

Nodal Exchange

Trading Participant

A Guide to Joining Nodal Exchange

Joining Nodal Exchange:

Thank you for your interest in joining Nodal Exchange. In the following document we will cover the process for becoming a trading participant on Nodal Exchange and walk through how to set up your account for trading.

Step 1: Membership Materials

All applicants seeking to join Nodal Exchange must submit executed copies of the following documents:

- [Participant Application](#)
- [Participant Agreement](#)

Please have the appropriate persons at your organization review and execute these documents. If you require originals, please send two executed originals to the address below, otherwise email signed copies to [Nodal Exchange Compliance](#).

Send To: Nodal Exchange
1921 Gallows Road, 3rd Floor
Tysons Corner, Virginia 22182
Attn: Chief Regulatory Officer

Participants of Nodal Exchange must adhere to the [Nodal Exchange Rulebook](#), so please take time to review this document.

Step 2: Set up Clearing Account

As a cleared futures exchange, all participants must have an account with at least one of Nodal Exchange's supporting FCMs. A full list of supporting FCMs can be found [here](#). If you do not already have an account with one of these entities and would like their contact details, or if your FCM is not in the list and you would like us to provide them details on becoming an FCM for Nodal Exchange, please email accountmanagement@nodalexchange.com.

Once you have established which FCM will clear your Nodal Exchange business, you must submit a signed [Participant Account Form](#). In this form you will name an account administrator who will be responsible for the initial account set up and you will be assigned account codes. If the NCP and ITM codes are not pre-populated please leave them blank and Nodal Exchange will assign them. A copy of this form can be found in the Appendix of this document.

After the form has been executed by both you and your FCM, please send an electronic copy to accountmanagement@nodalexchange.com. In most cases the accounts can be created and will be ready for trading the same date the form is submitted.

It is important to understand your options when setting up Nodal Exchange accounts. There are

no limits to the number of trading accounts you may have or how many FCMs you may clear through. Nodal Exchange does not charge for additional trading accounts. In planning your account structure, it is helpful to understand that each NCP can have one or many ITMs associated with it, and under each ITM you can have one or many traders. For example, if you had 20 traders, they could all reside in one ITM account; they could have an ITM account assigned for each trader, for 20 total ITM accounts; or there could be several ITMs each with a varying number of traders. We recommend that participants work with their FCM(s) to determine how many trading accounts are appropriate for their needs.

Step 3: Administering the Account

Prior to go-live the administrator on the Participant Account Form will be contacted with their login details. This administrator will be the first user on the account and will be responsible for setting up additional administrators, traders and other personnel. This user will also need to ensure that the account Trade Risk Limit has been set prior to trading. Below we will describe in greater detail User Management and Trade Risk Limits.

User Management

For each FCM you clear through, there will be a group of NCP (Non-Clearing Participant) users and ITM (Individual Trading Mnemonic) Users. The NCP group is generally where all the non-trading users should be assigned. The administrator will have the ability to set up NCP users with the following roles:

- NCP Admin – a super user with the ability to add or edit users, change risk limits, view settlement prices, access the VaR calculator and view all account activity.
- NCP User Admin – a user that may only add and edit users.
- NCP Risk Manager – a user that may change risk limits, view settlement prices, access the VaR calculator and view all account activity.
- NCP Auditor – a user that may view settlement prices, access the VaR calculator and view all account activity.

The Admin will then set up all the trading users at the ITM level. If a trader has access to multiple trading accounts, then the trader will need a login for each trading account. While Admins, Risk Managers and Auditors can also be set up at the ITM level, we recommend this only if you are trying to limit a user's visibility into particular trading account(s). If an Admin, Risk Manager, or Auditor should have visibility into all trading accounts then those users should be created at the NCP level.

Trade Risk Limit

The Trade Risk Limit is the dollar amount that governs the total initial margin any one ITM can accumulate. Prior to clearing a trade, Nodal Exchange calculates the ITM's portfolio level initial margin requirement with the addition of that trade and checks to ensure it is below the set Trade Risk Limit. This risk parameter is set by both the Trading Firm and the FCM, and Nodal Exchange uses the lower of the two to govern the account.

Upon initial account creation either the NCP Admin or the NCP Risk Manager must log in to the

account and manually set the limit or choose to default the limit to the FCM limit. This latter option ensures that if your FCM increases your limit, then your limit automatically moves up to that amount.

Trading Account Live!

Once you have completed these steps your account(s) are live and ready for trading. Please refer to the Nodal Live guide for additional information about the trading screen, or contact Nodal Exchange Account Management for a personalized training session. If you have any questions please contact accountmanagement@nodalexchange.com.

Appendix

Nodal Exchange Participant Application

Applicant hereby submits the following information to apply as a Participant on Nodal Exchange. All information provided hereunder is subject to Rulebook section 9.4 **Confidentiality** as if the applicant were already admitted as a Participant.

A. General Information

1. Name of Applicant _____
2. Tax ID No. _____
3. Legal Entity Identifier (LEI) _____
4. Address of principal place of business: _____

5. Location of traders, if different from above: _____
6. Authorized Traders: Please attach a list of traders authorized by the Applicant to access the Exchange. Attached: Yes No
7. Compliance Contact (Enter the individual to whom all compliance inquiries are to be directed)
Name: _____ Phone: _____
Title: _____ Email: _____
8. Nature of Applicant's business: _____
9. Is Applicant registered with the National Futures Association ("NFA")? Yes No
10. Is Applicant registered with the Commodity Futures Trading Commission ("CFTC") as a:
 - a. Futures commission merchant ("FCM"): Yes No
 - b. Introducing broker ("IB"): Yes No
 - c. Retail foreign exchange dealer: Yes No
 - d. Other: _____

B. Organizational Information

1. Form of organization (corporation, partnership, limited liability company, or other):

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2. State or jurisdiction of formation: _____
3. If Applicant is organized or located outside of the United States, please review Nodal Exchange Jurisdictions. <http://www.nodalexchange.com/regulation/nodal-exchange-regulation/jurisdictions/>
4. Please provide a document of Applicant's good standing. Please submit a certificate of good standing or similar document dated less than one year prior to the date of submission of this form. Attached: Yes No
5. Please provide an authorization document from the Applicant's governing body. Please submit a document indicating that the Applicant's governing body, e.g. Board of Directors, authorizes trading in derivatives markets. Attached: Yes No
6. Please provide a list of all entities for which the Applicant directly or indirectly controls trading or holds a 10 percent or greater ownership interest, as well as any other person with whom the Applicant coordinates or controls trading pursuant to an express or implied agreement. Attached: yes none
7. Please provide a list or corporate ownership chart, which identifies all entities or individuals that hold a 10 percent or greater ownership interest of the Applicant. Attached: yes none

C. Financial Information

1. Nodal Exchange requires that each Applicant demonstrate one of the following:
 - That it is an FCM; or
 - That it maintains total assets of not less than \$10,000,000; or
 - That its obligations are guaranteed by an entity that maintains total assets not less than \$10,000,000; or
 - That it maintains a net worth of not less than \$1,000,000 and enters into transactions in connection with the conduct of its business or to manage the risk associated with an asset or liability owned or incurred or reasonably likely to be owned or incurred in the conduct of its business; or
 - That it is a corporation, business trust, partnership, limited liability company or similar business venture (other than a commodity pool), which has total assets in excess of \$5,000,000 and satisfies at least one of the following portfolio requirements, derived from CFTC Regulation 4.7:
 - Applicant owns securities and other investments with an aggregate market value of at least \$2 million, or
 - Applicant has had on deposit with an FCM for their own account at any time during the 6 months preceding this application, at least \$200,000 initial margin and option premiums together with required minimum security deposits for retail forex transactions for commodity interest transactions; or

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- Applicant meets a combination of the alternatives above, such that the sum of the amounts from both alternatives, when expressed as a % of the minimum \$ requirement specified in each alternative, equals 100% (e.g., \$1 million in securities owned and \$100,000 in futures margin and premiums).

If not an FCM, please provide documentation to demonstrate eligibility as follows:

a) For the Applicant, or its guaranteeing entity, the most recent balance sheet certified by an independent certified public accountant indicating the assets, liabilities, and capital of the Applicant or guaranteeing entity. Attached: yes no

or

b) If a privately held company, in lieu of submitting a certified balance sheet, provide a third-party representation that the Applicant maintains total assets of not less than \$10,000,000 or a net worth of not less than \$1,000,000. Attached: yes no

2. Please indicate if the Applicant has ever been insolvent as determined by the occurrence of any of the events listed below. Please provide explanations for any "yes" answers.

a. Determined to be insolvent by a Government Agency or Self-Regulatory Organization?

Yes No

b. If Applicant is a member of the Securities Investor Protection Corporation, a court of competent jurisdiction finds that the Person meets any one of the conditions set forth in clauses (A), (B), (C) or (D) of Section 5(b)(1) of the Securities Investor Protection Act of 1970?

Yes No

c. In the event of the entry or the making of a decree or order by a court, Government Agency or other supervisory authority of competent jurisdiction (i) adjudging the Person as bankrupt or insolvent, (ii) approving as properly filed a petition seeking reorganization, arrangement, liquidation, dissolution, adjustment or composition of or in respect of the Person under the Bankruptcy Code or any other applicable federal, state or other U.S. or non-U.S. law, including any bankruptcy, insolvency, reorganization, liquidation, dissolution or similar law, (iii) appointing a receiver, custodian, liquidator, provisional liquidator, administrator, provisional administrator, assignee, trustee, sequestrator or other similar official for the Person or for any substantial part of its property, (iv) ordering the winding up or liquidation of the Person's affairs or (v) consenting to the institution by the Person of proceedings to be adjudicated as a bankrupt or insolvent? Yes No

d. Participant filing a petition, or any case or proceeding, seeking reorganization or relief under the Bankruptcy Code or any other applicable federal, state or other U.S. or non-U.S. law, including any bankruptcy, insolvency, reorganization, liquidation, dissolution or similar law, or the consent by the Person to the filing of any such petition, case or proceeding or to the

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appointment of a receiver, custodian, liquidator, provisional liquidator, administrator, provisional administrator, assignee, trustee, sequestrator or other similar official for the Person or for any substantial part of its property, or the making by the Person of an assignment for the benefit of its creditors, or the admission by the Person in writing of its inability to pay its debts generally as they become due, or the taking of corporate or similar action by the Person in furtherance of the foregoing? Yes No

D. Please respond to the following questions and provide explanations for any “yes” answers:

1. Is the Applicant prohibited from using the services of Nodal Exchange for any reason whatsoever?
Yes No

In the past 10 years, has the Applicant or any officer, director, 10% or more owner of its outstanding stock, member, manager, or general partner thereof:

2. Been subject to any disciplinary action including any form of suspension, penalty, censure, cease and desist order, temporary or permanent injunction, denial of trading privileges, denial of membership or registration, or any other sanction through an adverse determination, voluntary settlement or otherwise by:
 - a. The SEC, the CFTC, or the securities commission or equivalent authority of any state, territory, the District of Columbia or foreign country? Yes No
 - b. Any commodity or securities exchange related clearing organization, the National Futures Association or the Financial Industry Regulatory Authority? Yes No
 - c. Any federal or state court, regulatory agency (not mentioned above), quasi-governmental body or professional association based upon activities relating to commodities, securities, banking, insurance, real estate, finance, accounting or legal representation? Yes No
3. Been convicted, or been found guilty of, or pleaded guilty or nolo contendere to a felony?
Yes No
4. Been convicted, or been found guilty of, or pleaded guilty or nolo contendere to a misdemeanor charging misrepresentation, fraud, deceit, theft, embezzlement, gambling, conversion, abuse of fiduciary relationship or other action involving the misuse of the funds or property of others?
Yes No
5. Been found in a proceeding brought by the CFTC or any Federal or State agency or other governmental body, or by agreement of settlement to which any such governmental agency is a party, to have violated any law subject to the jurisdiction of the CFTC or any Federal or State agency or other governmental body. Yes No

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6. Been charged by the CFTC or any government agency charging misrepresentation, fraud, deceit, theft, abuse of a fiduciary relationship or other action involving the misuse of funds or property of others which resulted in a judgment against the Applicant with respect to such charge?

Yes No

E. Please include these additional document(s) with your application:

1. A signed Nodal Exchange Participant Agreement. Attached: yes no
2. The Authorized Signature Letter (Page 6). Attached: yes no
3. If Applicant is organized or located outside of the United States, please provide a written agreement appointing a third party as a U.S. agent for service of process.

In submitting this request for privileges as a Nodal Exchange Participant, the Applicant acknowledges and agrees to abide by the rules, procedures, and requirements of Nodal Exchange currently in effect and as amended hereafter.

Participant: _____

Signature¹: _____

Name: _____

Title: _____

Date: _____

Please provide the name, telephone number and email of the individual Nodal Exchange should contact with any questions regarding this form.

Name: _____ Phone: _____ Email: _____

Please submit this form and your supporting documentation to: compliance@nodalexchange.com.

¹ Must have evidence of status as authorized signatory on file at Nodal Exchange (Authorized Signature Letter).

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Authorized Signature Letter

The following are the signatures of the partners and/or officers and/or employees who are authorized to issue instructions to Nodal Exchange, LLC, one signature to be sufficient²:

	<u>Authorized Individual Printed Name</u>	<u>Authorized Individual Signature</u>
1)	_____	_____
2)	_____	_____
3)	_____	_____
4)	_____	_____
5)	_____	_____

Sincerely,

Signature: _____

Name: _____

Title: _____

Date: _____

² One of the individuals identified as an Authorized Signatory will be required to sign-off on the creation of any new trading account.

