

## WRS Electronic Trading Platform™

### Trading Rules

These rules govern all transactions on the Platform and, in the event of any conflict with the Exchange Rules (other than the HuRLO™ contract specifications), these rules shall supersede as applicable to HuRLO trading. Otherwise, HuRLO Markets are fully subject to the Exchange Rules (including the HuRLO contract specifications) and Clearing House Rules, as applicable, unless specifically and expressly excluded therefrom.

#### 1. DEFINITIONS

Certain terms used herein are defined in the “HuRLOs: Definitions and Methodology” document, available on the Platform at [www.HuRLOs.com](http://www.HuRLOs.com).

“Authorized Purchase Limit” is defined in Section 2.B. below.

“Clearing House” means the CFTC registered derivatives clearing organization the Exchange designates to provide clearing and settlement services to the Exchange.

“Clearing House Rules” means the rules adopted or amended, from time to time, by the Clearing House related to the Exchange or HuRLOs.

“Clearing Member” means a member of the Clearing House approved for the purpose of clearing HuRLO transactions on behalf of Participants together with the duties, rights and privileges attendant to membership in the Clearing House.

“Custodian Bank” means a bank where a Clearing Member maintains and controls an account to hold funds of Qualified Participants for the purpose of purchasing and trading HuRLOs.

“Damage Threshold” means the minimum amount of total economic damage a landfalling hurricane is estimated to have caused in the county or region that experienced landfall first, as estimated by Eqecat, Inc., necessary for HuRLOs for the particular county or region to be subject to automatic exercise and settlement. The Damage Threshold for each HuRLO county or region is \$1,000,000.00. If the Damage Threshold is not met or exceeded, trading in the then suspended HuRLO series may resume, as provided in the HuRLO contract specifications.

“Eqecat” means Eqecat, Inc., a leading catastrophe risk modeling firm that provides state-of-the-art products and services to the global property and casualty insurance, reinsurance and financial markets.

“Exchange” means the CFTC registered designated contract market on which HuRLOs trade.

“Exchange Rules” means the rules adopted or amended, from time to time, by the Exchange.

“FCM” means a futures commission merchant as defined in Section 1a of the CEA that has complied with any registration requirements of the CEA and CFTC.

“Force Majeure Event” means any of the following that renders it impossible or reasonably impracticable for WRS or the Exchange to maintain the Platform or the Exchange on which HuRLOs are offered: (i) earthquake, fire, flood, extraordinary weather conditions or other act of God; (ii) labor dispute, riot, insurrection, war, accident, act of terrorism or act of government; (iii) failure of systems, communications lines, software, hardware or other equipment of the Platform, WRS, the Exchange or any third-party service provider; (iv) information regarding WRS’ determinations as to whether a Hurricane made landfall on the U.S. Coast, the First Landfall Location, and whether the Damage Threshold has been met (as described and as such terms are used in the “HuRLOs: Definitions and Methodology” document) becoming known to certain Participants prior to the release of such information to the public; (vi) any other events beyond the reasonable control of WRS or the Exchange.

“HuRLO(s)” or “Hurricane Risk Landfall Option(s)” are European style call options on whether, and where, a Hurricane first makes landfall on the U.S. Coast and whether the Damage Threshold has been met (as described and as such terms are used in the “HuRLOs: Definitions and Methodology” document) subject to the HuRLO contract specifications.

“HuRLO Markets” refers to both the Primary Market and Secondary Market.

“Launch Date” means the date each HuRLO series is first offered on the Platform.

“Order” means an order to purchase or sell HuRLOs.

“Participant” means any person or entity that has been granted, and continues to have, trading privileges and access to the Platform.

“Platform” means the WRS Electronic Trading Platform; the proprietary order entry and execution system operated by WRS and used by the Exchange for the placement and execution of orders or the collection and transmission of information relating to HuRLOs. Participants will access the Platform directly via the Internet.

“Primary Market” means a market where Qualified Participants may purchase HuRLOs.

“Qualified Participant” means a Participant that has an account with or funds on deposit with a Clearing Member and an established Authorized Purchase Limit.

“Secondary Market” means a market where Qualified Participants that own HuRLOs may sell HuRLOs to other Qualified Participants.

“Tropical Cyclone” means a warm-core non-frontal synoptic-scale cyclone, originating over tropical or subtropical waters, with organized deep convection and a closed surface wind circulation about a well-defined center. In the Atlantic Ocean, Caribbean Sea and Gulf of Mexico, the term Tropical Cyclone refers to Tropical Depressions, Tropical Storms and Hurricanes, as such terms are defined in the “HuRLOs: Definitions and Methodology” document.

## **2. CONDITIONS FOR PARTICIPATION**

### **A. DOCUMENTATION & REGISTRATION**

Prior to purchasing HuRLOs, each Participant must execute a Participation Agreement with WRS and the Exchange and a Clearing Member, if applicable, and must provide the following:

- i) An acknowledgement or signed statement from or on behalf of the Participant that it has read and understood the Participant Agreement, Exchange Rules, including the HuRLO contract specifications, the “HuRLOs: Definitions & Methodology” document, these Rules, the Platform’s Privacy Policy and Terms of Use, and agrees to be bound thereby and by any amendments thereto as they become effective;
- ii) Authorized Purchase Limit; and
- iii) A description of the means by which Orders will be executed.

### **B. AUTHORIZED PURCHASE LIMIT**

Each Participant must be authorized by a Clearing Member to purchase HuRLOs in an approved aggregate amount (referred to as the “Authorized Purchase Limit”). The Authorized Purchase Limit is the maximum amount of money a Participant may spend on HuRLOs, including Trading and Clearing Fees (discussed below). (The Authorized Purchase Limit may not reflect the amount of cash each Participant holds in his or her futures account.)

The Platform will display each Participant’s Net Authorized Purchase Limit, which equals the Participant’s Authorized Purchase Limit minus the amount the Participant has committed to buy HuRLOs, including HuRLOs the Participant has already purchased (including the related Trading and Clearing Fees) as well as any outstanding bids Participant has made in the Secondary Market. Settlement amounts or proceeds from sales will not change Participant’s Authorized

Purchase Limit. Only a Participant's Clearing Member may change the Participant's Authorized Purchase Limit; any changes to a Participant's Authorized Purchase Limit must be submitted to WRS by the Clearing House.

A Clearing Member may submit an increase or decrease in Participant's Authorized Purchase Limit to the Clearing House, which will transmit that request to WRS. WRS will also allow a Participant to decrease the available or Net Authorized Purchase Limit directly on the Platform. All changes to Participant's Authorized Purchase Limit are final when fully applied in the WRS System by WRS. WRS, the Clearing House and Participant's Clearing Member will diligently administer changes to the new Authorized Purchased Limit.

### **3. HuRLO LAUNCH**

On the Launch Date, WRS reserves the right to exclude any or all Tropical Cyclones or other weather features, such as cloud clusters, which, on the Launch Date, are being reported by the National Hurricane Center, from any or all HuRLO series not previously launched. WRS will notify all Participants on the Platform of any and all excluded Tropical Cyclones or other weather features.

### **4. MARKET PROCEDURES**

#### **A. ORDER SUBMISSION**

Only Qualified Participants may purchase HuRLOs. Qualified Participants may only sell HuRLOs they own in the Secondary Market. Orders may only be submitted in the HuRLO Markets by means of the Platform. Orders must be submitted by the Qualified Participant directly.

By submitting an Order in connection with the HuRLO Markets a Participant will be deemed to have represented and warranted that (i) it intends to complete a transaction on the terms set forth in such Order; and (ii) its actions are in compliance with all applicable laws and regulations and subject to the terms set forth herein and the Exchange Rules, including the HuRLO contract specifications, as applicable, in effect from time to time.

#### **B. FILLS OF ACCEPTED ORDERS**

##### Primary Market

Qualified Participants may place a volume Order for HuRLOs on the Platform. For example, 100 Series 1 Palm Beach HuRLOs. The Platform will execute volume Orders such that each HuRLO ordered is purchased individually and priced consecutively, one Series 1 Palm Beach HuRLO at a time until the Order is filled. Each HuRLO purchase in a series impacts the subsequent market price for all HuRLOs in such series. As a result, the price for the first HuRLO purchased in a volume Order will be lower than the price for the last HuRLO purchased in such Order.

Every HuRLO Order must specify a price, called the Limit Order Price, for every HuRLO to be purchased. The Platform will only execute HuRLO Orders to purchase at prices that are no greater than the dollar amount the HuRLO purchaser specifies as the Limit Order Price for any one HuRLO. For example, assume the market price for one Series 1 Palm Beach HuRLO is \$97.50. A Qualified Participant wants to purchase 100 Series 1 Palm Beach HuRLOs but does not want to pay more than \$100 for any one HuRLO. The Qualified Participant may place a Limit Order stated as 100 Series 1 Palm Beach HuRLOs at \$100 per HuRLO. The Platform will execute purchases of individual Series 1 Palm Beach HuRLOs until the market price exceeds \$100 per HuRLO and at that time the Platform will reject (not fill) the remaining portion of the volume Order, if any.

Volume Orders may be partially filled to the Qualified Participant's Authorized Purchase Limit or Limit Order Price. The Platform will reject any remaining portion of an Order. The Platform will also reject a Limit Order at a price which is below the then current market price.

#### Secondary Market

In the Secondary Market, Qualified Participants may sell HuRLOs they own to other Qualified Participants. Orders to buy or sell HuRLOs in the Secondary Market may be partially filled with a matching Order to buy or sell and the remaining portion of the Order will remain resting in the Platform's "Order Book". The Platform will reject any Order to buy that would exceed the Qualified Participant's Authorized Purchase Limit. Orders in the Secondary Market may be canceled until filled.

#### **C. FINALITY**

Each Primary Market Order will become final and binding on the Qualified Participant when the Qualified Participant submits the "Order Terms Confirmation" on the Platform. In the Secondary Market each purchase and sale becomes final and binding on the Qualified Participant when the Orders to buy and sell are matched on the Platform. The Clearing House will provide clearing services for all Orders entered on the Platform.

#### **D. TRADE CONFIRMATION**

WRS will email Participants an electronic confirmation of each transaction and post such information on the Participant's trading account screen. The terms set forth in WRS' electronic confirmations will constitute the definitive terms of each transaction entered into (excluding fees and commissions imposed by the Clearing Member) and in the event of any conflict between a trade confirmation, or any other transaction notice, provided to a Participant by a Clearing Member, WRS' electronic confirmation will control (absent manifest error).

Each Clearing Member may deliver a trade confirmation to each of its customers with an executed Order, in accordance with, and at the time specified by, the Clearing Member's ordinary commercial practice or the agreement in place between the customer and the Clearing Member.

**5. DETERMINATIONS REGARDING HURRICANE LANDFALL & THE DAMAGE THRESHOLD**

WRS' determinations as to whether a Hurricane made first landfall on the U.S. Coast, the First Landfall Location, if any, and whether the Damage Threshold has been met, as described, and as such terms are used, in the "HuRLOs: Definitions and Methodology" document are final and binding.

**6. SUSPENSION, REOPENING AND TERMINATION OF HuRLO MARKETS**

**A. SUSPENSION AND REOPENING**

Trading in the Primary Market or Secondary Market, or both, for one or more HuRLO series may be suspended at any time by WRS for weather related or operational reasons as provided in the HuRLO contract specifications. Following such a suspension, trading in one or more HuRLO series may be either resumed or terminated, as determined by WRS. Additionally, WRS and the Exchange shall jointly determine: (i) when a trading halt, delayed opening or other suspension of trading is required, and (ii) when trading should resume or open, as to any HuRLO or HuRLO series as a result of regulatory requirements, market conditions or other emergencies, including the occurrence of a Force Majeure Event.

If trading is terminated for a particular series or for the HuRLO Markets due to WRS' or the Exchange's inability to maintain the Platform or the Exchange on which HuRLOs are offered as a result of a Force Majeure Event, WRS will return to each Participant's Clearing Member, the premia for all unexpired HuRLOs. Participants will not be entitled to any compensation.

**B. TERMINATION AND SETTLEMENT**

Trading in a particular HuRLO series is terminated following WRS' determination that a Hurricane made first landfall on the U.S. Coast, the First Landfall Location and that the Damage Threshold has been met, as described and as such terms are used in the "HuRLOs: Definitions and Methodology" document. Exercise and settlement is governed by the Exchange Rules, including the HuRLO contract specifications. Primary Market trading in No Landfall HuRLOs may terminate earlier as provided in the HuRLO contract specifications.

**7. FEES & PREMIA**

**A. TRADING & CLEARING FEES**

WRS will publish the WRS Platform Trading Fees ("Trading Fees") and the Clearing House Fees ("Clearing Fees") on its website. The Participant's Clearing Member may charge additional commissions and fees in connection with HuRLO transactions and wire transfers.

## **B. SEEDING FEE**

WRS will publish the Seeding Fee on its website and will include the Seeding Fee in a Schedule attached to its agreement with each Participant.

## **C. PAYMENT OF PREMIA & FEES**

The Clearing Member shall pay to the Clearing House from the Qualified Participant's futures account, or the Clearing Member's Custodian Bank Account, the HuRLO premia and the Trading Fees and Clearing Fees due in connection with HuRLO transactions. A Participant that receives a pro rata share of the mutualized risk pool at settlement shall have deducted from that settlement amount a Seeding Fee. Seeding Fees are not charged to Participants that do not receive a pro rata share of the mutualized risk pool at settlement; Seeding Fees are not charged to any Participant that holds HuRLOs that expire worthless.

## **8. RISK FACTORS**

Below are certain risk factors. This document does not set forth all of the risks that are presented by trading HuRLOs. Participants should consult with their own advisors, including tax and financial advisors, and carefully consider all risks, the Participation Agreement, the applicable Exchange Rules, including the HuRLO contract specifications, the "HuRLOs: Definitions and Methodology" document and the Participant's own objectives and circumstances, before trading HuRLOs.

### **A. DERIVATIVES BASED ON HURRICANE DATA**

HuRLOs are subject to the same basic risks as other derivatives plus certain additional risks related to the underlying data upon which they are based. For example, all but one HuRLO outcome in each series will be worthless at expiration and only one HuRLO outcome will be eligible for automatic exercise and settlement.

HuRLOs are not insurance products and should not be used to replace insurance. Participants may incur damage or financial loss from a hurricane and not receive a settlement amount if the storm makes landfall first in a county or region (or series) other than the one purchased; or if the Damage Threshold is not met. Because the damage from hurricanes is not limited to the location of first landfall, Participants may want to consider purchasing HuRLOs for adjacent counties or regions and even more distant counties of regions (such as those located across a peninsula like Florida). Participants also may want to purchase HuRLOs for more than one series to provide some protection from financial loss should more than one hurricane make landfall in a season.

As described in the "HuRLOs: Definitions and Methodology" document, WRS calculates the First Landfall Location objectively and automatically based on official U.S. Government information from two sources: the National Hurricane Center ("NHC") and the U.S Census Bureau. If the NHC changes its procedures with respect to its reporting of tropical cyclone locations or intensities in its NHC Advisories, or if NHC Advisories become unavailable or unduly delayed, WRS

may, in its sole discretion, rely on the first available alternative data reported by the U.S. National Weather Service concerning tropical cyclone locations and/or intensities in determining whether a Hurricane made Landfall on the U.S. Coast and the First Landfall Location.

Participants may develop their own proprietary Hurricane tracking system and may also rely on sources of weather data other than those which are provided by WRS, if any. There is a risk that Hurricane tracking systems and weather data may be inaccurate, regardless of the source.

#### **B. ELECTRONIC TRADING SYSTEMS**

The Platform may not always operate and function as designed. The Exchange Rules, including the HuRLO contract specifications and the Participation Agreement preclude or limit the liability of WRS, the Exchange and the Clearing House and where applicable, the Clearing Member, and all other persons providing any component of the Platform in connection with system failures or malfunctions.

The Platform is subject to the risk of systems and communications failures or other events that may cause the suspension, reopening or cancellation of trading. Upon the occurrence of a Force Majeure Event trading may be suspended, reopened or terminated.

#### **C. SETTLEMENT FLOOR**

The pricing system in the Primary Market is designed to automatically increase, if necessary, HuRLO premia to ensure that any settlement per HuRLO is at least 60% of par (\$1,000.00) or \$600.00.

#### **D. CLEARING**

Each Clearing Member will be subject to the benefits and costs of cleared instruments. Each HuRLO that is traded will have the benefit of Clearing House services. In order to facilitate the clearing of HuRLOs, Participants will be subject to the Authorized Purchase Limits imposed by the Participant's Clearing Member, transmitted by the Clearing House and implemented in the Platform. Each Participant's Clearing Member is financially responsible for the Participant's trades.

The clearing of HuRLOs exposes each Participant to the credit risk of the Clearing House and the Participant's Clearing Member. By entering into a HuRLO transaction, a Participant will not be subject to the direct credit risk of a counterparty. However, a Participant with a position will be subject to the risk of the bankruptcy of its Clearing Member or the Clearing House. In that event, the Participant might experience substantial delays in recovering amounts due to it from its Clearing Member or the Clearing House, and might never recover the full amount due.

The CEA requires FCMs and clearing houses to hold customer funds deposited in connection with futures and commodity option exchange trading in segregated

accounts. Such accounts are maintained separately from all other non-segregated customer accounts and all proprietary assets of the FCM or clearing house. The rules are designed to protect customers in the event of insolvency or financial instability of their FCM or clearing house. However, if another customer of the same FCM defaults, the clearing house may apply funds held in segregated accounts, which could expose non-defaulting customers of the FCM to risk of loss. Participants will be subject to these same risks.

**E. NO FIDUCIARY RESPONSIBILITIES**

Each Participant is responsible for making its own evaluations and decisions with respect to all Orders and HuRLOs. Without limitation of the foregoing, neither WRS nor the Exchange makes any representation whatsoever with respect to: (i) the suitability of any HuRLO transaction or the advisability of participating in the HuRLO Markets or entering into a derivative contract; (ii) whether a derivative contract will satisfy the trading or hedging objectives of a Participant; (iii) the appropriate tax or accounting treatment or consequences of HuRLOs; or (iv) the potential value or profitability of HuRLOs should they become subject to Automatic Exercise as such term is defined in the “HuRLOs: Definitions and Methodology” document. Participants should consult their own tax, financial or other advisors with respect to participating in HuRLO Markets or entering into HuRLO transactions.

**F. LIMITATION OF LIABILITY**

WRS, the Platform, the Exchange and the Clearing House, and where applicable, the Clearing Member, are subject to all the disclaimers and limitations contained in the Participation Agreement, and the Exchange Rules, including the HuRLO contract specifications.