:

- (1) Reading or presentation of the Complaint, any Counterclaim, and Answer;
- (2) Presentation of the case and witnesses, if any, by Claimant;
- (3) Cross-examination of witnesses, if any, by Respondent;
- (4) Questioning of witnesses by the Arbitrators;
- (5) Presentation of the case and witnesses, if any, by Respondent;
- (6) Cross-examination of witnesses, if any, by Claimant;
- (7) Questioning of witnesses, if any, by the Arbitrators;
- (8) Rebuttal or sur-rebuttal testimony, if any;
- (9) Case declared closed;
- (10) Presentation of arguments by Claimant and Respondent, the Respondent to have the closing argument.

- (c) In any dispute before a Board of Arbitration, unless expressly waived by the parties, the testimony and proceedings taken during any hearing will be transcribed by a court reporter, the cost of which will be assessed by the Board of Arbitration in the same manner as other fees and costs in the case. Either party may request a transcript of the proceedings at their own expense.

#### **RULE 10.8 DECISIONS AND AWARDS**

- (a) The Board of Arbitration selected to hear and decide a particular dispute must decide the same in accordance with the facts disclosed by competent evidence and pursuant to the Charter, Company Bylaws and Rules, and usages and customs of the Company.

Ex parte contacts by any of the parties to the arbitration with members of the Board of Arbitration is prohibited.

- (b) The Decision and Award of a Board of Arbitration must be made in writing within ninety (90) days after the close of the case, and will conclusively include and determine all matters submitted by the parties, unless the contrary appears affirmatively upon the face of the Decision and Award.
- (c) The Decision and Awards of the Board of Arbitration will begin in substantially the following form:

IN ARBITRATION  
IN THE MATTER OF

vs. \_\_\_\_\_, Claimant

\_\_\_\_\_, Respondent

The Board of Arbitration, after due consideration of all matters submitted to it in the dispute above entitled, does hereby make the following Decision and Award: ...

- (d) A Decision and Award must be accompanied by such explanations or statements as the Board of Arbitration deems necessary to fully advise the parties of the reasons or basis for its Decision and Award. The Decision and Award of the Board of Arbitration must be signed by the Arbitrators and the Secretary. Arbitrators who did not concur in an Award may prepare a dissenting opinion in writing, signed by such Arbitrators.
- (e) There is no right to an appeal from any Decision and Award. The Decision and Award is final and conclusive upon the parties as to all matters decided by that Board of Arbitration.
- (f) The Decision and Award and any dissenting opinion must be filed with the Secretary, who will immediately serve a copy upon each of the parties. The Decision and Award and dissenting opinions will remain in the permanent records of the Company.
- (g) The party or parties against whom a Decision and Award has been rendered must comply with that Decision and Award within ten (10) business days after a copy of that Decision and Award is served upon it. Failure to pay the full amount of the Decision and Award or assessment of costs to the Company, as escrow agent, within thirty (30) days of notice of the Decision and Award or assessment of costs, will be deemed to be a failure to perform an Company contract in accordance with Rule 5.13(n).
- (h) In case of failure to pay, the party in whose favor a Decision and Award has been made may apply to the Secretary, who will deliver to the prevailing party a certified

copy of the Decision and Award that may be filed with a court of competent jurisdiction at the prevailing party's sole expense and election.

- (i) Any Member that violates any Company Rule or directive of the Company or Board of Directors, including but not limited to failing to pay any Decision and Award, will be deemed to be in violation of the Company Rules and may be subject to disciplinary action by the Company.
- (j) The Board of Arbitration will cooperate with the Secretary to maintain, track, log and retain a complete record of the entire arbitration proceeding.

#### **RULE 10.9 CONFIDENTIALITY OF THE PROCEEDINGS**

- (a) All proceedings of any Board of Arbitration will remain confidential. Notwithstanding the foregoing, the Company may disclose any part of the record or Decision and Award to any federal authority with appropriate jurisdiction, including the CFTC, upon reasonable request.
- (b) The Decision and Award issued in any arbitration may be posted publicly on the Company's website or otherwise made available to the public, provided that any confidential or otherwise proprietary information of the parties or the dispute is redacted prior to being made public.

#### **RULE 10.10 FEES AND COSTS**

- (a) Fees must be paid in advance by the Claimant to the Company in each case, and such fees will be retained by the Company whether the case is heard or not. The Board of Arbitration may assess additional fees as allowed by Company Rules at any time. Fees are not to be applied against costs of hearing any case.
- (b) For each case brought pursuant to the rules of this Chapter 10, the following fees will apply:
  - Up to \$10,000: \$600
  - \$10,001 to \$50,000: \$700
  - \$50,001 to \$100,000: \$1,000
  - \$100,001 to \$200,000: \$2,000
  - \$200,001 and above: \$2,500 + 1% of total value in Complaint
  - Any non-monetary claims: \$1,500
- (c) The Secretary may assess such actual costs incurred by the Company in the administration of any arbitration to the parties, including but not limited to reasonable labor on behalf of Company employees. Any costs will be split equally between the parties and must be paid within thirty (30) days of receiving notice of any assessment.
- (d) Any fees and costs of the Company referred to in these Rules incurred in connection with the hearing of any case brought before a Board of Arbitration may be assessed

against and allocated between the parties as that Board of Arbitration determines, provided that the award of fees and costs is included in the Decision and Award. In the case of costs of the Company that had previously been assessed and paid by the parties pursuant to Rule 10.10(b). The Board of Arbitration may order the reimbursement of any costs paid by any party.

- (e) The Board of Arbitration may, in its discretion, award such costs incurred by the prevailing party as would be allowed by a prevailing litigant under 28 U.S.C. § 1920, as now in effect or hereafter amended. Any award of costs must be included in the Decision and Award.
- (f) The Board of Arbitration may, in its discretion, award reasonable attorneys' fees incurred by the prevailing party, provided that the award of attorneys' fees is included in the Decision and Award.
- (g) When a Decision and Award has been rendered, the Secretary will ensure that the fees, costs and attorneys' fees, as applicable, will be assessed according to the Decision and Award. The Secretary will distribute such payment and adjust or refund the amounts previously deposited so that all the costs and fees involved are paid in accordance with the terms of the Decision and Award.

## **CHAPTER 11:        LIMITATION OF LIABILITY; TIME PERIOD IN WHICH TO BRING ACTIONS; GOVERNING LAW**

### **RULE 11.1    PROPERTY RIGHTS**

- (a) Each Member hereby acknowledges and agrees that Railbird Exchange, LLC owns and shall retain all right, title and interest in and to Railbird, all components thereof, including, without limitation, all related applications, all application programming interfaces, user interface designs, software and source code and any and all intellectual property rights therein, including, without limitation, all registered or unregistered, as applicable, copyright, trademark, service mark, trade secret, trade name, data or database rights, design rights, moral rights, inventions, whether or not capable of protection by patent or registration, rights in commercial information or technical information, including know-how, research and development data and manufacturing methods, patent, and other intellectual property and ownership rights, including applications for the grant of any of the same, in or to Railbird and all other related proprietary rights of Railbird and/or any of its Affiliates (together, with any and all enhancements, corrections, bug fixes, updates and other modifications to any of the foregoing and any and all data or information of any kind, other than Proprietary Data and Personal Information, transmitted by means of any of the foregoing, including, without limitation, market data, the "Proprietary Information"). Each Member further acknowledges and agrees that the Proprietary Information is the exclusive, valuable and confidential property of Railbird. Each Member acknowledges and agrees that it shall not reverse engineer, copy, bug fix, correct, update, transfer, reproduce, republish, broadcast, create derivative works based on or otherwise modify, in any manner, all or any part of Railbird or the Proprietary

Information. Each Member further agrees to keep the Proprietary Information confidential and not to transfer, rent, lease, copy, loan, sell or distribute, directly or indirectly, all or any portion of the Company or any Proprietary Information.

- (b) Subject to the provisions of this Rule 11.1, each Member hereby acknowledges and agrees that Railbird is the owner of all rights, title and interest in and to all intellectual property and other proprietary rights (including all copyright, patent, trademark or trade secret rights) in market data, and all derivative works based thereon, and further agree not to distribute, create derivative works based on, or otherwise use or commercially exploit market data and any such derivative works, provided that Members may use market data for their own internal business purposes. Without limiting the generality of the foregoing, Members may not distribute, sell or retransmit market data exchange to any third party.
- (c) Notwithstanding any other provision of this Rule 11.1, each Member retains such rights as it may enjoy under applicable law with respect to market data solely in the form such market data was submitted to Railbird by such Member.
- (d) Transaction data shall not be disclosed publicly other than on an aggregated or anonymous basis, or in a manner that does not directly or indirectly identify any Member who has submitted such data.
- (e) Railbird shall not condition access to the Company upon a Member's consent to the use of Proprietary Data and Personal Information for business or marketing purposes. Proprietary Data and Personal Information may not be used by the Company for business and marketing purposes unless the Member has clearly consented to the use of Proprietary Data and Personal Information in such manner. Railbird, where necessary, for regulatory purposes, may share Proprietary Data and Personal Information with one or more Designated Contract Markets, Swap Execution Facilities or Derivative Clearing Organizations. Nothing in this Rule shall preclude Railbird from disclosing Proprietary Data and Personal Information:
  - (1) As required by Applicable Law or legal process;
  - (2) As Railbird may deem necessary or appropriate in connection with any litigation affecting the Company;
  - (3) To any Company Representative authorized to receive such information within the scope of his or her duties;
  - (4) To a third party performing regulatory or operational services for the Company, provided that such party has executed a confidentiality and non-disclosure agreement in a form approved by Railbird;
  - (5) To a duly authorized representative of the CFTC lawfully requesting Proprietary Data and Personal Information;
  - (6) In a manner in which a Member consents to such disclosure;

- (7) Pursuant to the terms of an information-sharing agreement; or
- (8) As permitted by CFTC Regulations.

## **RULE 11.2 SIGNATURES**

Rather than rely on an original signature, Railbird may elect to rely on a signature that is transmitted, recorded or stored by any electronic, optical, or similar means (including but not limited to telecopy, imaging, photocopying, electronic mail, electronic data interchange, telegram, or telex) as if it were (and the signature shall be considered and have the same effect as) a valid and binding original.

## **RULE 11.3 LIMITATION OF LIABILITY**

- (a) EACH MEMBER OF RAILBIRD AGREES THAT NEITHER RAILBIRD NOR ITS OFFICERS, DIRECTORS, AGENTS, EMPLOYEES, AND/OR SOFTWARE, HARDWARE, AND SERVICE PROVIDERS (EACH A “RAILBIRD PARTY” AND COLLECTIVELY REFERRED TO AS “RAILBIRD PARTIES”) SHALL HAVE ANY RESPONSIBILITY FOR COMPLIANCE BY MEMBER WITH ANY LAW OR REGULATION GOVERNING MEMBER’S CONDUCT. MOREOVER, EACH MEMBER OF RAILBIRD ALSO AGREES THAT NO RAILBIRD PARTY SHALL BE LIABLE IN ANY MANNER WHATSOEVER FOR ANY LOSS OR DAMAGE SUSTAINED BY MEMBER, INCLUDING ANY CONSEQUENTIAL LOSS, LOSS OF PROFIT OR LOSS OF TRADING OPPORTUNITY, AS A RESULT OF ANY ACTUAL OR PROPOSED TRANSACTIONS OR AS A DIRECT OR INDIRECT RESULT OF ANY SERVICES PROVIDED BY RAILBIRD PARTIES (INCLUDING, WITHOUT LIMITATION, ANY FAILURE IN RAILBIRD’S SYSTEMS OR ANY INACCURATE INFORMATION PROVIDED BY A RAILBIRD PARTY), UNLESS THE RELEVANT RAILBIRD PARTY IS DETERMINED BY FINAL RULING OF AN ARBITRATION PROCEEDING TO HAVE ACTED OR FAILED TO ACT IN A MANNER THAT IS GROSSLY NEGLIGENT, RECKLESS, OR FRAUDULENT. FOR THE AVOIDANCE OF DOUBT, NOTHING IN THIS RULE IS INTENDED TO LIMIT THE LIABILITY OF ANY PERSON AS MAY BE PROVIDED IN THE CEA, THE REGULATIONS OF THE COMMISSION, OR BY ACTS OF WILLFUL OR WANTON MISCONDUCT OR FRAUD.
- (b) EACH MEMBER OF RAILBIRD AGREES THAT IT MAY NOT BRING ANY ACTION AGAINST A RAILBIRD PARTY UNLESS IT BRINGS SUCH ACTION WITHIN 2 YEARS OF THE FIRST OCCURRENCE OR LACK OF OCCURRENCE OF THE ACT OR OMISSION COMPLAINED OF.
- (c) EACH MEMBER OF RAILBIRD AGREES THAT ANY ACTION IT BRINGS AGAINST A RAILBIRD PARTY OR AGAINST ANOTHER RAILBIRD MEMBER WILL BE RESOLVED BY BINDING ARBITRATION, IN ACCORDANCE WITH THE RULES OF THIS CHAPTER, CHAPTER 10 OF THIS RULEBOOK, AND OTHER RULES OF RAILBIRD, IF APPLICABLE.

- (d) EACH MEMBER OF RAILBIRD AGREES THAT ANY ACTION IT BRINGS AGAINST A RAILBIRD PARTY WILL BE GOVERNED BY NEW YORK LAW, WITHOUT REGARD TO STATUTES, PRECEDENT, LEGAL DOCTRINE, OR CONTRACTUAL PROVISIONS THAT WOULD REQUIRE THE APPLICATION OF THE LAWS OF A DIFFERENT JURISDICTION.
- (e) IF FOR ANY REASON, A COURT OF COMPETENT JURISDICTION FINDS THAT A DISPUTE IS NOT ARBITRABLE, EACH MEMBER AGREES THAT SUCH DISPUTE MAY ONLY BE LITIGATED IN THE BOROUGH OF MANHATTAN, NEW YORK CITY, IN THE STATE OF NEW YORK AND WILL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO ANY PROVISIONS OF NEW YORK LAW THAT WOULD APPLY THE SUBSTANTIVE LAW OF A DIFFERENT JURISDICTION.

## **CHAPTER 12: COMMISSION REGULATIONS THAT HAVE BEEN ADAPTED TO BE PART OF THE RULES**

The following Rules are adaptations of regulations adopted by the Commission. They must be followed by Members and Railbird itself, and any violation of these regulations will be a punishable violation of the Rules.

### **RULE 12.1 PROHIBITION ON THE USE AND DISCLOSURE OF MATERIAL, NON-PUBLIC INFORMATION (ADAPTED FROM COMMISSION REGULATION 1.59)**

#### **(a) Employees of self-regulatory organizations; Self-regulatory organization rules.**

- (1) Employees of Railbird are prohibited from:
  - (i) Trading, directly or indirectly, in any commodity interest traded on Railbird;
  - (ii) Trading, directly or indirectly, in any related commodity interest;
  - (iii) Trading, directly or indirectly, in a commodity interest traded on contract markets or swap execution facilities or cleared by derivatives clearing organizations other than Railbird if the employee has access to material non-public information concerning such commodity interest; and
  - (iv) Trading, directly or indirectly, in a commodity interest traded on or cleared by a linked exchange if the employee has access to material, non-public information concerning such commodity interest.
- (2) Employees of Railbird are prohibited from disclosing to any other person any material, non-public information which such employee obtains as a result of his or her employment at Railbird where such employee has or should have a reasonable expectation that the information disclosed may assist another person in trading any commodity interest; however, this Rule does not prohibit



disclosures made in the course of an employee's duties, or disclosures made to another self-regulatory organization, linked exchange, court of competent jurisdiction or representative of any agency or department of the federal or state government acting in his or her official capacity.

- (b) **Members of Railbird's Board and committees, and Railbird consultants.** No member of Railbird's Board or of a committee of Railbird and no Railbird consultant shall use or disclose, for any purpose other than the performance of such person's official duties as a Board or committee member or consultant, material, non-public information obtained as a result of such person's official duties.

(c) **Prohibited conduct.**

- (1) No person who is an employee of, Board member of, a member of any committee of, or a consultant of Railbird shall:
- (i) Trade for such person's own account, or for or on behalf of any other account, in any commodity interest on the basis of any material, non-public information obtained through special access related to the performance of such person's official duties as an employee, Board or committee member, or consultant; or
  - (ii) Disclose for any purpose inconsistent with the performance of such person's official duties as an employee, board or committee member, or consultant, any material, non-public information obtained through special access related to the performance of such duties.
- (2) No person shall trade for such person's own account, or for or on behalf of any account, in any commodity interest, on the basis of any material, non-public information that such person knows was obtained in violation of paragraph (c)(1) from an employee of, a Board member of, a member of any committee of, or a consultant of Railbird.
- (d) For purposes of this Rule, the terms "material information," "nonpublic information," "linked exchange", "commodity interest," and "related commodity interest" have the same meanings as they do in Commission Regulation 1.59.

**RULE 12.2 SERVICE ON SELF-REGULATORY ORGANIZATION GOVERNING  
BOARDS OR COMMITTEES BY PERSONS WITH DISCIPLINARY HISTORIES  
(ADAPTED FROM COMMISSION REGULATION 1.63)**

- (a) A person is ineligible to serve on any Railbird disciplinary committees, arbitration panels, oversight panels or Board if that person:
- (1) Was found within the prior three years by a final decision of a self-regulatory organization, an administrative law judge, a court of competent jurisdiction or the Commission to have committed a disciplinary offense;

- (2) Entered into a settlement agreement within the prior three years in which any of the findings or, in the absence of such findings, any of the acts charged included a disciplinary offense;
  - (3) Currently is suspended from trading on any contract market, is suspended or expelled from membership with any self-regulatory organization, is serving any sentence of probation or owes any portion of a fine imposed pursuant to either:
    - (i) A finding by a final decision of a self-regulatory organization, an administrative law judge, a court of competent jurisdiction or the Commission that such person committed a disciplinary offense; or
    - (ii) A settlement agreement in which any of the findings or, in the absence of such findings, any of the acts charged included a disciplinary offense.
  - (4) Currently is subject to an agreement with the Commission or any self-regulatory organization not to apply for registration with the Commission or membership in any self-regulatory organization;
  - (5) Currently is subject to or has had imposed on him within the prior three years a Commission registration revocation or suspension in any capacity for any reason, or has been convicted within the prior three years of any of the felonies listed in section 8a(2)(D) (ii) through (iv) of the Act; or
  - (6) Currently is subject to a denial, suspension or disqualification from serving on the disciplinary committee, arbitration panel or Board of any self-regulatory organization as that term is defined in section 3(a)(26) of the Securities Exchange Act of 1934.
- (b) No person may serve on a disciplinary committee, arbitration panel, oversight panel or Board of Railbird if such person is subject to any of the conditions listed in paragraphs (a)(1)-(6) of this Rule.
- (c) Railbird shall submit to the Commission a schedule listing all those rule violations which constitute disciplinary offenses and to the extent necessary to reflect revisions shall submit an amended schedule within 30 days of the end of each calendar year. Railbird must maintain and keep current the schedule required by this section, post the schedule in a public place designed to provide notice to members and otherwise ensure its availability to the general public.
- (d) Railbird shall submit to the Commission within 30 days of the end of each calendar year a certified list of any persons who have been removed from its disciplinary committees, arbitration panels, oversight panels or Board pursuant to the requirements of this regulation during the prior year.
- (e) Whenever Railbird finds by final decision that a person has committed a disciplinary offense and such finding makes such person ineligible to serve on that self-regulatory organization's disciplinary committees, arbitration panels, oversight panels or Board,

Railbird shall inform the Commission of that finding and the length of the ineligibility in any notice it is required to provide to the Commission pursuant to either section 17(h)(1) of the Act or Commission Regulation 9.11.

- (f) Terms used but not otherwise defined in these Rules have the meaning assigned to them in Commission Regulation 1.63.

**RULE 12.3 VOTING BY INTERESTED MEMBERS OF SELF-REGULATORY ORGANIZATION GOVERNING BOARDS AND VARIOUS COMMITTEES (ADAPTED FROM COMMISSION REGULATION 1.69)**

- (a) Railbird shall maintain in effect Rules that have been submitted to the Commission pursuant to Section 5c(c) of the Act and Part 40 of the Commission Regulations to address the avoidance of conflicts of interest in the execution of its self-regulatory functions. Such Rules provide for the following:

- (1) Relationship with named party in interest —

- (i) Nature of relationship. A member of Railbird’s Board, disciplinary committee or oversight panel must abstain from such body’s deliberations and voting on any matter involving a named party in interest where such member:
      - (A) Is a named party in interest;
      - (B) Is an employer, employee, or fellow employee of a named party in interest;
      - (C) Is associated with a named party in interest through a “broker association” as defined in Commission Regulation 156.1;
      - (D) Has any other significant, ongoing business relationship with a named party in interest, not including relationships limited to executing futures or option transactions opposite of each other or to clearing futures or option transactions through the same clearing member; or
      - (E) Has a family relationship with a named party in interest.
    - (ii) Disclosure of relationship. Prior to the consideration of any matter involving a named party in interest, each member of a Railbird Board, disciplinary committee or oversight panel must disclose to the appropriate Railbird staff whether he or she has one of the relationships listed in paragraph (a)(1)(i) of this Rule with a named party in interest.
    - (iii) Procedure for determination. Railbird must establish procedures for determining whether any member of its Board, disciplinary committees or oversight committees is subject to a conflicts restriction in any matter

involving a named party in interest. Taking into consideration the exigency of the committee action, such determinations should be based upon:

- (A) Information provided by the member pursuant to paragraph (a)(1)(ii); and
- (B) Any other source of information that is held by and reasonably available to Railbird.

(2) Financial interest in a significant action —

- (i) Nature of interest. A member of Railbird’s Board , disciplinary committee or oversight panel must abstain from such body’s deliberations and voting on any significant action if the member knowingly has a direct and substantial financial interest in the result of the vote based upon either exchange or non-exchange positions that could reasonably be expected to be affected by the action.
- (ii) Disclosure of interest. Prior to the consideration of any significant action, each member of Railbird’s Board, disciplinary committee or oversight panel must disclose to the appropriate Railbird staff the position information referred to in paragraph (a)(2)(iii) of this Rule that is known to him or her. This requirement does not apply to members who choose to abstain from deliberations and voting on the subject of significant action.
- (iii) Procedure for determination. Railbird must establish procedures for determining whether any member of its Board, disciplinary committees or oversight committees is subject to a conflict restriction under this section in any significant action. Such determination must include a review of:
  - (A) Gross positions held at Railbird in the member’s personal accounts or “controlled accounts,” as defined in Commission Regulation 1.3;
  - (B) Gross positions held at Railbird in proprietary accounts, as defined in Commission Regulation 1.17(b)(3), at the member’s affiliated firm;
  - (C) Gross positions held at Railbird in accounts in which the member is a principal, as defined in Commission Regulation 3.1(a);
  - (D) Net positions held at Railbird in “customer” accounts, as defined in Commission Regulation 1.17(b)(2), at the member’s affiliated firm; and

- (E) Any other types of positions, whether maintained at Railbird or elsewhere, held in the member's personal accounts or the proprietary accounts of the member's affiliated firm that Railbird reasonably expects could be affected by the significant action.
- (iv) Bases for determination. Taking into consideration the exigency of the significant action, such determinations should be based upon:
  - (A) The most recent large trader reports and clearing records available to Railbird;
  - (B) Information provided by the member with respect to positions pursuant to paragraph (a)(2)(ii) of this Rule; and
  - (C) Any other source of information that is held by and reasonably available to Railbird.
- (3) Participation in deliberations.
  - (i) Under the Rules required by this section, Railbird's Board, disciplinary committee or oversight panel may permit a member to participate in deliberations prior to a vote on a significant action for which he or she otherwise would be required to abstain, pursuant to paragraph (a)(2) of this Rule, if such participation would be consistent with the public interest and the member recuses himself or herself from voting on such action.
  - (ii) In making a determination as to whether to permit a member to participate in deliberations on a significant action for which he or she otherwise would be required to abstain, the deliberating body shall consider the following factors:
    - (A) Whether the member's participation in deliberations is necessary for the deliberating body to achieve a quorum in the matter; and
    - (B) Whether the member has unique or special expertise, knowledge or experience in the matter under consideration.
  - (iii) Prior to any determination pursuant to paragraph (a)(3)(i) of this Rule, the deliberating body must fully consider the position information which is the basis for the member's direct and substantial financial interest in the result of a vote on a significant action pursuant to paragraph (a)(2) of this Rule.
- (4) Documentation of determination. Railbird's Board, disciplinary committees, and oversight panels must reflect in their minutes or otherwise document that the conflicts determination procedures required by this section have been followed. Such records also must include:

- (i) The names of all members who attended the meeting in person or who otherwise were present by electronic means;
  - (ii) The name of any member who voluntarily recused himself or herself or was required to abstain from deliberations and/or voting on a matter and the reason for the recusal or abstention, if stated; and
  - (iii) Information on the position information that was reviewed for each member.
- (b) Terms used but not otherwise defined in these Rules have the meaning assigned to them in Commission Regulation 1.69.

## **CHAPTER 13: TERMS OF CONTRACTS TRADED ON RAILBIRD**

The following Rules set forth the terms of the Contracts traded on Railbird. Railbird shall not list for trading any contract on its Exchange that is readily susceptible to manipulation. Certain terms and conditions outside of those listed in Rule 13.1 will vary and will be posted in the appropriate chapter related to the individual contract. Terms and conditions for all contracts will also be posted on the Exchange website. Railbird will provide information that it believes, to the best of its knowledge, is accurate and complete, and will not omit material information. You should not trade any Contract unless you are certain that you completely understand and accept its terms. Additional information with respect to each Contract can be found on the homepage for the specific Contract.

### **RULE 13.1 TERMS THAT ARE UNIFORM ACROSS CONTRACTS**

There are certain terms that are uniform across Contracts.

- (a) The minimum unit of trading is one Contract.
- (b) All Contract prices are quoted in U.S. Dollars and cents per Contract.
- (c) The minimum quote increment for each Contract is \$0.01 per Contract.
- (d) All Market Outcomes will be posted on Railbird's website no later than 11:59 pm ET on the day that such Market Outcomes are determined. If the Market Outcome Review Process is initiated under Rule 7.1, the final Market Outcome will be posted on Railbird's website no later than 11:59 pm ET on the day that the Outcome Review Committee reaches a determination on the Contract's final Market Outcome.
- (e) All Railbird Binary Contracts are deemed to be "options" as defined in 17 USC 1a(47).
- (f) Halted Markets – In the event that any market irregularities are declared by the Chief Executive Officer of Railbird, or to prevent or reduce the potential risk of price distortions or market disruptions, a market may be paused or halted for trading, and the Commission will be notified, if required, pursuant to Commission Regulations.

An explanation will be posted on the Railbird Notices section of the website within a reasonable amount of time but no later than 24 hours after the initiation of the halt.

- (g) Discretion to Refrain from Listing Contracts – Railbird may, in its discretion, temporarily refrain from the listing of any Contract due to the unavailability of the Underlying upon which the Contract is based, or any other condition Railbird determines may be detrimental to the listing of the Contract.
- (h) Contract Modifications – Specifications shall be fixed as of the first day of trading of a Contract, except as provided in Rule 2.8 and Rule 7.2 of these Rules or as set forth in Rules specific to a Contract. If any U.S. governmental agency or body issues an order, ruling, directive or law that conflicts with the requirements of these Rules, such order, ruling, directive or law shall be construed to take precedence and become part of these Rules, and all open and new Contracts shall be subject to such government orders.
- (i) Any change in instructions, order, ruling, directive, or law issued or enacted by any court or agency of the Federal Government of the United States that conflicts with the Rules contained in this Rulebook shall take precedence, immediately become a part of these Rules, and be effective for all currently traded and newly listed Contracts.
- (j) Contract terms and conditions and supporting information filed under Part 40 will follow guidance found in Appendix C to Part 38—Demonstration of Compliance that a Contract is not readily susceptible to manipulation.

## **CHAPTER 14:        FORMS**

Form 10-1: Arbitration Profile

Form 10-2: Impartiality Form

Form 10-3: Statement of Claim

Form 10-4: Petition for Joint Arbitration

Form 10-5: Respondent's Answer

Form 10-6: Statement of Counterclaim

**RAILBIRD EXCHANGE, LLC**  
**FORM 10-1**  
**ARBITRATION PROFILE**

**PART I**  
**Page 1 of 3**

The information included on Part 1 of the data sheet will be disclosed to the parties at the time you are selected to enable them to determine potential conflicts of interest.

Name: \_\_\_\_\_

Position: \_\_\_\_\_

Employer's Name: \_\_\_\_\_

Employer's Address: \_\_\_\_\_

Street

City

State

Zip

Preferred mailing address: \_\_\_\_\_ Business

\_\_\_\_\_ Home

\_\_\_\_\_ Other

\_\_\_\_\_  
\_\_\_\_\_

**Form 10-1**



**PART I**  
**Page 2 of 3**

In the space provided below, please list your employment history. Include your present position first. If retired, please list your last employer, number of years at the firm and date of retirement. A resume may be submitted in lieu of this section.

---

Previous Employer: \_\_\_\_\_

Starting Date:      /      /      Ending Date:      /      /      Year(s)  
                                 Month      Date      Year      Month      Date      Year      )      \_\_\_\_\_

Position/Title: \_\_\_\_\_

Duties/Responsibilities: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

---

Previous Employer: \_\_\_\_\_

Starting Date:      /      /      Ending Date:      /      /      Year(s)  
                                 Month      Date      Year      Month      Date      Year      )      \_\_\_\_\_

Position/Title: \_\_\_\_\_

Duties/Responsibilities: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

In the space provided below, please list your educational background.  
(Information provided in this section is optional)

School Level	Name and Location	No. of Years Attended	Did You Graduate	Subjects Studied
High School				
College				
Graduate School				
Trade Business or Other School				

Describe any current or prior experience, as an arbitrator in a commodities dispute including, but not limited to, experience as an arbitrator, or other experience that you feel qualifies you to serve.

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List the name of any Professional or Business Associations of which you are a member. Include offices held.

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**PART II**  
**Page 1 of 2**

Name: \_\_\_\_\_ Social Security No: \_\_\_\_\_

Home Telephone: ( \_\_\_\_\_ ) \_\_\_\_\_ Date of Birth: \_\_\_\_ / \_\_\_\_ / \_\_\_\_  
(Include Area Code) Month Date Year

Office Telephone: ( \_\_\_\_\_ ) \_\_\_\_\_  
(Include Area Code)

Home Address: \_\_\_\_\_  
Street City State Zip

The following information is requested to enable the Secretary of the Company to determine if there is a potential conflict which would preclude your serving on a particular arbitration panel.

1. Brokerage firm(s) where you maintain an account (include IRA and Keogh Accounts).

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2. Do you, your employer/firm, or family have significant business relationship with commodities firms? If so, please list the name of the firm(s) and the type of relationship.

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3. Have you ever had your registration or authority to practice any business or professional license revoked or suspended? \_\_\_\_\_

4. Have you ever been disciplined by Railbird Exchange or another self-regulatory organization? If so, give dates and details.

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**Form 10-1**

5. Previous arbitration experience: \_\_\_\_\_

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6. Related areas of expertise: \_\_\_\_\_

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7. What Attorneys:

A. Areas of practice in which you are most active: \_\_\_\_\_

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B. Bar Admission - Jurisdiction: \_\_\_\_\_

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**I AFFIRM THAT THE INFORMATION SUPPLIED ON THIS FORM IS, TO THE BEST OF MY KNOWLEDGE, CORRECT AND COMPLETE.**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

**PLEASE COMPLETE, SIGN AND  
RETURN THIS FORM TO:**

**RAILBIRD EXCHANGE, LLC  
Corporate Secretary  
169 Madison Avenue  
New York, NY 10016**

**Form 10-1**

**RAILBIRD EXCHANGE, LLC  
FORM 10-2  
IMPARTIALITY FORM**

Listed below are any circumstances likely to affect impartiality, including any bias or any financial or personal interest in the result of the arbitration or any past or present relationship with the parties or their counsel.

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**Name:**

\_\_\_\_\_  
Arbitrator (Please type or print)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Date)

**Form 10-2**

**RAILBIRD EXCHANGE, LLC  
FORM 10-3  
STATEMENT OF CLAIM**

\_\_\_\_\_, 20, \_\_\_\_\_

**To the Secretary of  
Railbird Exchange**

\_\_\_\_\_, *Complainant*, hereby submitting to the jurisdiction of a Board of Arbitration, and hereby voluntarily submits the Claim or Grievance herein referred to, to the arbitrament of said Panel, makes and files this Complaint against \_\_\_\_\_, *as Respondent*, in accordance with the Charter, Rules, customs and usages of Railbird Exchange with a view to an arbitration thereunder.

**AND FOR CAUSE OF COMPLAINT SAYS:** That Complainant has a matter of dispute or difference with Respondent growing out of a transaction, the facts and particulars relating to which are as follows:

(The Complainant shall then set forth in plain language the substance and particulars of the Complainants demands, commodity, date, month, quantity, price, time, parties involved, etc.)

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*(If you need more space to explain your claim,  
please attach additional paper.)*

**Form 10-3**

The computation of monetary loss is based on the following calculation:

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In support of these allegations, I present as evidence the following documents: (i.e., statements of witnesses, pertinent documents such as floor orders, account statements, time and sales, trading cards, etc.). Copies of the evidentiary material should correspond with the heading you have assigned below.

C-1	_____	C-7	_____
C-2	_____	C-8	_____
C-3	_____	C-9	_____
C-4	_____	C-10	_____
C-5	_____	C 11	_____
C-6	_____	C-12	_____

Subscribed and sworn to before me this \_\_\_\_\_ day  
of \_\_\_\_\_ A.D., 20\_\_\_\_  
Notary Public, \_\_\_\_\_ County  
State of \_\_\_\_\_

Petitioner's Signature:  
\_\_\_\_\_  
\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Notary Public

\_\_\_\_\_  
Date

SEAL

**RAILBIRD EXCHANGE, LLC  
FORM 10-4  
PETITION FOR JOINT ARBITRATION**

\_\_\_\_\_ 20, \_\_\_\_\_

**To the Secretary of  
Railbird Exchange**

\_\_\_\_\_ and \_\_\_\_\_ submit  
to the jurisdiction of a Board of Arbitration, and hereby voluntarily submit their respective claims  
or grievances hereinafter referred to, to the arbitrament of a panel of arbitration in accordance with  
the Charter, Rules, custom and usages of Railbird Exchange.

Attached hereto is a sworn statement of claim or grievance by each Petitioner. Also attached are  
documents, if any, which are submitted as evidence to support each Petitioner's grievance or claim.

Petitioners jointly wish to place the matters in issue before a Board of Arbitration, but neither  
Petitioner wishes to take the position of Complainant. The Board of Arbitration will, however, for  
procedural purposes only, including the identifying caption of the matter, assign one Petitioner as  
Complainant and one Petitioner as Respondent.

\_\_\_\_\_  
First Petitioner

\_\_\_\_\_  
Second Petitioner



## Page 2 of 5

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

**Form 10-4**

**PETITION FOR JOINT ARBITRATION**

**First Petitioner**

**Page 3 of 5**

The computation of monetary loss is based on the following calculation:

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In support of these allegations, I present as evidence the following documents: (i.e., statements of witnesses, pertinent documents such as floor orders, account statements, time and sales, trading cards, etc.). Copies of the evidentiary material should correspond with the heading you have assigned below.

**P-1** \_\_\_\_\_

**P-7** \_\_\_\_\_

**P-2** \_\_\_\_\_

**P-8** \_\_\_\_\_

**P-3** \_\_\_\_\_

**P-9** \_\_\_\_\_

**P-4** \_\_\_\_\_

**P-10** \_\_\_\_\_

**P-5** \_\_\_\_\_

**P-11** \_\_\_\_\_

**P-6** \_\_\_\_\_

**P-12** \_\_\_\_\_

Subscribed and sworn to before me this \_\_\_\_\_ day

of \_\_\_\_\_ A.D., 20\_\_\_\_

Notary Public, \_\_\_\_\_ County

State of \_\_\_\_\_

Petitioner's Signature:

\_\_\_\_\_

\_\_\_\_\_

Print Name

\_\_\_\_\_

Notary Public

\_\_\_\_\_

Date

**SEAL**

**Form 10-4**

## Page 4 of 5

[illegible]**Form 10-4**

**PETITION FOR JOINT ARBITRATION**

**Second Petitioner**

**Page 5 of 5**

The computation of monetary loss is based on the following calculation:

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In support of these allegations, I present as evidence the following documents: (i.e., statements of witnesses, pertinent documents such as floor orders, account statements, time and sales, trading cards, etc.). Copies of the evidentiary material should correspond with the heading you have assigned below.

<b>PP-1</b> _____	<b>PP-7</b> _____
<b>PP-2</b> _____	<b>PP-8</b> _____
<b>PP-3</b> _____	<b>PP-9</b> _____
<b>PP-4</b> _____	<b>PP-10</b> _____
<b>PP-5</b> _____	<b>PP 11</b> _____
<b>PP-6</b> _____	<b>PP 12</b> _____

Subscribed and sworn to before me  
this \_\_\_\_\_ day of \_\_\_\_\_ A.D.,  
20\_\_\_\_  
Notary Public, \_\_\_\_\_ County  
State of \_\_\_\_\_

Petitioner's Signature:

\_\_\_\_\_

Print Name

\_\_\_\_\_

\_\_\_\_\_  
Notary Public

\_\_\_\_\_  
Date

**SEAL**

**Form 10-4**

**RAILBIRD EXCHANGE, LLC  
FORM 10-5  
RESPONDENT'S ANSWER**

\_\_\_\_\_ 20, \_\_\_\_\_

**To the Secretary of  
Railbird Exchange**

**IN THE MATTER OF CLAIM  
OR GRIEVANCE OF**

\_\_\_\_\_ (Petitioner)

vs.

\_\_\_\_\_ (Respondent)

The above Respondent hereby submitting to the jurisdiction of said Board of Arbitration, and hereby voluntarily submitting the Claim or Grievance referred to in said Complaint and in the Answer to the arbitrament of said Panel for Answer to the Complaint says:

(The Answer shall then set forth in plain language the substance and particulars of the Respondent's Answer.)

(Describe in detail the circumstances surrounding the transactions(s) in question; e.g., date, commodity month, price, quantity, time, parties involved, etc. You may attach photocopies of pertinent documents such as floor orders, account statements, trading cards, time and sales, and sworn statements of witness).

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*(If you need more space to explain your claim,  
please attach additional paper.)*

**Form 10-5**

**RESPONDENT'S ANSWER**

**Page 2 of 2**

In support of these allegations, I present as evidence the following documents: (i.e., statements of witnesses, pertinent documents such as floor orders, account statements, time and sales, trading cards, etc.). Copies of the evidentiary material should correspond with the heading you have assigned below.

**R-1** \_\_\_\_\_

**R-2** \_\_\_\_\_

**R-3** \_\_\_\_\_

**R-4** \_\_\_\_\_

**R-5** \_\_\_\_\_

**R-6** \_\_\_\_\_

**R-7** \_\_\_\_\_

**R-8** \_\_\_\_\_

**R-9** \_\_\_\_\_

**R-10** \_\_\_\_\_

**R-11** \_\_\_\_\_

**R-12** \_\_\_\_\_

Subscribed and sworn to before me this  
\_\_\_\_\_ day  
of \_\_\_\_\_ A.D., 20\_\_\_\_  
Notary Public, \_\_\_\_\_ County  
State of \_\_\_\_\_

Petitioner's Signature:

\_\_\_\_\_

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Notary Public

\_\_\_\_\_  
Date

**SEAL**

**Form 10-5**

Page 1 of 2

\_\_\_\_\_ 20, \_\_\_\_\_

I, \_\_\_\_\_, (trading initials) \_\_\_\_\_  
member (see CFTC Regulation § 166.5) of Railbird Exchange, LLC hereby file  
a counterclaim against \_\_\_\_\_, *Complainant*. I claim  
a loss of \$ \_\_\_\_\_ based on the actions(s) or omission(s) of \_\_\_\_\_  
as follows:

[illegible]**Form 10-6**

**STATEMENT OF COUNTERCLAIM**

**Page 2 of 2**

The computation of monetary loss is based on the following calculation:

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In support of these allegations, I present as evidence the following documents: (i.e., statements of witnesses, pertinent documents such as floor orders, account statements, time and sales, trading cards, etc.). Copies of the evidentiary material should correspond with the heading you have assigned below.

CC-1	_____	CC-7	_____
CC-2	_____	CC-8	_____
CC-3	_____	CC-9	_____
CC-4	_____	CC-10	_____
CC-5	_____	CC-11	_____
CC-6	_____	CC-12	_____

Subscribed and sworn to before me this \_\_\_\_\_ day  
of \_\_\_\_\_ A.D., 20\_\_\_\_  
Notary Public, \_\_\_\_\_ County  
State of \_\_\_\_\_

Petitioner's Signature:

\_\_\_\_\_

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Notary Public

\_\_\_\_\_  
Date

**SEAL**

**Form 10-6**