

## SECTION VI PARTICIPANT CODE OF CONDUCT

### Preamble

This Participant Code of Conduct (the “**Code**”) defines and reaffirms the values, principles and internal controls that Participants, their representatives (including Authorized Users) and Authorized Brokers, as applicable, must follow in conducting their business activities on the Exchange. The Code is intended to complement the internal principles and practices of a Participant and to guide a Participant as it submits bids and offers, executes Transactions, and uses other services on the Exchange. Compliance with the Code allows Participants to assure the Exchange, regulators, the public and other market Participants that their business activities on the Exchange are, and will continue to be, conducted with integrity. In addition, compliance with the Code by Participants gives Participants assurance that unlawful and unethical trading practices are not tolerated, that public disclosures of trading information are accurate, and that they and other Participants will abide by these ethical standards and maintain sound trading practices.

Violations of this Code, **which include facilitating violations of this Code**, may result in penalties including, but not limited to, temporary or permanent loss of access to the Exchange.

### 6.1 Ethical Standards

Conducting trading activities in an honorable and principled manner consistent with the Code is the essence of ethical conduct with respect to the Exchange. Participants **and Authorized Brokers** shall act, and shall cause **their its** Authorized Users to act, in accordance with these standards of ethics with regard to its Exchange activity:

- 6.1.1 **Regulatory Compliance.** No Participant **or Authorized Broker** (or any of **their its** Authorized Users) shall engage in conduct that is a violation of the CEA or CFTC Regulations, the Rules of the Exchange or the rules of the Clearing House and will conduct its business in accordance with all applicable laws, regulations, tariffs and rules, and in good faith, with a commitment to honest dealing.
- 6.1.2 **Fraud.** No Participant **or Authorized Broker** (or any of **their its** Authorized Users) shall engage, or attempt to engage in any fraudulent act or engage in any scheme to defraud, deceive, trick or mislead in connection with or related to any Exchange or Clearing House activity.
- 6.1.3 **Good Faith.** No Participant (or any of its Authorized Users) shall knowingly enter, or cause to be entered, bids or offers into the system other than in good faith for the purpose of executing bona fide transactions.
- 6.1.4 **Transaction Integrity.** Participants (and their Authorized Users) shall honor the terms and conditions of the Participant Agreement and will

transact in Nodal Contracts only for legitimate business purposes, such as managing business risk or that otherwise have economic substance.

- 6.1.5 **Antitrust.** No Participant or Authorized Broker (or any of their ~~its~~ Authorized Users) shall collude with other market Participants or Authorized Brokers to affect the price or supply of any commodity, allocate territories, customers or Nodal Contracts, or otherwise unlawfully restrain competition.
- 6.1.6 **Risk Management.** Participants and Authorized Brokers (and their Authorized Users) shall adopt, adhere to and enforce risk management and other policies and structures that are designed to ensure that trading activities are conducted in accordance with this Code.

## 6.2 Sound Trading Practices

Commodity markets reflect the constantly changing dynamics of supply and demand. Efficient business operations in such an environment demand practices that can manage risk and discover market prices. Such practices must be consistent with the guiding Ethical Standards of this Code. Participants and Authorized Brokers will act in accordance with these standards of sound trading practices with regard to ~~their its~~ Exchange activity:

- 6.2.1 **Skills.** ~~All Each~~ Participants and Authorized Brokers are ~~is~~-responsible for understanding all factors that influence the energy markets, in order to maintain a high level of competence in Participant ~~its~~ trading. All Participants and Authorized Brokers must actively and continually work to upgrade their skills, knowledge, and expertise in order to maintain a high standard of professional knowledge.
- 6.2.2 **Rules.** Nodal Exchange will provide updates to these Rules and memos regarding the application and interpretation of these Rules. It is the obligation of each Participant and Authorized Broker to ensure these documents are read and understood. It shall be prohibited for a Participant or Authorized Broker or any of their ~~its~~ Authorized Users to violate any Rule or any agreement made with the Exchange, or to engage in fraud, dishonorable or dishonest conduct, or conduct which is inconsistent with just and equitable principles of trade.
- 6.2.3 **Price Manipulation, Fictitious, Non-Competitive or Artificial Transactions.** Any actual or attempted manipulation of the price in any Contract is prohibited. No Participant or Authorized Broker shall effect or induce the purchase or sale of any Nodal Contract for the purpose of creating or inducing a false, misleading, or artificial appearance of activity in such Nodal Contract, or for the purpose of unduly or improperly influencing the price of such Nodal Contract or for the purpose of making a price which does not reflect the true state of the market in such Nodal

Contract. No Participant or Authorized Broker shall arrange and execute simultaneous offsetting buy and sell Orders in a Nodal Contract with intent to artificially affect reported revenues, trading volumes or prices.

- 6.2.4 **Market Manipulation.** No Participant or Authorized Broker shall attempt to manipulate or manipulate the market in any Nodal Contract. No Participant or Authorized Broker shall directly or indirectly participate in or have any interest in the profit of a manipulative operation or knowingly manage or finance a manipulative operation. This includes any pool, syndicate, or joint account, whether in corporate form or otherwise, organized or used intentionally for the purposes of unfairly influencing the market price of any Nodal Contract.
- 6.2.5 **Market Disruption.** Orders entered on Nodal Exchange for the purpose of upsetting the equilibrium of the market in any Nodal Contract or creating a condition in which prices do not or will not reflect fair market values are prohibited, and any Participant who makes or assists in entering any such Order with knowledge of the purpose thereof or who, with such knowledge, in any way assists in carrying out any plan or scheme for the entering of any such Order, will be deemed to have engaged in an act detrimental to the Exchange.
- 6.2.6 **Gratuities.** Except with the prior written approval of the Chief Regulatory Officer, no Participant or Authorized Broker shall, directly or indirectly, give or permit to be given anything of value, including gifts and gratuities, to an Exchange Official in an amount that exceeds the maximum value permitted by the Exchange’s gifts and entertainment policy.
- 6.2.7 **Disruptive Practices.** No Participant or Authorized Broker shall engage in any trading, practice, or conduct that constitutes a “disruptive practice,” as such term is defined by the CEA or CFTC Regulations, including section 4c(a)(5) of the CEA.
- 6.2.8 **Rumors.** No Participant or Authorized Broker shall knowingly circulate, in any manner, rumors of a character which might affect market conditions in any Nodal Contract; provided, however, that this shall not prohibit discussion of unsubstantiated information, so long as its source and unverified nature are disclosed.
- 6.2.9 **False Reports.** No Participant or Authorized Broker shall make any knowing misstatement of a material fact to the Exchange, any Exchange Official, or any Board committee or Exchange panel. No Participant or Authorized Broker shall knowingly disseminate false or misleading reports regarding Transactions, the Exchange or one or more power markets.

- 6.2.10 **Wash Sales Trades.** No Participant shall place or accept buy and sell Orders in the same product and expiration month, where known or reasonably should know that the purpose of the Orders is to avoid taking a bona fide market position exposed to market risk (transactions commonly known or referred to as wash **trades sales**). Buy and sell Orders by Participants that are entered with the intent to negate market risk or price competition shall be deemed to violate the prohibition on wash trades. Additionally, no Participant **or Authorized Broker** shall knowingly execute or accommodate the execution of such Orders by direct or indirect means.
- 6.2.11 **Spoofing.** No Participant shall place bids or offers with the intent of cancelling such bids or offers before execution on the Trading Platform.
- 6.2.12 **Financial Condition.** No trading will be conducted for the purpose of misrepresenting the financial condition of the Participant.
- 6.2.13 **Acts Detrimental to the Exchange.** No Participant **or Authorized Broker** shall engage in any act that is detrimental to the Exchange. Misuse of Nodal Exchange is strictly prohibited. It shall be deemed an act detrimental to the Exchange to permit unauthorized use of the Exchange, to assist any Person in obtaining unauthorized access to Nodal Exchange, to trade on Nodal Exchange without an agreement and an established account with a Clearing Member, to alter the equipment associated with Nodal Exchange (except with the Exchange's consent), to interfere with the operation of Nodal Exchange, to intercept or interfere with information provided thereby, or in any way to use Nodal Exchange in a manner contrary to the Rules.
- 6.2.14 **Supervision.** **A** Participants and Authorized Brokers shall establish, maintain and administer reasonable supervisory procedures to monitor the compliance of Authorized Users, ~~Authorized Brokers~~, and supervised persons with the Rules and **any** applicable provisions of the CEA or CFTC Regulations and such Participants and Authorized Brokers may be held accountable for the actions of ~~such~~ **their** Authorized Users or supervised persons.
- 6.2.15 **Disclosing Order Information.** No Participant shall disclose an Order to buy or sell, except to a designated Exchange Official or the CFTC or as necessary to efficiently execute the Order nor shall any Participant solicit or induce another Participant to disclose Order information. No Person shall take action or direct another to take action based on non-public Order information, however acquired. The mere statement of opinions or indications of the price at which a market may open or resume trading does not constitute a violation of this Rule.

### 6.3 Pre-Arranged Trades, “Money Passing” Prohibited

6.3.1 Pre-arranged trading, in which two or more Participants or Authorized Users agree to submit corresponding Orders to the Trading Platform, is not permitted except as follows:

(a) Participants and Authorized Users may engage in pre-execution communications with regard to transactions executed or to be executed on the Trading Platform if one party (the first party) wishes to be assured that a contra party (the second party) will take the opposite side of the first party’s Order, subject to the following restrictions:

(a) A party may not engage in pre-execution communications with other market participants on behalf of another party unless the party for whose benefit the trade is being made has previously consented to permit such communications.

(b) Parties to, and Persons involved in, pre-execution communications shall not disclose to a non-party the details of such communications or enter an Order to take advantage of information conveyed during such communications except in accordance with this Rule.

(c) The first party’s Order must be entered into the Trading Platform first, and the second party’s Order may not be entered into the Trading Platform until a period of five seconds has elapsed from the time entry of the first Order.

(b) The foregoing restriction shall not apply to Block Trades.

6.3.2 No Participant or Authorized User may enter into a Transaction the purpose of which is to enter into a Nodal Contract without a net change in either party’s open positions but a resulting profit to one party and a loss to the other party, commonly known as a “money pass.”

### 6.4 Disciplinary Procedures; Termination of Connection

6.4.1 All access denials, suspensions, expulsions and other restrictions imposed upon a Participant, **Authorized Broker** or any of **their** ~~its~~ Authorized Users by the Exchange pursuant to a Disciplinary Action shall restrict with equal force and effect, access to, and use of, the Exchange.

6.4.2 The Exchange, at its sole discretion, shall have the right to summarily terminate the connection of any Participant, **Authorized Broker** or the access of any ITM or User ID to the Exchange. Additionally, the Exchange, at its sole discretion, shall have the right to direct a Participant **or Authorized Broker** to immediately terminate access to the Exchange

any of such Participant's or Authorized Broker's Authorized Users, respectively.

## 6.5 Position Limits

6.5.1 **Bona Fide Hedges.** The Exchange may adopt position limits for Nodal Contracts, and grant exemptions from position limits for bona fide hedging transactions and positions, in accordance with CFTC Regulations. Bona fide hedging transactions typically represent a substitute for transactions to be made, or positions to be taken, at a later time in a physical marketing channel that are economically appropriate to the reduction of risks in the conduct and management of a commercial enterprise and arise from a change in the value of the hedger's current or anticipated assets or liabilities. A Participant seeking a position limit exemption for bona fide hedging must apply to the Compliance Department demonstrating that the purpose of the positions or transactions is to offset price risks incidental to commercial cash or spot operations and such positions are established and liquidated in an orderly manner in accordance with sound commercial practices. In order to obtain an exemption from position limits, a Participant must submit an application with the following information:

- (a) Participant's name, ITM accounts, and contact information;
- (b) Name of the Clearing Member maintaining Participant's account;
- (c) A description of the exemption sought, identifying the Nodal Contract(s) for the intended transaction or position seeking exemption;
- (d) A complete and accurate explanation of the Participant's underlying exposure related to the exemption request;
- (e) Designated ITM account(s) to be used solely for hedge transactions that will qualify for hedge exemption treatment;
- (f) Agree to promptly provide, upon request by the Compliance Department, information or documentation regarding the Participant's financial condition;
- (g) Agree to comply with all terms, conditions or limitations imposed by the Compliance Department with respect to the exemption;
- (h) Agree that the Compliance Department may modify or revoke the exemption at any time;
- (i) Agree to promptly submit a supplemental statement to the Compliance Department whenever there is a material change to the information provided in the most recent application; and