

SUBMISSION COVER SHEET

Exchange Identifier Code **2012-3**

Date **October 1, 2012**

ORGANIZATION

Cantor Clearinghouse, L.P.

FILING AS A:

DCM

DCO

DTEF

TYPE OF FILING

• **Rule Amendments**

Self-Certification Under Reg. 40.6(a) or 41.24

Commission Approval Requested Under Reg. 40.5 or 40.4 (a)

Notification of Rule Amendment Under Reg. 40.6(c)

Non-Material Agricultural Rule Change Determination Under Reg. 40.4(b)

• **New Products**

Self-Certification Under Reg. 40.2 or 41.23

Commission Approval Requested Under Reg. 40.3

RULE NUMBERS

I-8. Board Eligibility dated October 1, 2012

DESCRIPTION (Rule Amendments Only)

New Cantor Clearinghouse, L.P. (“Clearinghouse”) Rule I-8 (Board Eligibility) outlines the following: (a) the disciplinary offenses that would make an individual ineligible to serve as a member of the Board of Directors (or a committee thereof) or as an officer of the Clearinghouse; and (b) the criteria necessary to be considered a “public director.”

Section (a) of new Clearinghouse Rule I-8, consistent with Core Principle O and Commodity Futures Trading Commission (“CFTC” or “Commission”) Rule 1.63, outlines the disciplinary offenses that would preclude an individual from serving as an officer, member of the Board, or committee thereof, including (within the last three years) having: (a) been found to have committed a disciplinary offense by the CFTC, a self-regulatory organization, an administrative law judge, or a court of law; (b) entered into a settlement agreement which included findings and/or charges of a disciplinary offense; and (b) been subject to a registration revocation or suspension by the CFTC.

Section (b) of the new Clearinghouse Rule I-8, consistent with Commission Rule 1.64(b)(1), mandates that qualifying an individual as a “public director” requires an action of the Board finding that the individual has “no relationship with the Clearinghouse that reasonably could affect [his] independent judgment or decision-making.” This rule also outlines affiliations that would preclude an individual from being considered a public director including generally (within the last year) having: (a) been employed (or have a relative that was employed) by the Clearinghouse or its affiliates; (b) been employed or been a Participant in the Clearinghouse; and (c) received over \$100,000 for legal, accounting, or consulting services to the Clearinghouse, a Participant, or affiliates.

New Clearinghouse Rule I-8(b) should be read in tandem with amended Clearinghouse Rules I-1 (Defined Terms) and I-6 (Board of Directors) which, respectively, align the definition of “public director” with new Clearinghouse Rule I-8(b), and mandate the percentage of public directors that must be on the Board.¹

¹ Separate self-certification filings for Clearinghouse Rules I-1 and I-6 are being submitted in conjunction with this filing.

**Cantor Clearinghouse
Rule Change 2012-3
October 1, 2012**

1. The text of the rule changes to Clearinghouse Rule I-8 of the Cantor Clearinghouse, L.P. Rulebook is attached. Additions are underlined and deletions are stricken through. This rule has been approved by the Board of Directors of Cantor Clearinghouse Holdings, LLC.
2. The proposed effective date is October 16, 2012.
3. No opposing views were expressed with respect to the proposed rule changes by governing board or committee members or market participants.

**SUPPLEMENTAL EXPLANATION OF THE OPERATION, PURPOSE AND EFFECT OF
THE PROPOSED RULE**

This addition of new Clearinghouse Rule I-8 is one of several modifications to the Clearinghouse's Rulebook to reflect amendments in the Clearinghouse's governance structure, to align that structure with the requirements of the Core Principles for DCOs as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act. As a practical matter, Cantor Clearinghouse expects that the Members of its Board of Directors will be composed of the members of the Board of Directors of Cantor Futures Exchange, L.P., although the rules do not require that the Boards be composed of the same directors. In addition to this rule change, other rule changes: (a) require that 35% percent of the Board be composed of public directors to ensure an independent perspective in the Board's decision-making (*amendments to Clearinghouse Rule I-6 – Board of Directors*); (b) provide clear guidance on what constitutes a conflict of interest and the process to mitigate such conflicts upon discovery (*new Clearinghouse Rule I-9 – Conflicts of Interest*); and (c) delineate the proper and improper use of non-public information obtained in the regular course of business (*new Clearinghouse Rule I-10 – Restrictions on Certain Persons Who Possess Material, Non-Public Information*).

CERTIFICATIONS PURSUANT TO SECTION 5c OF THE COMMODITY EXCHANGE ACT, 7 U.S.C.
§7a-2 AND COMMODITY FUTURES TRADING COMMISSION RULE 40.6, 17 C.F.R. §40.6

I hereby certify that the foregoing rule amendments comply with the Commodity Exchange Act, 7 U.S.C. §1 *et seq.* and regulations thereunder.



By: Nolan Glantz
Title: Chief Operations Officer
Dated: 10/1/2012

I hereby certify that a copy of this filing was posted on the Cantor Clearinghouse, L.P. website the day of its submission to the Commission.



By: Nolan Glantz
Title: Chief Operations Officer
Dated: 10/1/2012

CANTOR CLEARINGHOUSE, L.P. RULES

GENERAL PROVISIONS

CHAPTER I DEFINITIONS

I-8. Board Eligibility

(a) No Person may serve as an Officer of the Clearinghouse, or a member of the Board of Directors, or any committee thereof, if such Person:

(i) was found within the past three years by a final decision of a self-regulatory organization, an administrative law judge, a court of competent jurisdiction or the CFTC to have committed a disciplinary offense;

(ii) entered into a settlement agreement within the past three years in which any of the findings or, in absence of such findings, any of the acts charged included a disciplinary offense;

(iii) is currently suspended from trading on any contract market, is suspended or expelled from membership from any self-regulatory organization, is serving any sentence of probation or owes any portion of a fine imposed pursuant to either:

(A) a finding by a final decision of a self-regulatory organization, an administrative law judge, a court of competent jurisdiction or the CFTC that such person committed a disciplinary offense; or

(B) a settlement agreement in which any of the findings or, in absence of such findings, any of the acts charged included a disciplinary offense;

(iv) is currently subject to an agreement with the CFTC or any self-regulatory organization not to apply for registration with the CFTC or membership in any self-regulatory organization;

(v) is currently subject to or has had imposed on him or her, within the past three years, a CFTC registration revocation or suspension in any capacity for any reason, 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; or

(vi) is currently subject to a denial, suspension or disqualification from serving on the disciplinary committee, 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.

(b) To qualify as a Public Director, an individual must be found, by action of the Board of Directors, to have no relationship with the Clearinghouse that reasonably could affect the independent judgment or decision making of the Director. In addition, a Director shall automatically be deemed to have such a relationship and shall not be considered a "Public Director" if any of the following circumstances exist:

(i) within the last year, the individual or any member of his or her immediate family has been an officer or employee of the Clearinghouse or any of its affiliates. Solely for purposes of this Rule I-8, the term "affiliate" shall mean parents or subsidiaries of the Clearinghouse or entities that share a common parent with the Clearinghouse. For the avoidance of doubt, an individual may still qualify as a Public Director if such individual (x) has, within the last year, served as a director of an affiliate of the Clearinghouse, but (y) otherwise meets the eligibility criteria under this Rule I-8(b).

(ii) within the last year, the individual or any member of his or her immediate family has been a Participant of the Clearinghouse, or a person employed by or affiliated with a Participant. In this context, a person is “affiliated” with a Participant if he or she is an officer or director of the Participant, or if he or she has any other relationship with the member such that his or her impartiality could be called into question in matters concerning the Participant.

(iii) within the last year, the individual or any immediate family member of the individual, or a firm with which such individual or his or her immediate family member is affiliated, as described in Rule I-8(b)(ii) above, received more than \$100,000 in combined annual payments from the Clearinghouse or its affiliates, or from a Participant or any person or entity affiliated with a Participant of the Clearinghouse, in each case for legal, accounting or consulting services. Compensation for services as a Director shall not count towards the \$100,000 payment limit, nor shall deferred compensation for services prior to becoming a Director, so long as such compensation is in no way contingent, conditioned or revocable.

(c) Public Directors may also serve as directors of any parent or affiliate company of the Clearinghouse if the Public Directors otherwise meet the definition of “Public Director” in this Rule I-8.

I-9.....