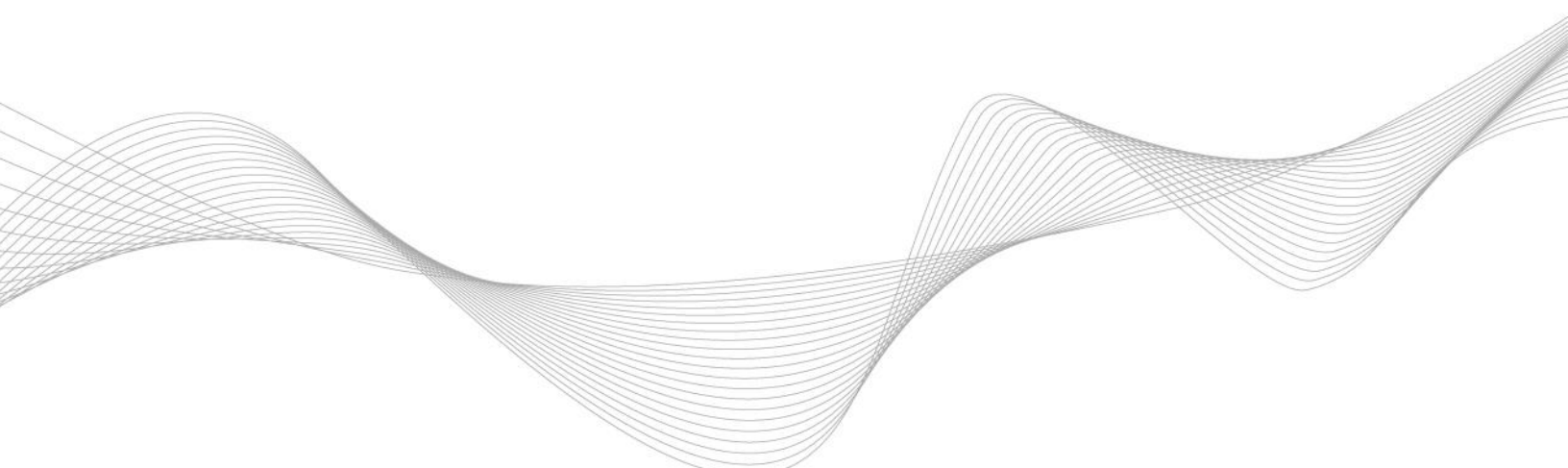




**Financial Market Reform Project
Position Paper:
PJM Authorities and Discretion to
Deny or Revoke Trading Rights**

August 2019



1 Purpose

The purpose of this position paper is to establish PJM's authority and discretion to deny membership or restrict activity when a Member or Applicant does not meet the established initial or ongoing membership or financial criteria.

2 Summary

In the GreenHat report, the consultants recommended that PJM build a customer awareness program that goes beyond market procedures and rules. Specifically, recommendation C3 specifies that explicit power should be provided for the rejection of a membership application should standards of good background and regulatory history not be met. Additionally, recommendation C3.1 suggests that an internal appeal mechanism should be created in order to address any claims of any undue discrimination swiftly, without unnecessarily involving the Federal Energy Regulatory Commission.

This paper describes the authority and discretion that will be used to deny membership or restrict activity when a Member or Applicant does not meet the established initial or ongoing membership or financial criteria. It should be considered along with the PJM position paper on *Due Diligence & Assessment Criteria Process* and the discussion paper on *Financial Criteria for Participation and Financial Surveillance Process*.

3 Authority to Deny Membership

PJM will use the information and criteria outlined in the *Due Diligence & Assessment Criteria Process* position paper and the *Financial Criteria for Participation and Financial Surveillance Process* discussion paper to make a determination to either approve or deny membership in the case of an Applicant or continue or terminate membership in the case of a Member. PJM may also recommend approval with restrictions that could limit a new or existing Member's participation in PJM.

PJM will consider the information submitted by the Applicant or Member and any additional information shared by the Applicant or Member with PJM when applying the criteria outlined in the *Due Diligence & Assessment Criteria Process* position paper and the *Financial Criteria for Participation and Financial Surveillance Process* discussion paper in its determination of membership status. PJM will establish a cross-divisional committee to review and approve membership applications and ongoing membership. This committee will comprise leaders from various areas of the organization, including Finance, Markets and Legal, and will be chaired by the Chief Risk Officer. This internal PJM committee will have the sole authority and discretion in evaluating the information and applying the criteria to determine the membership status of Applicants and existing Members.