

NODAL EXCHANGE RULEBOOK

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
- (j) Participant's authorized representative must certify that the intended transaction or position is economically appropriate to reduce the Participant's commercial risks and complies with all Exchange and CFTC requirements for bona fide hedging.

6.5.2 Conditional Limit in the Nodal Henry Hub Monthly Natural Gas Contract. The Exchange may grant a conditional limit in the Henry Hub

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Monthly Natural Gas Contract up to five (5) times the spot month position limit for the period that spot month position limits are in effect (“Conditional Limit”). To be eligible for a Conditional Limit under this Rule, a Participant must submit an application, in the form specified by the Exchange, in which the Participant agrees:

- (a) Not to establish, hold or control a position in the corresponding NYMEX Henry Hub (NG) contract during the last three days of trading of a contract month;
- (b) Upon request of the Exchange, to provide information on all positions related to Henry Hub Contracts, and such other information as the Exchange may request; and
- (c) To report to the Exchange any position established, whether by trading or otherwise, in the spot month NYMEX Henry Hub (NG) contract during the last three days of trading of a contract month.

An application for a Conditional Limit shall be effective upon receipt by the Exchange. A Conditional Limit will be effective each spot month until the expiration date specified in the application for such limit, which shall be no later than one year following the submission date. Nothing in this Rule shall in any way limit the Exchange from altering or revoking a Conditional Limit.

6.5.26.5.3 The CFTC may also from time to time establish position limits for Nodal Contracts traded pursuant to these Rules. For any such Nodal Contract subject to a position limit set by the CFTC, the Exchange shall not set its position limit at a level higher than the CFTC’s limit.

6.5.36.5.4 A Participant who exceeds a position limit as a result of maintaining positions at more than one Clearing Member shall be deemed to have waived confidentiality regarding its positions and the identity of the Clearing Members at which those positions are maintained.

6.5.46.5.5 A Participant intending to exceed position limits, including limits established pursuant to a previously approved exemption, must file the required application and receive approval from the Compliance Department prior to exceeding such limits.

6.5.56.5.6 In the event the positions in excess of the limits are not deemed to be exemption-eligible, the Participant will be in violation of position limits for the period of time in which the excess positions remained open.

6.5.66.5.7 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. The Compliance Department may approve, deny, condition or limit any exemption request