

SUBMISSION COVER SHEET

Exchange Identifier Code **2012-4**

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-9. Conflicts of Interest dated October 1, 2012

DESCRIPTION (Rule Amendments Only)

New Cantor Clearinghouse, L.P. ("Clearinghouse") Rule I-9 outlines the Clearinghouse's policy, consistent with Core Principle P, on what constitutes a conflict of interest and the process to mitigate such a conflict upon discovery. According to the rule, circumstances that could potentially create a conflict of interest generally include when a member of the Board of Directors ("Board") or an officer: (a) is a named party in interest, or is associated with such a named party, in regard to any decision-making; or (b) has a financial interest, or is affiliated with the party with a financial interest, in a significant action under consideration by the Board.

New Clearinghouse Rule I-9 also outlines the process to address these potential conflicts. The process includes the requirement that directors or officers who may have such conflicts disclose such information to the President of the Clearinghouse. The President (or his designee), or the Chief Compliance Officer, will then determine if such director is subject to a conflicts restriction based on: (a) information provided by such member; and (b) any other source of information available to the Clearinghouse, including large trader reports and clearing records. The Clearinghouse will also record, in the minutes of any meeting where the conflicts determination procedures apply, relevant information regarding the conflicts determination. The effect of this new rule is to safeguard the unbiased and impartial decision-making of the Board.

Cantor Clearinghouse
Rule Change 2012-4
October 1, 2012

1. The text of the rule change to Clearinghouse Rule I-9 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**

The addition of new Clearinghouse Rule I-9 is one of several modifications to the Clearinghouse's Rulebook to reflect a broader shift in the Clearinghouse's governance structure, including making the Cantor Futures Exchange, L.P.'s Board of Directors the Board for the Clearinghouse as well. 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) further define the fitness standards necessary for an individual to serve as a Board member or officer of the Clearinghouse (*new Clearinghouse Rule I-8 – Board Eligibility*); 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-9. Conflicts of Interest

(a) Definitions. For purposes of this Clearinghouse Rule I-9, the following definitions shall apply:

(i) The term “family relationship of a Person” shall mean such Person’s spouse, former spouse, parent, stepparent, child, stepchild, sibling, stepbrother, stepsister, grandparent, grandchild, uncle, aunt, nephew, niece or in-law.

(ii) The term “Board” shall mean the Board of Directors or any Board committee duly authorized to take action or to recommend the taking of action on behalf of the Clearinghouse.

(iii) The term “member’s affiliated firm” shall mean a firm in which a member of the relevant deliberating body is an employee or a “principal,” as defined in CFTC Regulation 3.1(a).

(iv) The term “named party in interest” shall mean a Person or entity that is identified by name as a subject of any matter being considered by the Board, or any Board committee.

(v) The term “significant action” shall mean any of the following types of actions or Rule changes that are implemented without the CFTC’s prior approval:

(A) Any actions or Rule changes which address an “Emergency”, as defined in Chapter I of these Rules; and

(B) Any changes in margin levels that are designed to respond to extraordinary market conditions or otherwise likely to have a substantial effect on prices in any Contract.

(b) Named Party in Interest Conflict.

(i) Prohibition. No Officer of the Clearinghouse, or member of the Board of Directors or any Board committee, shall knowingly participate in such body’s deliberations or voting in 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, (D) has a family relationship with a named party in interest or (E) has any other significant, ongoing business relationship with a named party in interest, excluding relationships limited to executing Contracts opposite each other.

(ii) Disclosure. Prior to consideration of any matter involving a named party in interest, each member of the deliberating body shall disclose to the President, or his or her designee, whether such member has or may have one of the relationships listed in paragraph (b)(i) of this Rule I-9 with a named party in interest.

(iii) Procedure and Determination. The President, or his or her designee, shall determine whether any member of the relevant deliberating body is subject to a conflicts restriction under this paragraph (b). Such determination shall be based upon a review of the following information:

(A) information provided by such member pursuant to clause (ii) above; and

(B) any other source of information that is held by or reasonably available to the Clearinghouse.

(c) *Financial Interest in a Significant Action Conflict.*

(i) Prohibition. No Officer of the Clearinghouse, or member of the Board of Directors or any Board committee shall participate in such body's deliberations or voting on any significant action if such member knowingly has a direct and substantial financial interest in the result of the vote based upon positions that could reasonably be expected to be affected by the significant action under consideration, as determined pursuant to this paragraph (c).

(ii) Disclosure. Prior to consideration of any significant action, each member of the deliberating body who does not choose to abstain from deliberations or voting shall disclose to the President, or his or her designee, position information known to such member with respect to any particular Contracts that are under consideration, and any other positions which the deliberating body reasonably expects could be affected by the significant action, as follows: (A) gross positions held at the Exchange in such member's personal accounts or "controlled accounts", as defined in CFTC Regulation 1.3(j);

(B) gross positions held at the Exchange in accounts in which such member is a "principal", as defined in CFTC Regulation 3.1(a); and

(C) any other types of positions, whether maintained at the Exchange or elsewhere, held in such member's personal accounts or the proprietary accounts of such member's affiliated firm, that the Clearinghouse reasonably expects could be affected by the significant action.

(iii) Procedure and Determination. The President, or Chief Compliance Officer, or the President's designee, shall determine whether any member of the relevant deliberating body is subject to a conflicts restriction under this paragraph (c) based upon a review of the most recent large trader reports and clearing records available to the Clearinghouse, information provided by such member with respect to positions pursuant to clause (ii) above and any other source of information that is held by and reasonably available to the Clearinghouse, taking into consideration the exigency of the significant action being contemplated. A member of a deliberating body shall be subject to the conflicts restriction in clause (i) above if the review by the President, or his or her designee, identifies a position in such member's personal or controlled accounts or accounts in which such member is a principal as specified in subclauses (iii)(A), (B) and (C) above.

(iv) Deliberation Exemption. Any Officer of the Clearinghouse, member of the Board, or any Board committee, who would otherwise be required to abstain from deliberations and voting pursuant to this paragraph (c) may participate in deliberations, but not voting, if the deliberating body, after considering the factors specified below, determines that such participation would be consistent with the public interest, provided, however, that before reaching any such determination, the deliberating body shall fully consider the position information specified in clause (ii) above which is the basis for such member's substantial financial interest in the significant action that is being contemplated. In making its determination, the deliberating body shall consider:

(A) whether such member's participation in deliberations is necessary to achieve a quorum; and

(B) whether such member has unique or special expertise, knowledge or experience in the matter being considered.

(d) *Documentation.* The minutes of any meeting to which the conflicts determination procedures set forth in this Clearinghouse Rule I-9 apply shall reflect the following information:

(i) the names of all members of the relevant deliberating body who attended such meeting in person or who otherwise were present by electronic means;

(ii) the name of any member of the relevant deliberating body who voluntarily recused himself or herself or was required to abstain from deliberations 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 of the relevant deliberating body.

I-10.....