

June 14, 2013

**VIA E-MAIL**

Ms. Melissa Jurgens  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, DC 20581

**RE: Regulation 40.6(a) Rule Certification. Board of Trade of Kansas City, Missouri, Inc.  
Submission # 13-229R: Revisions to KCBT Rules to Harmonize with CBOT Rules**

Dear Ms. Jurgens:

The Board of Trade of Kansas City, Missouri, Inc. ("KCBT") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that it is self-certifying this revision to Submission 13-229 to adopt revisions to Rule 507 ("Electronic Devices") and Rule 536.B. and H. ("Globex Order Entry" and "Retention of Records," respectively) from the text appearing in the original submission. The revisions are the result of a delay in adopting certain revised language in those rules by Chicago Mercantile Exchange Inc. ("CME"), The Board of Trade of the City of Chicago, Inc. ("CBOT"), New York Mercantile Exchange, Inc. ("NYMEX") and Commodity Exchange, Inc. ("COMEX"), as described in revised CME, CBOT, NYMEX and COMEX Submission 13-230R. As a result, KCBT will be adopting the current text of CME, CBOT, NYMEX and COMEX Rule 507 and Rule 536.B. and H. at this time.

The remainder of the revisions to the KCBT rules as set forth in original Submission 13-229 have not been changed.

The revisions will become effective on July 1, 2013.

The KCBT rule revisions are in connection with the July 1, 2013, migration of the KCBT trading floor from Kansas City, Missouri, to the CBOT trading floor in Chicago, Illinois. As a result of the relocation of pit trading, KCBT is adopting revisions to its rules to harmonize them to the greatest extent possible with the Rules of CBOT. Effective on July 1, 2013, open outcry trading of KCBT Wheat futures and options will take place in the same trading pits where CBOT Wheat futures and options trade. The revisions to KCBT Rules are intended to ensure that transactions in KCBT products are subject to the same rules as transactions in CBOT products, and will become effective on July 1, 2013.

The revisions to the KCBT Rulebook appear in Exhibit A. The following is a list of the significant changes:

- KCBT is adopting new definitions that are harmonized with the corresponding definitions in the CBOT Rulebook;
- References to the former KCBT trading floor have been modified to reference a trading arcade that will be available for former Class B Members and Permit Holders to trade CME Group products electronically;
- Rules relating to the disciplinary process formerly located in Chapter 14 ("Discipline") have been revised and harmonized with corresponding CBOT rules relating to the disciplinary process and have been relocated to new KCBT Chapter 4 ("Enforcement of Rules");

- Rules formerly located in Chapter 4 (“Admission to Board of Trade Floor”) have been eliminated and relocated in harmonized form to new KCBT Chapter 5 (“Trading Qualifications and Practices”);
- Rules relating to trading qualifications and practices formerly located in Chapter 11 (“Trading Practice Transactions Subject to Rules”) have been revised and harmonized with corresponding CBOT rules relating to trading qualifications and practices and have been relocated to new KCBT Chapter 5;
- Rules formerly located in KCBT Chapter 5 (“Miscellaneous”) have been eliminated;
- Rules concerning KCBT Customer and Permit Holder arbitration claims formerly located in Chapters 15 (“Customer Arbitration”) and 16 (“Permit Holder to Permit Holder Futures Arbitration”) have been eliminated, revised and relocated in harmonized form to new KCBT Chapter 6 (“Arbitration”);
- Rules formerly located in Chapter 11A (“Clearing House and Performance Bonds”) have been eliminated and relocated to new KCBT Chapter 8 (“Clearing House and Performance Bonds”);
- Rules formerly located in Chapter 9 (“Electronic Trading”) have been revised and relocated in harmonized form to new KCBT Chapter 5;
- New KCBT Chapter 9 (“Clearing Members”) does not contain any rules, rather it references Chapter 9 of the CME and CBOT Rulebooks concerning rules applicable to Clearing Members eligible to clear trades in KCBT products. This reference is appropriate given that KCBT trades may be cleared only by Clearing Member firms of CME and CBOT;
- Rules formerly located in Chapter 10 (“Commodity Exchange Act”) have been revised and relocated in harmonized form to rules in new KCBT Chapter 4 and 5; and
- As noted in Rule 2522.00 (“Option Daily Price Limits”), revisions to this Rule are pending approval pursuant to Commission Regulation 40.4(a) as set forth in KCBT Submission 13-180 from May 14, 2013. The proposed revisions in this Submission do not substantively affect the proposed revisions to Rule 2522.00 in Submission 13-180.

CME, CBOT, NYMEX and COMEX are adopting several revisions to their rules that are unrelated to the harmonization of the KCBT Rulebook, which are set forth in CME/CBOT/NYMEX/COMEX Submission 13-230R. As a result of those revisions, KCBT will be adopting harmonized versions of those rules concurrent with adopting the revisions resulting from Rulebook harmonization. Please see Submission 13-230R for a description of those revisions.

The Market Regulation Department and the Legal Department collectively reviewed the designated contract market core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“CEA” or the “Act”). During the review, we have identified that the revisions to the KCBT Rulebook as a result of harmonizing the rules with those of CBOT may have some bearing on the following Core Principles:

- Compliance with Rules: The revisions to the KCBT Rulebook concern, in part, the requirement under this Core Principle to establish rules regarding access requirements, the terms and conditions of KCBT contracts and rules prohibiting abusive trading practices. KCBT Rules are being harmonized with CBOT Rules based on the transition of the trading floor from Kansas City to Chicago and will result in substantially similar rules attendant to trading in KCBT products and CBOT products.
- Availability of General Information: In connection with the harmonization of the KCBT Rules, KCBT will publish and broadly disseminate Special Executive Report S-6713 to the marketplace providing notice of the upcoming revisions prior to their effective date.
- Protection of Market Participants: The harmonized KCBT Rules include rules related to the protection of market participants from abusive trading practices and rules which promote fair and equitable trading on the contract market. Given that these rules are harmonized with CBOT Rules that have previously been self-certified with the Commission, the revised KCBT Rules are in compliance with this Core Principle.
- Disciplinary Procedures: The disciplinary procedure rules in revised KCBT Chapter 4 (“Enforcement of Rules”) are harmonized with CBOT Rules that have previously been self-certified with the Commission. As such, the revised KCBT disciplinary procedure rules are in compliance with this Core Principle.
- Dispute Resolution: KCBT will be adopting arbitration rules harmonized with CBOT arbitration rules that have been previously self-certified with the Commission. As such, the revised KCBT arbitration rules are in compliance with this Core Principle.

- Conflicts of Interest: KCBT will be adopting conflict of interest rules harmonized with CBOT conflict of interest rules that have been previously self-certified with the Commission. As such, the revised KCBT conflict of interest rules are in compliance with this Core Principle.

KCBT certifies that the revisions to its Rules comply with the Act and regulations thereunder and are set forth in Exhibit A, with additions underscored and deletions overstruck. There were no substantive opposing views to this proposal.

KCBT certifies that this submission has been concurrently posted on the Exchange's website at [http://www.kcbt.com/KCBT\\_pending\\_certif.html](http://www.kcbt.com/KCBT_pending_certif.html)

If you have any questions regarding this submission, please contact Robert Sniegowski, Market Regulation, at 312.341.5991 or via email at [Robert.Sniegowski@cmegroup.com](mailto:Robert.Sniegowski@cmegroup.com). Alternatively, you may contact me at 212.299.2200 or via email at [Christopher.Bowen@cmegroup.com](mailto:Christopher.Bowen@cmegroup.com). Please reference KCBT Submission 13-229R in any related correspondence.

Sincerely,

/s/ Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachment: Exhibit A – Revisions to KCBT Rulebook

## **Exhibit A – Revision to KCBT Rulebook**

### **DEFINITIONS**

#### **ACT OR CEA**

The term “Act” or “CEA” shall mean the Commodity Exchange Act, as amended from time to time.

#### **BOARD**

The Board of Directors of the Exchange or any other body acting in lieu of and with the authority of the Board.

#### **BROKERAGE**

The fee paid to an agent to facilitate the execution of orders.

#### **BUSINESS DAY**

In a given commodity, any day on which a settlement price is determined.

#### **BY-LAWS**

The By-Laws of the Exchange currently in effect as may be amended from time to time, unless otherwise specified.

#### **CASH COMMODITY**

The actual physical commodity or financial instrument as distinguished from the futures contract that is based on the physical commodity or financial instrument. Also referred to as “spot commodity.”

#### **CBOT**

The Board of Trade of the City of Chicago, Inc.

#### **CERTIFICATE OF INCORPORATION**

The Certificate of Incorporation of the Exchange currently in effect as may be amended from time to time, unless otherwise specified.

#### **CFTC OR COMMISSION**

The U.S. Commodity Futures Trading Commission.

#### **CHAIRMAN**

The Chairman of the Board of Directors, or one acting in lieu of and with the authority of the Chairman of the Board.

#### **CHIEF EXECUTIVE OFFICER OR CEO**

The Chief Executive Officer of the Exchange or one duly authorized to act in lieu of and with the authority of the Chief Executive Officer.

#### **CLEARED OTC DERIVATIVES CUSTOMER SEQUESTERED ACCOUNT**

An account in which Funds of Cleared OTC Derivatives positions Customers (or investments thereof) (and the money, securities and/or other property margining, guaranteeing or securing such positions) of Cleared OTC Derivatives Customers are held; Provided, however, That, for purposes of CME Rules, the term Cleared OTC Derivatives Customer Sequestered Account shall not include an account in which positions in cleared OTC derivatives (or the money, securities and/or other property margining, guaranteeing or securing such derivatives) are, pursuant to a CFTC order, commingled with positions and funds held in segregated accounts maintained in accordance with Section 4d of the CEA.

### **CLEARED OTC DERIVATIVES CUSTOMERS**

Customers of a futures commission merchant with positions in cleared OTC derivatives, as that term is defined in CFTC Regulation 190.01(o); Provided however, That a customer is only a Cleared OTC Derivatives Customer with respect to its positions in cleared OTC derivatives, as that term is defined in CFTC Regulation 190.01(o); Provided, further, That, for purposes of CME Rules, the term Cleared OTC Derivatives Customers shall not include customers whose only cleared OTC derivatives positions (and whose money, securities and/or other property margining, guaranteeing or securing such derivatives) are, pursuant to a CFTC order, commingled with positions and funds held in segregated accounts maintained in accordance with Section 4d of the CEA.

### **CLEARING HOUSE**

The CME Clearing House, also referred to as CME Clearing, a division of CME.

### **CLEARING MEMBER**

A firm meeting the requirements of, and approved for, Clearing Membership at the CME or CBOT. The term "Clearing Member" as used in the Rules shall include all Clearing Member categories set forth in CME and CBOT Rule 900, unless otherwise specified.

### **CLOSING RANGE**

The high and low prices, inclusive of bids and offers, recorded during the time period designated by the Exchange as the close of pit trading in a particular contract.

### **CME**

Chicago Mercantile Exchange Inc.

### **CME GROUP INC.**

CME Group or CME Group Inc. is a holding company and the parent of CME, CBOT, NYMEX and KCBT.

### **COMBINATION ORDER/SPREAD ORDER**

A combination of buy and/or sell orders for the same account, except as provided by Rule 527, at the market, at a fixed differential or by some other appropriate pricing convention. Also referred to as a spread order.

### **COMMODITY**

Any product approved and designated by the Board for trading or clearing pursuant to the rules of the Exchange.

### **CONTRACT**

Depending on the context in which it is used, a term of reference describing either a unit of trading in a particular futures, options or cleared product or a product approved and designated by the Board for trading or clearing pursuant to the rules of the Exchange.

### **DELIVERY MONTH**

Unless otherwise specified in the rules, the designated period of time during which delivery intents may be tendered or deliveries may be completed.

### **DISCIPLINARY OFFENSE**

Any offense as set forth in Rule 300.E.

### **ELECTRONIC DEVICE**

Any type of voice or data communications interface, including but not limited to a computer, headset, trading device, microphone, telephone or camera.

## **EMERGENCY**

Any occurrence or circumstance which, in the opinion of the Exchange, requires immediate action and threatens or may threaten fair and orderly trading, clearing, delivery or liquidation of any contracts on the Exchange. Occurrences and circumstances which the Exchange may deem emergencies are set forth in the Rules.

## **EXECUTIVE OFFICER**

~~Any person elected by the board of directors of a corporation to a position established pursuant to and having duties prescribed by the charter or by laws of the corporation and which duties pertain to the management of the corporation, or any division thereof~~

## **EXCHANGE OF OPTIONS FOR OPTIONS (EOO) TRADE**

A privately negotiated and simultaneous exchange of an Exchange option position for a corresponding OTC option position or other OTC instrument with similar characteristics. An EOO is one type of an authorized Exchange for Related Position (EFRP) trade governed by Rule 538.

## **EXCHANGE FOR PHYSICAL (EFP) TRADE**

A privately negotiated and simultaneous exchange of an Exchange futures position for a corresponding cash position. An EFP is one type of an authorized Exchange for Related Position (EFRP) trade governed by Rule 538.

## **EXCHANGE FOR RISK (EFR) TRADE**

A privately negotiated and simultaneous exchange of an Exchange futures position for a corresponding OTC swap or other OTC instrument. An EFR is one type of an authorized Exchange for Related Position (EFRP) trade governed by Rule 538.

## **EXCHANGE**

The Board of Trade of Kansas City, Missouri, Inc.

## **EXCHANGE OFFICIAL**

An employee or member designated by the Exchange to perform or execute certain acts.

## **EXERCISE PRICE**

The terms "exercise price", "strike price" and "striking price" shall be synonymous and mean the price at which the futures contract underlying the options contract will be assigned upon exercise of the option. For options contracts which are exercised into multiple futures contracts, the exercise price represents the spread price differential between the futures contracts.

## **EXPIRATION DATE**

The term "expiration date" shall mean the last day on which an options contract may be exercised.

## **FIRM**

The term "firm" shall mean a corporation, partnership, association, sole proprietorship or other eligible entity.

## **FLOOR**

Except as otherwise provided by the Exchange, the term "Floor" shall mean any trading floor on which Exchange contracts are listed for open outcry trading.

## **FLOOR BROKER**

An individual who executes orders on the Floor of the exchange for any other person and who is registered as a floor broker under the CEA.

### **FLOOR TRADER**

An Exchange Permit Holder who trades for his own account on the Floor of the Exchange and who is registered as a floor trader under the CEA.

### **FOLLOWING DAY (OR OTHER SIMILAR EXPRESSION)**

The following, or subsequent, business day.

### **FORCE MAJEURE**

Any circumstance (including but not limited to an act of God, strike, lockout, blockage, embargo, governmental action or terrorist activity) which is beyond the control of the buyer or seller and precludes either party from making or taking delivery of product or precludes the Exchange from determining a final settlement as provided for in Exchange Rules.

### **FUNDS OF CLEARED OTC DERIVATIVES CUSTOMERS**

The money, securities, and/or other property received by a futures commission merchant from, for, or on behalf of Cleared OTC Derivatives Customers, to margin, guarantee, or secure their cleared OTC derivatives and all money accruing to such customers as a result of such contracts, and, in the case of cleared OTC derivatives options, to be used as a premium for the purchase of such option by the customer or as a premium payable to the customer or to guarantee or secure the performance of such option by the customer or representing accruals for such options to the customer (including the market value of such options purchased by the customer and for which the customer has paid full value).

### **FUTURES COMMISSION MERCHANT OR FCM**

A futures commission merchant as defined under the provisions of the Commodity Exchange Act, as amended.

### **FUTURES CONTRACT**

A legally binding agreement to buy or sell a commodity or financial instrument at a later date pursuant to the Rules of the Exchange. Futures contracts are normally standardized according to the quality, quantity, delivery period and location for each commodity, with price as the only variable.

### **GLOBALX®**

Globex refers to CME Globex, an electronic trading platform.

### **GLOBALX TERMINAL OPERATOR**

Globex terminal operator refers to 1) any person who physically enters orders into Globex or 2) any automated trading system which enters orders into Globex, either directly or through an automated order routing system or independent software vendor. All Globex terminal operators must be identified to the Exchange in accordance with the provisions of Rule 576 (Identification of Globex Terminal Operators).

### **GLOBALX TRADING HOURS**

Those hours designated by the Board of Directors for trading particular contracts on Globex.

### **GUARANTY FUND DEPOSIT**

The amount required to be deposited with the Clearing House by the Clearing Member as a guaranty of its obligations to the Clearing House.

### **HOLIDAY**

Any day declared to be a holiday by these rules or by a resolution of the Board on which the Exchange is closed. When any such holiday falls on Sunday, the following Monday shall be considered such holiday. When any such holiday falls on Saturday, the immediately preceding Friday shall be considered such holiday.

### **INITIAL PERFORMANCE BOND**

Generally, a factored amount over the maintenance performance bond requirement calculated by the SPAN® performance bond system.

### **INTRODUCING BROKER OR IB**

A firm or individual that solicits and accepts orders to buy or sell futures or options on futures contracts from customers but does not accept money or other assets from such customers. An IB must be registered with the CFTC.

### **INVESTIGATIVE AND HEARING COMMITTEES**

The investigative and hearing committees of the Exchange are the Business Conduct Committee, the Clearing House Risk Committee, the Floor Conduct Committee, the Probable Cause Committee, Hearing Panels of the Board of Directors and such other committees created for this purpose by the Board.

### **KCBT**

The Board of Trade of Kansas City Missouri, Inc.

### **LESSEE**

The term “Lessee” shall mean an individual who leases a Trading Permit from the owner thereof pursuant to the Rules.

### **LESSOR**

The term “Lessor” shall mean an individual who leases a Trading Permit of which he is the owner.

### **MAINTENANCE PERFORMANCE BOND**

The minimum amount of performance bond equity required to be maintained in an account. The maintenance performance bond requirement is the actual risk performance bond calculated by the SPAN® performance bond system.

### **NATIONAL FUTURES ASSOCIATION OR NFA**

The National Futures Association. NFA is an independent self-regulatory organization for the U.S. futures industry with no ties to any specific marketplace.

### **NON-PERMIT HOLDER**

Unless otherwise specified in the rules, any Person who is not a Permit Holder of the Exchange or any firm that is not represented by a duly qualified Permit Holder.

### **NOTICE**

Except as otherwise specifically provided, a notice in writing emailed to or personally served upon the person to be notified, left at his usual place of business during business hours or mailed by U.S. First Class Mail, Certified Mail, Registered Mail or by overnight delivery to his last known place of business or residence.

### **OMNIBUS ACCOUNT**

An account of one Futures Commission Merchant (FCM), the originating FCM, which resides on the books of another FCM (the carrying FCM), in which the transactions of two or more persons are combined and carried in the name of the originating FCM rather than in the name of the individual customers.

### **ORDER TYPES**

Note that not all order types are eligible for execution in a trading pit on Globex and through open outcry. Additionally, order types eligible for both venues may have different meanings depending on whether the order is to be executed in a trading pit via open outcry or through Globex.

Open Outcry Order Types

**DISREGARD TAPE (DRT) or NOT-HELD ORDER**

Absent any restrictions, a "DRT" (Not-Held Order) means any order giving a person complete discretion over price and time in execution of the order, including discretion to execute all, some, or none of the order. A member or Clearing Member shall not accept an order containing the phrase "with a tick, you are held" (or similar such language). It is understood that a floor broker may trade for his own account while holding such an order without violating Rule 530 ("Priority of Customers' Orders") provided the customer has previously consented in writing and evidence of such general consent is indicated on the order with the "WP" (with permission) designation.

#### **ENTER OPEN STOP (EOS) ORDER**

An instruction to the clearing firm to enter a stop order after execution of a previous order has been achieved.

#### **FILL OR KILL (FOK) ORDER**

A designation, added to an order, instructing the broker to fill the order immediately in its entirety or not all. If the order is not filled immediately in its entirety, it is cancelled.

#### **LIMIT ORDER**

An order with instructions to be executed at a specific price ("limit price") or better.

#### **MARKET (MKT) ORDER**

An order with instructions to be executed upon receipt by a floor broker at the best available price.

#### **MARKET IF TOUCHED (MIT) ORDER**

A sell (buy) order placed above (below) the market which becomes a market order when the designated price is touched.

#### **MARKET ON CLOSE**

An order to be executed only in the closing range.

#### **ONE-CANCELS-OTHER (OCO) ORDER**

A combination of two orders, in which the execution of either one automatically cancels the other.

#### **OPEN ORDER (GOOD-TILL-CANCELLED)**

An order which remains in force until cancelled. Without such designation, all unfilled orders are cancelled at the end of the Regular Trading Hours Session.

#### **OPENING ONLY ORDER**

An order that is to be executed during the time period designated by the Exchange as the Regular Trading Hours session opening range time period. Any remaining unfilled quantity not executed during the time period designated as the opening range will be deemed cancelled.

#### **STOP ORDER**

An order which becomes a market order when the price designated on the order (the "Stop Price") is elected as described below.

A "Buy Stop" order is placed above the market, and is elected only when the market trades at or above, or is bid at or above, the Stop Price. A "Sell Stop" order is placed below the market, and is elected only when the market trades at or below, or is offered at or below, the Stop Price.

#### **STOP-CLOSE ONLY ORDER**

A stop order which is in effect only during the closing range. It becomes a market order if, during the closing range, the market: (1) in the case of a Buy Stop-Close Only order, trades at or above, or is bid at or above the Stop Price; or (2) in the case of a Sell Stop-Close Only order, trades at or below, or is offered at or below the Stop Price.

#### **STOP LIMIT ORDER**

A stop order which becomes executable at its limit price or better, when and if the market: (1) in the case of a Buy Stop Limit order, trades at or above, or is bid at or above the Stop Price; or (2) in the case of a Sell Stop Limit order, trades at or below, or is offered at or below the Stop Price.

#### **Globex Order Types**

The availability of specific Globex Order Types is dependent on the product, and not all Order Types are available for all products. Supported Order Types by Product are set forth in the Globex Reference Guide (<http://www.cmegroup.com/globex/files/GlobexRefGd.pdf>)

#### **COMBINATION ORDER**

A combination of buy and/or sell orders for the same account or accounts with the same ownership, except as provided by Rule 527, at a fixed differential or by some other appropriate pricing convention.

### **HIDDEN QUANTITY ORDER**

An order which displays only a portion of the order to the marketplace. When the displayed quantity has been filled, another portion of the order will then be displayed to the marketplace.

### **LIMIT ORDER**

An order to be executed at a specific price ("limit price") or better.

### **MARKET WITH PROTECTION ORDER**

An order to execute as much of order as possible at the best current offer price (for buy orders) or bid price (for sell orders) within a range of prices predefined by the Exchange (the protected range). Any quantity which cannot be filled within the protected range will remain in the order book as a limit order at the limit of the protected range.

### **MINIMUM QUANTITY ORDER**

An order which is executed only if a certain minimum quantity of that order can be immediately matched. Any unfilled balance will remain in the book as a limit order at the specified price.

### **STOP LIMIT ORDER**

An order which becomes eligible for execution at its limit price or better when the market trades at or above the stop price in the case of a buy stop limit order or at or below the stop price in the case of a sell stop limit order.

### **STOP WITH PROTECTION ORDER**

An order which becomes eligible for execution when the designated price (the stop price) is traded on Globex. Such orders are filled only within a range of prices predefined by the Exchange (the protected range). When the stop price is triggered, the order enters the order book as a limit order with the limit price equal to the trigger price plus or minus the predefined protected range. Any quantity which cannot be filled within the protected range will remain in the order book as a limit order at the limit price.

### **Globex Order Duration Qualifiers**

An order eligible to be entered into Globex that does not contain a duration qualifier will be cancelled if not filled during the Trading Day in which it was received or, if it was received between Trading Days, during the next Trading Day. An order may specify one of the following duration qualifiers:

### **DAY**

An order that will be canceled if not filled by the conclusion of the Globex trade date for which it was entered.

### **FILL AND KILL**

An order immediately filled in whole or in part at the specified price, with any remaining quantity canceled.

### **GOOD 'TILL CANCELED (GTC)**

An order which will remain in force until executed, cancelled or the contract expires.

### **GOOD 'TILL DATE (GTD)**

An order which will remain in force through a specified trade date unless executed or canceled, or until the contract expires.

## **PANEL**

A subcommittee selected in accordance with committee procedure to adjudicate or make a particular determination. A decision of a panel shall be deemed a decision of the committee.

## **PANELIST**

An individual appointed to an Exchange committee who is entitled to participate in a decision on any matter under consideration by the committee or panel thereof.

## **PERFORMANCE BOND**

The minimum amount of funds that must be deposited as a performance bond by 1) an account holder with his FCM, 2) a non-clearing FCM with a Clearing Member or 3) a Clearing Member with the Clearing House.

## **PERFORMANCE BOND EQUITY**

An account's net liquidating equity plus the collateral value of acceptable performance bond deposits.

**PERMIT HOLDER**

An individual who owns a Trading Permit on the Exchange in his own individual name or who leases a Trading Permit in accordance with the Rules and has been qualified for Permit Holder status in accordance with Rules and/or any partnership, corporation, limited liability company, sole proprietorship or other entity to which Exchange privileges have been conferred by a Permit Holder who is affiliated with such firm accordance with the Rules (also referred to as "Permit Holder firms").

**PERSON**

It shall include the singular or plural, and individuals, associations, partnerships, corporations and trusts.

**PRESIDENT**

The president of the Exchange, or one duly authorized to act in lieu of and with the authority of the President.

**PRESIDENT OF THE CLEARING HOUSE**

The President of the Clearing House, or one duly authorized to act in lieu of and with the authority of the President of the Clearing House.

**REGISTERED USER**

Any person accessing the Electronic Trading System for purposes of trading Exchange contracts in accordance with the Rules.

**REGULAR TRADING HOURS (RTH)**

Those hours designated for open outcry trading of the relevant product as determined from time to time.

**REQUEST FOR QUOTE**

An electronic message disseminated on Globex for the purpose of soliciting bids or offers for specific contract(s) or combinations of contracts.

**RULES**

The Certificate of Incorporation, By-Laws, rules, interpretations, orders, resolutions, advisories, notices, manuals and similar directives of the Exchange, and all amendments thereto. The trading and clearing of all Exchange contracts shall be subject to the Rules.

**SETTLEMENT PRICE**

The official daily closing price of futures and options on futures contracts, as determined in accordance with Rule 813, used by the Clearing House for marking all open positions at the close of the daily settlement cycle.

**SETTLEMENT VARIATION**

The change in dollar amount calculated by the Clearing House for Clearing Members figured to the daily settlement price on the basis of their positions.

**SPOT**

The actual physical commodity as distinguished from the futures contract that is based on the physical commodity. Also referred to as "cash commodity."

**TRADE**

The term "trade" shall mean any purchase or sale of any commodity futures or options contract made on the Exchange.

**TRADING DAY**

A trading day shall mean the hours of trading as determined by the board for each contract starting with the opening of trading and ending with the close of trading for such contract.

**TRADING SESSION**

A trading session will mean either the pit trading session (the hours designated for open outcry trading for a product) and/or the Globex session (the hours on a particular trading day when a product can be traded on Globex).

**TRADING PERMIT**

The right to Exchange privileges granted pursuant to the Rules.

(End Definitions)



CHAPTER 1  
TRADING PERMITS

100.00 PERSONAL PRIVILEGE

100.01 PERMIT HOLDER RIGHTS

100.02 FORMER CLASS B MEMBERS

101.00 PERMIT HOLDER PRIVILEGES

102.00 RESPONSIBILITY OF PERMIT HOLDERS

103.00 OBLIGATIONS OF PERMIT HOLDERS

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105.00 TERM

106.00 QUALIFICATIONS AND RESPONSIBILITIES

110.00 PERMIT HOLDER PRIVILEGES TO FIRMS, PARTNERSHIPS, AND CORPORATIONS; REGISTRATION

112.00 REPRESENTATION REGISTRATION

112.01 PERMIT HOLDER REPRESENTATION – QUALIFIED CATEGORIES

114.00 MAY NOT REPRESENT TWO FIRMS

122.00 CHANGE IN STATUS; UNAPPROVED PARTNERS OR CORPORATIONS

123.00 COMPLIANCE WITH THE COMMODITY EXCHANGE ACT

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132.00 MISREPRESENTATION BY APPLICANT

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187.00 EXPULSION OR INELIGIBILITY FOR REINSTATEMENT

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195.00 MARKET MAKER PROGRAMS

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## CHAPTER 1 TRADING PERMITS

### ~~Privileges and Obligations~~

#### 100.00 PERSONAL PRIVILEGE

Trading Permits are a personal privilege not subject to transfer or sale; provided Trading Permits may be subject to lease in accordance with the Rules.

#### 100.01 PERMIT HOLDER RIGHTS

A Permit Holder is eligible to engage in activities as set out in the Rules.

#### 100.02 FORMER CLASS B MEMBERS

Until the earlier of the death of the former Class B Member ~~or the date on which the Exchange no longer maintains a trading arcade and the date on which the exchange no longer maintains open-outcry trading on the trading floor~~ in Kansas City, Missouri, Holders of Class B memberships in the Exchange as of November 30, 2014<sup>2</sup> ("Former Class B Members") will be provided admission to the trading ~~arcade~~~~floor without Exchange trading privileges~~ subject to the provisions of these Rules. Access to the ~~trading arcade~~~~floor~~ by Former Class B Members is a personal privilege not subject to transfer or sale.

#### 101.00 ~~Admission.~~PERMIT HOLDER PRIVILEGES

~~Permit Holders shall be entitled to admission to the rooms of the Exchange as long as they remain a Permit Holder, and no longer, and subject to the restrictions set forth in the Rules.~~

Permit Holders are entitled to certain privileges including the right:

- a. To access the trading arcade in Kansas City, Missouri;
- b. To access the trading floor if properly qualified by a clearing member;
- c. To act as a floor broker and/or floor trader in accordance with the requirements of Chapter 5; and
- d. To receive preferential transaction fee rates in accordance with Exchange requirements.

#### 102.00 RESPONSIBILITY OF PERMIT HOLDERS

Any Person who has been issued a Trading Permit shall become and be subject to all the provisions of the Rules and by continuing to utilize such Trading Permit, agrees to abide by and comply with the Rules.

#### ~~102.01 Claims by Permit Holders.~~[MOVED TO RULE 440]

~~A Permit Holder who commences a legal action against the Exchange, its directors, officers, employees, or agents, or another Permit Holder of the Exchange without first resorting to and exhausting the procedures established by the mandatory arbitration provisions of Chapter 16, or any other Rules relating to settlement of disputes arising out of transactions or matters pertaining to the Exchange shall be deemed to have committed an act detrimental to the interest or welfare of the Exchange. This Rule shall not abrogate an individual's right to reparations pursuant to Section 14 of the Commodity Exchange Act.~~

~~A Permit Holder who commences a legal action against the Exchange, its directors, officers, employees, or agents, after he has exhausted all of the procedures established by the Exchange, may be found to have committed an act detrimental to the interest or welfare of the Exchange in the event that at hearing the Board of the BCC determines that the Permit Holder's action was not meritorious or warranted.~~

#### 103.00 OBLIGATIONS OF PERMIT HOLDERS

Every Permit Holder of the Exchange shall promptly and faithfully comply with and fulfill all business obligations, whether with other Permit Holders or with other parties, and shall equitably and satisfactorily adjust and settle the same.

#### 104.00 FIRMS REPRESENTED BY PERMIT HOLDERS

All provisions of the Rules shall apply to firms and corporations represented by a Permit Holder in the Exchange, and each Permit Holder of the Exchange who is a Permit Holder of a partnership, or an officer, director, or stockholder of a corporation, shall be responsible for the acts, default, or misconduct of such firm or corporation the same as though

committed by the Permit Holder. The Permit Holder shall be subject to the payment of such claims, fines, suspensions, expulsions, and penalties for the acts, default, or misconduct of the firm or corporation, as it would be for the Permit Holder's individual acts.

#### **105.00 TERM**

All Trading Permits shall expire and all rights attendant to such Trading Permits shall terminate upon the earlier of the death of the Permit Holder and November 30, 2012~~4~~, or such later date as may be determined by the Board.

In the case of the death of a Permit Holder who is registered as representing a firm under Rule 110, the Trading Permit rights may be transferred to another partner or executive of the firm upon their approval under these Rules as a Permit Holder.

#### **106.00 QUALIFICATIONS, AND RESPONSIBILITIES**

~~Any person of good moral character, reputation and business integrity, and financial resources and credit, and of legal age, is eligible to become a Permit Holder in accordance with the Rules.~~

Any adult of good moral character, reputation and business integrity, with adequate financial resources and credit to assume the responsibilities and privileges of a Permit Holder is eligible to apply for Permit Holder status in the Exchange. A determination as to whether an applicant for Permit Holder status or an applicant for an incentive program offered by the KCBT satisfies the Exchange requirements shall be made by the Permit Holder Committee or by staff in the applicable department. A person approved as a Permit Holder and an individual or entity approved for an incentive program shall be subject to all Exchange Rules. Notwithstanding a transfer of a Trading Permit, a person shall continue to be responsible for violations of Exchange Rules committed by him while he was a Permit Holder and also agrees to have any disputes, which arose while he was a Permit Holder and which relate to or arise out of any transaction upon the Exchange or Permit Holder status in the Exchange, resolved in accordance with Exchange Rules.

#### ~~Representation~~

#### **110.00 PERMIT HOLDER PRIVILEGES TO FIRMS, PARTNERSHIPS, AND CORPORATIONS; REGISTRATION**

No firm, partnership, or corporation shall be permitted the privileges of trading accorded to Permit Holders of the Exchange unless one (1) of the general partners, or an executive officer of the corporation, has been approved as a Permit Holder in good standing and is registered as representing such firm's, partnership's, or corporation's activities on the Exchange, satisfactory to Exchange staff. Certification of the foregoing authority shall accompany the application of the executive officer applying for Permit Holder status and shall be deemed to be continuously in full force and effect until notice to the contrary has been duly filed with Exchange staff.

#### ~~111.02 Not bona fide.~~

~~If any corporation, partnership or firm shall, upon investigation, be found not to be represented by a real, bona fide, and responsible executive officer, or if it shall be found as to any Permit Holder that the position of executive officer has been created by the corporation represented solely for the purpose of obtaining Exchange privileges for such corporation, such Permit Holder's right to use the name of the corporation as the principal on any trade or contract shall immediately cease.~~

#### **112.00 REPRESENTATION REGISTRATION**

Every Permit Holder shall register with Exchange staff the name of the person, partnership, corporation or firm such Permit Holder represents. Such representation shall not be changed to any other person, partnership, or corporation except upon application made to and with the approval of Exchange staff.

#### **112.01 PERMIT HOLDER REPRESENTATION – QUALIFIED CATEGORIES**

Representations registered with the Exchange pursuant to Rule 112.00 are limited to the following qualified categories:

1. Individual – A Permit Holder may only register as representing themselves as an individual if such Permit Holder owns the Trading Permit or is a bona fide Lessee pursuant to Rule 199.00.
2. Owner – A Permit Holder may register as representing an entity if such Permit Holder has a significant bona fide ownership interest or controlling authority in the entity, satisfactory to Exchange staff.

3. Employee – A Permit Holder may register as representing an entity if such Permit Holder is a bona fide employee of the entity.

If any Permit Holder shall, upon investigation, be found not to be a bona fide owner or employee of the entity such Permit Holder is registered with the Exchange as representing, such Permit Holder's rights and privileges as a Permit Holder shall immediately cease.

#### **114.00 MAY NOT REPRESENT TWO FIRMS**

No Permit Holder may represent more than one (1) partnership, corporation or firm for the purpose of giving more than one entity Permit Holder privileges.

~~Limitations.~~

~~120.00 [Reserved]~~

#### **122.00 CHANGE IN STATUS; UNAPPROVED PARTNERS OR CORPORATIONS**

Whenever it shall appear that any Permit Holder has formed a partnership with one (1) or more persons who are not Permit Holders, or has become an officer of a corporation that was not previously represented by Permit Holder, and that thereby the interest and good repute of the Exchange may suffer, the Business Conduct Committee may, after an investigation of the facts in the case, require the Permit Holder to withdraw from such partnership or corporation, and if the Permit Holder fails to do so within a reasonable time to be fixed by the Business Conduct Committee, such Permit Holder shall be suspended from all privileges of the Exchange until the Permit Holder shall have severed their connection with such partnership or corporation.

~~Approval for Permit Holder~~

#### **123.00 COMPLIANCE WITH THE COMMODITY EXCHANGE ACT**

All Permit Holders of the Exchange shall comply with the provisions of the Commodity Exchange Act and the rules and regulations duly issued pursuant thereto by the CFTC, including the filing of reports, maintenance of books and records, and permitting inspection and visitation by duly authorized representatives of the CFTC.

#### **124.00 VIOLATIONS OF COMMODITY EXCHANGE ACT**

Within a reasonable time following the receipt of final notice under Section 6(c) of the Commodity Exchange Act from the CFTC that any person has been found guilty of violating the provisions of the Commodity Exchange Act, Exchange staff shall take the necessary action to effectuate the order of the CFTC, as applicable, and shall report such action to the Board.

#### **127.00 TRADING AND SOLICITATION PRIVILEGES**

A Permit Holder shall have the right, subject to the rules of the Exchange, to solicit customer business and to trade as principal and as broker for others by open outcry only with respect to KCBT products. In order to solicit customer business, the member must have proper industry registration. All solicitations must take place from the trading floor or the premises of an entity registered to conduct customer business. Solicitations occurring from the premises of an entity registered to conduct customer business must be on behalf of the entity or one of its properly registered affiliates and such entity or affiliate must be an NFA member if required by NFA rules.

#### **130.00 APPROVAL PROCEDURE**

An applicant may be approved by Exchange staff as a Permit Holder after notice of such application has been posted on the bulletin board of the Exchange, and after submitting, if requested, to a personal examination, as to such applicant's personal, moral, and financial responsibility. An applicant not approved for Permit Holder status by Exchange staff shall be referred to a subpanel of the Permit Holder Committee for approval. The subpanel shall consist of at least two committee members and a chairman, who shall have a vote. A unanimous vote of the subpanel is required for approval of the applicant. An applicant not approved by the subpanel shall be afforded the opportunity to appear with counsel before the full Permit Holder Committee for review. The Permit Holder Committee shall decide, by majority vote, whether the applicant is qualified to be a Permit Holder.

The decision of the Permit Holder Committee shall be final. An applicant rejected by the Permit Holder Committee may be reconsidered for Permit Holder status if new or additional information is subsequently brought to the attention

of the Permit Holder Committee. ~~A Trading Permit application not approved is an "access denial" subject to CFTC review, and the notice provisions of Chapter 14 apply thereto.~~

#### ~~131.00 [Reserved].~~

#### **132.00 MISREPRESENTATION BY APPLICANT**

If any applicant shall intentionally or willfully misstate or suppress any material fact or be guilty of any other fraudulent or dishonest act to secure approval as a Permit Holder, and thereafter and thereby becomes a Permit Holder, such fact shall be immediately reported to Exchange staff for investigation. Such matters shall be handled as a Rule violation.

#### **140.06 APPLICATION FOR PERMIT HOLDER STATUS — FAILURE TO OBTAIN PERMIT HOLDER STATUS**

A Lessee, if he does not already have Permit Holder status, shall apply for Permit Holder status within five (5) business days after obtaining the lease for the Trading Permit. The Lessee shall properly complete an application for Permit Holder status and file the same with Exchange staff. If the applicant is denied Permit Holder status, or if for any reason his application is withdrawn, the Exchange shall retain the transfer fee and the Trading Permit lease will be cancelled and the Trading Permit reinstated to the Lessor.

#### **187.00 EXPULSION OR INELIGIBILITY FOR REINSTATEMENT**

When a Permit Holder is expelled or becomes ineligible for reinstatement, the Permit Holder shall be deemed to have surrendered his Trading Permit, and all rights, privileges, if any, pertaining thereto and resulting therefrom, and all privileges, if any, in said Trading Permit shall be thereby terminated.

#### ~~REINSTATEMENT~~

#### **192.00 APPLICATION FOR REINSTATEMENT**

When a Permit Holder has been suspended under the Rules, such Permit Holder shall not be readmitted to the privileges of the Exchange until all outstanding claims with all of such Permit Holder's creditors, including all obligations owed the Exchange, have been adjusted and satisfactorily settled. All such applications for reinstatement shall be made in writing and shall include a list of such Permit Holder's creditors, a statement of the amounts originally owing, and the nature of the settlement in each case.

All such applications shall be filed with Exchange staff, who shall timely post notice thereof on the bulletin board. If the applicant furnishes satisfactory proof of settlement with all creditors and if no objections to reinstatement are made, the application may be approved by Exchange staff pursuant to Rule 130.

#### **195.00 MARKET MAKER PROGRAMS**

Exchange staff shall approve the implementation of market maker programs, pursuant to which market makers would be authorized to maintain two-sided markets in those products designated by the Exchange. With the exception of allowable privately negotiated transactions, an individual responsible for performing the duties of a market maker pursuant to this Rule may not accept, hold or in any manner have possession or non-public knowledge of orders for any other person, including knowledge of customer orders, in the same or a related market. All contract months in the product and any related futures or options contracts, in addition to any corresponding mini-sized futures or options contracts, shall be considered to be the same or a related market for purposes of this Rule.

To the extent that the terms of any such market maker program may be in conflict with any Rules of the Exchange, such terms shall supersede such Rules. Nothing in this Rule shall alter or waive a Permit Holder's responsibility to comply with provisions of the Commodity Exchange Act or Rules or Regulations of the Commodity Futures Trading Commission unless exempted by the Commission.

#### **199.00 TRADING PERMIT LEASE**

The rights and privileges of a Trading Permit may be leased to an individual (a "Lessee") upon the following terms and conditions:

a. The Lessee shall be approved by Exchange staff or the Permit Holder Committee under the standards of Rule 106.00, and shall sign a written agreement to observe and be bound by the Rules, and all amendments subsequently made thereto.

b. The lease agreement, any amendment thereto, and any termination, revocation, or renewal thereof, shall be in writing in such form as the Exchange may prescribe, and a copy thereof shall be filed by the Permit Holder with the Exchange as a pre-condition to its effectiveness: provided, however, the lease agreement shall be automatically null and void upon the happening of any of the following events:

(1) Loss of any of the qualifications for entering into a lease agreement, such as expulsion of the Lessor or the Lessee; or

(2) Bankruptcy of the Lessee.

c. Floor Access of Lessor Permit Holders — A Lessor shall not have physical access to the floor of the Exchange during the effective period of such lease.

d. Rights of Owner After Lease— Notwithstanding other provisions of this rule, a Lessor shall continue to have all of the obligations as provided in Rules, but during the time of such lease, the rights and privileges of the Lessor:

(1) The Lessor shall not have physical access to the floor of the Exchange, during the effective period of such lease except that said Lessor may nonetheless thereafter enter on the trading floor, but only under one of three conditions:

(a) As a visitor subject to the usual rules and restrictions for a visitor, including the prohibition on visitors conducting business, or

(b) As a floor clerk, if properly registered, subject to the usual rules and restrictions for a floor clerk, or

(c) If such person is fully retired, and no longer active in business, and has been issued a card in recognition thereof.

(2) Notwithstanding other provisions of this paragraph (d) and subparagraphs thereof, a Lessor may have all Exchange rights and privileges associated with ownership of another Trading Permit owned by such Lessor and may have such Exchange privileges attendant to another Trading Permit owned by someone else such as a corporation or partnership leased to such person as an officer, employee or partner of such corporation or partnership, provided there has been a separate application, full disclosure, and approval by Exchange staff.

e. Minimum Lease Term — No lease agreement shall have a term of less than three (3) months.

f. Maximum Lease Term — No lease agreement shall have a term beyond November 30, 201<sup>24</sup>; however, all lease agreements are subject to any subsequent rule amendments adopted after execution of said agreement.

g. Applications for Lease — Notwithstanding any other Rules, each applicant for Permit Holder status must demonstrate a positive personal net worth and positive personal net liquid assets in order to qualify for approval.

h. Financial Standards — Lessees must meet the same financial standards as do Permit Holders, or secure the same type of guarantee in lieu thereof

i. A firm or corporation may delegate a Trading Permit that it owns with attendant Trading Permit rights and privileges.

[\(End Chapter 1\)](#)



CHAPTER 2  
GOVERNMENT

200-229. [RESERVED]

BOARD OF DIRECTORS – POWERS AND DUTIES

230. GENERAL

231. [RESERVED]

232. EXCHANGE FACILITIES

233. [RESERVED]

234. AVOIDING CONFLICTS OF INTEREST IN “SIGNIFICANT ACTIONS”

234. A. Definitions

234. B. Review of Position Information

234. C. Determination Whether Abstention Required

235.-255. [RESERVED]

EXCHANGE OFFICERS AND EMPLOYEES

256. INDEMNIFICATION OF CERTAIN PERSONS

257. EXCHANGE PHYSICAL EMERGENCIES

## CHAPTER 2 GOVERNMENT

200-229. [RESERVED]

### BOARD OF DIRECTORS – POWERS AND DUTIES

#### 230. GENERAL

The Board shall, subject to applicable provisions in the Certificate of Incorporation and By-laws:

- a. Be the governing body of the Exchange;
- b. Have charge and control of all property of the Exchange;
- c. Provide, acquire and maintain suitable Exchange quarters and facilities;
- d. [Reserved];
- e. [Reserved];
- f. Designate and authorize specific appointed officers to act on behalf of the Board to execute contracts within specified budgetary limits;
- g. Fix, determine and levy all fees and assessments when necessary;
- h. Act in a judicial capacity in the conduct of hearings with respect to any charges proffered against Permit Holders [as defined in Rule 400 and non-Permit Holders](#) and, after such hearings, determine what disciplinary action, if any, should be taken by the Exchange with respect to those charges;
- i. Determine the commodities traded, the delivery months, hours of trading, the days of the contract month on which delivery may be made, and performance bond requirements;
- j. Make and amend the Rules; provided, the Board has also delegated such authority to make and amend the Rules to the Executive Chairman of the Board and Chief Executive Officer acting together; and
- k. Have power to act in emergencies. In the event that the Board or a hearing panel of the Board determines that an emergency situation exists in which the free and orderly market in a commodity is likely to be disrupted, or the financial integrity of the Exchange is threatened, or the normal functioning of the Exchange has been or is likely to be disrupted, it may take such action as may in the Board's sole discretion appear necessary to prevent, correct or alleviate the emergency condition. Board members who abstain from voting on a Significant Action as defined in Rule 234 shall not be counted in determining whether such action was approved by a majority vote, but such members can be counted for the purpose of determining whether a quorum exists. Without limiting the foregoing, the Board may: (1) suspend, curtail or terminate trading in any or all contracts, (2) limit trading to liquidation of contracts only, (3) order liquidation or transfer of all or a portion of a member's proprietary and/or customers' accounts, (4) order liquidation of positions of which the holder is unable or unwilling to make or take delivery, (5) confine trading to a specific price range, (6) modify the trading days or hours, (7) alter conditions of delivery, (8) fix the settlement price at which contracts are to be liquidated, and (9) require additional performance bonds to be deposited with the Clearing House. All Exchange contracts shall be subject to the Board's emergency powers and the specifications of each shall be deemed subject to this rule.

Any authority or discretion by these rules vested in the Executive Chairman & President, Chief Executive Officer, or other officer or delegated to any committee shall not be construed to deprive the Board of such authority or discretion and in the event of a conflict, the determination of the matter by the Board shall prevail.

231. [RESERVED]

#### 232. EXCHANGE FACILITIES

The Exchange shall provide trading facilities which shall be open for trading on such days and at such hours as the Exchange shall determine, except during emergency situations as provided by the Rules.

233. [RESERVED]

#### 234. AVOIDING CONFLICTS OF INTEREST IN "SIGNIFICANT ACTIONS"

##### 234. A. Definitions

For purposes of this rule:

1. "Significant Action" means (a) an Exchange action or Rule change which addresses an "emergency" as defined in CFTC Regulation 40.1(h); or (b) any change in Exchange performance bond levels that is designed to respond to extraordinary market conditions such as an actual or attempted corner, squeeze, congestion or undue concentration of positions, or that otherwise is likely to have a substantial effect on prices in any contract traded or cleared at the Exchange.
2. "Committee" means the Board or any Person that is authorized to take a Significant Action.
3. "Member's Affiliated Firm" means a firm in which the Permit Holder is a "principal," as defined in CFTC Regulation 3.1(a), or an employee.

#### **234.B. Review of Position Information**

1. Prior to the consideration of any Significant Action, each member of the Committee must disclose to the appropriate Exchange staff the following position information to the extent known to him:
  - a. Gross positions held at the Exchange in the member's personal accounts or "controlled accounts," as defined in CFTC Regulation 1.3(j);
  - b. Gross positions held at the Exchange in proprietary accounts of the Member's Affiliated Firm;
  - c. Gross positions held at the Exchange in accounts in which the member is a principal;
  - d. Net positions held at the Exchange in customer accounts at the Member's Affiliated Firm; and
  - e. Any other types of positions, at the Exchange or elsewhere, held in the member's personal accounts or the proprietary accounts of the Member's Affiliated Firm that could reasonably be expected to be affected by the Significant Action.
2. Exchange staff will independently determine what positions are held in each of the above categories based on a review of the most recent large trader reports and clearing records available to the Exchange and any other source of information that is held by and reasonably available to the Exchange, taking into consideration the exigency of the Significant Action.
3. The requirements of sections B.1. and B.2. apply only to members who participate in either the deliberations or voting on the Significant Action in question.

#### **234.C. Determination Whether Abstention Required**

1. A member of a Committee must abstain from both the deliberations and voting by such Committee on any Significant Action if the member knowingly has a direct and substantial financial interest in the result of the vote based upon either Exchange or non-Exchange positions that could reasonably be expected to be affected by the action or is otherwise conflicted based on existing Exchange policy. Exchange staff will independently require a member of a Committee to abstain from both the deliberations and voting by such Committee on any Significant Action if, based upon the information reviewed in sections B.1. and B.2. above, Exchange staff determines that the member has a direct and substantial financial interest in the result of the vote.
2. The Exchange will prepare written records to document that the conflicts determination procedures required by this rule have been followed. Such records will include (a) the names of all members who attended the meeting in person or who otherwise were present by electronic means; (b) the name of any member who voluntarily recused himself or was required to abstain from both the deliberations and voting on a matter and the reason for the recusal or abstention, if stated; and (c) information on the position information that was reviewed for each member.

#### **235-255. [RESERVED]**

#### **~~249.00 Market Reports Committee~~ [\[Revised and moved to Rule 404 in Chapter 4\]](#)**

~~There shall be appointed each year by the Chairman, with the approval of the Board of Directors, a standing committee of seven (7) members to be known as the Market Reports Committee, whose duty it shall be to place upon the board at the close of the market each day, cash prices of the different varieties of grain, as evidenced by actual purchases and sales.~~

#### **~~Rules 250-255. [RESERVED]~~**

### **EXCHANGE OFFICERS AND EMPLOYEES**

#### **256. INDEMNIFICATION OF CERTAIN PERSONS**

The Exchange shall indemnify its directors, officers, committee members, employees, and other persons as specified in Article VIII of the Exchange's Bylaws.

## **257. EXCHANGE PHYSICAL EMERGENCIES**

In the event that the functions of the Exchange are, or are threatened to be, severely and adversely affected by a physical emergency such as fire or other casualty, bomb threats, substantial inclement weather, power failures, communications breakdowns, computer system breakdowns, screen-based trading system breakdowns, malfunctions of plumbing, heating, ventilation, and air conditioning systems or transportation breakdowns, the Executive Chairman & President, Chief Executive Officer or Chief Operating Officer or their delegate may take any action necessary to deal with the emergency, including but not limited to, a suspension of trading. In the absence of the aforementioned Exchange officers or delegates, any member of the Executive Committee may act instead of the Executive Chairman & President, Chief Executive Officer or Chief Operating Officer.

Upon a determination by the Executive Chairman & President, Chief Executive Officer or Chief Operating Officer or their delegate that the physical emergency has sufficiently abated to permit the orderly functioning of the Exchange, that officer shall order restoration of trading or the removal of other restrictions imposed.

The Exchange shall notify the CFTC of the implementation, modification or termination of a physical emergency action as soon as possible after taking the action.

Nothing in this rule shall in any way limit the authority of the Board to act in an emergency situation pursuant to Rule 230.k.

## **Rule 258. DISCLOSURE AND TRADING BY EMPLOYEES**

~~a. An employee of the Exchange shall not disclose to a non-employee of the Exchange any material, nonpublic information which such employee obtains as a result of his employment at the Exchange if such employee has or should have a reasonable expectation that such information could assist another person in trading any commodity interest; provided, however, that this provision does not prohibit disclosures made in the course of an employee's duties or to another self-regulatory organization, court of competent jurisdiction, or person who the employee reasonably believes to be a representative of a governmental agency acting in his official capacity.~~

~~b. An employee of the Exchange shall not trade, directly or indirectly any commodity interest, without regard to where a commodity interest is cleared.~~

## **Rule 259. Trading Floor.**

~~The Board shall, on all business days, cause the facilities to be opened for the admission of Permit Holders and former Class B Members during the hours set apart for business therein. The Board shall have power to make all needful rules and regulations in regard to such facilities and to enforce the same by the necessary penalties and discipline.~~

## **Rule 260. SUMMARY ACCESS DENIAL ACTIONS** [RELOCATED TO CHAPTER 4 AS RULE 413](#)

### **260.A. Authority to Deny Access**

~~The Chief Regulatory Officer or his delegate, upon a good faith determination that there are substantial reasons to believe that such immediate action is necessary to protect the best interests of the Exchange, may order that Permit Holders be: 1) denied access to any or all Exchange markets; 2) denied access to the Globex platform; 3) denied access to any other electronic trading or clearing platform owned or controlled by CME Group; or (4) immediately removed from any trading floor owned or controlled by the Exchange.~~

~~Non-Permit Holders may be denied access to any or all Exchange markets or be denied access to the Globex platform or any other electronic trading or clearing platform owned or controlled by CME Group by the Chief Regulatory Officer or his delegate upon a good faith determination that there are substantial reasons to believe that such immediate action is necessary to protect the best interests of the Exchange.~~

### **260.B. Notice**

~~Promptly after an action is taken pursuant to Rule 260.A., the party shall be informed of the action taken, the reasons for the action, and the effective date, time and the duration of the action taken ("Notice"). The party shall be advised of his right to a hearing before the Business Conduct Committee by filing notice of intent with Exchange staff within ten (10) business days of the Notice date.~~

### **260.C. Hearing**

~~Permit Holders shall have the right to representation, at their own cost, by legal counsel or anyone other than a Permit Holder of any Exchange disciplinary committee, a Permit Holder of the Board, an employee of CME Group or a person related to the investigation. The Panel shall conduct a de novo hearing solely on the issue of the denial of access in accordance with procedures set forth by the Board for hearings before the Business Conduct Committee. Filing of a notice of intent pursuant to Rule 260.B. shall not stay the Chief Regulatory Officer's decision to deny access.~~

#### **260.D. Duration of Access Denial**

~~Any decision to deny access pursuant to Rule 260.A. or Rule 260.C. shall not remain in effect for more than 60 days unless the Chief Regulatory Officer or his delegate, upon further consideration of the circumstances that resulted in a prior access denial action, provides written Notice to the party that his access will be denied for an additional period of time not to exceed 60 days and the Notice comports with the provisions of Rule 260.B. Any subsequent extension of the access denial pursuant to this Rule must be mutually agreed to by the party and the Chief Regulatory Officer or his delegate. In the absence of such mutual agreement, Exchange staff may petition the Business Conduct Committee to take emergency action pursuant to Rule 301.01. At any time, a Permit Holder may petition the Business Conduct Committee to reconsider an access denial pursuant to this Rule based upon materially changed circumstances.~~

[\(End Chapter 2\)](#)

CHAPTER 3  
COMMITTEES

300. COMMITTEES

300.A. General Provisions

300.B. Board Level Committees

300.C. Non-Board Level Committees

300.D. Disqualification from Certain Committees and Governing Boards

300.E. Disciplinary Offenses Defined

300.F. Use or Disclosure of Material, Non-Public Information

## CHAPTER 3 COMMITTEES

### 300. COMMITTEES

#### 300.A. General Provisions

The Board shall establish from time to time Board level committees and non-Board level committees necessary to conduct the business of the Exchange.

Every committee of the Exchange must have a chairman or co-chairmen. For purposes of these Rules, each co-chairman shall have the powers and duties of a chairman if acting in the capacity of a chairman. The chairman or co-chairmen may either be members of the Board, if required by the Rules or applicable committee charter, Permit Holders or employees of Permit Holder firms, or non-Permit Holders.

The Chairman of the Board may appoint vice-chairmen or alternate chairmen to each committee. All meetings shall be called upon request of the chairman of the committee. In the absence of the chairman or a co-chairman, the function of that office shall be performed by a vice-chairman or an alternate chairman and may be performed by the Chairman of the Board.

Meetings shall be conducted according to established procedures of the Exchange, the By-Laws or committee charter, as applicable. In the absence of established procedures, or in the case of a dispute, Robert's Rules of Order may be consulted as a guide. Voting by proxy at committee meetings shall not be permitted.

#### 300.B. Board Level Committees

The duties of Board level committees are to establish plans for the strategic direction of the Exchange, develop regulatory policy, advise and assist the Board and perform the specific duties assigned to them elsewhere in these Rules and/or in their charters. The Board may refer to a committee any matter within the committee's jurisdiction, and it shall be the duty of the committee to meet, consider the matter and make a complete report to the Board.

A quorum of a Board level committee shall consist of a majority of the members of the committee. All members of a Board level committee shall be entitled to vote, unless otherwise provided in these Rules.

#### 300.C. Non-Board Level Committees

The duties of non-Board level committees are to review investigation reports prepared by Exchange staff, conduct hearings and/or advise and assist the Board and perform the specific duties assigned to them elsewhere in these Rules, in their charters or by the Board. The Board may refer to a committee any matter within the committee's jurisdiction and it shall be the duty of the committee to meet, consider the matter and make a complete report to the Board.

The ~~Chairman~~Board may appoint ~~market participants~~, Permit Holders or employees of Permit Holder firms and non-Permit Holders to all non-Board level committees to serve during the Chairman's term of office and at the Board's discretion or until new committees are appointed. The ~~Chairman~~Board may at any time remove any member of a committee, with or without cause, and all vacancies shall be filled as in the case of an original appointment.

Unless otherwise provided in the Rules, a quorum of a non-Board level committee shall consist of a majority of the members of a committee or a committee panel, excluding the vice-chairman, if any. The chairman of a non-Board level committee, or another individual acting in the capacity of the chairman, may vote only to make or break a tie vote unless otherwise provided in the Rules.

No more than one member of a single broker association may serve on a panel of an adjudicatory committee.

#### 300.D. Disqualification from Certain Committees and Governing Boards

No person shall serve on the Board or any Board level committee; the Clearing House Risk Committee; ~~the Emergency Financial Committee~~; the Business Conduct Committee; the ~~Probable Cause~~Complaint Committee; any Pit Committee; ~~the Floor Conduct Committee~~ or the Arbitration Committee

- 1) who is found by a final decision or settlement agreement (or absent a finding in the settlement agreement if any acts charged included a disciplinary offense) to have committed a disciplinary offense, as defined in Section E. below; or
- 2) whose CFTC registration in any capacity has been revoked or suspended; or
- 3) who is subject to an agreement with the CFTC or any self-regulatory organization not to apply for registration or trading privileges; or
- 4) who is subject to a denial, suspension or disqualification from serving on a disciplinary committee, oversight 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; or
- 5) who has been convicted of any felony listed in Section 8a(2)(D)(ii) through (iv) of the Commodity Exchange Act for a period of three (3) years from the date of such final decision or for such a time as the person remains subject to any

suspension, expulsion or has failed to pay any portion of a fine imposed for committing a disciplinary offense, whichever is longer.

### **300.E. Disciplinary Offenses Defined**

"Disciplinary offense" is defined as a:

- 1) Violation of any Exchange rule or the rules of a self-regulatory organization (as defined in CFTC Regulation 1.63(a)(1)), except those violations that are related to (a) decorum or attire, (b) financial requirements, or (c) reporting or recordkeeping violations which receive cumulative fines of \$5,000 or less within any calendar year;
- 2) Notwithstanding paragraph (1) above, a "disciplinary offense" shall include a violation of any Rule or rule of another self-regulatory organization which: (a) involves fraud, deceit or conversion; or (b) results in an access denial, suspension or expulsion;
- 3) Violation of the Commodity Exchange Act or CFTC regulations; or
- 4) Failure to exercise supervisory responsibility in violation of the Rules, the rules of other self-regulatory organizations, the Commodity Exchange Act or CFTC regulations with respect to activities that involved fraud, deceit or conversion.

A Person who serves on any of the committees listed in Rule 300.D. shall inform the Exchange if he is currently ineligible, and shall immediately inform the Exchange if he later becomes ineligible, to serve on such committees under the standards set forth above with respect to disciplinary offenses. Violation of this rule shall be an act detrimental to the interest or welfare of the Exchange.

### **300.F. Use or Disclosure of Material, Non-Public Information**

No member of any committee shall use or disclose, for any purpose other than the performance of such person's official duties as a member of a committee, any material non-public information obtained by such person as a result of such person's participation on any such committee; provided, however, that if any such person who effects any transactions after having received any such material, non-public information so obtained can show that such transaction was effected in the ordinary course of such person's business, such person shall not be deemed to have used such information in violation of this rule, unless it can be shown that such person would not have effected such transaction in the absence of such information. For the purposes of this rule, the terms "material" and "non-public information" shall have the meaning set forth in CFTC Regulation 1.59(a).

### **Rule 301. The Business Conduct Committee** [RELOCATED TO CHAPTER 4 AS RULE 4021](#)

~~The Business Conduct Committee (sometimes referred to herein as "BCC") shall be appointed by the Board and consist of (a) Permit Holders, and (b) public directors or persons who would qualify as a public director under Core Principle 15 for Designated Contract Markets.~~

~~Whenever the BCC is convened under these Rules, it shall do so through a panel of its participants. A panel of the BCC shall consist of the following: four (4) Permit Holders; and either a public director or someone who would qualify as a public director under Core Principle 15 for Designated Contract Markets. One of the panelists shall be appointed the chairman by the Chairman of the Exchange. The BCC shall consist of Panelists who possess sufficiently diverse interests so as to ensure fairness and to prevent special treatment or preference for any person in the conduct of the BCC's responsibilities. In order that BCC business can be handled, a quorum shall be three (3) Panelists, at least one of whom shall be either a public director or someone who would qualify as a public director under Core Principle 15 for Designated Contract Markets. Should any member of the BCC be unable to serve on a particular matter and a quorum cannot be reached as a result, the Board shall appoint a substitute. Should an appointed member of the BCC resign or become permanently unable to serve, the Board shall appoint a replacement.~~

#### ~~301.01 Emergency Actions~~

~~The BCC is authorized to determine whether an emergency exists and whether emergency action is warranted.~~

~~The following events and/or conditions may constitute emergencies:~~

- ~~1. Any actual, attempted, or threatened market manipulation;~~
- ~~2. Any actual, attempted, or threatened corner, squeeze, congestion, or undue concentration of positions;~~
- ~~3. Any action taken by the United States or any foreign government or any state or local government body, any other contract market, board of trade, or any other exchange or trade association (foreign or domestic), which may have a direct impact on trading on the Exchange;~~
- ~~4. The actual or threatened bankruptcy or insolvency of any Member or the imposition of any injunction or other restraint by any government agency, self-regulatory organization, court or arbitrator upon a Member which may affect the ability of that Member to perform on its contracts;~~
- ~~5. Any circumstance in which it appears that a Member or any other person or entity has failed to perform contracts or is in such financial or operational condition or is conducting business in such a manner that~~

~~such person or entity cannot be permitted to continue in business without jeopardizing the safety of customer funds, Members, or the Exchange; and/or~~

~~6. Any other circumstance which may have a severe, adverse effect upon the functioning of the Exchange.~~

~~In the event that the BCC determines, in the good faith exercise of its sole discretion, that an emergency exists, it may take any of the following emergency actions or any other action that may be appropriate to respond to the emergency:~~

- ~~1. Suspend, curtail or terminate trading in any and all contracts;~~
- ~~2. Limit or deny access to any CME Group trading or clearing platform or trading floor owned or controlled by CME Group;~~
- ~~3. Limit trading to liquidation of contracts only;~~
- ~~4. Impose or modify position limits and/or order liquidation of all or a portion of a Member or non-Member's account;~~
- ~~5. Order liquidation or transfer of positions as to which the holder is unable or unwilling to make or take delivery;~~
- ~~6. Confine trading to a specific price range;~~
- ~~7. Modify price limits;~~
- ~~8. Modify the trading days or hours;~~
- ~~9. Modify conditions of delivery;~~
- ~~10. Establish the settlement price at which contracts are to be liquidated;~~
- ~~11. Require additional performance bond to be deposited with the Clearing House; and/or~~
- ~~12. Order any other action or undertaking to address or relieve the emergency.~~

~~In accordance with the provisions of Chapter 14, all actions taken pursuant to this subsection shall be by a majority vote of the panel of the BCC members present. Exchange staff shall give appropriate notice of such action. As soon as practicable, the Board and the CFTC shall be notified of the emergency action in accordance with CFTC regulations. Nothing in this section shall in any way limit the authority of the Board, other committees, or other appropriate officials to act in an emergency situation as defined by these Rules.~~

#### ~~Rule 302. Complaint Committee~~ [\[REPLACED BY RULE 406\]](#)

~~There shall be appointed by the Board, a standing Complaint Committee. The Complaint Committee shall consist of five (5) Panelists who possess sufficiently diverse interests so as to ensure fairness and to prevent special treatment or preference for any person in the conduct of the Complaint Committee's responsibilities. One (1) of the five (5) Panelists of the Complaint Committee shall be either a public director or someone who would qualify as a public director under Core Principle 15 for Designated Contract Markets. The other four (4) Panelists shall be Permit Holders.~~

~~The Complaint Committee shall review Exchange staff reports of investigations into possible rule violations, to see if formal disciplinary proceedings appear necessary, and if so, approve and issue the notice of charges. In order that the business of the Complaint Committee can be handled, a quorum shall be three (3) Panelists, at least one (1) of whom shall be either a public director or someone who would qualify as a public director under Core Principle 15 for Designated Contract Markets. Should any member of the Complaint Committee be unable to serve on a particular matter and a quorum cannot be reached as a result, the Board shall appoint a substitute. Should an appointed member of the Complaint Committee resign or become permanently unable to serve, the Board shall appoint a replacement.~~

#### ~~Rule 303. Arbitration Committee~~ [\[REPLACED BY CHAPTER 6\]](#)

~~The Arbitration Committee shall consist of ten (10) participants who shall be Permit Holders, and they shall be appointed by the Board and serve at its discretion or until a new Arbitration Committee is appointed. In order that the business of the Arbitration Committee can be handled, a quorum shall be three (3) panelists. Should any~~

~~member of the Arbitration Committee be unable to serve on a particular matter and a quorum cannot be reached as a result, the Board shall appoint a substitute. Should an appointed member of the Arbitration Committee resign or become permanently unable to serve, the Board shall appoint a replacement.~~

Rule 304. Pit Committee [\[REPLACED BY RULE 404\]](#)

~~There shall be a Pit Committee for each trading pit that exists on the trading floor. Each Pit Committee shall consist of five (5) Panelists who shall be Permit Holders, and they shall be appointed by the Board and serve at its discretion or until a new Pit Committee is appointed. Should any member of the Pit Committee be unable to serve on a particular matter and a quorum cannot be reached as a result, the Board shall appoint a substitute. A quorum shall be established where a majority of the Pit Committee panelists are present whenever the Pit Committee convenes pursuant to the Rules. Should an appointed member of the Pit Committee resign or become permanently unable to serve, the Board shall appoint a replacement.~~

~~A Pit Committee member shall not exercise his authority if he or any person, firm, or entity with which he is affiliated has a personal, financial, or other direct interest in the matter under consideration. A Pit Committee member shall be deemed to have a financial interest if the decision is likely to have an immediate financial impact on a transaction for his account or an account in which he has an interest or if the decision is likely to impact on liability for filling an order for which he or a person with whom he has a financial or business relationship was responsible.~~

[\(End Chapter 3\)](#)

CHAPTER 4  
ENFORCEMENT OF RULES

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**CHAPTER 4**  
**ENFORCEMENT OF RULES ~~ADMISSION TO BOARD OF TRADE FLOOR~~**

**400. GENERAL PROVISIONS**

The Board has adopted Rules, and from time to time adopts amendments and supplements to such Rules, to promote a free and open market on the Exchange, to maintain appropriate business conduct and to provide protection to the public in its dealings with the Exchange and its Permit Holders. The Board has created committees to which it has delegated responsibility for the investigation, hearing and imposition of penalties for violations of Exchange Rules. The Board has also delegated responsibility for the investigation and imposition of penalties for violations of Exchange Rules to Exchange staff as set forth in the Rules. The delegation of such responsibility and authority shall in no way limit the authority of the Board with respect to all Rule violations.

Pursuant to CFTC Regulation §38.7, the Exchange may not use for business or marketing purposes any proprietary data or personal information collected or received, from or on behalf of any Person, for the purpose of fulfilling its regulatory obligations; provided however, that the Exchange may use such data or information for business or marketing purposes if the Person from whom it collects or receives such data or information clearly consents to the Exchange's use of such data or information in such manner. The Exchange may, where necessary or appropriate for regulatory purposes, share such data or information with one or more designated contract markets or swap execution facilities registered with the CFTC. The Exchange is precluded from conditioning access to its markets on a Person's consent to the use of such data for business or marketing purposes.

For purposes of Chapter 4, the term "Permit Holder" shall mean: 1) Permit Holders, Clearing Members and Permit Holder firms, including retired Permit Holders with floor access privileges and any party or entity that has been granted cross-exchange trading privileges; 2) associated persons ("APs") and affiliates of Clearing Members and Permit Holder firms of the Exchange; 3) guaranteed introducing brokers of Clearing Members and Permit Holder firms of the Exchange and their APs; 4) employees, authorized representatives, contractors, and agents of any of the above persons or entities, in regard to the Exchange related activities of such individuals; 5) regular firms; 6) individuals and entities that have agreed in writing or via electronic signature to comply with the Rules of the Exchange; and 7) CME and CBOT members and other individuals who have access to the Floor.

Permit Holders are deemed to know, consent to and be bound by all Exchange Rules. Former Permit Holders shall be subject to the continuing jurisdiction of the Exchange, including, without limitation, the application of Rule 432.L., with respect to any conduct that occurred while a Permit Holder.

**401. THE CHIEF REGULATORY OFFICER**

It shall be the duty of the Chief Regulatory Officer to enforce Exchange Rules, and he shall have available to him at all times the resources of the Market Regulation Department and such other Exchange resources as may be necessary to conduct investigations of potential or alleged Rule violations and market conditions. The Chief Regulatory Officer shall have the authority to inspect the books and records of all parties subject to the jurisdiction of the Exchange pursuant to Rule 418 and the authority to require any such party to appear before him and produce his or its books and records and answer questions regarding alleged violations of Exchange Rules, at the time, place and in the manner he designates. The Chief Regulatory Officer may also delegate his authority to staff of the Market Regulation Department.

**402. BUSINESS CONDUCT COMMITTEE**

**402.A. Jurisdiction and General Provisions**

The Business Conduct Committee ("BCC") shall have: 1) jurisdiction over any party subject to the jurisdiction of the Exchange pursuant to Rule 418 with respect to matters relating to business conduct, trading practices, sales practices, trading ethics and market manipulations or other actions that threaten the integrity of the market; 2) the authority, pursuant to Rule 402.C., to take emergency actions; 3) the authority, pursuant to Rule 413.B., to conduct hearings on denials of access pursuant to Rule 413.A., 4) the authority to conduct hearings, proceedings and appeals on all matters over which it has jurisdiction; and 5) the authority to make findings on Rule violations against any party subject to the jurisdiction of the Exchange pursuant to Rule 418.

The BCC shall act through a Panel ("BCC Panel") composed of a Hearing Panel Chair, two Permit Holders or employees of Permit Holder firms and two non-members. A quorum of a Panel shall consist of a majority of the panel, but must include at least the Hearing Panel Chair, one Permit Holder or employee of a Permit Holder firm and one non-member.

Any Panel that conducts a hearing or proceeding shall consist of panelists who possess sufficiently diverse interests so as to ensure fairness.

No person shall serve on the BCC unless he has agreed in writing that he will not publish, divulge, or make known in any manner, any facts or information regarding the business of any person or any other information which may come

to his attention in his official capacity as a member of the BCC, except when reporting to the Board or to a committee concerned with such information or to the Legal Department or Market Regulation Department, when requested by the CFTC or other governmental agency or when compelled to testify in any judicial or administrative proceeding.

All information, records, materials and documents provided to the BCC and all deliberations, testimony, information, records, materials and documents related thereto shall be treated as non-public and confidential and shall not be disclosed, except as necessary to further an Exchange investigation or as required by law.

#### **402.B. Sanctions**

If the Panel finds that a party, including a Permit Holder, has violated a Rule, the Panel may take one or more of the following actions:

1. Order the party to cease and desist from the conduct found to be in violation of these Rules or from conduct which would violate the rules of any other exchange owned or controlled by CME Group or the Commodity Exchange Act;
2. Order a party to liquidate such portion of the open contracts in the Party's proprietary or customers' accounts, or both, as the Panel deems appropriate to ensure the integrity of Exchange contracts or to ensure an orderly and liquid market;
3. Order a party or its customer to deposit such additional performance bonds with the Clearing House as the Panel deems appropriate to protect the integrity of open contracts;
4. Prescribe such additional capital or other financial requirements as it deems appropriate;
5. Restrict the ability of the party to have a business affiliation with, be employed by or have a financial or beneficial interest in a Permit Holder or broker association;
6. Restrict, suspend or terminate the party's access to the Globex platform or any other trading or clearing platform owned or controlled by CME Group or to supervise the entry of any orders into such platforms by others;
7. Restrict the party's access to any trading floor owned or controlled by CME Group;
8. Restrict the party's ability to trade, place, enter, accept or solicit orders in any or all products of any exchange owned or controlled by CME Group;
9. Suspend any or all of the Permit Holder's privileges relating to such status as a Permit Holder;
10. Expel the Permit Holder;
11. Impose a fine upon the party not to exceed \$1,000,000 per violation plus the amount of any benefit received as a result of the violation, including issuing an Order that no Clearing Member accept new positions on behalf of any such party;
12. Issue a reprimand;
13. Prescribe limitations on positions of the party as may be appropriate, including issuing an Order that no Clearing Member accept new positions on behalf of any such party;
14. Impose advertising restrictions upon the Permit Holder pursuant to these Rules;
15. Direct the party to make restitution, in such amount as is warranted by the evidence, to the account of any party damaged by the conduct, or to the Clearing Member who has previously made restitution to the account of such party;
16. Revoke the regularity status of a regular firm;
17. Order such action as is necessary to prevent a threat to the contract or violation of the Commodity Exchange Act or Exchange Rules; and/or
18. With the approval of the Market Regulation Department and the party, order any other sanction or undertaking to address or deter the underlying violative conduct pursuant to a supported offer of settlement.

When determining whether to impose any of the sanctions listed above, the Panel may consider any factors determined by the Panel to be relevant in the context of a particular case, including any of the factors described in the "Sanctioning Guidance to Self-Regulatory Organizations" in the CFTC Policy Statement Relating to the Commission's Authority to Impose Civil Money Penalties and Futures Self-Regulatory Organizations' Authority to Impose Sanctions: Penalty Guidelines (1994).

If the Panel shall decide by a majority vote that the matter might warrant a penalty in excess of its own authority, the Hearing Panel Chair shall refer the matter to the Board for further hearings and a decision pursuant to the procedures in Rule 408.

#### **402.C. Emergency Actions**

The BCC is authorized to determine whether an emergency exists and whether emergency action is warranted. The following events and/or conditions may constitute emergencies:

1. Any actual, attempted, or threatened market manipulation;

2. Any actual, attempted, or threatened corner, squeeze, congestion, or undue concentration of positions;
3. Any action taken by the United States or any foreign government or any state or local government body, any other contract market, board of trade, or any other exchange or trade association (foreign or domestic), which may have a direct impact on trading on the Exchange;
4. The actual or threatened bankruptcy or insolvency of any Member or the imposition of any injunction or other restraint by any government agency, self regulatory organization, court or arbitrator upon a Member which may affect the ability of that Member to perform on its contracts;
5. Any circumstance in which it appears that a Member or any other person or entity has failed to perform contracts or is in such financial or operational condition or is conducting business in such a manner that such person or entity cannot be permitted to continue in business without jeopardizing the safety of customer funds, Members, or the Exchange; and/or
6. Any other circumstance which may have a severe, adverse effect upon the functioning of the Exchange, except that declarations of Force Majeure and actions taken with respect to such declarations will be governed by the provisions of Rule 701.

In the event that the BCC determines, in the good faith exercise of its sole discretion, that an emergency exists, it may take any of the following emergency actions or any other action that may be appropriate to respond to the emergency:

1. Suspend, curtail or terminate trading in any or all contracts;
2. Limit or deny access to any CME Group trading or clearing platform or trading floor owned or controlled by CME Group;
3. Limit trading to liquidation of contracts only;
4. Impose or modify position limits and/or order liquidation of all or a portion of a party's account;
5. Order liquidation or transfer of positions as to which the holder is unable or unwilling to make or take delivery;
6. Confine trading to a specific price range;
7. Modify price limits;
8. Modify the trading days or hours;
9. Modify conditions of delivery;
10. Establish the settlement price at which contracts are to be liquidated;
11. Require additional performance bond to be deposited with the Clearing House; and/or
12. Order any other action or undertaking to address or relieve the emergency.

All actions taken pursuant to this subsection shall be by a majority vote of the Panel members present. The Market Regulation Department shall give appropriate notice of such action. As soon as practicable, the Board and the CFTC shall be notified of the emergency action in accordance with CFTC regulations. Nothing in this section shall in any way limit the authority of the Board, other committees, or other appropriate officials to act in an emergency situation as defined by these Rules.

#### **403. MARKET REPORTS COMMITTEE**

The Market Reports Committee shall be responsible for reporting to the Exchange at the close of the market each day, cash prices of the different varieties of grain, as evidenced by actual purchases and sales. Such prices will be published daily by the Exchange.

#### **404. PIT COMMITTEE**

The Pit Committee shall have the authority to: 1) participate in the determination of opening and closing ranges in accordance with Rule 546; 2) oversee and enforce changes in prices in accordance with Rule 528 and the Quotation Change Procedures set forth in the Interpretations & Special Notices Section of Chapter 5; 3) resolve pit space disputes; 4) remove unauthorized persons from the pit; and 5) resolve, by immediate action, all grievances arising from price infractions pursuant to Rule 514 during pit trading.

A Pit Committee member shall not exercise his authority if he or any person, firm, or broker association with which he is affiliated has a personal, financial, or other direct interest in the matter under consideration. A Pit Committee member shall be deemed to have a financial interest if the decision is likely to have an immediate financial impact on a transaction for his account or an account in which he has an interest or if the decision is likely to impact on liability for filling an order for which he or a person with whom he has a financial or business relationship was responsible.

#### **405. FLOOR CONDUCT COMMITTEE**

The Floor Conduct Committee shall be responsible for resolving pit space disputes that are not resolved by the Pit Committee. The committee shall conduct summary proceedings for alleged violations of Rule 514. Floor Conduct Committee members shall participate in the resolution of quotation change requests pursuant to the Quotation Change Procedures set forth in the Interpretations & Special Notices Section of Chapter 5. The Floor Conduct Committee shall have jurisdiction to conduct summary proceedings for violations of, and assess penalties in accordance with, Exchange Rules. The procedures contained in Rule 409 shall govern summary proceedings.

#### **406. PROBABLE CAUSE COMMITTEE**

The Probable Cause Committee ("PCC") shall receive and review investigation reports from the Market Regulation Department when the Market Regulation Department has reasonable cause to believe an offense has occurred. The PCC shall act through a Panel comprised of a Hearing Panel Chair, two Permit Holders or employees of Permit Holder firms and two non-members. A quorum of a Panel shall consist of a majority of the Panel, but must include at least the Hearing Panel Chair, a Permit Holder or employee of a Permit Holder firm and one non-member. Each Panel shall consist of panelists who possess sufficiently diverse interests so as to ensure fairness.

The Market Regulation Department is not required to provide a respondent notice of its intent to appear before the PCC to request charges.

The PCC shall have the power to compel any party subject to its jurisdiction pursuant to Rule 418 to appear before it and to produce all books and records relevant to the subject matter under investigation. No party or subject of an investigation shall have the right to appear before the PCC or make any written submission on his behalf.

A Panel shall endeavor to review an investigation report prepared by the Market Regulation Department within 30 days of receipt of a report the Panel deems to be complete. The Panel shall, by majority vote, take one of the following actions:

- A. If the Panel determines that a reasonable basis exists for finding that a violation of an Exchange Rule may have occurred which warrants disciplinary action, it shall issue appropriate charges.
- B. If the Panel determines that a reasonable basis exists for finding that a violation of an Exchange Rule may have occurred, but that the issuance of charges is unwarranted, it shall direct that a warning letter be issued.
- C. If the Panel determines that no reasonable basis exists for finding that a violation of an Exchange Rule may have occurred it shall direct that no further action be taken.
- D. Direct that the Market Regulation Department investigate the matter further.

The Panel shall direct the Market Regulation Department to give notice of the charges to the respondent in accordance with Rule 407.B. and to the appropriate BCC Hearing Panel Chairs.

If the Panel refuses to issue any charge requested by the Market Regulation Department, the Panel shall explain the reason(s) for such refusal in writing. The Market Regulation Department may appeal to the Board any refusal by a Panel to issue those charges requested by the Market Regulation Department. If such an appeal is requested, the Board shall conduct a hearing on the matter in accordance with the procedures in Rule 411.

No person shall serve on the PCC unless he has agreed in writing that he will not publish, divulge or make known in any manner, any facts or information regarding the business of any person or entity or any other information which may come to his attention in his official capacity as a member of the PCC, except when reporting to the Board or to a committee concerned with such information or to the Legal Department or Market Regulation Department, when requested by the CFTC or other governmental agency or when compelled to testify in any judicial or administrative proceeding.

All information, records, materials and documents provided to the PCC and all deliberations, testimony, information, records, materials and documents related thereto shall be treated as non-public and confidential and shall not be disclosed, except as necessary to further an Exchange investigation or as required by law.

#### **407. INVESTIGATION, ASSIGNMENT FOR HEARING AND NOTICE OF CHARGES**

The Market Regulation Department shall investigate potential or alleged Rule violations. Investigations and all information and documents obtained during the course of an investigation shall be treated as non-public and confidential and shall not be disclosed by any party, except as necessary to further an Exchange investigation or as required by law. The Market Regulation Department is authorized to take recorded interviews pursuant to an Exchange investigation. Parties and witnesses being interviewed shall have the right to representation, at their own cost, by legal counsel or anyone other than a member of any Exchange disciplinary committee, a member of the Board, an employee of CME Group or a person related to the investigation.

The Market Regulation Department may take oral depositions of witnesses during an investigation. The party under investigation shall be given at least five days written notice of the time of the deposition and place where the witness will be deposed, which may be at any location within the United States. The party under investigation shall have the

right to be present in person or by authorized representative at the oral deposition, with right of cross-examination. All oral depositions of witnesses shall be taken under oath, before an officer qualified in the place of the deposition to administer oaths, and the complete testimony of the witnesses shall be transcribed by such officer or by a person under his supervision. Oral depositions taken in accordance with this Rule shall be admissible in evidence at any hearing of the Board of Directors or a committee, reserving to the party under investigation the right to object at the hearing to the relevancy or materiality of the testimony contained therein.

Upon conclusion of an investigation, the Market Regulation Department may issue a warning letter to any party as a result of the investigation. Such letter shall not constitute either the finding of a Rule violation or a penalty.

Production of the investigation report to a PCC Panel shall not constitute a waiver of the protected and/or privileged nature of such report. The Market Regulation Department's presentation to the PCC Panel shall not constitute an ex parte communication as described in Rule 417.

#### **407.A. Investigation File**

The Market Regulation Department shall maintain a file once an investigation is initiated. The file shall include any materials in the possession of the Market Regulation Department that are relevant to the conduct being investigated. A party charged with a violation of the Rules shall have the right to review the evidence in the investigation file relevant to the issued charges, provided, however, that protected attorney work product, attorney-client communications and investigative work product, including, but not limited to, the investigation report and any exception reports, are neither discoverable by a respondent in disciplinary proceedings nor subject to review by a respondent as part of the investigation file. In its sole discretion, the Market Regulation Department may assign the costs of copying and producing evidence in an investigation file to the party requesting the evidence. A party may petition the assigned BCC Hearing Panel Chair in writing, pursuant to Rule 408.B.1., for an order compelling the production of evidence not contained in the investigation file that it reasonably believes is relevant to the issued charges. The Market Regulation Department shall have a reasonable opportunity to respond, in writing, to the party's motion.

#### **407.B. Notice of Charges; Opportunity for Hearing**

Where the PCC has issued charges for an alleged Rule violation, the Market Regulation Department shall issue a charging memorandum to the respondent with a brief statement of factual allegations that identifies the charged Rule violation(s). In addition, the Market Regulation Department will send a notice of charges to the respondent. The notice of charges shall set forth the Rule(s) alleged to have been violated, and shall advise the respondent regarding the submission of a responsive answer to each charge in accordance with Rule 407.C. Further, the notice of charges shall advise the respondent that the matter will be heard by a BCC Panel and of the time and place for the hearing, if known. The respondent shall also be advised of his right to appear personally at the hearing and of his right to be represented, at his own cost, by legal counsel or a member of the Exchange, other than a member of any Exchange disciplinary committee, a member of the Board or an employee of CME Group.

A respondent may waive his right to a hearing within 21 days of receipt of the notice of charges. A respondent who elects to waive his right to a hearing on the charges will be notified of the date on which the BCC Panel will render its decision. Upon a finding of guilt on any charge, the BCC Panel will promptly determine what penalties, if any, are to be imposed and their effective date. A respondent who has waived his right to a hearing and/or admitted the charges against him will be advised of his right to participate in the hearing solely with respect to the penalty.

#### **407.C. Answer to Charges**

The respondent shall have 21 days after notice to submit a written answer to the charges. Upon a showing of good cause, the BCC Hearing Panel Chair may extend the period of time in which the respondent is required to submit his answer. The answer must state that the respondent admits, denies, or lacks sufficient knowledge to admit or deny each charge. A statement of lack of sufficient knowledge shall be deemed a denial. Pursuant to a written request by the Market Regulation Department, any charge not denied in whole or in part by the respondent shall be deemed admitted by the Hearing Panel Chair, and the failure to file a timely answer may be deemed an admission to the charges. If all the charges are admitted, the respondent shall be deemed to waive his right to a hearing on the charges and the BCC Panel shall find that the violations alleged in the notice have been committed. The BCC Panel will determine the penalty, if any, to be imposed at a hearing, due notice of which will be provided to the respondent. The respondent shall be advised of his right to appear personally at the penalty hearing and advised of his right to be represented at his own cost by legal counsel or anyone other than a member of any disciplinary committee, a member of the Board, an employee of CME Group or a person related to the investigation.

If an answer contains both an admission to one or more charges and a denial of one or more charges, the BCC Panel will consider the penalties which may be imposed for the admitted charges at the same time that the charges denied by the respondent are considered.

## **408. CONDUCT OF HEARINGS**

### **408.A. General**

All disciplinary proceedings conducted before a panel of the BCC or before a hearing panel of the Board of Directors (collectively, "Panel") shall be conducted in accordance with the following procedures.

Hearings shall be fair. The respondent shall have the right to appear personally at the hearing and to be represented at his own cost by legal counsel or anyone other than a member of any Exchange disciplinary committee, a member of the Board, an employee of CME Group or a person related to the investigation. The Panel or the Hearing Panel Chair shall have the power to compel any party subject to its jurisdiction pursuant to Rule 418 to attend, testify and/or produce evidence in connection with the hearing.

The Exchange shall, in writing, notify the respondent of the names of the persons originally appointed to the Panel at least seven days in advance of the originally scheduled hearing date. Parties to the hearing may request the Hearing Panel Chair to strike any panelist for good cause shown. The Hearing Panel Chair may then excuse such panelist and, if necessary to achieve quorum, direct that an alternate panelist be appointed.

In the event any panelist is added to achieve quorum, the Exchange shall provide all parties reasonable notice regarding the new panelist. The addition of a new panelist will not delay the scheduled hearing date unless the panelist is added less than five days in advance of the scheduled hearing and a party can demonstrate good cause for the requested delay.

### **408.B. Pre-Hearing**

#### **1. Procedural and Evidentiary Matters**

The Hearing Panel Chair may require a pre-hearing conference.

The Hearing Panel Chair shall have the authority to decide all procedural and evidentiary matters and all pre-hearing motions, and the Hearing Panel Chair's decision shall be final. Notwithstanding the preceding sentence, a motion to dismiss any or all of the charges may be granted only by the Panel. The Market Regulation Department may appeal to the Board any decision of the Panel to grant such a motion. If such an appeal is requested, the Board shall conduct a hearing on the matter in accordance with the procedures in Rule 411.

All pre-hearing motions, with the exception of motions to dismiss, must be submitted in writing to the parties and BCC's counsel at least five days in advance of the scheduled hearing. Motions to dismiss any or all of the charges must be submitted in writing to the BCC's counsel and to the Market Regulation Department at least 21 days in advance of the originally scheduled hearing date. Upon receipt, the Market Regulation Department shall have seven days to submit a written response to the BCC's counsel, and shall provide a copy to the respondent. All pre-hearing motions shall be decided on the written papers of the parties, except where the Hearing Panel Chair determines, in his sole discretion, that oral arguments are necessary to resolve the pre-hearing motion.

Prior to the hearing, the respondent may examine all evidence which is to be relied upon by the Market Regulation Department during the hearing. However, the respondent shall not be entitled to examine protected attorney work product, attorney-client communications or investigative work product, including, but not limited to, the investigation report and any exception reports. The respondent may obtain a copy of all such evidence, and any copying costs shall be the sole responsibility of the respondent. The Market Regulation Department is not required to produce or obtain any documents that are not in its possession. A respondent who seeks documents that are not in the possession of the Market Regulation Department may request the documents from their custodian. Upon a showing of good cause, the respondent may petition the Hearing Panel Chair, in writing, for an order compelling the production of documents by a custodian, provided that the custodian is subject to the jurisdiction of the Exchange, the custodian has refused voluntarily to provide the documents and the documents are relevant to the charges. The Market Regulation Department or the custodian may object, in whole or in part, to any such petition.

The issuance of charges shall not restrict the Market Regulation Department from further investigating the activity underlying the charges or investigating other potential violations by the respondent. Market Regulation reserves the right to modify the charging memorandum with the consent of the PCC.

#### **2. Submission of Documents and Identification of Witnesses by Respondent**

At least 14 days in advance of the hearing, the respondent shall submit to the Market Regulation Department copies of all books, documents, records and other tangible evidence, upon which the respondent plans to rely at the hearing, and provide a list of the names of witnesses that the respondent plans to call at the hearing. The Panel may refuse to consider any books, records, documents or other tangible evidence which was not made available to, or witnesses whose names were not submitted to, the Market Regulation Department pursuant to this section.

### **408.C. Offers of Settlement**

A respondent that is the subject of an investigation or who is charged with a Rule violation(s) may submit for consideration by the Panel a written offer of settlement in disposition of such investigation or charges.

A respondent may submit an offer of settlement without admitting or denying the Rule violations upon which the penalty is based; provided, however, that an offer must include a consent to entry of findings by the Panel regarding

the conduct and Rule violations at issue and to the penalty to be imposed.

If the Market Regulation Department does not oppose the respondent's offer of settlement, the respondent's written offer of settlement and the Market Regulation Department's supporting statement shall be submitted to the Panel for consideration.

If the Market Regulation Department opposes the respondent's offer of settlement, the respondent, following the issuance of any charges by the PCC, may submit a written unsupported offer of settlement for consideration by the Panel no less than 28 days in advance of the originally scheduled hearing date. If a respondent submits an unsupported offer less than 28 days before a scheduled hearing date, or after the hearing has commenced, the offer shall not be considered unless agreed upon by the parties. The Market Regulation Department shall be entitled to file a written response to an unsupported offer of settlement within 10 days of receiving the unsupported offer. In considering whether to accept the respondent's offer, the Panel shall examine the respondent's written offer of settlement and the Market Regulation Department's written opposition thereto. The respondent may not submit more than one unsupported offer of settlement. Notwithstanding the preceding sentence, a respondent may submit a single additional unsupported offer of settlement if the charging memorandum has been modified pursuant to Rule 408.B.1. subsequent to the BCC Panel's consideration of an unsupported offer of settlement.

A respondent may withdraw an offer of settlement at any time prior to final acceptance by the Panel. If the Panel accepts the offer, a written decision setting forth the Panel's findings and sanction shall be issued, and written notice of the decision shall be given to the respondent.

If the Panel rejects an offer of settlement, the respondent will be notified of the rejection and it will be deemed withdrawn. If an offer is withdrawn or rejected by the Panel, the respondent shall not be deemed to have made any admissions by reason of the offer and shall not otherwise be prejudiced by having submitted the offer.

The assigned Hearing Panel Chair may decline to convene the Panel to consider an offer of settlement. Any subsequent offers of settlement not opposed by the Market Regulation Department shall be heard by the same Panel; however, alternate panelists may be appointed in the event of scheduling conflicts. Any contested hearing following an offer of settlement not accepted by the Panel will be heard by a new Panel.

In submitting an offer of settlement, the respondent waives his right to a contested hearing and to appeal the Panel's decision if the offer is accepted; the respondent also waives any claim of bias or prejudice on the part of the Panel.

If the offer of settlement is accepted, the BCC's decision shall be final on the date it is signed by the Hearing Panel Chair. In the case of an unsupported offer of settlement accepted by the Panel, the BCC's decision shall become the final decision of the Exchange after the appeal period has lapsed.

#### **408.D. Hearings**

The Market Regulation Department shall be a party to the hearing and shall present evidence in support of the charged Rule violation(s). The Market Regulation Department and the members of the Panel may question any witness and examine all the evidence stipulated to or presented at the hearing. The respondent shall be entitled to appear personally, testify, produce evidence, call witnesses on his behalf and cross-examine any witness. The Market Regulation Department bears the burden of establishing the basis for a finding of guilt on any charge by a preponderance of the evidence. Formal rules of evidence shall not apply.

All testimony and documents produced in connection with a disciplinary hearing shall be deemed non-public and confidential and shall not be disclosed except in connection with proceedings resulting from that hearing or as required by law. A recording or other substantially verbatim record of the hearing shall be made and become part of the record of the proceeding. If a respondent requests a transcript, he shall be solely responsible for the cost of producing the transcript.

A majority vote of the Panel is required for a finding of guilt. A respondent that is found not guilty shall not again be charged with or tried for the same underlying conduct. In the event of a finding of guilt, the Panel, in a separate sanctioning phase, must allow both parties to present arguments and information regarding the appropriate nature and amount of a sanction prior to determining such sanction. In the absence of exceptional circumstances, as determined by the Hearing Panel Chair, the sanctioning phase shall proceed immediately upon the conclusion of the evidence and determination of the committee.

The BCC's decision shall be final on the date it is signed by the Hearing Panel Chair. The BCC's decision shall become the final decision of the Exchange after the appeal period has lapsed.

#### **408.E. Decisions**

Promptly following a hearing, the respondent shall be issued a written decision of the Panel's findings, which shall include: the notice of charges (or a summary thereof); the answer to the charges, if any (or a summary thereof); a brief summary of the evidence produced at the hearing; a statement of findings and reasoned conclusions with respect to each charge, including the specific Rules which the respondent is found to have violated; a declaration of any penalty imposed and the effective date of such penalty; and the availability, if any, of an appeal of the decision within the Exchange or to the Commodity Futures Trading Commission.

## **409. SUMMARY PROCEEDINGS BEFORE THE FLOOR CONDUCT COMMITTEE**

### **409.A. Jurisdiction**

A member of the Floor Conduct Committee or a designated representative of the Market Regulation Department shall have the authority to issue charges against an individual with respect to trading infractions as set forth in Rule 514. A panel of the Floor Conduct Committee shall have authority to conduct summary proceedings with respect to charges under Rule 514.

Charges against an individual shall be issued by filing the appropriate forms with the Market Regulation Department. The Market Regulation Department will then serve the respondent with a copy of the charges.

### **409.B. Selection of the Panel**

For proceedings before the Floor Conduct Committee, the Chief Regulatory Officer or his designee, in consultation with a Floor Conduct Committee Co-Chairman, shall select a panel consisting of three additional members of the Floor Conduct Committee, which may include other Co-Chairmen of the committee. The Chief Regulatory Officer shall endeavor to rotate the members serving on the panels.

No panelist may serve on the particular panel if he or any person, firm, or broker association with which he is affiliated has a personal, financial, or other direct interest in the matter under consideration.

### **409.C. Conduct of Summary Proceedings**

A summary proceeding before the Floor Conduct Committee shall be conducted in a fair and impartial manner.

A summary proceeding before the Floor Conduct Committee shall take place as soon as practicable after the issuance of charges. The proceeding will not be recorded. The respondent shall be entitled to appear personally and answer the charges issued. Respondents and witnesses may not be represented by counsel at a summary proceeding. However, an employee without membership privileges who is a respondent may be represented by a single representative of his employer. A panel shall decide by a majority vote whether the individual is guilty of the violation or offense charged. If the accused individual is found guilty, a panel may impose fines in accordance with Exchange Rules. A witness who fails to appear at a summary proceeding after being directed to do so by the Chairman of the panel or by staff may be charged with a violation of Rule 432

If a panel of the Floor Conduct Committee, by a majority vote, decides that the matter is of major importance or might warrant a penalty in excess of its own authority, the Chairman of the Panel shall refer the matter to the PCC and shall inform the individual of this referral in writing.

### **409.D. Appeals**

An individual found guilty of an offense who receives a fine greater than \$5,000 may, within 10 days of the decision, file a written appeal of the decision with the Market Regulation Department. A written appeal that fails to specify the grounds for the appeal and the specific error or impropriety of the original decision shall be dismissed by the Chief Regulatory Officer. The Hearing Panel Chair may also allow the parties to file briefs in support of or in opposition to an appeal. The appeal shall be heard by a Panel of the BCC ("BCC Panel") whose decision shall be final. The appellant shall be entitled to be represented by counsel, appear personally before the BCC Panel and present evidence that he may have in support of his appeal. The BCC Panel shall not set aside, modify or amend the appealed decision unless it determines, by majority vote, that the decision was:

1. Arbitrary, capricious, or an abuse of the committee's discretion;
2. In excess of the committee's authority or jurisdiction; or
3. Based on a clearly erroneous application or interpretation of Exchange Rules.

## **410. [RESERVED]**

## **411. APPEAL TO A HEARING PANEL OF THE BOARD OF DIRECTORS**

The Market Regulation Department may request an appeal to a hearing panel of the Board ("Appellate Panel") regarding a final decision of or sanction imposed by the BCC, or any refusal by the PCC to issue those charges requested by the Market Regulation Department, by filing a written request for an appeal with the Exchange Legal Department within 10 business days after receiving notice of such decision, sanction or refusal. Filing of a request for an appeal by the Market Regulation Department shall stay any decision that is appealed unless the Chairman of the Board or the BCC Hearing Panel Chair from which the appeal is taken specifically directs that the decision is not stayed pending appeal.

A Member found guilty of an offense or otherwise aggrieved by a final decision of the BCC, may request an appeal to an Appellate Panel provided that the decision assesses a monetary sanction greater than \$10,000 and/or an access denial or suspension of any membership privileges for greater than five business days against the Member. The request shall be filed in writing with the Exchange's Legal Department within 10 business days after Notice of any such decision. Filing of a request for an appeal by a Member shall stay the decision appealed unless the Market

Regulation Department objects to such a stay and the Chairman of the Board or the BCC Hearing Panel Chair from which the appeal is taken specifically directs that the decision is not stayed pending appeal.

A written request for an appeal must specify the grounds for the appeal and the specific error or impropriety of the original decision. Upon receiving the written request for an appeal, the Appellate Panel, by a majority vote, shall determine whether sufficient grounds exist to hold a hearing on the appeal. The Appellate Panel may only determine that sufficient grounds exist if there is a reasonable basis to conclude that the appellant might be able to meet one of the three standards identified below that would permit the Appellate Panel to set aside, modify or amend the appealed decision or the refusal to issue charges. The Appellate Panel's determination shall be based solely upon the written request and, in the case of an appeal of a BCC decision, any written response by the opposing party. The Appellate Panel's determination of whether to hold a hearing on an appeal shall be final.

If the Appellate Panel grants the appellant's request for a hearing, the appeal shall be heard within 60 days of the filing of the request for an appeal, unless the chairman of the Appellate Panel determines that good cause for an extension has been shown.

The appellate hearing shall be limited to the record from the appealed proceeding. The Appellate Panel shall not entertain any new evidence or new legal theory not raised in the prior proceeding except upon a clear showing by the appellant that such new evidence or new legal theory did not exist or was not ascertainable by due diligence at the time of the proceeding, and that there was insufficient time within the intervening period prior to the hearing of the Appellate Panel for the appellant to bring such new evidence or legal theory to the attention of the BCC or the PCC, as applicable. The chairman of the Appellate Panel shall allow the filing of briefs in connection with the appeal of a decision of the BCC. The Appellate Panel shall review the investigation report in connection with the appeal of a refusal by the PCC to issue those charges requested by the Market Regulation Department.

No member of the Board may serve on a particular Appellate Panel if he participated on the PCC Panel that issued, or considered issuing, the charges, or on the BCC Panel that issued the decision, or if he has a personal, financial, or other direct interest in the matter under consideration or is a member of the same broker association as the respondent or potential respondent.

The Chairman of the Board shall appoint a director to serve as the Appellate Panel chairman, who shall conduct the hearing, and two additional directors to serve on the Appellate Panel. One of these directors shall be a non-member. Any party to the appeal may request the Chairman of the Board to strike any director for good cause shown. The Chairman of the Board may then excuse such director and shall then select an alternate director from the Board. An Appellate Panel shall consist of directors that possess sufficiently diverse interests so as to ensure fairness.

The Appellate Panel shall not set aside, modify or amend the appealed decision or the refusal to issue charges unless it determines, by a majority vote, that the decision or the refusal to issue charges was:

- A. Arbitrary, capricious, or an abuse of the committee's discretion;
- B. In excess of the committee's authority or jurisdiction; or
- C. Based on a clearly erroneous application or interpretation of Exchange Rules.

In the case of an appeal of a disciplinary decision, the Appellate Panel shall promptly issue a written decision which shall include a statement of findings with respect to the decision from which the appeal was taken and the Appellate Panel's determination that such initial decision is affirmed, set aside, modified or amended in whole or in part and, with respect to any initial decision that is not affirmed in whole, the Appellate Panel's determination of the order or penalty to be imposed, if any. The decision of the Appellate Panel shall be deemed a decision of the Board and shall be a final decision of the Exchange.

In the case of an appeal by the Market Regulation Department of a decision by the PCC not to issue those charges requested by the Market Regulation Department, the Appellate Panel shall either affirm or set aside the decision of the PCC. If the decision is set aside, the Appellate Panel shall remand the matter to the PCC for the issuance of charges. If the decision is affirmed, the Appellate Panel shall direct that no further action be taken and such decision shall be deemed a decision of the Board and shall be a final decision of the Exchange.

In the case of an appeal by the Market Regulation Department of a decision by the BCC to grant a respondent's motion to dismiss any or all of the charges, the Appellate Panel shall either affirm or set aside the decision of the BCC with respect to each dismissed charge. If the decision is set aside with respect to any dismissed charge, such charge shall be deemed to be reinstated and disciplinary proceedings with respect to all of the charges shall be conducted before a different panel of the BCC pursuant to the procedures in Rule 408. If the decision is affirmed with respect to any dismissed charge, the Panel shall direct that no further action be taken with respect to such dismissed charge and such decision shall be deemed a decision of the Board and shall be a final decision of the Exchange.

This Rule shall not apply to appeals of Arbitration Committee decisions, which shall be governed by the Rules contained in Chapter 6.

## **412. SUMMARY ACTIONS**

In cases of action taken against a Member pursuant to CME or CBOT Rules 976 or 977, the Member affected shall be notified in writing of such action. The notice shall state: the action taken; the reason for the action; and the effective time, date and duration thereof.

The Member may, within two business days following receipt of notice of action taken, request a hearing before a hearing panel of the Board ("Panel"). The hearing shall be conducted within 60 days of such request, in accordance with the requirements of Rule 408, unless the Hearing Panel Chair determines that good cause for an extension has been shown, but shall not stay any action taken pursuant to Rules CME or CBOT Rules 976 or 977.

Following the hearing, if any, the Panel shall cause to be prepared a written decision containing: a description of the summary action; the reasons for such action; a description of the evidence produced at the hearing; findings and conclusions; a determination that the summary action should be affirmed, set aside, modified or amended and the reasons therefor; and the effective date and duration, if any, of subsequent or continuing actions. The Panel shall not set aside, modify or amend the summary action taken against a Member unless it determines, by a majority vote, that the summary action taken was:

A. Arbitrary, capricious, or an abuse of the committee's discretion; or

B. In excess of the committee's authority or jurisdiction.

## **413. SUMMARY ACCESS DENIAL ACTIONS**

### **413.A. Authority to Deny Access**

The Chief Regulatory Officer or his delegate, upon a good faith determination that there are substantial reasons to believe that such immediate action is necessary to protect the best interests of the Exchange, may order that: 1) any party be denied access to any or all Exchange markets; 2) any party be denied access to the Globex platform; 3) any party be denied access to any other electronic trading or clearing platform owned or controlled by CME Group; or (4) any Permit Holder be immediately removed from any trading floor owned or controlled by the Exchange.

### **413.B. Notice**

Promptly after an action is taken pursuant to Rule 413.A., the party shall be informed of the action taken, the reasons for the action, and the effective date, time and the duration of the action taken ("Notice"). The party shall be advised of his right to a hearing before the Business Conduct Committee by filing notice of intent with Exchange staff within ten (10) business days of the Notice date.

### **413.C. Hearing**

Parties shall have the right to representation, at their own cost, by legal counsel or anyone other than a member of any Exchange disciplinary committee, a member of the Board, an employee of CME Group or a person related to the investigation. The Panel shall conduct a de novo hearing solely on the issue of the denial of access in accordance with procedures in Rule 408. Filing of a notice of intent pursuant to Rule 413.B. shall not stay the Chief Regulatory Officer's decision to deny access.

### **413.D. Duration of Access Denial**

Any decision to deny access pursuant to Rule 413.A. or Rule 413.C. shall not remain in effect for more than 60 days unless the Chief Regulatory Officer or his delegate, upon further consideration of the circumstances that resulted in a prior access denial action, provides written Notice to the party that his access will be denied for an additional period of time not to exceed 60 days and the Notice comports with the provisions of Rule 413.B. Any subsequent extension of the access denial pursuant to this Rule must be mutually agreed to by the party and the Chief Regulatory Officer or his delegate. In the absence of such mutual agreement, Exchange staff may petition the Business Conduct Committee to take emergency action pursuant to Rule 402.C. At any time, a Permit Holder may petition the Business Conduct Committee to reconsider an access denial pursuant to this Rule based upon materially changed circumstances.

## **414. INVESTIGATIONS BY OTHER SELF-REGULATORY ORGANIZATIONS**

If a self-regulatory organization that is a party to an information sharing agreement with the Exchange requests assistance in connection with an investigation, the Chief Regulatory Officer may direct a party subject to the jurisdiction of the Exchange pursuant to Rule 418 to submit to an examination by the requesting self-regulatory organization and to produce information pertinent to that investigation. The request for assistance shall describe the investigation, explain why Exchange assistance is necessary and describe the scope of assistance sought. An order directing a party subject to the jurisdiction of the Exchange pursuant to Rule 418 to submit to an examination shall be issued unless the Chief Regulatory Officer determines that such order would not be in the best interests of the Exchange. An examination pursuant to such order shall be conducted according to Exchange Rules and shall be conducted on Exchange premises under the direction of Exchange staff. At the discretion of the Chief Regulatory Officer, representatives of the requesting self-regulatory organization may observe and participate in the examination.

Failure to comply with an order issued under this Rule shall be an offense against the Exchange.

#### **415. COOPERATION WITH OTHER EXCHANGES AND CLEARING ORGANIZATIONS AND INTERNATIONAL GOVERNMENT INFORMATION-SHARING AGREEMENTS**

The Chief Executive Officer or the President, or their delegates, are authorized to provide information to:

- A. an exchange or clearing organization that is a party to an information sharing agreement with the Exchange, in accordance with the terms and conditions of such agreement; or
- B. a duly authorized foreign regulator or governmental entity, as directed by the Commission, in accordance with an information-sharing agreement executed with the Commission.

#### **416. CONFLICTS OF INTEREST**

##### **416.A. Abstention Requirements**

A member of a charging, adjudicating, or appeal committee or panel must abstain from participating in any matter where such member:

1. Is a witness, potential witness, or a party;
2. Is an employer, employee, or co-worker of a witness, potential witness, or a party;
3. Is associated with a witness, potential witness, or a party through a broker association as defined in Exchange Rules;
4. Has any significant personal or business relationship with a witness, potential witness, or a party, not including relationships limited to (a) executing futures or options transactions opposite each other, or (b) clearing futures or option transactions through the same Clearing Member; or
5. Has a familial relationship to a witness, potential witness, or a party.

##### **416.B. Disclosure of Relationship**

1. Prior to the consideration of any matter involving a subject, each member of a charging, adjudicating, or appeal committee or panel must disclose to the appropriate Exchange staff whether he or she has one of the relationships listed in Rule 416.A. above with the subject.
2. In its sole discretion, Exchange staff shall determine whether any member of the committee or panel is required to abstain in any matter.

#### **417. PROHIBITED COMMUNICATIONS**

##### **417.A. Ex Parte Communications**

Unless on notice and opportunity for all parties to participate:

1. No subject or respondent (or any counsel to or representative of a subject or respondent) or the Market Regulation Department (or any counsel to or representative of the Market Regulation Department) shall knowingly make or cause to be made an ex parte communication relevant to the merits (which shall not include scheduling and procedural matters) of an investigation or a proceeding to a member of a charging, adjudicatory, or appeal committee or panel with respect to that matter or proceeding.
2. No member of a charging, adjudicating, or appeal committee or panel that is participating in a decision with respect to an investigation or a proceeding shall knowingly make or cause to be made to a subject or respondent (or any counsel to or representative of a subject or respondent) or the Market Regulation Department (or any counsel to or representative of the Market Regulation Department) an ex parte communication relevant to the merits (which shall not include scheduling and procedural matters) of that matter or proceeding.

##### **417.B. Communications with Panelists**

No Person shall attempt to influence disciplinary matters pending before a charging, adjudicatory, or appeal committee by discussing, or attempting to discuss, such pending matters with a member of such committee or any member of the Board.

##### **417.C. Disclosure**

Any person who receives, makes or learns of any communication which is prohibited by this Rule shall promptly give notice of such communication and any response thereto to the Market Regulation Department and all parties to the proceeding to which the communication relates. A person shall not be deemed to have violated this Rule if the person refuses an attempted communication concerning the merits of an investigation or proceeding as soon as it becomes apparent that the communication concerns the merits.

#### **418. CONSENT TO EXCHANGE JURISDICTION**

Any Person initiating or executing a transaction on or subject to the Rules of the Exchange directly or through an intermediary, and any Person for whose benefit such a transaction has been initiated or executed, expressly consents to the jurisdiction of the Exchange and agrees to be bound by and comply with the Rules of the Exchange in relation to such transactions, including, but not limited to, rules requiring cooperation and participation in investigatory and disciplinary processes.

#### **419. CONTRACT MODIFICATION**

All deliveries must conform to government regulations in force at the time of delivery, and all options must conform to government regulations in force at the time of exercise. Unless specifically provided otherwise in the applicable product chapter, if any duly authorized U.S. government agency or body with appropriate jurisdiction issues an order, ruling, directive or law that conflicts with the requirements of these Rules, such order, ruling directive or law shall be construed to take precedence and become part of these Rules, and all open and new contracts shall be subject to such government orders.

#### **420.-431. [RESERVED]**

#### **432. GENERAL OFFENSES**

It shall be an offense:

- A. to have an interest in, operate or knowingly act on behalf of a bucket-shop, or knowingly make any transaction with a bucket-shop;
- B. 1. to engage in fraud or bad faith;  
2. to engage in conduct or proceedings inconsistent with just and equitable principles of trade;
- C. to engage in dishonest conduct;
- D. to create or report a false or fictitious trade;
- E. to extort or attempt extortion;
- F. to buy or sell any Exchange futures or options contract with the intent to default on such purchase or sale;
- G. to prearrange the execution of transactions in Exchange products for the purpose of transferring equity between accounts;
- H. to engage in, or attempt to engage in, the manipulation of prices of Exchange futures or options contracts; to corner or squeeze, or attempt to corner or squeeze, the underlying cash market; or to purchase or sell, or offer to purchase or sell Exchange futures or options contracts, or any underlying commodities or securities, for the purpose of upsetting the equilibrium of the market or creating a condition in which prices do not or will not reflect fair market values;
- I. to make a verbal or written material misstatement to the Board, a committee, or Exchange employees;
- J. to knowingly disseminate false, misleading or inaccurate information concerning crop or market information or conditions that affect or may affect the price of any Exchange futures or options contract or spot transaction in the underlying commodity;
- K. to trade or accept performance bonds after insolvency;
- L. 1. to fail to appear before the Board, Exchange staff or any investigative or hearing committee at a duly convened hearing, scheduled staff interview or in connection with any investigation;  
2. to fail to fully answer all questions and produce all books and records at such hearing or in connection with any investigation, or to make false statements;  
3. to fail to produce any books or records requested by duly authorized Exchange staff, in the format and medium specified in the request, within 10 days after such request is made or such shorter period of time as determined by the Market Regulation Department in exigent circumstances;
- M. to use or disclose, for any purpose other than the performance of an individual's official duties as a member of any committee or the Board of Directors, any non-public information obtained by reason of participating in any Board of Directors or committee meeting or hearing;
- N. to knowingly accept, directly or indirectly, a trade on the Exchange for the account of a non-member or non-Permit Holder employed on the floor of the Exchange;
- O. for a Permit Holder to permit the use of facilities or membership privileges in a manner that is detrimental to the interest or welfare of the Exchange or results in a violation of Exchange Rules or the Commodity Exchange Act;
- P. for a Clearing Member to fail to maintain minimum financial requirements;

- Q. to commit an act which is detrimental to the interest or welfare of the Exchange or to engage in any conduct which tends to impair the dignity or good name of the Exchange;
- R. to fail to submit to arbitration any dispute which Exchange staff, an arbitration panel or the Board decides should be arbitrated pursuant to Chapter 6; or to fail to comply with a final arbitration award;
- S. to fail, after hearing, to comply with an order of the Board, Exchange staff or any hearing committee;
- T. to engage in dishonorable or uncommercial conduct;
- U. except where a power of attorney or similar document has been executed pursuant to Rule 956, for any party to accept or transmit a customer order which has not been specifically authorized;
- V. to be expelled from a U.S. or foreign designated commodities or securities exchange;
- W. for any party to fail to diligently supervise its employees and agents in the conduct of their business relating to the Exchange;
- X. to aid or abet the commission of any offense against the Exchange;
- Y. to improperly use the Globex platform or any electronic trading or clearing platform owned or controlled by CME Group or permit the unauthorized use of such platforms; and/or
- Z. for a Permit Holder to fail to disclose to his qualifying Clearing Member that an involuntary bankruptcy petition has been filed against him or, in the case of a voluntary bankruptcy proceeding, that he has filed or has formed a definite intention to file for bankruptcy.

#### **433. STRICT LIABILITY FOR THE ACTS OF AGENTS**

Pursuant to Section 2(a)(1)(B) of the Commodity Exchange Act, and notwithstanding Rule 432.W., the act, omission, or failure of any official, agent, or other person acting for any Permit Holder within the scope of his employment or office shall be deemed the act, omission or failure of the Permit Holder, as well as of the official, agent or other person who committed the act.

#### **434. [RESERVED]**

#### **435. EFFECT OF SUSPENSION OR EXPULSION**

Unless otherwise determined by the committee with jurisdiction over such matters, a suspended or expelled Permit Holder shall not be entitled to any of the privileges of such status as a Permit Holder during the period of such suspension or expulsion, including, but not limited to, the right to:

- A. access any trading floor owned or controlled by CME Group;
- B. access the Globex platform or any other electronic trading or clearing platform owned or controlled by CME Group;
- C. obtain Permit Holder rates; and
- D. any applicable cross-exchange trading privileges.

A Permit Holder who has been expelled may not lease out an owned Trading Permit and must relinquish ownership of such Trading Permit(s) within 30 days of the date that the expulsion becomes the final decision of the Exchange.

#### **436. [RESERVED]**

#### **437. NOTICE OF DISCIPLINE**

Notice, in accordance with Section 8c(a)(2) of the Commodity Exchange Act, shall be made available to an internet accessible computer database at the National Futures Association and shall be provided to any Permit Holder or non-Permit Holder who is suspended, expelled, disciplined or denied access to the Exchange within 30 days after the decision becomes final. Additionally, a written notice shall be posted on the floor of the Exchange for five business days promptly after the disciplinary action becomes effective. The notice shall include the Permit Holder's or non-Permit Holder's name, the Rule(s) violated, the reason for the Exchange's action and the action taken or penalty imposed.

#### **438. [RESERVED]**

#### **439. PERMIT HOLDER'S INDEMNIFICATION LIABILITY**

A Permit Holder or former Permit Holder shall indemnify and hold harmless the Exchange, The Board of Trade of the

City of Chicago, Inc., Chicago Mercantile Exchange Holdings Inc. and the New York Mercantile Exchange Inc., including each of their respective subsidiaries and affiliates (collectively, the indemnified parties) and their officers, directors, employees, and agents, for any and all losses, damages, costs and expenses (including attorneys' fees) incurred by the indemnified parties as a result (directly or indirectly) of such Permit Holder's violation or alleged violation of Exchange Rules or state or federal law.

#### **440. CLAIMS BY PERMIT HOLDERS**

A Permit Holder who commences a legal action against the Exchange, its directors, officers, employees, or agents, or another Permit Holder of the Exchange without first resorting to and exhausting the procedures established by the mandatory arbitration provisions of Chapter 6, or any other Rules relating to settlement of disputes arising out of transactions or matters pertaining to the Exchange shall be deemed to have committed an act detrimental to the interest or welfare of the Exchange. This Rule shall not abrogate an individual's right to reparations pursuant to Section 14 of the Commodity Exchange Act.

A Permit Holder who commences a legal action against the Exchange, its directors, officers, employees, or agents, after he has exhausted all of the procedures established by the Exchange, may be found to have committed an act detrimental to the interest or welfare of the Exchange in the event that at hearing the Board of the BCC determines that the Permit Holder's action was not meritorious or warranted.

#### **441. COMMUNICATIONS WITH THE PUBLIC AND PROMOTIONAL MATERIAL**

Promotional material and similar information issued by Permit Holders shall comply with the requirements of National Futures Association Rule 2-29, as amended.

#### **442. NOTIFICATION OF SIGNIFICANT EVENTS**

Each Permit Holder, Permit Holder firm and Clearing Member shall provide immediate notice to the Market Regulation Department (and each Permit Holder firm or Clearing Member shall also provide immediate notice to the Clearing House), in writing upon becoming aware of any of the following events relating to such Permit Holder, Permit Holder firm or Clearing Member:

1. any suspension, expulsion, revocation or restriction of such Permit Holder's, Permit Holder firm's or Clearing Member's trading privileges or any fine in excess of \$25,000, through an adverse determination, voluntary settlement or otherwise, by any court, commodity or securities exchange or related clearing organization, the Securities and Exchange Commission, the Commodity Futures Trading Commission or the securities commission or equivalent authority of any state, territory, the District of Columbia or foreign country, the National Futures Association, the Financial Industry Regulatory Authority, Inc. or any self-regulatory or regulatory organization;
2. any indictment of the Permit Holder, Permit Holder firm or Clearing Member or any of its officers for, any conviction of the Permit Holder, Permit Holder firm or Clearing Member or any of its officers of, or any confession of guilt or plea of guilty or nolo contendere by the Permit Holder, Permit Holder firm or Clearing Member or any of its officers to 1) any felony or 2) any misdemeanor involving, arising from, or related to the purchase or sale of any commodity, security, futures contract, option or other financial instrument or involving or arising from fraud or moral turpitude; and/or
3. any filing of a bankruptcy petition or insolvency, receivership or equivalent proceeding of which the Permit Holder, Permit Holder firm or Clearing Member is a subject. In the case of a voluntary bankruptcy, insolvency, receivership or equivalent proceeding, the Permit Holder, Permit Holder firm or Clearing Member also shall notify the Market Regulation Department, (and the Clearing House in the case of a Permit Holder firm or Clearing Member) when such Permit Holder, Permit Holder firm or Clearing Member forms a definite intention to file such proceeding.

Nothing in this Rule shall limit or negate any other reporting obligations that any Permit Holder, Permit Holder firm or Clearing Member may have to the Exchange or any other regulator or person.

#### **443. [RESERVED]**

#### **444. SANCTIONS AND RESTITUTION ORDERS**

Disciplinary fines and restitution orders issued by an Exchange disciplinary committee must be submitted to the Market Regulation Department no later than the date specified in the notice of decision. An individual who fails to provide proof of payment within the time prescribed will forfeit the following privileges until the payment has been received by the Market Regulation Department: 1) access to all CME Group markets; 2) access to the Globex platform; and 3) access to any other electronic trading or clearing platform owned or controlled by CME Group. Any

Permit Holder firm that fails to make the required payment within the time prescribed will automatically forfeit preferred fee treatment for its proprietary trading until the payment has been received by the Market Regulation Department. Any Permit Holder that fails to pay a disciplinary fine or restitution order within the prescribed time period may also be subject to sanctions pursuant to Rule 432.S.

Parties may, subject to a determination by the sanctioning entity, be liable for unpaid fines or unpaid restitution orders imposed upon their employees.

#### 400.00 Permit Holders

Permit Holders shall be entitled to admission to the facilities of the Exchange as long as they remain a Permit Holder, and no longer.

#### 400.01 Identification.

In order to have adequate identification of floor trading personnel and floor traders and uniform information regarding trades executed every Permit Holder is required to wear an identification badge approved by the Exchange in a prominent position and in proper fashion to be admitted to the trading floor. The badge must be worn at all times while on the trading floor. Failure to wear a badge shall be considered an act detrimental to the welfare of the Exchange. The Visitor Cards are non-transferable and must be renewed every six (6) months.

Note: All personnel on the floor should wear some identifying badge except:

- a. Tradesmen servicing equipment;
- b. Regular messengers who are in and out quickly; and
- c. Regular Exchange staff.

#### 401.00 Former Permit Holders.

Exchange staff is authorized and directed to issue Permanent Visitor Cards to former Permit Holders of the Exchange no longer active in business, which shall entitle such visitors to access to the trading floor; provided, however, that the holders shall observe the usual rules of decorum, shall not transact any business on the trading floor; and provided further, that such cards may be canceled if the holder shall thereafter engage in the grain or futures business.

#### 402.00 Non-Permit Holders.

Besides Permit Holders and Former Class B Members pursuant to Rule 100.02, no Person shall be admitted to the trading floor of the Exchange during business hours, except those granted complimentary admission by Exchange staff, visitors introduced by Permit Holders in good standing, or Exchange officers, employees, messengers, and service personnel. No Person, unless a Permit Holder, shall transact any business with any visitor.

#### 402.01 Non-Permit Holders; When May Enter Trading Floor.

Non-Permit Holders and employees of firms not represented by Permit Holders may not be admitted to the trading floor. Such persons may observe from the third (3rd) floor visitors' gallery.

#### 402.02 Non-Permit Holder Employees.

Non-Permit Holder employees of firms represented by a Permit Holder firm may only enter the trading floor through the center doors, must remain behind the counter, and may only engage in business communications with Permit Holders representing their employer.

#### 402.03 Messengers.

Permit Holders who regularly engage in business on the trading floor, may register one (1) or more persons with Exchange staff as "Messengers", for a fee of \$25 a year or part of a year. (Fees are payable in advance and are nonrefundable.) Persons so registered may enter the trading floor only to communicate, deliver, or pick up messages, and to deliver or pick up samples, all with Permit Holders of the same firm. They may not conduct any business while on the floor. Only one (1) Messenger per firm may be on the floor at one time. Messengers shall not remain longer than necessary to complete their business. Permit Holders or firms are responsible for Messengers' actions while on the floor. Messengers may be registered at any time; however, they must re-register January 1 of each year.

#### 402.04 Floor Clerks.

Permit Holders who personally and regularly engage in futures transactions on the trading floor may register with Exchange staff one (1) or more persons to assist them as "Floor Clerks". Two (2) clerks per Permit Holder may be on the floor at a time. A fee of \$125 per quarter and per clerk on the floor shall be assessed. (The fee for Floor Clerks registered in mid-quarter shall be \$10 for each calendar week left in the quarter or \$20 if there are to be two (2) on the floor.) The Floor Committee and Exchange Staff shall ascertain that there is regular active supervision of Floor Clerks by a Permit Holder on the floor. They shall wear an appropriate badge for identification. They may be registered at any time; however, they must re-register January 1 of each year.

#### 402.05 Floor Clerk; Conditions To Admission.

Floor Clerks registered with the Exchange shall be subject to the following conditions:

- a. Floor Clerks must remain by their telephones or work stations, except that they may enter the trading pit to

give orders, collect fills, and otherwise communicate with brokers to whom their firm is currently giving orders; and they may check with other Permit Holders regarding clearing authorization and other clarification of orders.

b. Floor Clerks may accept orders from any Permit Holder on the floor for execution on this or other markets.

c. Floor Clerks may communicate by phone with their employers and with non-Permit Holders, so long as they do not solicit business.

d. Floor Clerks are subject to all applicable Rules such as decorum, etc.

e. Floor Clerks may not take or place calls in the Exchange telephone booths.

f. Floor Clerks shall be within the jurisdiction of the committees discussed in Chapter 3 of these Rules, including the Pit Committee, Business Conduct Committee, Complaint Committee, and the Board. Floor Clerks are subject to the same disciplinary procedures as Permit Holders. g. Floor Clerks may perform only such services and other clerical, telephone and informational duties as are described in this Rule 402.05.

h. Floor Clerks shall not have any interest whatsoever in a commodity futures or commodity options account which contains positions in contracts traded at the Exchange. In particular, Floor Clerks cannot trade in any commodity futures or commodity options account in this Exchange or any other exchange, while on the trading floor.

#### 402.06 Floor Clerk Trainees.

A Floor Clerk trainee may be permitted on the floor for a five (5) day period upon giving written notice to Exchange staff, provided only one (1) trainee per firm is on the floor at a time, and the privilege is not abused.

#### 402.07 Employee Trainees.

Firms represented by a Permit Holder may, by registering such employees with Exchange staff, have one (1) trainee on the floor at a time for a period of up to four (4) weeks per trainee, so long as the privilege is not abused. Such persons may not conduct any business on the floor, and the employer firm is responsible for their actions while on the floor.

#### 402.08 Enforcement.

Exchange staff are authorized and instructed to enforce the provisions of Rules 402.00 through 402.07.

#### 403.00 Complimentary Admission.

Persons granted complimentary admission shall be entitled to admission for such time as may be approved by Exchange staff. Visitors introduced by Permit Holders shall be entitled to admission upon such terms and for such length of time as Exchange staff may from time to time determine, and the introducing Permit Holder shall be responsible for the visitor(s) admitted.

#### 403.01 Duration Of Visitor Card; Conditions.

Non-Permit Holders may be admitted to the trading floor by a Permit Holder upon issuance of a visitor card, good for five (5) days in a thirty (30) day period. Visitors may not conduct any business on the floor, must observe rules on decorum, and must not get in the way of Permit Holders' activities.

#### 403.02 Visitor Access; Minimum Age.

There shall be no admittance to the trading floor for persons under sixteen (16) years of age without the prior written consent of Exchange staff. Persons granted special permission by Exchange staff must, while on the trading floor, at all times be closely supervised by the Permit Holder or officer registering such person pursuant to Rule 405.00.

#### 405.00 Visitor Registration.

The names of all visitors introduced by Permit Holders in good standing or an Exchange officer shall be on their visitor's identification badge and registered in a book kept for that purpose, which shall bear the date of such registration, the address of the visitor, and the name of the introducing person.

#### 406.00 No Reports To Be Removed.

No person admitted to the facilities of the Exchange shall copy or carry away from such areas any market quotations, reports, or other information posted therein for use in any other place.

#### 407.00 Observance Of Rules.

All persons admitted to the Exchange rooms shall observe the Rules. In the event of any infraction thereof, such person shall, on the order of Exchange staff, be denied further admission for such time as may be named in such order.

#### 408.00 Decorum.

All Permit Holders, Floor Clerks, messengers, visitors and other persons admitted to Exchange facilities shall observe proper business decorum. Disorderly conduct, sexual harassment, physical violence, the use of profane or obscene language, the commission of any offenses as listed in Rules 408.01 and 408.02, or the violation of any Rule which relates to Exchange floor decorum is a decorum offense. Permit Holders are responsible for the conduct of their Floor Clerks, trainees, messengers and visitors. The penalty for any such offense (except for sexual harassment and physical violence, which are covered under Rule 408.03) may be a warning, a fine not to exceed \$500, or a temporary expulsion or suspension from the Exchange facilities.

#### 408.01 Dress Code.

It is essential that a measure of presentability be maintained and a serious, business atmosphere be presented to the many visitors and spectators that witness our daily activities.

In keeping with this, Permit Holders shall be responsible for adherence of their employees to this directive. This includes Permit Holders, Permit Holders' employees, and employees of the Exchange. The following attire shall be mandatory at all times (not only during trading hours) on the Exchange floor:

1. Conventional, businesslike attire shall be worn.
  2. Permit Holders shall wear a business jacket (trading jacket) or suit.
  3. Employees of Permit Holders shall wear a jacket as prescribed by the Exchange (i.e., sleeves not rolled up past the elbow).
  4. All men must wear a shirt with a collar. Shirrtails shall be tucked in. If a necktie or bowtie is worn, it shall be worn in a conventional manner, tied above the second button.
  5. Men must wear socks. Gym shoes may be worn if they are clean and presentable.
  6. Every Permit Holder, employees of Permit Holders, and Exchange floor staff must wear an identification badge, as approved by staff of the Exchange. The badge must be worn in plain view, on the upper front of each jacket or shirt.
  7. Personal attire shall be neat, clean and presentable.
- The following attire is not acceptable on the Trading Floor.

1. Denim jean pants, jean jumpsuits, bib overalls, painter pants, harem pants, jungle pants, walking shorts, tiedies, sweat pants, culottes, and all pants that are dirty, frayed, torn, badly wrinkled or otherwise inappropriate.
2. Attire which exposes the body (chest, back, midriff, thighs) that draws excessive attention or detracts from a businesslike atmosphere (i.e., bare midriffs, revealing dresses, hot pants, miniskirts, shorts, tube tops, T-shirts bearing messages, pictures, slogans, sweatshirts, etc.). All clothing that is dirty, faded, torn, frayed, badly wrinkled, too short, or appropriate for manual labor.
3. Footwear with extremely high heels, high platform shoes, thongs, and bedroom slippers.
4. Head scarves, hats, or similar head coverings.
5. Attire of a general unkempt or ungroomed appearance that does not lend itself to the business atmosphere of a financial institution.

Any Permit Holder, Permit Holder employee, or employee of the Exchange will not be allowed on the Trading Floor if he or she does not meet the requirements of this directive.

#### 408.02 Offensive Conduct.

The following enumeration shall constitute offensive conduct subject to the provisions of Rule 408.00. Visitors shall abide by the same code of conduct as Permit Holders, and in the event of an offense by a visitor, such person shall be immediately expelled from the trading floor and visitation privileges withheld from such visitor for such time as provided in these Rules.

Floor rules apply at all times. The following are prohibited:

1. Sitting on tables, desks, or counters located in the trading hall;
2. Sitting on steps of trading pit;
3. Spitting on the floor;
4. Deliberate littering of floor with paper, grain, or other matter;
5. Throwing, flipping, or tossing of grain or other missiles;
6. Carrying beverages and/or food onto trading floor;
7. Creating a loud or disturbing noise;
8. Molesting;
9. Outburst of vulgar or abusive language;
10. Possession or display of any offensive pictures or publications;
11. Matching of coins or other open forms of gambling on the trading floor; and
12. Smoking on the trading floor or in the lounge areas.

#### 408.03 Physical Violence / Sexual Harassment.

All Permit Holders and other persons admitted to Exchange facilities shall not initiate or participate in physical violence or sexual harassment. Violators may be fined up to \$5,000.00 for any violation hereof and expelled and suspended from the facilities. For actions involving a suspension or expulsion of more than one (1) business day, the respondent may request a full disciplinary proceeding pursuant to Rule 408.04 by filing a written request for such with Exchange staff within five (5) business days of the date of notification of such action. Sexual harassment will not be tolerated anywhere on the premises of the Exchange. Sexual harassment consists of unlawful verbal or physical conduct directed at a person when that conduct is based on that person's sex and has a substantive adverse effect on him or her in the workplace. Such conduct may include, but is not limited to, the following:

1. Requests for sexual favors that may or may not be accompanied by threats or promises of preferential treatment with respect to an individual's employment status;
2. Verbal, written or graphic communications of a sexual nature, including lowd or sexually suggestive comments, off color jokes of a sexual nature or displays of sexually Patting, pinching, hitting or any other unnecessary contact with another person's body or threats to take such action.

#### 408.04 Enforcement of Decorum.

~~Exchange staff shall conduct a review of any alleged violation of the provisions of Rules 408.00 through 408.03. A brief report shall be drafted summarizing the alleged rule violations and any pertinent factual evidence collected. Such report shall be forwarded to the Complaint Committee for a determination of sanctions as provided for in these rules. The Complaint Committee shall afford the parties involved in the alleged infraction the opportunity to make a brief presentation before the committee at their meeting. In order to provide advance notice of such meeting to the parties involved, the Complaint Committee shall meet no earlier than the business day following the alleged infraction.~~

~~An informal appeal of the Complaint Committee's decision may be taken to a panel of the Business Conduct Committee, provided the Permit Holder subject to the decision files a written request for appeal with Exchange staff within three (3) business days following the date such Permit Holder was notified of the decision. Notwithstanding the foregoing sentence, an informal appeal shall not be permitted where the Complaint Committee decision includes a sanction that is less than \$5,000. The decision of the Business Conduct Committee on appeal shall be final. Absent an appeal, any sanctions shall become effective on the fifth (5th) business day following the date the Notice of the Complaint Committee decision is received by the Permit Holder subject to the action. In the case of an appeal, any sanctions shall become effective on the second (2nd) business day following the decision of the Business Conduct Committee.~~

[\(End Chapter 4\)](#)



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TRADING QUALIFICATIONS AND PRACTICES

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**CHAPTER 5**  
**TRADING QUALIFICATIONS AND PRACTICES MISCELLANEOUS**

~~Radio, Video and Internet-based Transmissions~~

~~500.00 Transmission Prohibition~~

~~No Permit Holder or other person admitted to the trading floor shall transmit, cause, or permit to be transmitted, from Kansas City or any other point, by any kind of radio, video or internet-based service, in which the Permit Holder's own name, the name of the firm, company, or corporation the Permit Holder represents, or in which the name of any employee or person in any way connected with the Permit Holder or the firm, company, or corporation the Permit Holder represents, is mentioned, any market quotations, reports, or gossip of any kind without first having the approval of Exchange staff.~~

~~500.01 Permission.~~

~~The granting of such permission shall be limited to such time and material as Exchange staff may grant.~~

~~500.02 Radio Broadcasting.~~

~~Blanket approval has been granted to Permit Holders of the Exchange to sponsor radio broadcasting of Kansas City market quotations and permission to state the name, address, phone number, and personnel of the sponsor; a factual statement of the services rendered by the sponsor; and permission to solicit business, i.e., invite inquiries, furnishing of brochures upon request, etc.~~

~~501.00 Taking Credit.~~

~~Taking credit, or allowing credit to be given, by radio, personal statement, letter, circular, card, or in any other manner, for furnishing such information for radio, video or internet-based service shall be construed as a violation of this Chapter.~~

~~502.00 Penalties.~~

~~Any Permit Holder violating any provision of this Chapter shall be subject to available disciplinary action as set forth within these Rules.~~

**500. SCOPE OF CHAPTER**

This chapter prescribes rules concerning floor access privileges, qualifications for trading privileges, and trading practices.

**FLOOR PRIVILEGES**

**501. EMPLOYEES OF PERMIT HOLDERS**

Permit Holders shall register with the Exchange all persons whom they wish to employ on the trading floor. Such employees may act as runners, communicators, clerks and broker assistants. Such employees shall not be permitted to solicit customers or benefit from the production of orders. Such employees shall not trade or have any interest in an account trading in any KCBT, CBOT or CME futures or options contracts. Employees must wear a prescribed identification badge. Any Permit Holder permitting trading by such employee shall be guilty of an offense against the Exchange. Remuneration to such employees shall be limited to salaries and normal bonuses. The Permit Holder employer shall, upon request, provide a report to Exchange staff with respect to each such employee, setting forth the hours of employment, salary and bonus, and a copy of each employee's Internal Revenue Service W-2 Form or other documentation evidencing employment.

The following shall apply to any Permit Holder who also holds a broker assistant badge. Such person shall not trade for, or carry in his account or an account in which he has any interest, any positions in contracts traded on the Exchange except for those contracts which he is entitled to trade as principal or broker for others by virtue of his Permit Holder status as referenced above.

A Permit Holder holding a broker assistant badge shall be required to notify his qualifying Clearing Member, of the name, address and immediate supervisor of Permit Holder by whom he is employed as a broker assistant. Upon a qualifying Clearing Member's revocation of trading authorization, the qualifying Clearing Member immediately shall give written notice to the Permit Holder which employs a Permit Holder as a broker assistant that the Permit Holder's trading authorization has been revoked. A Permit Holder holding a broker assistant badge shall be denied floor access privileges upon the revocation of trading authorization by his qualifying Clearing Member. The floor access privileges of a Permit Holder who holds a broker assistant badge may be reinstated upon the filing of a release with the Shareholder Relations and Membership Services Department by the member's qualifying Clearing Member.

Permit Holders shall be responsible for ensuring that their employees comply with all Exchange rules and may, subject to a determination by an Exchange disciplinary committee, be liable for any fines imposed upon such employees by the Exchange. The Exchange may, in its sole discretion, notify a Permit Holder of the existence of an Exchange investigation and the conduct which is the subject of the investigation involving one of the Permit Holder's employees when the Market Regulation Department interviews such employee or, if no such interview occurs, when charges are issued against the employee by the Probable Cause Committee.

No person shall be registered as an employee pursuant to this rule if such person is determined by Exchange staff

not to be of good moral character or if it is determined that such registration may be detrimental to the interest or welfare of the Exchange.

## **502. ADMISSION TO FLOOR**

In addition to authorized employees and agents of the Exchange, only Permit Holders, registered employees of Permit Holders and authorized visitors shall be permitted on the floor of the Exchange. No person may be introduced on the floor of the Exchange by a Permit Holder on more than three days of any calendar month. Permit Holders must at all times accompany visitors for whom they have obtained floor access and are responsible for the conduct and actions of visitors for whom they have obtained floor access while such visitors are on Exchange premises. No privileges other than admittance to the floor may be extended to a guest. A guest is specifically prohibited from performing any of the functions of an employee of a Permit Holder, entering a trading pit, placing orders, using any electronic devices or market display equipment and blocking aiseways or access to trading pits.

## **503.-504. [RESERVED]**

## **505. BOOTH AND FLOOR PRIVILEGES**

Booth space on the trading floor may be assigned only to Clearing Member firms. Available booth space will be assigned by Exchange staff in accordance with the policies established by the Exchange and the decisions of Exchange staff regarding the assignment of booth space shall be final. Clearing Member firms may allocate assigned booth space to 1) Permit Holders qualified by the Clearing Member firm or 2) Permit Holder firms with which it has a clearing relationship with respect to exchange products.

Orders may be accepted at or relayed from the booth space assigned to a Clearing Member firm or allocated to a Permit Holder or Permit Holder firm by the Clearing Member firm only by employees of the Permit Holder, Permit Holder firm or Clearing Member firm and Permit Holders qualified by the Clearing Member firm.

Notwithstanding any other rule, any Permit Holder who is associated as a partner, shareholder, member, officer, manager, employee, or consultant with any entity or natural person that is or should be registered as an Introducing Broker ("IB"), Futures Commission Merchant ("FCM"), Commodity Trading Advisor ("CTA") or Commodity Pool Operator ("CPO") as those terms are defined in Section 1a of the Commodity Exchange Act and/or 17 C.F.R. 1.3, may not solicit orders of others from the floor of the Exchange unless the entity or natural person for which or for whom the member is soliciting orders is also a Permit Holder firm or Permit Holder of the Exchange. Additionally, IBs, FCMs, CTAs and CPOs may not operate from booth spaces on the trading floor unless they are Permit Holder firms or wholly owned by Permit Holders or Permit Holder firms.

## **506. HEADSET PRIVILEGES ON THE TRADING FLOOR**

### **506.A. Access and Supervision**

All Permit Holders are eligible to lease headsets from the Exchange for use on the trading floor by filing an application with the Telecommunications Department. Permit Holders may authorize their non-Permit Holder employees to utilize headsets subject to their supervision. For the purposes of this rule, a telephone in, or on the perimeter of, a trading pit shall be treated in the same manner as a headset.

Permit Holders are responsible for ensuring that their non-Permit Holder employees who utilize headsets comply with all requirements set forth in this rule and are responsible for the content of their non-Permit Holder' headset communications.

### **506.B. Use of Headsets**

Non-Permit Holder employees wearing a headset may communicate order and fill information, as well as market information that has been publicly exposed to the trading pit; however, such non-Permit Holder employees may not communicate their personal opinions concerning the market or trading activity.

Headsets may be used to communicate between locations on the trading floor, and between the trading floor and off-floor locations. Headsets may be used to accept, place or relay orders provided that all applicable Exchange audit trail and recordkeeping requirements are met. However, non-Permit Holder customers may not place orders directly to the pit, and floor brokers and their employees may not accept such orders, unless the customer's clearing firm, in its sole discretion, has specifically authorized the customer to place orders directly.

## **507. ELECTRONIC DEVICES**

### **507.A. General Provisions**

The use of any electronic device on the trading floor is prohibited unless such device and/or usage has been permitted by the Exchange. For purposes of this rule, the term "electronic device" shall mean any type of voice or

data communications interface, including but not limited to a computer, headset, hand-held device, microphone or telephone. No Permit Holder (as defined in Rule 400) shall permit others to use any electronic device unless such use has been permitted by the Exchange. Members using a permitted electronic device on the trading floor for permissible business purposes must retain any required audit trail data in accordance with applicable Exchange rules and CFTC regulations.

#### **507.B. Terms and Conditions of Use**

The Exchange may, in its sole discretion, impose restrictions on the use of any permitted electronic device by any Permit Holder. The Exchange may limit, suspend or terminate any Permit Holder's right to use any permitted electronic device at any time, without prior notice and without any liability to the Exchange.

The Exchange shall have the right, at any time, to audit the use of any permitted electronic device by any Permit Holder.

The Exchange accepts no responsibility for loss, theft or damage to any equipment permitted for use by a Permit Holder on Exchange premises.

Electronic devices that are not issued by the Exchange must not interfere with any Exchange system.

#### **507.C. Electronic Surveillance**

The Exchange may intercept and record any electronic communication received or sent from the trading floor to ensure compliance with Exchange Rules. Permit Holders, their employees, and all others who are granted access to the trading floor consent, as a condition of their status as a Permit Holder, employment, or access to the floor, to the interception, recording, and use of any such communication.

#### **507.D. Personal Electronic Devices**

Unless permitted pursuant to Section A. above, personal electronic devices including, but not limited to, cell phones, personal digital assistants (PDAs) and other devices with email, instant messaging or other similar capabilities may be used on the trading floor only for non-business purposes.

#### **507.E. Cameras and Video Equipment**

Unless expressly permissioned by the Exchange, the use of any type of camera or video equipment on the trading floor is prohibited.

### **508. GIVING AND RECEIVING OF GRATUITIES**

A Permit Holder, Permit Holder firm, broker association, trading group or an employee of any of the foregoing may not give, directly or indirectly, to any employee of another Permit Holder, Permit Holder firm, member, member firm, broker association or trading group any gratuities or gifts with an aggregate market value in excess of \$100 within any twelve-month period.

This rule applies notwithstanding any internal policy of an entity that allows for gifts in excess of \$100. The requirements of this rule apply to both the providers and the recipients of such gifts and gratuities.

### **509. [RESERVED]**

## **TRADING QUALIFICATIONS AND REGULATIONS**

### **510. REQUIREMENTS FOR PERMIT HOLDERS AND THEIR EMPLOYEES ON THE TRADING FLOOR**

All Permit Holders and their employees on the trading floor shall satisfy all orientation requirements of the Exchange. All Permit Holders seeking to act as a floor broker, floor trader, or in any other capacity requiring registration pursuant to the Commodity Exchange Act, must be registered in accordance with applicable CFTC regulations.

A Permit Holder shall be prohibited from engaging in activities requiring registration under the Commodity Exchange Act or from representing himself to be a registrant under the Commodity Exchange Act or the representative or agent of any registrant if such Permit Holder's floor broker or floor trader registration is suspended by the CFTC or if the Exchange has suspended such Permit Holder's privilege to act as a floor broker or floor trader on the Exchange.

All Permit Holders registered with the CFTC must report any changes to such status in accordance with applicable CFTC regulations and must promptly notify the Shareholder Relations and Membership Services Department of any such changes.

### **511. QUALIFIED TRADERS AND BROKERS**

No Permit Holder shall be permitted to execute a pit transaction or an allowable privately negotiated transaction on

the Exchange unless he is qualified to do so by a Clearing Member.

A Permit Holder shall place all trades for his own account or any account which he controls, on the books of his qualifying Clearing Member unless written authorization to the contrary from said Clearing Member has been filed with the Shareholder Relations and Membership Services Department. Regardless of such authorization, a Permit Holder in a deficit position with any Clearing Member shall place trades only through his qualifying Clearing Member. Any non-qualifying Clearing Member that carries a Permit Holder's account in a deficit position shall promptly notify the Clearing Member that is qualifying such Permit Holder.

All trades initiated for a Permit Holder's account, an account which he controls or an account in which he has a proprietary interest shall be disclosed on the books of a Clearing Member.

A Permit Holder who believes his qualifying Clearing Member is unreasonably withholding a release necessary to permit the Permit Holder to be qualified by a different Clearing Member may request a hearing before a Panel of the Business Conduct Committee ("Panel") pursuant to the applicable provisions of Rule 408. The Panel may, in its sole discretion, remand a dispute concerning the validity of a signed non-compete agreement between the parties to arbitration pursuant to Rule 600.A. Either party may petition the arbitration chairman for expedited handling of the matter pursuant to Rule 613.

The Panel may assess attorneys' fees and the administrative costs of the proceeding against one or both of the parties if it determines that a claim or defense was frivolous or filed in bad faith.

#### **511.A. Floor Trading**

A Clearing Member may, without prior notice, revoke a Permit Holder's authorization to trade by written revocation filed with the Shareholder Relations and Membership Services Department. Such revocation shall be effective and the Permit Holder's qualification to trade shall terminate when notice of the disqualification is posted on the Exchange floor. A Permit Holder shall not appear upon the floor of the Exchange until he has been requalified. A Permit Holder who has been disqualified shall promptly return his Permit Holder badge to the Shareholder Relations and Membership Services Department.

#### **511.B. Globex Trading**

Unless otherwise specified by a Permit Holder's qualifying Clearing Member, a Permit Holder suspended from entering orders through Globex shall not be disqualified from pit trading.

In the case of a Permit Holder who has Globex access guaranteed by a Clearing Member other than his qualifying Clearing Member, the qualifying Clearing Member may terminate the Permit Holder's ability to place orders through Globex by notifying the Clearing Member providing the Permit Holder access to Globex. The Clearing Member providing the access to Globex will be responsible for ensuring that the Permit Holder does not place orders through Globex.

### **512. REPORTING INFRACTIONS**

#### **512.A. General**

All data, records and other information required by the rules to be reported to the Exchange or the Clearing House, as applicable, must be submitted in an accurate, complete and timely manner.

#### **512.B. Sanctions**

1. The Chief Regulatory Officer or his designee shall have the authority to impose summary fines on parties who have consented to the jurisdiction of the Exchange pursuant to Rule 418. Such fines shall not exceed \$5,000 per offense for individuals or \$10,000 per offense for firms for the inaccurate, incomplete or untimely submission of data, records or information required to be submitted to the Exchange or the Clearing House.

2. Individuals and firms shall have 15 days following receipt of the notice of a summary fine to present evidence to the Market Regulation Department that the fine should be rescinded or reduced. Absent the submission of such evidence within the designated time period, the fine shall be deemed final and may not be appealed.

#### **512.C. Hearings and Appeals**

If the Chief Regulatory Officer or his designee determines that evidence submitted by an individual or firm pursuant to Section B.2. is insufficient to support the requested rescission or reduction of the fine, the individual or firm may, within 10 days of the decision, file a written appeal with the Market Regulation Department. A written appeal that fails to specify the grounds for the appeal and the specific error or impropriety of the original decision shall be dismissed. The appeal shall be heard by a Panel of the Business Conduct Committee ("BCC Panel") whose decision shall be final. The appellant shall be entitled to be represented by counsel, appear personally before the BCC Panel and present evidence that he may have in support of his appeal. The BCC Panel shall not set aside, modify or amend the appealed decision unless it determines, by a majority vote, that the decision was:

1. Arbitrary, capricious, or an abuse of the Exchange staff's discretion;
2. In excess of the Exchange staff's authority or jurisdiction; or

3. Based on a clearly erroneous application of Exchange rules.

Notwithstanding the provisions of Sections B.1. and B.2. above, the Market Regulation Department may, at any time, refer matters that it deems egregious to the Probable Cause Committee.

### **513. CONDUCT, APPAREL AND BADGES**

#### **513.A. General**

Permit Holders and their employees are expected to conduct themselves on Exchange premises with dignity and integrity in order to maintain a safe workplace and the efficiency and good name of the Exchange. Permit Holders and their employees shall refrain from excessive speed in moving about the trading floors, and shall be respectful of all others on Exchange premises and shall abide by Exchange policy concerning access, conduct, and appearance. Permit Holders and their employees, while on the trading floors, shall be professionally attired in accordance with Exchange policy, and shall wear jackets bearing identification badges issued by the Exchange. Permit Holders and their employees not professionally attired in accordance with Exchange policy may be barred or removed from the trading floors. Refreshments and smoking are forbidden on the trading floors at all times.

#### **513.B. Sanctions**

1. Designated Exchange officials may impose fines on Permit Holders or their employees for violations of the Exchange policy concerning access, conduct, and appearance. Fines imposed pursuant to Rule 513.B.1. are final and may not be appealed.
2. A fourth violation of the Exchange policy concerning access, conduct, and appearance within a rolling 18-month period will be subject to a \$1,000 fine.
3. A fifth or subsequent violation of the Exchange policy concerning access, conduct, and appearance within a rolling 18-month period will be referred to a summary proceeding before a Panel of the Floor Conduct Committee. The Panel may impose a fine not to exceed \$5,000 per violation.
4. Notwithstanding any other provision in this Rule, the Chief Regulatory Officer shall have the authority to impose a fine not to exceed \$5,000 per offense on Permit Holders and their employees for egregious violations of Rule 513.A.
5. The Market Regulation Department, at its discretion, may refer any alleged violation of Rule 513 to the Probable Cause Committee for consideration of charges.

#### **513.C. Hearings and Appeals**

An individual fined pursuant to Rule 513.B.2., 3. or 4. may, within 10 days of the decision, file a written appeal with the Market Regulation Department. A written appeal that fails to specify the grounds for the appeal and the specific error or impropriety of the original decision shall be dismissed. The appeal shall be heard by a Panel of the Business Conduct Committee ("BCC Panel") whose decision shall be final. The appellant shall be entitled to be represented by counsel, appear personally before the BCC Panel and present evidence that he may have in support of his appeal. The BCC Panel shall not set aside, modify or amend the appealed decision unless it determines, by majority vote, that the decision was:

1. Arbitrary, capricious, or an abuse of the Panel's or Exchange staff's discretion;
2. In excess of the Panel's or Exchange staff's authority or jurisdiction; or
3. Based on a clearly erroneous application of Exchange rules.

### **514. TRADING INFRACTIONS**

A written complaint concerning a trading infraction pursuant to Rule 514.A. may be initiated by Permit Holders, Permit Holder firms, trading floor employees of Permit Holders or Permit Holder firms or staff of the Exchange. Charges shall be issued and hearings shall be conducted for violations of this rule in accordance with Rule 409.

#### **514.A. Definition**

The following shall constitute trading infractions:

1. a bid or offer out of line with the market;
2. a bid or offer which tends to confuse the other traders;
3. a trade through the existing bid or offer;
4. failure to confirm a transaction;
5. failure of a buyer and seller to properly notify the pit reporter of transaction prices in accordance with Rule 528 and/or failure to ascertain that such prices are properly recorded;
6. use of profane, obscene or unbusinesslike language on the trading floor;
7. use of undue force while on, entering or leaving the trading floor;

8. conduct which tends to confuse, distract, abuse or intimidate any Exchange employee;
9. conduct of an unbusinesslike nature;
10. failure to defer to a Permit Holder or member who has clearly turned the market;
11. failure to indicate a quantity on a bid or offer; and
12. disseminating false, misleading or inaccurate quotes.

#### **514.B. Floor Conduct Committee Fining Authority**

A Panel of the Floor Conduct Committee that finds a Permit Holder or his employee guilty of violating Rule 514 may impose a fine of up to \$10,000 per offense on such Permit Holder or employee, except that an egregious violation of Rule 514.A.6., 7., 8. or 9. may result in a fine of up to \$20,000. Notwithstanding the above, the total fine levied by a Panel against a respondent may not exceed \$20,000 based on the single issuance of charges.

If an individual is found guilty of three violations of Rule 514.A. within a rolling one-year period, or any three violations of Rule 514.A.6., 7., 8., and/or 9., within a rolling five-year period, any subsequent alleged violation under Part A. of this rule within such period shall be reviewed by the Market Regulation Department to determine whether to forward the alleged violation to a Panel of the Floor Conduct Committee for adjudication or to investigate and refer the matter to the Probable Cause Committee for review. Notwithstanding the above, the Market Regulation Department may, at any time, refer matters that it deems egregious to the Probable Cause Committee.

### **515. REGISTRATION AND IDENTIFICATION OF BROKER ASSOCIATIONS**

#### **515.A. Definitions**

1. Floor Brokerage Activity - The execution or pre-execution handling of orders on the trading floor.
2. Broker Association – A broker association shall include an association between two or more Permit Holders or members with trading floor access privileges, of whom at least one is engaged in floor brokerage activity, if they:
  - a. engage in floor brokerage activity on behalf of the same employer; \_\_\_\_\_
  - b. have an employer and employee relationship which relates to floor brokerage activity; \_\_\_\_\_
  - c. share profits and losses associated with their brokerage or trading activity; or \_\_\_\_\_
  - d. regularly share a deck of orders.

#### **515.B. Registration Requirements**

1. A member of a broker association shall not handle or execute an order unless that association has registered with the Exchange.
2. Information Required - Registration shall be accomplished by filing the appropriate registration forms with the Market Regulation Department.
3. Requirement of Keeping Registration Current - It shall be the responsibility of the broker association and its principals or spokespersons to ensure that the association is properly registered. Any additions, deletions or other changes to the information already reported must be provided to the Market Regulation Department within two business days after the event giving rise to such changes.
4. The Exchange may request any additional information from a broker association as deemed appropriate.

#### **515.C. Prohibitions**

Permit Holders and members of a broker association may not share profits or losses associated with their personal trading activity by direct or indirect means.

No registered broker association or Permit Holder or member thereof shall permit a non-Permit Holder or non-member or non-Permit Holder or non-member firm to have any direct or indirect profit or ownership interest in a registered broker association. Moreover, no registered broker association or Permit Holder or member thereof shall permit a Permit Holder or member who is not involved in the pre-execution or execution of customer orders to have any direct or indirect profit or ownership interest in a registered broker association.

#### **515.D. [Reserved]**

#### **515.E. Intra-Association Trading**

The Chairman of the Board and the Chief Executive Officer may jointly establish limits on the percentage of personal trades that a Permit Holder or member of a broker association may trade opposite other Permit Holders or members of broker associations with which he is affiliated.

The Chairman of the Board and the Chief Executive Officer may jointly establish limits on the percentage of orders that a Permit Holder or member of a broker association may fill opposite other Permit Holders or members of broker associations with which he is affiliated.

The liquidity of a contract and any other conditions determined to be relevant will be considered when determining to impose the trading restrictions set forth above. The trading restrictions shall apply only during Regular Trading Hours

to the most active month or months of any contract. Compliance shall be measured separately for each full calendar month.

The Market Regulation Department may grant exceptions to the trading restrictions in circumstances where a broker association can demonstrate that compliance with the limits may reduce liquidity or impede the creation of new business in the affected market.

#### **515.F. Broker Association Enforcement Program**

Percentage Restrictions on Personal Trading and the Execution of Orders

A letter of warning shall be issued for a first occurrence of exceeding the percentage restriction on personal trading or the execution of customer orders in contracts subject to the trading restrictions in Section E. Subsequent occurrences within 24 months shall result in automatic fines in accordance with the following schedule:

<u>Second occurrence</u>	<u>\$1,000</u>
<u>Third occurrence</u>	<u>\$5,000</u>
<u>Subsequent occurrences</u>	<u>\$10,000</u>

Letters of warning and fines issued pursuant this section are final and may not be appealed; however Permit Holders and members will have 15 days after receipt of a letter of warning or a fine to present evidence to the Market Regulation Department that administrative, clerical or other errors caused the apparent rule violation.

Notwithstanding the provisions of this section, the Market Regulation Department may, at any time, refer matters that it deems egregious to the Probable Cause Committee.

#### **516. ERROR ACCOUNTS**

Each Permit Holder who acts as a floor broker must maintain a designated error account with his qualifying Clearing Member into which he places brokerage errors. This requirement shall not apply to a floor broker who initiates trades or enters orders solely on behalf of a Permit Holder firm's proprietary account.

Each qualifying Clearing Member which carries an error account agrees, without qualification, to accept and clear the broker's trades involving brokerage errors.

**517.-519. [RESERVED]**

### **TRADING PRACTICES**

#### **520. TRADING CONFINED TO EXCHANGE FACILITIES**

All trading in Exchange products must occur on or through Exchange facilities and in accordance with Exchange rules.

#### **521. REQUIREMENTS FOR OPEN OUTCRY TRADES**

In open outcry trading, bidding and offering practices must at all times be conducive to the competitive execution of transactions. All open outcry transactions, including spread and combination transactions, shall be made openly and competitively in the pit designated for the trading of the particular transaction. No bid or offer shall be specified for acceptance by a particular trader. Transactions may take place only at the best price available in the open outcry market at the time the trade occurs.

It shall be the duty of both traders to confirm their trades as to the price, quantity, commodity, contract month, respective clearing members and, for options, strike price, put or call and expiration month. Confirmation shall take place as soon as possible, but in no event more than 15 minutes after the trade.

## **522. ACCEPTANCE OF BIDS AND OFFERS**

In open outcry and electronic trading, while outstanding, all or any part of any bid or offer is subject to immediate acceptance by any trader. Permit Holders are required to honor all bids or offers which have not been withdrawn from the market. The price at which a trade is executed shall be binding, unless such trade is cancelled by Exchange officials in accordance with Exchange rules.

## **523. – 526. [RESERVED]**

## **527. OUTTRADES, ERRORS AND MISHANDLING OF ORDERS**

### **527.A. Outtrades Discovered During a Regular Trading Hours Trading Session**

It shall be the duty of a Permit Holder discovering an outtrade during a Regular Trading Hours session to immediately notify the opposite trader. Thereafter, if the matter cannot be resolved between the parties, they shall immediately determine who will cover the trade and the trade shall immediately be covered.

### **527.B. Outtrades Discovered After a Regular Trading Hours Trading Session**

A Clearing Member that is unable with diligent effort to resolve an outtrade with another Clearing Member shall notify the Permit Holder who executed the trade. Such notice shall be given prior to the following day's Regular Trading Hours session in sufficient time to allow the Permit Holder to make provisions for the resolution of the outtrade.

Outtrades discovered after a Regular Trading Hours session shall be resolved between the parties to the outtrade as provided in this rule, no later than the opening of trading of the next Regular Trading Hours session.

### **527.C. Outtrades Resolution**

To resolve an outtrade, the parties shall attempt to agree upon: (1) the reconciliation of any discrepancy in the terms of the trade, (2) which party will cover the trade and the method for covering the trade, if applicable, and (3) the apportionment of the financial results of the outtrade. In the event the parties are unable to agree on the apportionment of the financial results, the parties must nevertheless immediately reconcile the outtrade.

The price at the time of the open of the next Regular Trading Hours session shall fix the limit of liability as a result of the outtrade. Regardless of the ultimate determination of financial responsibility for the outtrade, a party who unreasonably refuses to cover the outtrade via an appropriate alternate market may be liable to the other party for the difference between the price at which the outtrade could have been covered in the alternate market and the price at the time of the open of the next Regular Trading Hours session.

Outtrades shall be resolved in accordance with the procedures below:

#### **1. Straight Out Customer Outtrades**

If a floor broker discovers that all or some portion of a customer order was executed but cannot be cleared, the broker shall either 1) re-execute the order in the market and adjust the customer by check if the re-execution price is worse than the original execution price, or, if the re-execution price is better than the original execution price, the customer is entitled to the better price or 2) assign the opposite side of the portion that cannot be cleared to his error account and assign a fill to the customer at the execution price. The floor broker shall not liquidate the assigned position until at least ten minutes have elapsed after the execution of the order giving rise to the outtrade and the bracket period in which the outtrade occurred has ended; however, these liquidation restrictions shall not apply to a liquidation during the post close session. Any profits or losses resulting from the liquidation of the assigned position belong to the floor broker and any such profits may be retained or disbursed at his discretion.

A floor broker who assigns the opposite side of an order pursuant to this rule shall: 1) clearly identify all such transactions by appropriate designation; 2) submit such trade information to his qualifying Clearing Member in sufficient time to enable the Clearing Member to submit the trade for the next intra-day reconciliation; 3) document in writing the circumstances surrounding any such transaction and promptly provide such documentation to the Market Regulation Department upon request; and 4) identify the subsequent liquidation of the assigned trade on the floor broker's trading card or other document.

#### **2. Price Outtrades**

When an outtrade exists due to a price discrepancy, the parties making the trade may choose to resolve the discrepancy by electing either of the two prices in question, if they agree that the trade was executed at that price.

If an outtrade involves a price discrepancy between a local and a broker, and the parties cannot agree on the price of execution, the price recorded by the broker shall be used to clear the trade.

If an outtrade between locals or an outtrade between brokers involves a price discrepancy, and the parties cannot agree on the price of execution, the buyer's price shall be used to clear the trade.

### 3. Quantity Outtrades

When an outtrade exists due to a quantity discrepancy, parties making the trade may choose to resolve the discrepancy by electing either of the two quantities in question, if they agree that the trade was executed for that quantity.

If an outtrade between locals involves a quantity discrepancy and the parties cannot agree on the quantity that was executed, the higher quantity shall be used to clear the trade.

A broker may assign the opposite side of any quantity which he believes that he has executed, but which cannot be cleared, to his error account, pursuant to Section 1 above.

### 4. Bona Fide Contract Month, Strike, Put vs. Call and Side of Market (Buy vs. Buy or Sell vs. Sell) Outtrades

When an outtrade exists due to a contract month, strike price, side of market, or put/call discrepancy, and any party who executed a customer order believes that the order was executed in accordance with its instructions, the outtrade may be resolved in any one of the following ways:

a. The trade may be busted. If a broker re-executes his order, any losses incurred by the customer as a result of the delay in execution must be adjusted by check. If the order is executed at a more favorable price, the customer is entitled to the better price.

b. The parties making the trade(s) may agree to clear either trade or both trades in accordance with the parties' recorded trade data.

c. A broker may assign the opposite side of his order to his error account, pursuant to Section 1. above, and he may agree to the clearing of the transaction according to the terms of the other party's recorded trade data.

d. If both parties involved in the outtrade are brokers, they may each assign the opposite side of their respective orders to their error accounts pursuant to Section 1. above.

A customer shall not be entitled to any portion of any profits realized by a local who was on the opposite side of an outtrade between the local and the customer's broker, as a result of the local's liquidation of his position. Such profits belong to the local, and may be retained or disbursed at his discretion. If the local chooses to disburse any portion of such profits to the broker, and the broker's customer has received a fill in accordance with the broker's recorded trade data, the broker is not obligated to offer such profits to his customer.

Nothing herein shall in any way limit a Permit Holder's right to submit an outtrade to Exchange arbitration if the outtrade cannot be resolved by agreement.

### **527.D. Errors and Mishandling of Orders**

If a broker overbuys or oversells for an order, the customer is not entitled to any of the quantity executed in excess of the order quantity. A position that has been established as a result of an erroneous execution or mishandling of an order must be placed in the error account of the broker or firm responsible for the error or order mishandling. Any profits resulting from the liquidation of trades placed in a broker's or firm's error account belong to the relevant broker or firm, and any such profits may be retained or disbursed at the broker's or firm's discretion.

#### 1. Unfilled or Underfilled Orders

If a broker fails to execute an order or underbuys or undersells for an order, the broker shall do one of the following:

a. Execute the order or the remainder of the order in the market and adjust the customer by check if the customer is filled at a price less favorable than that to which he was entitled due to the broker's error or mishandling of the order. If the order is filled at a more favorable price, the customer is entitled to the better price.

b. Execute the order or the remainder of the order in the market. If the order, or the remainder of the order, is filled at a worse price than that to which the customer was entitled but for the error or mishandling, the broker may allocate the fill to his error account, pursuant to Section C.1. above, provide the customer a fill at the price to which the customer was entitled, and place the opposite side of the customer fill into his error account. If the order is filled at a more favorable price, the customer is entitled to the better price.

#### 2. Wrong Contract Month, Wrong Strike, or Wrong Commodity Executions

When an order has been executed in the wrong contract month, wrong strike price, or wrong commodity, and the erroneous transaction has been placed in the relevant broker's or firm's error account, the error may be corrected by one of the following:

a. Execution of the order in accordance with its terms, with an adjustment to the customer by check if the order is executed at a worse price as a result of the error or mishandling of the order.

b. Execution of a spread or combination transaction to execute the order and liquidate the position arising from the initial erroneous execution of the order, whereby one leg of the spread or combination transaction represents the correct execution of the order and the other leg offsets the erroneous position in the broker's or firm's error account. The broker or firm must clearly identify such transactions by appropriate designation.

clearly document in writing the circumstances surrounding the nature of the error and promptly provide such documentation to the Market Regulation Department upon request.

### 3. Wrong Side of Market Executions

When an order has been executed on the wrong side of the market and the erroneous execution has been placed in the relevant broker's or firm's error account, the order shall be executed in accordance with its terms, with an adjustment to the customer by check if the order is executed at a worse price as a result of the error or mishandling of the order.

## **528. PRICE REPORTING**

Parties to a pit transaction shall properly notify the designated Exchange official of the price at which trades have been consummated. Both parties to a pit trade are required to ensure that such price is properly posted.

Whenever a Permit Holder makes a trade with another party and such trade constitutes a price infraction, he shall 1) immediately break the trade; or 2) satisfy all bids or offers which were adversely affected; or 3) adjust the price of the trade to the price which existed when the price infraction occurred, provided that both parties agree to adjust the price and the terms of any affected orders are satisfied.

## **529. WITHHOLDING ORDERS PROHIBITED**

A Permit Holder (as defined in Rule 400), or any person entering orders on the Globex platform, shall not withhold or withdraw from the market any order, or any part of an order, for the benefit of any person other than the person placing the order.

## **530. PRIORITY OF CUSTOMERS' ORDERS**

A Permit Holder shall not buy (sell) a futures contract, buy (sell) a call option or sell (buy) a put option for his own account, an account in which he has a direct or indirect financial interest, or an account over which he has discretionary trading authority when he is in possession of an executable order for another person to buy (sell) a futures contract, buy (sell) a call option or sell (buy) a put option in the same product, regardless of the venue of execution. All contract months in a given futures product and all options on the futures product, in addition to any corresponding alternative sized (mini or micro) futures or options contracts on a given product, shall be considered the same product for the purposes of this rule.

The foregoing shall not apply to DRT orders provided that the customer has previously consented in writing and evidence of such general consent is indicated on the order with the "WP" (with permission) designation. In the case of a floor broker holding a discretionary order for an account described in Rule 547, a "WP" designation on the order shall constitute sufficient evidence of prior consent.

No person shall enter an order into the Globex platform for his own account, an account in which he has a direct or indirect financial interest or an account over which he has discretionary trading authority, including, without limitation, an order allowing discretion as to time and price, when such person is in possession of any order for another person that the Globex platform is capable of accepting.

## **531. TRADING AGAINST CUSTOMERS' ORDERS PROHIBITED**

### **531.A. General Prohibition**

No person in possession of a customer order shall knowingly take, directly or indirectly, the opposite side of such order for his own account, an account in which he has a direct or indirect financial interest, or an account over which he has discretionary trading authority.

### **531.B. Exceptions**

The foregoing restriction shall not apply to the following:

1. Transactions executed in accordance with Rule 527 to resolve bona fide outrades or errors;
2. Transactions executed pursuant to Rule 538;
3. On the Globex platform, a person may knowingly trade against his customer order for his own account, an account in which he has a direct or indirect financial interest, an account over which he has discretionary trading authority, or a proprietary account of his employer, only if the customer order has been entered immediately upon receipt and has first been exposed on the Globex platform for a minimum of 5 seconds in the case of futures orders or for a minimum of 15 seconds in the case of options orders; and
4. Transactions where the customer has consented in writing no more than 12 months prior to the transaction to waive the application of Rule 531.A. Such transactions shall further be subject to the following requirements: (i) if the transaction was pit traded, the Permit Holder complies with the requirements set forth in Rule 533; (ii) the

Permit Holder clearly identifies, by appropriate descriptive words, all such transactions, and (iii) if the transaction was pit traded, the Permit Holder ensures that it is reported to Exchange price reporting staff for entry into the Exchange Price Reporting System as a cross trade.

### **532. DISCLOSING ORDERS PROHIBITED**

No person shall disclose another person's order to buy or sell except to a designated Exchange official or the CFTC, and no person shall solicit or induce another person to disclose order information. An order for pit execution is not considered public until it has been bid or offered by open outcry. No person shall take action or direct another to take action based on non-public order information, however acquired. The mere statement of opinions or indications of the price at which a market may open or resume trading does not constitute a violation of this rule.

### **533. SIMULTANEOUS BUY AND SELL ORDERS FOR DIFFERENT BENEFICIAL OWNERS**

A Permit Holder who is in possession of both buy and sell orders for different beneficial owners for the same product and expiration month, and, for a put or call option, the same strike price, may execute such orders for and directly between such beneficial owners provided that in pit trading, a Permit Holder executing such orders shall first bid and offer by open outcry three times at the same price, stating the number of contracts, and, thereafter, if neither the bid nor the offer is accepted, the orders may be matched in the presence, and with the approval, of a designated Exchange official.

The Permit Holder making such transactions shall, by appropriate descriptive words or symbols, clearly identify all such transactions on his trading card or other similar record made at the time of the execution. The Permit Holder executing such trade must ensure that it is reported to Exchange price reporting staff for entry into the Exchange Price Reporting System. Failure to identify the transaction to Exchange price reporting staff as a cross trade shall constitute a violation of this rule.

On the Globex platform, opposite orders for different beneficial owners that are simultaneously placed by a party with discretion over both accounts may be entered into the Globex platform provided that one order is exposed for a minimum of 5 seconds in the case of futures orders or a minimum of 15 seconds in the case of options orders. An order allowing for price and/or time discretion, if not entered immediately upon receipt, may be knowingly entered opposite another order entered by the same firm only if this other order has been entered immediately upon receipt and has been exposed on the Globex platform for a minimum of 5 seconds for futures orders or a minimum of 15 seconds for options orders.

### **534. WASH TRADES PROHIBITED**

No person shall place or accept buy and sell orders in the same product and expiration month, and, for a put or call option, the same strike price, where the person knows or reasonably should know that the purpose of the orders is to avoid taking a bona fide market position exposed to market risk (transactions commonly known or referred to as wash sales). Buy and sell orders for different accounts with common beneficial ownership that are entered with the intent to negate market risk or price competition shall also be deemed to violate the prohibition on wash trades. Additionally, no person shall knowingly execute or accommodate the execution of such orders by direct or indirect means.

### **535. RESPONSIBILITY OF FLOOR TRADERS AND FLOOR BROKERS**

Every floor trader and floor broker shall assist his Clearing Member in the clearing of his trades. Every floor trader and floor broker must leave contact information with the Clearing Member through which or for which he has traded in order that he may be contacted during the balance of the day in the event there is a discrepancy in the clearing of his trades.

Each floor trader and floor broker or his designated representative must be available on the trading floor to resolve outrades in contracts in which he executed trades on the previous day no later than 30 minutes prior to the opening of the relevant market (or at such other times as may be designated by Exchange officials). If the trader or broker or his designated representative is not present during such period, the Clearing Member through which or for which the trader or broker has traded shall be authorized to resolve any outrade in the manner it deems appropriate, but such resolution shall not be determinative of the liability of any party to the outrade.

A floor trader or floor broker who fails to comply with this rule may be assessed a fine of \$1,000 for the first violation, \$2,000 for a second violation within 30 days of the first violation and \$3,000 for a third and each subsequent violation within 30 days of the first violation. Fines imposed pursuant to this schedule are final and may not be appealed.

### **536.RECORDKEEPING REQUIREMENTS FOR PIT, GLOBEX, AND NEGOTIATED TRADES**

#### **536.A. General Requirements for Open Outcry Pit Trades**

At the time of execution, it shall be the duty of every Permit Holder to record each trade made for an account the Permit Holder owns or controls showing the date, price, quantity, product, expiration month, bracket symbol, opposite

trader, opposite Clearing Member and, for options, put or call and strike price. Floor brokers executing an order shall record their trading symbol, price, quantity, bracket, opposite trader and Clearing Member. Trades or order executions must either be recorded on an approved electronic device or, if recorded on written records, in non-erasable ink.

Permit Holders must designate on the trading document used to record a trade whether such trade is a spread trade and record "D" for single line entry differential spreads and "6" for all other spreads.

A Permit Holder may correct any errors on written trading records by crossing out erroneous trade information without obliterating or otherwise making illegible any of the originally recorded information.

Each Permit Holder shall provide his Clearing Member with any trading documents which are relied upon for transactional information necessary for submission to the clearing system containing those trades that have been executed thus far during that day. Trading documents include trading cards of Permit Holders' personal and proprietary trades, trading cards of one Permit Holder reflecting trades executed on behalf of another Permit Holder or member and floor order tickets. Such trading documents must be submitted and timestamped no later than 15 minutes after the end of each half-hour interval. If a broker has only partially filled an order at the end of a half-hour period, he does not have to submit the document used to record the execution to the appropriate Clearing Member until the entire order has been filled, the unexecuted portion of the order is cancelled, or the market has closed for that contract, whichever occurs first.

In addition, each Permit Holder must maintain, and is accountable for, all other documents on which original trade information is recorded, whether or not such information is subsequently endorsed on an order ticket or entered into an approved electronic device. Trading cards used to record the execution of flashed or electronically transmitted orders are not required to have the Permit Holder's trading symbol pre-printed on them, but such cards must be visually distinct from the pre-printed trading cards used by the Permit Holder to record trades for accounts he owns or controls.

The correct bracket symbol in accordance with the list below must be recorded for each pit trade.

<u>Time Intervals</u>	<u>Bracket Code</u>
<u>Unknown to data entry operator</u>	<u>?</u>
<u>Opening range for each contract</u>	<u>\$</u>
<u>Closing range for each contract</u>	<u>%</u>
<u>Post Close Session</u>	<u>#</u>
<u>7:00:00 a.m. – 7:14:59 a.m.</u>	<u>A</u>
<u>7:15:00 a.m. – 7:29:59 a.m.</u>	<u>B</u>
<u>7:30:00 a.m. – 7:44:59 a.m.</u>	<u>C</u>
<u>7:45:00 a.m. – 7:59:59 a.m.</u>	<u>D</u>
<u>8:00:00 a.m. – 8:14:59 a.m.</u>	<u>E</u>
<u>8:15:00 a.m. – 8:29:59 a.m.</u>	<u>F</u>
<u>8:30:00 a.m. – 8:44:59 a.m.</u>	<u>G</u>
<u>8:45:00 a.m. – 8:59:59 a.m.</u>	<u>H</u>
<u>9:00:00 a.m. – 9:14:59 a.m.</u>	<u>I</u>
<u>9:15:00 a.m. – 9:29:59 a.m.</u>	<u>J</u>
<u>9:30:00 a.m. – 9:44:59 a.m.</u>	<u>K</u>
<u>9:45:00 a.m. – 9:59:59 a.m.</u>	<u>L</u>
<u>10:00:00 a.m. – 10:14:59 a.m.</u>	<u>M</u>
<u>10:15:00 a.m. – 10:29:59 a.m.</u>	<u>N</u>
<u>10:30:00 a.m. – 10:44:59 a.m.</u>	<u>O</u>
<u>10:45:00 a.m. – 10:59:59 a.m.</u>	<u>P</u>
<u>11:00:00 a.m. – 11:14:59 a.m.</u>	<u>Q</u>

<u>Time Intervals</u>	<u>Bracket Code</u>
<u>11:15:00 a.m. – 11:29:59 a.m.</u>	<u>R</u>
<u>11:30:00 a.m. – 11:44:59 a.m.</u>	<u>S</u>
<u>11:45:00 a.m. – 11:59:59 a.m.</u>	<u>T</u>
<u>12:00:00 p.m. – 12:14:59 p.m.</u>	<u>V</u>
<u>12:15:00 p.m. – 12:29:59 p.m.</u>	<u>W</u>
<u>12:30:00 p.m. – 12:44:59 p.m.</u>	<u>X</u>
<u>12:45:00 p.m. – 12:59:59 p.m.</u>	<u>Y</u>
<u>1:00:00 p.m. – 1:14:59 p.m.</u>	<u>Z</u>
<u>1:15:00 p.m. – 1:29:59 p.m.</u>	<u>2</u>
<u>1:30:00 p.m. – 1:44:59 p.m.</u>	<u>3</u>
<u>1:45:00 p.m. – 1:59:59 p.m.</u>	<u>4</u>
<u>2:00:00 p.m. – 2:14:59 p.m.</u>	<u>5</u>
<u>2:15:00 p.m. – 2:29:59 p.m.</u>	<u>6</u>
<u>2:30:00 p.m. – 2:44:59 p.m.</u>	<u>7</u>
<u>2:45:00 p.m. – 2:59:59 p.m.</u>	<u>8</u>
<u>3:00:00 p.m. – 3:15:00 p.m.</u>	<u>9</u>

Trades that are not recorded contemporaneously due to an error or an outrade shall be recorded on the Permit Holder's next pre-printed, sequentially numbered trading card. If the trade is not recorded in sequence, the Permit Holder must cross out the pre-printed sequence number and write "9999" on the card. In any situation where someone other than the Permit Holder is resolving a Permit Holder's outrades, the outrade clerk or broker's clerk may use a blank card and write "9999" on the card to denote that it is out of sequence. The person resolving the outrade for a Permit Holder must initial the card.

Firms must enter an "E" into the order type field to identify any errors placed into a firm error account.

#### 1. Customer Orders

At the time of execution, every order received from a customer must be in the form of a written or electronic record and include an electronic timestamp reflecting the date and time such order was received on the floor of the Exchange and, except as provided in Section C, must identify the specific account(s) for which the order was placed. Such record shall also include an electronic timestamp reflecting the date and time such order was modified, returned, confirmed or cancelled.

Upon request, a clearing firm must provide its broker, in an expeditious and reasonable manner, with a copy of every floor order such broker is asked to execute.

#### 2. Individual Permit Holder Orders

- a. A Permit Holder on the trading floor who enters an order with another Permit Holder or member shall record the order instructions and the time of placement to the nearest minute in sequence with the other trades recorded on his pre-sequenced trading cards, unless such order is immediately entered into an approved electronic device or recorded pursuant to Section 2.b. below. Orders that involve options-futures combinations and other spread trades where the initiating Permit Holder personally executes at least one leg of the spread shall not be subject to this requirement.

The Permit Holder or member executing the order must record the time of execution to the nearest minute for each execution made for the order on the trading card or other document used to record the trade(s) and must return this card or document to the initiating Permit Holder.

The trading card used to record the placement of the flashed or verbal order and any trading card or document used to record the execution of the order must be submitted together to the Clearing Member by the Permit Holder placing the order or his representative.

- b. Every written order that is initiated by a Permit Holder for his own account while on the trading floor must include an electronic timestamp reflecting the date and time such order was transmitted for execution and when such order was modified, returned, confirmed or cancelled.

- c. A Permit Holder or his employee standing in a trading pit receiving an order directly over a headset for pit execution from an off-floor Permit Holder or member for his account must simultaneously make a written record of the order on a trading card or other document including the identification of the Permit Holder or member calling in the order unless such order is immediately entered into an approved electronic device. The Permit Holder executing the order must record the time of execution to the nearest minute for each execution made for the order on any trading card or other document used to record the trade(s) and must return this card or document to the initiating Permit Holder's or member's Clearing Member.

### 3. Proprietary Orders of Clearing Members and Certain Permit Holder Entities

Upon receipt on the floor of the Exchange, an order placed for the proprietary account of a Permit Holder firm or member firm must be in the form of a written or electronic record that includes an electronic timestamp reflecting the date and time such order was received on the floor and must identify the specific account(s) for which the order was placed. Such record shall also include an electronic timestamp reflecting the date and time such order was modified, returned, confirmed or cancelled.

Orders placed by an employee of a Permit Holder firm or member firm for its proprietary account that are entered directly to the pit via headset with another employee of the Permit Holder firm or member firm do not require a written and timestamped order ticket provided that the order is executed by a Permit Holder employee of the Permit Holder firm or member firm and such Permit Holder records the time of execution to the nearest minute for each execution made for the order on the trading card or other document used to record the trade(s).

### 4. Trades Made by Permit Holders for Accounts Owned or Controlled by Such Permit Holder

Each Permit Holder executing transactions on the trading floor for such Permit Holder's personal account or an account controlled by such Permit Holder who uses trading cards as the original record of such transactions must use pre-printed sequentially pre-numbered trading cards. A new trading card must be used at the beginning of each time bracket.

Each Permit Holder who uses such trading cards must record the transactions in non-erasable ink in exact chronological order of execution on sequential lines of the trading card, and no lines may be skipped. Any lines that remain after the last execution recorded on a trading card must be marked through. All transactions which are recorded on a single trading card must be recorded on the same side of such trading card. No more than six transactions may be recorded on each trading card. Trading card sequence numbers must be unique during a one-week period.

The trading cards must contain pre-printed Permit Holder identification which will include, but will not be limited to, the trading acronym and the full name of the Permit Holder. The trading cards must also contain preprinted bracket designations.

Permit Holders who use an approved electronic device to record their trades, whether as an original record, or subsequent to recording their trades on trading cards, must record their trades on the device in the exact sequence in which they were executed and must ensure that the correct time bracket is entered for each transaction.

Permit Holders trading for an account they own or control shall be accountable for their pre-printed sequentially numbered trading cards, including those cards which are unused or voided.

## **536.B. Globex Order Entry**

### 1. General Requirement

Each Globex terminal operator entering orders into Globex shall input for each order: a) the user ID assigned him by the Exchange, a Clearing Member or other authorized entity (Tag 50 ID) b) the price, quantity, product, expiration month, CTI code, automated or manual indicator (Tag 1028) and account number (except as provided in Section C.), and, for options, put or call and strike price. The Globex terminal operator's user ID must be present on each order entered. For a Globex terminal operator with access pursuant to Rule 574, Clearing Members authorizing such access will be responsible for the Globex terminal operator's compliance with this rule.

With respect to orders received by a Globex terminal operator which are capable of being immediately entered into Globex, no record other than that set forth above need be made. However, if a Globex terminal operator receives an order which cannot be immediately entered into Globex, the Globex terminal operator must prepare a written order and include the account designation, date, time of receipt and other information required pursuant to section A.1. above. The order must be entered into Globex when it becomes executable.

### 2. Electronic Audit Trail Requirements for Electronic Order Routing/Front-End Systems

Clearing Members guaranteeing a connection to Globex are responsible for maintaining or causing to be maintained the order routing/front-end audit trail for all electronic orders, including order entry, modification, cancellation and responses to such messages (referred to as the "electronic audit trail"), entered into the Globex platform through the CME iLink® gateway. This electronic audit trail must be maintained for a minimum of 5 years, and Clearing Members must have the ability to produce this data in a standard format upon request of Market Regulation.

This electronic audit trail must contain all order receipt, order entry, order modification, and response receipt times to the highest level of precision achievable by the operating system, but at least to the hundredth of a second. The times captured must not be able to be modified by the person entering the order. The data must also contain all Fix Tag information and fields which should include, but is not limited to the following:

A record of all fields relating to order entry, including transaction date, product, Exchange code, expiration month, quantity, order type, order qualifier, price, buy/sell indicator, stop/trigger price, order number, unique transaction number, account number, session ID, Tag 50 ID, automated or manual indicator (Tag 1028), host order number, trader order number, clearing member, type of action, action status code, customer type indicator, origin, and timestamps. For executed orders the audit trail must record the execution time of the trade along with all fill information.

In the case where the Guaranteeing Clearing Firm has a direct connect client that is another Clearing Firm or a Corporate Equity Member, the Clearing Firm may notify the client Clearing Firm or Corporate Equity Member that it is their obligation to maintain the electronic audit trail. Upon execution of this written notice, it shall be the duty of the client Clearing Firm or Corporate Equity Member to maintain an electronic audit trail pursuant to this rule.

### **536.C. Bunched Orders and Orders Eligible for Post Execution Allocation**

Bunched orders must be allocated and recorded in accordance with CFTC Regulation 1.35(b) and the NFA's Interpretive Notice related to Compliance Rule 2-10.

A bunched order for pit execution does not require the specific account number to be recorded at the time of order placement or upon the report of execution provided that 1) the order is being placed by an account manager for multiple accounts eligible for post execution allocation or 2) a written, pre-determined allocation scheme has been provided to the futures commission merchant accepting or clearing the order prior to the time the order has been placed. Additionally, at the time of receipt on the trading floor, bunched orders that do not contain specific account numbers must contain a series, group, or suspense account indicator which relates directly to the group of accounts for which the order has been placed. A bunched order may be initially cleared into a suspense account provided that the final account-specific allocations are submitted to the clearing system no later than the end of each trading day.

With respect to bunched Globex orders, such orders may be entered using a series designation or suspense account number provided that 1) the order is being placed by an account manager for multiple accounts eligible for post execution allocation or 2) a written, pre-determined allocation scheme that defines the series has been provided to the futures commission merchant accepting or clearing the order prior to the time that such order is entered. In the latter case, if such information has not been provided to the futures commission merchant prior to the time of order entry, each specific account number must be entered into Globex. Additionally, for all such bunched orders executed on Globex, the final account specific allocations must be submitted to the clearing system no later than the end of each trading day.

Bunched orders for non-discretionary accounts may be entered either for pit execution or through Globex; however, only the following order types may be bunched: Market on Open, Market on Close, same priced Limit Orders and same priced Stop Orders. Such non-discretionary orders may only be bunched in the following instances:

- a. Each order underlying the bunched order must be reduced to writing and include the information required pursuant to Section A.1. above;
- b. Allocation of the executions for the bunched orders must be fair and equitable in accordance with the NFA's Interpretive Notice related to Compliance Rule 2-10; and
- c. In circumstances where the order is bunched in a Permit Holder firm's or member firm's sales office, the party accepting the order must, contemporaneously with the order placement, transmit the individual account numbers and quantities associated with the bunched order to the Clearing Member firm. Such transmission shall be maintained by the Clearing Member firm along with the bunched order.

### **536.D. Customer Type Indicator (CTI) Codes**

Each Clearing Member must identify each transaction executed on the trading floor or on the Globex platform on the record of transactions submitted to the Exchange with the correct customer type indicator (CTI) code. The CTI codes are as follows:

CTI 1: Electronic Trading and Open Outcry – Applies to transactions initiated and executed by an individual Permit Holder for his own account, for an account he controls, or for an account in which he has an ownership or financial interest. However, transactions initiated and executed by a Permit Holder for the proprietary account of a Clearing Member or Permit Holder firm must be designated as CTI 2 transactions.

CTI 2: Electronic Trading and Open Outcry – Applies to orders entered or trades executed for the proprietary accounts of a Clearing Member or Permit Holder firm.

CTI 3: Electronic Trading – Applies to orders entered by a Permit Holder or a non-Permit Holder terminal operator for the account of another individual Permit Holder or an account controlled by such other individual Permit Holder.

CTI 3: Open Outcry – Applies to orders that a Permit Holder executes on behalf of another individual Permit Holder, or for an account such other Permit Holder controls or in which such other Permit Holder has an ownership or financial interest.

CTI 4: Electronic Trading and Open Outcry – Applies to all orders and transactions not included in CTI categories 1, 2 or 3. These typically are orders entered by or on behalf of non-Permit Holder entities.

### **536.E. Negotiated Trades**

All orders executed in accordance with Rule 538, unless otherwise exempted by rule, are subject to the recordation requirements pursuant to Section A.1.

### **536.F. CTR Enforcement Program and Sanction Schedule**

#### CTR Monthly Enforcement Program

The CTR threshold levels for members with 100 or more transactions per month are as follows:

<u>Exception Type</u>	<u>Threshold Level</u>
<u>Bracket Exceptions</u>	<u>8% and above</u>
<u>Time of Execution for</u>	
<u>Verbal Orders</u>	<u>8% and above</u>
<u>Sequence Errors</u>	<u>8% and above</u>

A letter of warning shall be issued for a first occurrence of exceeding any threshold. Subsequent occurrences within 12 months of exceeding a threshold shall result in automatic fines starting at \$1,000, and then increasing to \$2,500 and \$5,000 for each subsequent occurrence. Fifth and subsequent offenses within a 12 month period will be referred to the Probable Cause Committee by the Market Regulation Department.

A member will have 15 days after receipt of a letter of warning or a fine to present evidence to the Market Regulation Department in support of having the letter of warning or fine dismissed showing that administrative, clerical, or other errors by the clearing firm caused the member to exceed the threshold level. If the member does not submit such evidence, or if the Market Regulation Department determines that the evidence submitted is insufficient to reduce the percentage below the threshold level, the letter of warning or fine shall be final and may not be appealed.

The monthly CTR threshold for timestamp exceptions for firms with 1,000 or more transactions per month is 8% and above. A letter of warning shall be issued for a first occurrence of exceeding the threshold. Subsequent occurrences within 12 months of exceeding the threshold shall result in automatic fines starting at \$1,500 for the second occurrence, then increasing to \$5,000 and \$10,000 for each subsequent occurrence.

A firm will have 15 days after receipt of a letter of warning or a fine to present evidence to the Market Regulation Department in support of having the letter of warning or fine dismissed. If the firm does not submit such evidence, or if the Market Regulation Department determines that the evidence submitted is insufficient to reduce the percentage below the threshold level, the letter of warning or fine shall be final and may not be appealed.

#### CTR Clearing Member Back Office Audit Enforcement Program

The Market Regulation Department will conduct audits of Clearing Members to verify that required audit trail information has been accurately recorded and submitted. The CTR audit threshold level for firms failing to pick up and timestamp sequenced cards, verbal order cards and floor orders is 20%. The threshold for all other firm audit trail or recordkeeping deficiencies is 10%.

Percentage calculations will be made based on an examination of a combination of sequenced cards, verbal orders and floor orders totaling 150 documents. The number of documents containing a deficiency(ies) will be divided by the total number of documents examined in determining the deficiency percentage.

Violations of each threshold within 24 months shall be subject to automatic fines starting at \$2,500 for a first occurrence, then increasing to \$5,000 and \$10,000 for each subsequent occurrence.

A firm will have 15 days after receipt of a fine to present evidence to the Market Regulation Department in support of having the fine dismissed. If the firm does not submit such evidence, or if the Market Regulation Department determines that the evidence submitted is insufficient to reduce the percentage below the threshold level, the fine shall be final and may not be appealed.

Notwithstanding the provisions of this Section, the Market Regulation Department may, at any time, refer matters that it deems egregious to the Probable Cause Committee.

### **536.G. Telephone Recordings**

Permit Holders and Permit Holder firms that record conversations conducted on their Exchange Floor telephone lines must maintain the resultant recordings for a period of 10 business days following the day when such recordings are made.

Unless specifically exempted by the Market Regulation Department or designated Exchange staff, all headset communications must be voice recorded by the Permit Holder or Permit Holder firm authorized to use the headset

and all such recordings must be maintained for a minimum of 10 business days following the day on which the recording is made. Permit Holders and Permit Holder firms are permitted to utilize their own recording devices, provided that the devices meet reasonable standards with respect to quality and reliability. Alternatively, Permit Holders and Permit Holder firms may utilize an Exchange administered voice recording system for a fee.

#### **536.H. Retention of Records**

Each Permit Holder and Permit Holder firm and employees of the foregoing must keep full, complete and systematic records, including records created or transmitted electronically, together with all pertinent data and memoranda, of all transactions relating to its business of dealing in commodity futures, options and cash transactions in accordance with CFTC Regulation 1.35, retained for a minimum of five years in permanent form, and shall at all times be open to inspection by Exchange staff or any representative of the CFTC or the United States Department of Justice.

#### **537. [RESERVED]**

#### **538. EXCHANGE FOR RELATED POSITIONS**

The following transactions shall be permitted by arrangement between parties in accordance with the requirements of this rule:

Exchange for Physical (“EFP”) – A privately negotiated and simultaneous exchange of an Exchange futures position for a corresponding cash position.

Exchange for Risk (“EFR”) – A privately negotiated and simultaneous exchange of an Exchange futures position for a corresponding OTC swap or other OTC instrument.

Exchange of Options for Options (“EOO”) – A privately negotiated and simultaneous exchange of an Exchange option position for a corresponding OTC option position or other OTC instrument with similar characteristics.

For purposes of this rule, an EFP, EFR or EOO shall be referred to as an Exchange for Related Position (“EFRP”).

##### **538.A. Nature of an EFRP**

An EFRP consists of two discrete but related simultaneous transactions. One party to the EFRP must be the buyer of (or the holder of the long market exposure associated with) the related position and the seller of the corresponding Exchange contract. The other party to the EFRP must be the seller of (or the holder of the short market exposure associated with) the related position and the buyer of the corresponding Exchange contract.

However, a member firm may facilitate, as principal, the related position on behalf of a customer, provided that the member firm can demonstrate that the related position was passed through to the customer who received the Exchange contract position as part of the EFRP.

##### **538.B. Related Positions**

The related position (cash, OTC swap, OTC option, or other OTC derivative) must involve the commodity underlying the Exchange contract, or must be a derivative, by-product, or related product of such commodity that has a reasonable degree of price correlation to the commodity underlying the Exchange contract.

##### **538.C. Quantity**

The quantity covered by the related position must be approximately equivalent to the quantity covered by the Exchange contracts.

##### **538.D. Prices and Price Increments**

An EFRP transaction may be entered into in accordance with the applicable price increments or option premium increments set forth in the rules governing the pertinent Exchange contracts, at such prices as are mutually agreed upon by the two parties to the transaction.

##### **538.E. Date and Time of Transaction**

The date and the time of execution of all EFP transactions must be denoted on the record of the transaction required to be created pursuant to Rule 536.E. Notwithstanding the preceding sentence, EFRP transactions entered into CME ClearPort do not need a separate record of the transaction or time of execution provided that such transactions are entered immediately after the relevant terms have been determined, but in no event later than the earlier of the start of the next business day or the end of the permissible posting period for EFRP transactions following the expiration of the underlying futures contract.

##### **538.F. Termination of Trading in Exchange Contracts**

EFRP transactions may be permitted after termination of trading in expiring Exchange contracts, as prescribed in the applicable rules governing such Exchange contracts. Such transactions shall not establish new positions.

### **538.G. Identification and Submission to the Clearing House**

Each EFRP transaction shall be designated as such and shall be cleared through the Clearing House. Each such transaction shall be submitted to the Clearing House within the time period and in the manner specified by the Exchange. Clearing member firms are responsible for exercising due diligence as to the bona fide nature of EFRP transactions submitted on behalf of customers.

### **538.H. Documentation**

Parties to any EFRP transaction must maintain all documents relevant to the Exchange contract and the cash, OTC swap, OTC option, or other OTC derivatives, including all documents customarily generated in accordance with relevant market practices and any documents reflecting payment and transfer of title. Any such documents must be provided to the Exchange upon request, and it shall be the responsibility of the carrying clearing member firm to provide such requested documentation on a timely basis.

### **538.I. Account Requirements**

The accounts involved in the execution of an EFRP transaction must be (a) independently controlled accounts with different beneficial ownership; or (b) independently controlled accounts of separate legal entities with the same beneficial ownership, provided that the account controllers operate in separate business units; or (c) independently controlled accounts within the same legal entity, provided that the account controllers operate in separate business units; or (d) commonly controlled accounts of separate legal entities, provided that the separate legal entities have different beneficial ownership.

However, on or after the first day on which delivery notices can be tendered in a physically delivered Exchange futures contract, an EFRP transaction may not be executed for the purpose of offsetting concurrent long and short positions in the expiring Exchange futures contract when the accounts involved in such transaction are owned by the same legal entity and when the date of the Exchange futures position being offset is not the same as the date of the offsetting transaction.

### **538.J. Large Trader Requirements for EFRP Transactions**

Each clearing member, omnibus account and foreign broker submitting large trader positions in accordance with Rule 561 must submit for each reportable account the EFRP volume bought and sold in the reportable instrument, by contract month, and additionally for EOOs, by put and call strike. The information must be included in the daily Large Trader report to the Exchange.

## **539. PREARRANGED, PRE-NEGOTIATED AND NONCOMPETITIVE TRADES PROHIBITED**

### **539.A. General Prohibition**

No person shall prearrange or pre-negotiate any purchase or sale or noncompetitively execute any transaction, except in accordance with Section B. below.

### **539.B. Exceptions**

The foregoing restrictions shall not apply to Exchange for Related Positions transactions pursuant to Rule 538.

## **540. RESPONSIBILITY FOR CUSTOMER ORDERS**

### **540.A. Standard of Responsibility**

A Permit Holder (as defined in Rule 400) shall exercise due diligence in the handling and execution of customer orders. Failure to act with due diligence shall constitute negligence. In the case of a dispute as to whether a Permit Holder has exercised due diligence, the appropriate arbitration or disciplinary committee is authorized to determine whether the Permit Holder was negligent and, if so, whether an adjustment is due to the customer. The committee may take into consideration the nature of the order and existing market conditions, including the existence of a "fast market" (a designation invoked to reflect rapid price changes and volatile market conditions in the pit), at the time the Permit Holder acted or failed to act. However, no market condition nullifies a Permit Holder's responsibility to exercise due diligence.

A Permit Holder is prohibited from directly or indirectly guaranteeing the execution of an order or any of its terms such as the quantity or price. A Permit Holder may only report an execution that has occurred as a result of open outcry, has been effected through the Globex platform, or has been executed as a permissible privately negotiated transaction. This rule shall not be construed to prevent a Permit Holder from assuming or sharing in the losses resulting from an error or the mishandling of an order.

### **540.B. Liability for Negligence**

A Permit Holder may not adjust the price at which an order was executed or be held responsible for executing or failing to execute an order unless such Permit Holder was negligent or is settling a bona-fide dispute regarding negligence.

A Permit Holder firm may not compel an adjustment from a Permit Holder in the absence of a bona-fide dispute regarding negligence.

Clearing Members shall document all adjustments. Clearing Members shall make and retain a record which contains the date the adjustment was received, the name of the Permit Holder making the adjustment, the account to which the adjustment was credited, the amount of the adjustment, the order number and the reason for the adjustment. Such records must be provided to the Market Regulation Department upon request.

#### **541. [RESERVED]**

#### **542. SIMULTANEOUS SPREAD AND COMBINATION TRANSACTIONS**

A. All spread or combination transactions in which all sides are acquired simultaneously must be for the same account or accounts with the same ownership, except as provided by Rule 527. Each of the respective legs of the spread or combination transaction must be priced within the daily price limits for those contracts that have limits.

Spread or combination transactions shall not set off conditional orders in any contract except for an identical spread or combination conditional order. All simultaneous spread or combination transactions must be reported to a designated Exchange official who shall record and publish the differentials or combination prices in addition to the quantities of such trades. The brokers executing any spread or combination transaction must maintain a record of the transaction in accordance with Rule 536.

B. Any spread or combination transaction involving cabinet options may trade, provided that the traded price of the combination is an acceptable cabinet increment as defined for that product or 1 tick .

For the purposes of this rule, a cabinet option is an option trading at a price less than the minimum price increment defined for the given product. The rule in an option's contract specifications defining the option contract's minimum fluctuations also defines the option contract's permissible cabinet price increments for the purposes of this rule. Spread or combination transactions involving cabinet options other than those transactions explicitly defined in this rule are not allowed.

C.-E. [Reserved]

F. On Globex, spread or combination transactions shall be made by inputting the spread differential or combination price into the Globex system.

For combinations traded on Globex in price terms, the Exchange will allocate the combination trade price among the individual options in the combination for clearing purposes.

#### **543. [RESERVED]**

#### **544. CLOSING DAY ORDERS**

During the last day of trading in an expiring futures contract, all allowable types of orders that reach the trading floor less than 15 minutes prior to the close of trading, except for market, closing, spread, limit and stop orders, will be accepted solely at the risk of the customer on a not-held basis. A broker shall not be responsible for cancellations unless the cancellation reaches the broker at least 15 minutes prior to the close on the last day of trading in an expiring futures contract.

#### **545. [RESERVED]**

#### **546. OPENING AND CLOSING RANGES DURING REGULAR TRADING HOURS**

Opening and closing ranges shall be established by Exchange staff in consultation with the Pit Committee.

In the event of a disputed opening or closing range or a trade during the opening or closing range that is conspicuously out of line with the market, the final determination of the opening or closing range shall be made by Exchange staff in consultation with the Pit Committee. A change in the opening range will be allowed only if the request for a change is made within 15 minutes of the posting of the range. A change in the closing range will be allowed only if the request for a change is made within 10 minutes of the posting of the range.

#### **547. DISCRETIONARY ORDERS**

Other than DRT orders, no Permit Holder (as defined in Rule 400) shall accept an order that gives more latitude than price and time in execution of the order, except in accordance with the provisions of CME or CBOT Rule 956.

The above restriction shall not apply to those orders:

1. placed by another Permit Holder or member for an account owned by such Permit Holder or member;
2. placed by the Permit Holder's immediate family which includes a spouse, parent, child, grandparent, grandchild, brother, sister, aunt, uncle, nephew, niece or in-law; and
3. placed for proprietary accounts of Permit Holder firms or member firms.

#### **548. PRIORITY OF EXECUTION**

In pit trading, non-discretionary customer orders shall be executed in accordance with their price and time priority. A Permit Holder shall not execute a discretionary order, including, without limitation, an order allowing the Permit Holder discretion as to time and price, while in possession of an executable customer order. No person shall allocate executions in any manner other than an equitable manner.

Non-discretionary customer orders received by a Globex terminal operator shall be entered into Globex in the sequence received. Non-discretionary orders that cannot be immediately entered into Globex must be entered when the orders become executable in the sequence in which the orders were received.

#### **549. [RESERVED]**

#### **550. POST CLOSE SESSION**

As soon as practicable, trading may resume for a period of three minutes after the close of Regular Trading Hours for pit traded futures and designated options contracts. Such trading must begin with 15 minutes after the close of Regular Trading Hours unless a later start time is approved by an Exchange Official. The post close session for related products shall commence simultaneously.

During the post close session, Permit Holders are obligated to bid or offer any orders that were received prior to or after the close which are executable in the post close session.

Outright futures and options trades during the post close session may occur at any price, provided such price is within the daily limits for contracts with daily price limits.

Spreads or combination transactions during the post close session may occur at any price, provided that both legs are priced within the daily price limits for contracts with price limits.

The prices at which trades occur during the post close session may establish a new high or low in the outright contract month or spread or combination.

Except as otherwise specifically set forth in this rule, the rules applicable to trading during Regular Trading Hours shall be applicable to trading during the post close session.

#### **551. – 552. [RESERVED]**

#### **553. AVERAGE PRICE SYSTEM**

##### **553.A. Application of Average Prices**

The Exchange's Average Price System ("APS"), or a proprietary APS developed by a Clearing Member, allows a Clearing Member to confirm to customers an average price when multiple execution prices are received on an order or series of orders for futures, options or combination transactions. An order or series of orders executed during the same trading day at more than one price may be averaged pursuant to APS only if each order is for the same account or group of accounts and for the same product and expiration month for futures, or for the same product, expiration month, put/call and strike price for options.

##### **553.B. Requirements for APS Trades**

A Clearing Member may have the Exchange calculate average prices or a Clearing Member may calculate average prices internally for contracts executed on the Exchange. The requirements enumerated below must be met for APS transactions.

1. The customer must have requested average price reporting.
2. Each individual trade must be submitted and cleared by the Exchange at the executed price.
3. If a Clearing Member computes and confirms the average price to its customers, it must compute the weighted mathematical average price, as set forth in Section C.
4. If a Clearing Member calculates the average price, it must possess the records to support the calculations and allocations to customer accounts and must maintain these records pursuant to CFTC regulations.
5. A Clearing Member must ensure that its proprietary trades are not averaged with customer APS trades.

### **553.C. Computation of Average Price**

Upon receipt of an execution or match at multiple prices for an APS order, the weighted mathematical average must be computed by: (a) multiplying the number of contracts purchased or sold at each execution price by that price, (b) adding the results together and (c) dividing by the total number of contracts. An average price for a series of orders will be computed based on the average prices of each order in that series. The actual average price or the average price rounded to the next price increment may be confirmed to customers. If a Clearing Member confirms the rounded average price, the Clearing Member must round the average price up to the next price increment for a buy order or down to the next price increment for a sell order. The residual created by the rounding process must be paid to the customer. APS may produce prices that do not conform to whole cent increments. In such cases, any amounts less than one cent may be retained by the Clearing Member.

### **553.D. Disclosure**

Each Clearing Member that confirms an average price to a customer must indicate on the confirmation and monthly statement that the price represents an average price.

### **554. – 558. [RESERVED]**

### **559. POSITION LIMITS AND EXEMPTIONS**

The position limit levels applicable to Exchange products are set forth in Section F.

A person seeking an exemption from position limits must apply to the Market Regulation Department on forms provided by the Exchange. In order to obtain an exemption from position limits, a person must:

1. Provide a description of the exemption sought, including whether the exemption is for bona fide hedging positions as defined in CFTC Regulation §1.3(z)(1), risk management positions or arbitrage/spread positions;
2. Provide a complete and accurate explanation of the underlying exposure related to the exemption request;
3. Agree to promptly provide, upon request by the Market Regulation Department, information or documentation regarding the person's financial condition;
4. Affirm that the requested exemption complies with any applicable CFTC requirements and, for those contracts with Federal limits, that the exemption request has been approved by the CFTC;
5. Agree to comply with all terms, conditions or limitations imposed by the Market Regulation Department with respect to the exemption;
6. Agree that the Market Regulation Department may, for cause, modify or revoke the exemption at any time;
7. Agree to initiate and liquidate positions in an orderly manner;
8. Agree to comply with all Exchange rules; and
9. Agree to promptly submit a supplemental statement to the Market Regulation Department whenever there is a material change to the information provided in the most recent application.

A person intending to exceed position limits, including limits established pursuant to a previously approved exemption, must file the required application and receive approval from the Market Regulation Department prior to exceeding such limits. However, a person who establishes an exemption-eligible position in excess of position limits and files the required application with the Market Regulation Department shall not be in violation of this rule provided the filing occurs within one (1) business day after assuming the position except in circumstances where the Market Regulation Department has expressly approved a later filing which may not exceed five (5) business days. In the event the positions in excess of the limits are not deemed to be exemption-eligible, the applicant and clearing firm will be in violation of speculative limits for the period of time in which the excess positions remained open.

The Market Regulation Department shall, on the basis of the application and any requested supplemental information, determine whether an exemption from position limits shall be granted. The Market Regulation Department may approve, deny, condition or limit any exemption request based on factors deemed by the Department to be relevant, including, but not limited to, the applicant's business needs and financial status, as well as whether the positions can be established and liquidated in an orderly manner given characteristics of the market for which the exemption is sought.

Nothing in this rule shall in any way limit (i) the authority of the Exchange to take emergency action; or (ii) the authority of the Market Regulation Department to review at any time the positions owned or controlled by any person and to direct that such position be reduced to the position limit provided for in Section F.

A person who has received written authorization from the Market Regulation Department to exceed position limits must annually file an updated application not later than one year following the approval date of the most recent application. Failure to file an updated application will result in expiration of the exemption.

### **559.A. Bona Fide Hedging Positions**

The Market Regulation Department may grant exemptions from position limits for bona fide hedge positions as defined by CFTC Regulation §1.3(z)(1).

Approved bona fide hedgers may be exempted from emergency orders that reduce position limits or restrict trading.

#### **559.B. Risk Management Positions**

The Market Regulation Department may grant exemptions from the position limits for risk management positions. For the purposes of this rule, risk management positions are defined as futures and options positions which are held by or on behalf of an entity or an affiliate of an entity which typically buys, sells or holds positions in the underlying cash market, a related cash market, or a related over-the-counter market and for which the underlying market has a high degree of demonstrated liquidity relative to the size of the positions and where there exist opportunities for arbitrage which provide a close linkage between the futures or options market and the underlying market in question. Exemptions related to indexed positions in the over-the-counter market may include corresponding commodity index-based futures and options and/or individual commodity futures and options used as components in replicating an index.

#### **559.C. Arbitrage and Spread Positions**

The Market Regulation Department may grant exemptions from the position limits for arbitrage, intracommodity spread, intercommodity spread, and eligible option/option or option/futures spread positions.

Spread and arbitrage exemptions from position limits for Wheat futures and options contracts traded on the Exchange shall be governed by CFTC Regulation §150.3(a)(3).

#### **559.D. Aggregation of Positions**

1. Positions to be Aggregated - The position limits in the Table shall apply to all positions in accounts for which a person by power of attorney or otherwise directly or indirectly owns the positions or controls the trading of the positions. The position limits in the Table shall also apply to positions held by two or more persons acting pursuant to an expressed or implied agreement or understanding, the same as if the positions were held by, or the trading of the positions was done by, a single person.

2. Ownership of Accounts – Except as set forth in Section E. below, any person holding positions in more than one account, or holding accounts or positions in which the person by power of attorney or otherwise directly or indirectly has a 10% or greater ownership or equity interest, must aggregate all such accounts or positions unless such person is a limited partner, shareholder, member of a limited liability company, beneficiary of a trust or similar type of pool participant in a commodity pool. The foregoing exception for pool participants shall not apply if the person is a commodity pool operator, controls the commodity pool's trading decisions, or has an ownership or equity interest of 25% or more in a commodity pool whose operator is exempt from registration with the CFTC.

#### **559.E. Limited Exceptions to Aggregation for Independently Controlled Positions**

Positions carried for an eligible entity as defined in CFTC Regulation §150.1(d) in the separate account or accounts of independent account controllers as defined in CFTC Regulation §150.1(e) shall not be aggregated for position limit purposes provided that the positions are not held in the spot month during such time that a spot month position limit is applicable, or if the positions are Treasury futures positions. If an independent account controller is affiliated with the eligible entity or another independent account controller, each of the affiliated entities must comply with the requirements set forth in CFTC Regulation §150.3(4)(i)(A-D).

Treasury futures positions carried in independently controlled accounts owned by different legal entities, irrespective of whether the entities qualify as eligible entities, shall not be aggregated for position limit purposes provided that affiliated legal entities must comply with the requirements set forth in CFTC Regulation §150.3(4)(i)(A-D).

Positions held by futures commission merchants or their separately organized affiliates in customer discretionary accounts or in guided account programs shall not be aggregated for position limit purposes provided that the accounts are controlled by independent traders and meet the standards set forth in CFTC Regulation §150.4(d).

Any person claiming an exemption from position limits under this Section must, upon request by the Market Regulation Department, provide any information deemed necessary to support the exemption.

#### **559.F. Wheat Position Limits**

No person may or control positions, separately or in combination, net long or net short, for the purchase or sale of commodity futures and options contracts, on a net equivalent futures position basis, in excess of the following:

1. Spot Month – 600 contracts
2. Single Month – 12,000 contracts
3. All Months Combined – 12,000 contracts

#### **559.G. Violations**

Violations of position limits and approved exemption limits are subject to the provisions of Rule 562.

## **561.00 REPORTS OF LARGE POSITIONS**

### **561.A. General Provisions**

Clearing members, omnibus accounts and foreign brokers shall submit to the Exchange a daily report of all positions required to be reported as set forth below. Positions at or above the reportable level in a particular expiration month of a futures contract or in all puts or in all calls of a particular option contract expiration month trigger reportable status. For a person in reportable status in a particular contract, all positions, regardless of size, in any futures contract month and in any put or call on that futures contract must be reported.

Additionally, the daily Large Trader submission to the Exchange must include for each reportable account 1) the EFRP volume bought and sold in the reportable instrument, by contract month, and for EEOs by put and call strike and 2) the number of delivery notices issued and the number of deliveries stopped in the reportable instrument.

Failure by an omnibus account or foreign broker to submit required information may result in a hearing by the Business Conduct Committee and result in limitations, conditions or denial of access of such omnibus account or foreign broker to any Exchange market. Notwithstanding the above, clearing members carrying such accounts remain responsible for obtaining and providing to the Exchange information regarding the ownership and control of positions in circumstances where an omnibus account or foreign broker has failed to provide the information to the Exchange.

All large trader reports shall be submitted in a form acceptable to the Market Regulation Department. The Exchange may require that more than one large trader report be submitted daily. The Business Conduct Committee or the Market Regulation Department may require reports from any clearing member, omnibus account or foreign broker on a lesser number of positions than reflected below.

Clearing members, omnibus accounts and foreign brokers must provide the Market Regulation Department with the required CFTC Form 102 ("Identification of Special Accounts") accurately identifying the owners, controllers, controlled accounts and any additional information required for each reportable account within three Business Days of the first day that the account in question becomes reportable. Notwithstanding the three Business Day requirement, on the first day that an account becomes reportable, clearing members, omnibus accounts and foreign brokers must, at the direction of the Market Regulation Department, submit the following information: account type, reportable account number and names and addresses of the owners and controllers of the account.

Any material changes to the information previously provided to the Market Regulation Department will require the submission of a revised form within three Business Days of such changes becoming effective. Additionally, in the absence of any material changes, the Market Regulation Department may require the submission of a new form on a biennial basis for the maintenance of accurate records.

### **561.B. Reportable Levels**

Wheat futures – 150 contracts

Wheat futures options – 50 contracts

Wheat Calendar Swaps (Cleared-Only) – 25 contracts

## **562. POSITION LIMIT VIOLATIONS**

Any positions in excess of those permitted under the rules of the Exchange shall be deemed position limit violations. Additionally, any person making a bid or offer that would, if accepted, cause such person to exceed the applicable position limits shall be in violation of this rule.

If a position exceeds position limits as a result of an option assignment, the person who owns or controls such position shall be allowed one business day to liquidate the excess position without being considered in violation of the limits. Additionally, if, at the close of trading, a position that includes options exceeds position limits when evaluated using the delta factors as of that day's close of trading, but does not exceed the limits when evaluated using the previous day's delta factors, then the position shall not constitute a position limit violation.

A Clearing Member shall not be in violation of this rule if it carries positions for its customers in excess of the applicable position limits for such reasonable period of time as the firm may require to discover and liquidate the excess positions. For the purposes of this rule, a reasonable period of time shall generally not exceed one business day.

A customer who exceeds the position limits as a result of maintaining positions at more than one Clearing Member shall be deemed to have waived confidentiality regarding his positions and the identity of the Clearing Members at which they are maintained. A Clearing Member carrying such positions shall not be in violation of this rule if, upon notification by the Market Regulation Department, it liquidates its pro-rata share of the position in excess of the limits or otherwise ensures the customer is in compliance with the limits within a reasonable period of time.

## **563.-572. [RESERVED]**

## **GLOBAL ELECTRONIC TRADING SYSTEM RULES**

### **573. GLOBEX OPENING**

Each business day, Globex will open with a single price for each instrument unless otherwise designated by the Exchange.

Prior to the opening of each Globex Session, Globex will provide an indicative opening price or prices, based on the Globex equilibrium price algorithm described below, and on all pending orders that may be executed on the opening. During the 30-second period prior to the opening, no previously entered orders may be modified or cancelled, although new orders may be entered.

Globex will establish an equilibrium price that will be the opening price. The equilibrium price is the calculated price between sell pressure and buy pressure where the largest volume of trading can occur. The price will be determined in accordance with the following methodology:

1. Any bid at a given price may also be executed at a lower price.
2. Any offer at a given price may also be executed at a higher price.
3. The bid volume at any price is the quantity bid at that price plus the sum of the quantities bid at all higher prices.
4. The offer volume at any price is the quantity offered at that price plus the sum of the quantities offered at all lower prices.
5. Sell pressure occurs when the offer volume exceeds the bid volume at a particular price.
6. Buy pressure occurs when the bid volume exceeds the offer volume at a particular price.
7. The trade volume at any price is the smaller of the bid volume or the offer volume.
8. The price overlap is the range of prices where trades are possible.
9. The equilibrium is the price range within the price overlap where buy pressure changes to sell pressure.
10. The equilibrium price is one of the following:
  - (a) The price within the equilibrium that has the largest trade volume and the lowest unmatched volume at that price remaining after the opening.
- or
- (b) If more than one price has the same trade volume and the same unmatched volume at that price, the equilibrium price is the one nearest the previous day's settlement price.
11. If there is no equilibrium (there is only buy pressure or sell pressure), there will be no opening price until a trade occurs unless there is a bid higher than, or an offer lower than, the previous day's settlement price.
12. After the provisional opening price is determined as set forth above for all orders excluding stop and stop limit orders, the calculations are repeated with any such orders that would be triggered at such price included until a new provisional opening price is determined. If such new price would trigger additional stop or stop limit orders, the process is repeated until no more orders are triggered.
13. Bids and offers will be selected for matching at the opening price based on price and time priority.

### **574. GLOBEX ACCESS RESTRICTIONS**

All connections to the Globex system, including direct connections of non-clearing members or customers, must be guaranteed by a clearing member that assumes financial responsibility for all activity through the connection. With respect to transactions given up to other clearing members, such guarantee is effective only until such time that the other clearing member accepts the trade.

All individuals entering non-member customer orders in other than a clerical capacity must have appropriate industry registration. Non-member customer orders may be entered only from designated areas on the floor of the Exchange or from the premises of an entity registered to conduct customer business.

Clearing members shall assist the Exchange in any investigation into potential violations of the rules or the Act which occur through or with respect to a Globex connection guaranteed by the clearing member. Such assistance must be timely and may include, but not be limited to, requiring any non-member customer to produce documents, to answer questions from the Exchange, and/or to appear in connection with an investigation.

Clearing members shall suspend or terminate a non-member customer's Globex access if the Exchange determines that the actions of the non-member customer threaten the integrity or liquidity of any contract or violate any Exchange rule or the Act, or if the non-member customer fails to cooperate in an investigation.

If a clearing member has actual or constructive notice of a violation of Exchange rules in connection with the use of Globex by a non-member for which it has authorized a direct connection and the clearing member fails to take appropriate action, the clearing member may be found to have committed an act detrimental to the interest or welfare of the Exchange.

**575. [RESERVED]**

**576. IDENTIFICATION OF GLOBEX TERMINAL OPERATORS**

Each Globex terminal operator shall be identified to the Exchange, in the manner prescribed by the Exchange, and shall be subject to Exchange rules. If user IDs are required to be registered with the Exchange, it is the duty of the clearing member to ensure that registration is current and accurate at all times. Each individual must use a unique user ID to access Globex. In no event may a person enter an order or permit the entry of an order by an individual using a user ID other than the individual's own unique user ID.

**577. [RESERVED]**

**578.LIMITATION OF LIABILITY, NO WARRANTIES**

A. EXCEPT AS PROVIDED BELOW, THE EXCHANGE, CHICAGO MERCANTILE EXCHANGE INC. ("CME"), THE BOARD OF TRADE OF THE CITY OF CHICAGO INC. ("CBOT") AND THE NEW YORK MERCANTILE EXCHANGE INC. ("NYMEX") (INCLUDING EACH OF THEIR RESPECTIVE SHAREHOLDERS, SUBSIDIARIES AND AFFILIATES), THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, CONSULTANTS, LICENSORS, PERMIT HOLDERS, AND CLEARING MEMBERS, SHALL NOT BE LIABLE TO ANY PERSON FOR ANY LOSSES, DAMAGES, COSTS OR EXPENSES (INCLUDING, BUT NOT LIMITED TO, LOSS OF PROFITS, LOSS OF USE, AND DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES), ARISING FROM:

- (i) ANY FAILURE, MALFUNCTION, FAULT IN DELIVERY, DELAY, OMISSION, SUSPENSION, INACCURACY, INTERRUPTION, TERMINATION, OR ANY OTHER CAUSE, IN CONNECTION WITH THE FURNISHING, PERFORMANCE, OPERATION, MAINTENANCE, USE OF OR INABILITY TO USE ALL OR ANY PART OF ANY OF THE SYSTEMS AND SERVICES OF THE EXCHANGE, CME, CBOT OR NYMEX, OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS AND SERVICES, INCLUDING WITHOUT LIMITATION ELECTRONIC ORDER ENTRY/DELIVERY, TRADING THROUGH ANY ELECTRONIC MEANS, ELECTRONIC COMMUNICATION OF MARKET DATA OR INFORMATION, WORKSTATIONS USED BY PERMIT HOLDERS AND AUTHORIZED EMPLOYEES OF PERMIT HOLDERS, PRICE REPORTING SYSTEMS AND ANY AND ALL TERMINALS, COMMUNICATIONS NETWORKS, CENTRAL COMPUTERS, SOFTWARE, HARDWARE, FIRMWARE AND PRINTERS RELATING THERETO; OR
- (ii) ANY FAILURE OR MALFUNCTION, FAULT IN DELIVERY, DELAY, OMISSION, SUSPENSION, INACCURACY, INTERRUPTION OR TERMINATION, OR ANY OTHER CAUSE, OF ANY SYSTEM OR SERVICE OF THE EXCHANGE, CME, CBOT OR NYMEX, OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS OR SERVICES, CAUSED BY ANY THIRD PARTIES INCLUDING, BUT NOT LIMITED TO, INDEPENDENT SOFTWARE VENDORS AND NETWORK PROVIDERS; OR
- (iii) ANY ERRORS OR INACCURACIES IN INFORMATION PROVIDED BY THE EXCHANGE, CME, CBOT OR NYMEX OR ANY EXCHANGE, CME, CBOT OR NYMEX SYSTEMS, SERVICES OR FACILITIES; OR
- (iv) ANY UNAUTHORIZED ACCESS TO OR UNAUTHORIZED USE OF ANY EXCHANGE, CME, CBOT OR NYMEX SYSTEMS, SERVICES OR FACILITIES BY ANY PERSON.

THE FOREGOING LIMITATION OF LIABILITY SHALL APPLY WHETHER A CLAIM ARISES IN CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY, CONTRIBUTION OR OTHERWISE AND WHETHER THE CLAIM IS BROUGHT DIRECTLY OR AS A THIRD PARTY CLAIM.

THE FOREGOING LIMITATION OF LIABILITY SHALL BE SUBJECT TO THE COMMODITY EXCHANGE ACT AND REGULATIONS THEREUNDER. A PARTY WHO HAS BEEN FINALLY ADJUDICATED TO HAVE ENGAGED IN WILLFUL OR WANTON MISCONDUCT MAY NOT AVAIL ITSELF OF THE PROTECTIONS IN THIS RULE.

B. THERE ARE NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS (INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE OR USE) PROVIDED BY THE EXCHANGE, CME, CBOT OR NYMEX (INCLUDING THEIR RESPECTIVE SUBSIDIARIES AND AFFILIATES), THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, CONSULTANTS, AND LICENSORS RELATING TO ANY SYSTEMS OR SERVICES OF THE EXCHANGE, CME, CBOT OR NYMEX OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS OR SERVICES, INCLUDING THE GLOBEX SYSTEM.

C. ANY DISPUTE ARISING OUT OF THE USE OF SYSTEMS OR SERVICES OF CME OR THE EXCHANGE OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS OR SERVICES IN WHICH CME OR THE EXCHANGE (INCLUDING ITS SUBSIDIARIES AND AFFILIATES), OR ANY OF ITS OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, CONSULTANTS OR LICENSORS IS A PARTY SHALL BE

ARBITRATED PURSUANT TO CME AND EXCHANGE RULES. ANY ARBITRATION SHALL BE BROUGHT WITHIN THE PERIOD PRESCRIBED BY CME AND EXCHANGE RULES. ANY OTHER ACTIONS, SUITS OR PROCEEDINGS AGAINST ANY OF THE ABOVE MUST BE BROUGHT WITHIN TWO (2) YEARS FROM THE TIME THAT A CAUSE OF ACTION HAS ACCRUED. THIS PARAGRAPH C SHALL IN NO WAY BE CONSTRUED TO LIMIT A PARTY'S OBLIGATION TO ARBITRATE ITS CLAIM OR TO CREATE A CAUSE OF ACTION AND SHALL NOT AUTHORIZE AN ACTION THAT WOULD OTHERWISE BE PROHIBITED BY CME OR EXCHANGE RULES. IF FOR ANY REASON, A COURT OF COMPETENT JURISDICTION FINDS THAT SUCH DISPUTE IS NOT ARBITRABLE, SUCH DISPUTE MAY ONLY BE LITIGATED IN THE COUNTY OF COOK IN THE STATE OF ILLINOIS AND WILL BE GOVERNED BY THE LAWS OF THE STATE OF ILLINOIS WITHOUT REGARD TO ANY PROVISIONS OF ILLINOIS LAW THAT WOULD APPLY THE SUBSTANTIVE LAW OF A DIFFERENT JURISDICTION.

D. THE EXCHANGE, CME, CBOT AND NYMEX MAY, IN THEIR SOLE DISCRETION, ASSUME RESPONSIBILITY FOR DIRECT, OUT-OF-POCKET LOSSES DIRECTLY CAUSED BY THE NEGLIGENCE OF GLOBAL COMMAND CENTER OR OTHER EXCHANGE, CME, CBOT OR NYMEX STAFF AND/OR ORDER STATUS ERRORS PROVIDED BY THE GLOBAL COMMAND CENTER AND/OR THE CLEARING CUSTOMER SERVICE DESK. IF SUCH LIABILITY IS ACCEPTED, THE TOTAL AGGREGATE OBLIGATIONS FOR THE EXCHANGE, CME, CBOT AND NYMEX SHALL NOT EXCEED \$200,000 FOR ALL LOSSES SUFFERED FROM ALL CAUSES IN A SINGLE CALENDAR MONTH, EXCEPT FOR LOSSES CAUSED BY PHANTOM ORDERS WHICH ARE SUBJECT TO THE PROVISIONS OF PARAGRAPHS F. AND G. BELOW. ANY DISPUTED CLAIM MADE UNDER THIS RULE MUST BE ARBITRATED PURSUANT TO EXCHANGE RULES.

E. IN NO EVENT SHALL THE COLLECTIVE TOTAL AGGREGATE LIABILITY FOR THE EXCHANGE, CME, CBOT AND NYMEX FOR ALL CLAIMS ARISING OUT OF ANY NEGLIGENCE, FAILURES, MALFUNCTIONS, FAULTS IN DELIVERY, DELAYS, OMISSIONS, SUSPENSIONS, INACCURACIES, INTERRUPTIONS, TERMINATIONS, ORDER STATUSING ERRORS OR ANY OTHER CAUSES, EXCEPT FOR PHANTOM ORDERS WHICH ARE SUBJECT TO THE PROVISIONS OF PARAGRAPHS F. AND G. BELOW, IN CONNECTION WITH THE FURNISHING, PERFORMANCE, OPERATION, MAINTENANCE, USE OF OR INABILITY TO USE ALL OR ANY PART OF ANY OF THE EXCHANGE'S, CME'S, CBOT'S OR NYMEX'S SYSTEMS OR SERVICES, OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS AND SERVICES, OR THE NEGLIGENCE OF EXCHANGE, CME, CBOT OR NYMEX STAFF, EXCEED \$200,000 IN ANY CALENDAR MONTH.

IF THE NUMBER OF ALLOWED CLAIMS ARISING OUT OF ANY FAILURES OR MALFUNCTIONS IN A SINGLE CALENDAR MONTH CANNOT BE FULLY SATISFIED BECAUSE OF THE MONTHLY LIABILITY LIMITATION, ALL SUCH CLAIMS SHALL BE LIMITED TO A PRO RATA SHARE OF THE MAXIMUM AMOUNT AVAILABLE FOR THAT MONTH.

F. NOTWITHSTANDING THE FOREGOING, THE EXCHANGE, CME, CBOT AND NYMEX MAY, IN THEIR SOLE DISCRETION, ASSUME RESPONSIBILITY FOR DIRECT, OUT-OF-POCKET NET LOSSES DIRECTLY CAUSED BY PHANTOM ORDERS (AS DEFINED BELOW). IF SUCH LIABILITY IS ACCEPTED, THE TOTAL AGGREGATE OBLIGATIONS FOR THE EXCHANGE, CME, CBOT AND NYMEX SHALL NOT EXCEED \$5,000,000 FOR ALL SUCH LOSSES SUFFERED IN A SINGLE CALENDAR MONTH. ANY DISPUTED CLAIM MADE UNDER THIS RULE MUST BE ARBITRATED PURSUANT TO EXCHANGE RULES.

FOR THE PURPOSES OF THIS RULE AND RULE 921, A PHANTOM ORDER IS AN ORDER: 1) THAT WAS NOT AUTHORIZED BY A PERSON BUT WAS CAUSED BY A FAILURE, MALFUNCTION OR NEGLIGENT OPERATION OF GLOBEX OR ANY OTHER EXCHANGE, CME, CBOT OR NYMEX SYSTEM, SERVICE OR FACILITY, OR 2) WHOSE TERMS (E.G. CONTRACT, CONTRACT MONTH, QUANTITY, PRICE OR DIRECTION) WERE CHANGED WITHOUT AUTHORIZATION OF THE PERSON PLACING THE ORDER SOLELY AS A RESULT OF A FAILURE, MALFUNCTION, OR NEGLIGENT OPERATION OF GLOBEX OR ANY OTHER EXCHANGE, CME, CBOT OR NYMEX SYSTEM, SERVICE OR FACILITY.

G. IN NO EVENT SHALL THE COLLECTIVE TOTAL AGGREGATE LIABILITY FOR THE EXCHANGE, CME, CBOT AND NYMEX FOR DIRECT, OUT-OF-POCKET NET LOSSES DIRECTLY CAUSED BY PHANTOM ORDER(S) EXCEED \$5,000,000 IN A SINGLE CALENDAR MONTH. COMPLIANCE WITH THE TERMS OF RULE 922.F. IS REQUIRED IN ORDER FOR LOSSES TO BE CONSIDERED BY THE EXCHANGE PURSUANT TO THIS RULE.

IF THE AMOUNT OF DIRECT, OUT-OF-POCKET NET LOSSES DIRECTLY CAUSED BY PHANTOM ORDERS IN A SINGLE CALENDAR MONTH CANNOT BE FULLY SATISFIED BECAUSE OF THE MONTHLY LIABILITY LIMITATION, ALL SUCH LOSSES SHALL BE LIMITED TO A PRO RATA SHARE OF THE MAXIMUM AMOUNT AVAILABLE FOR THAT MONTH.

A CLAIM AGAINST THE EXCHANGE, CME, CBOT OR NYMEX ARISING OUT OF ANY FAILURE, MALFUNCTION OR PHANTOM ORDER SHALL BE STRICTLY SUBJECT TO THE RESPECTIVE LIABILITY LIMITS OF THIS RULE.

## **579. GLOBAL COMMAND CENTER**

### **579.A. Customer Support**

The Global Command Center ("GCC") provides Globex customer support and problem management only to Members, Clearing Members, Permit Holders and customers designated by Clearing Members. In addition, designated MGEX Members and Clearing Members may also receive customer support and problem management from GCC with respect to contracts traded on Globex. In order to be eligible for GCC support, such persons must register with the GCC ("Registered Contacts"). The GCC provides customer support via a specified telephone number and during specified hours. GCC employees may not always be available to assist Registered Contacts. Persons other than Registered Contacts must contact their Clearing Members to make support requests.

### **579.B. GCC Communications**

As provided in Rule 578, the Exchange shall not be liable for any loss resulting from any inability to communicate with the GCC. The liability of the Exchange for the negligent acts of GCC staff shall be subject to the limitations and conditions of Rule 578. In no event, however, shall the Exchange be liable for the negligence of the GCC if the person claiming to have suffered a loss could have secured the support it sought from GCC through its own administrative terminal, its clearing member's terminal or an Independent Software Vendor's ("ISV") terminal. For purposes of this rule, a person is deemed able to take action through its own administrative terminal, a Clearing Member's terminal or an ISV's terminal unless such terminal was inoperative or such terminal service was interrupted at the time the GCC took action.

### **579.C. Order Status**

A person who believes he has received an incorrect order status or does not receive an appropriate status shall immediately notify the GCC. In the event that the GCC and an Exchange system, service or facility provide conflicting information relating to an order status, a person may only reasonably rely on the information received from the GCC. Additionally, such person shall take any necessary and appropriate market action to mitigate any potential losses arising from the incorrect order status or lack of appropriate order status immediately after the person knew or should have known that the order status information was incorrect or should have been received. Any liability of the Exchange for incorrect order status shall be subject to the limitations and conditions of Rule 578.

### **579.D. Cancellation of Orders at Prices Outside of the Applicable Globex Price Limits**

In certain circumstances, the price limits applicable to contracts traded on Globex may vary depending on the time of day. In this situation, it is possible for an order to be entered into the Globex system during one time period at a price that is outside of the price limit that applies during a subsequent time period. If this order remains in the system at the beginning of the subsequent time period, the system will freeze in the event a market order on the opposite side of the market is entered and there are no other resting orders against which it can be matched rather than allow the match to occur at a price outside of the applicable price limit. Accordingly, whenever the GCC becomes aware of a bid or offer in the Globex system for any contract that is outside of the applicable price limit, the GCC will cause such bid or offer to be cancelled and will promptly notify the affected Globex user of such cancellation.

## **580. CME GLOBEX TRADE MATCHING ALGORITHMS**

The CME Globex platform employs multiple predefined sets of matching algorithms used to match trades on the platform. Information concerning the matching algorithm applicable to a particular product is set forth in the CME Globex Price Banding document available at [www.cmegroup.com/globex/files/PriceBanding.pdf](http://www.cmegroup.com/globex/files/PriceBanding.pdf). Information on the operation of the matching algorithms is available at [www.cmegroup.com/globex/introduction](http://www.cmegroup.com/globex/introduction).

## **581. – 587. [RESERVED]**

## **588. TRADE CANCELLATIONS AND PRICE ADJUSTMENTS**

### **588.A. Global Command Center Authority Regarding Trade Cancellations and Price Adjustments**

The following shall be applied to balance the adverse effects on market integrity of executing trades and publishing trade information inconsistent with prevailing market conditions while preserving legitimate expectations of trade certainty by market participants. This rule authorizes the Global Command Center ("GCC") to adjust trade prices or cancel trades where, in its absolute and sole discretion, the GCC believes such action is necessary to mitigate market disrupting events caused by the improper or erroneous use of the electronic trading system or by system defects. Notwithstanding any other provisions of this rule, the GCC may, in its absolute and sole discretion, adjust trade prices or cancel any trade if it believes that allowing the trade(s) to stand as executed could have a material, adverse effect on the integrity of the market. All decisions of the GCC shall be final. Subject to the limitations and conditions of Rule 578, and irrespective of the terms of any order entered into Globex, the Exchange shall not have any liability for losses resulting from price adjustments or trade cancellations by the GCC under this Rule.

### **588.B. Review of Trades**

The GCC may determine to review a trade based on its independent analysis of market activity or upon request for review by a user of the electronic trading system. A request for review must be made to the GCC via telephone within eight minutes of the execution of the trade. Any other form of communication with the GCC will not constitute a request for review as set forth in this Section. GCC phone numbers are available on the CME Group website.

The GCC shall determine whether or not a trade will be subject to review. In the absence of a timely request for review, during volatile market conditions, upon the release of significant news, or in any other circumstance in which the GCC deems it to be appropriate, the GCC may determine, in its sole discretion, that a trade shall not be subject to review. Upon deciding to review a trade, the GCC will promptly issue an alert indicating that the trade is under review.

#### **588.C. Price Adjustments and Cancellations**

Upon making a determination that a trade will be subject to review, the GCC will first determine whether the trade price is within the Non-Reviewable Range for futures or within the Bid/Ask Reasonability Allowance for options, as described in Section G. The Bid/Ask Reasonability Allowance for an option is the maximum width of the bid/ask range which will be considered reasonable for use in applying the parameters necessary to establish the Non-Reviewable Range for the option. In applying the Non-Reviewable Range, the GCC shall determine the fair value market price for that contract at the time the trade under review occurred. The GCC may consider any relevant information, including, but not limited to, the last trade price in the contract or a better bid or offer price on the electronic trading system, a more recent price in a different contract month, the price of the same or related contract established in another venue or another market, the market conditions at the time of the trade, the theoretical value of an option based on the most recent implied volatility and responses to a Request for Quote (RFQ).

##### 1. Trade Price Inside the Non-Reviewable Range

If the GCC determines that the price of the trade is inside the Non-Reviewable Range, the GCC will issue an alert indicating that the trade shall stand.

##### 2. Trade Price Outside the Non-Reviewable Range

###### a. Futures Contract

If the GCC determines that a trade price is outside the Non-Reviewable Range for a futures contract (including futures spreads), the trade price shall be adjusted to a price that equals the fair value market price for that contract at the time the trade under review occurred, plus or minus the Non-Reviewable Range. In the event there are multiple parties, prices and/or contracts involved in the transactions at issue, the GCC has the authority, but not the obligation, to cancel rather than price adjust such transactions. The GCC will issue an alert regarding its decision.

###### b. Option Contracts

If the GCC determines that a trade price is outside the applicable Non-Reviewable Range for an option contract, the trade price shall be adjusted. In the case of a buy (sell) error, the price will be adjusted to the determined ask (bid) price set forth in the Bid/Ask Reasonability Allowance in Section G, plus (minus) the Non-Reviewable Range. In the event there are multiple parties, prices and/or contracts involved in the transactions at issue, the GCC has the authority, but not the obligation, to cancel rather than price adjust such transactions. The GCC will issue an alert regarding its decision.

Cancelled trade prices and any prices that have been adjusted shall be cancelled in the Exchange's official record of time and sales. Trades that are price adjusted shall be inserted in the time and sales record at the adjusted trade price.

#### **588.D. Alternative Resolution by Agreement of Parties**

With the approval of the GCC, parties to a trade that is price adjusted may instead mutually agree to cancel the trade. With the approval of the GCC, parties to a trade that is cancelled may instead mutually agree to price adjust the trade to a price consistent with the adjustment provisions of Section C.

Parties to a trade that is cancelled or price adjusted may mutually agree to a cash adjustment provided that such adjustments are reported to the GCC and the parties maintain a record of the adjustment.

An executed trade may not be reversed via transfer except where such trade is determined by GCC to be outside of the Non-Reviewable Range but not reported timely, subject to agreement of the parties and approval of the GCC. Any such transfer must occur at the original trade price and quantity; however the parties may mutually agree to a cash adjustment.

#### **588.E. Liability for Losses Resulting from Price Adjustments or Cancellations and Prohibition on Claims for Losses Arising From Error Trades Executed Within the Non-Reviewable Range**

A party entering an order that results in a price adjustment or trade cancellation shall be responsible for demonstrated claims of realized losses incurred by persons whose trade prices were adjusted or cancelled provided, however, that a claimant shall not be entitled to compensation for losses incurred as a result of the claimant's failure to take reasonable actions to mitigate the loss.

A claim for a loss pursuant to this section must be submitted to the Exchange on an Exchange claim form within five business days of the event giving rise to the claim. The Exchange shall reject any claim that is not filed in a timely manner or is not permitted by this section and such decisions shall be final. Eligible claims shall be forwarded by the Exchange to the party responsible for the order(s) that resulted in a trade cancellation or a price adjustment and to the Clearing Member through which the trade was placed. Such party, or the Clearing Member on behalf of the party, shall, within ten business days of receipt of the claim, admit or deny responsibility in whole or in part. Failure to respond to the claim within ten business days shall be considered a denial of liability.

To the extent that liability is admitted, payment shall be made within ten business days. Unless otherwise agreed upon in writing by the parties, failure to make the payment within ten business days shall be considered a denial of liability for purposes of this rule. A copy of any such written agreement must be provided to the Exchange.

To the extent that liability is denied, the party making the claim may submit the claim to arbitration in accordance with the Rules. Such claims must be submitted to the Market Regulation Department within ten business days of the date the party was issued notification that liability was denied.

Claims for losses incurred as a result of trades executed in error at prices within the non-reviewable range may not be submitted for arbitration pursuant to the provisions of the Rules.

**588.F. Permissible Responses to Phantom Orders**

If the GCC has reason to believe that Phantom Orders as defined in Rule 578 have been or are being entered into any Exchange system, service or facility, the GCC shall be empowered to take appropriate action to protect the integrity of the market, including, without limitation, suspending trading and/or canceling unfilled orders. The GCC shall also be empowered, in its sole discretion, to cancel transactions or adjust the trade prices of transactions that were directly or indirectly caused by Phantom Orders, whether or not such transactions were executed at prices outside of the non-reviewable range specified in this Rule.

If Phantom Orders directly cause transactions to be executed on any Exchange system, service or facility and such transactions are not canceled, the GCC shall promptly direct the clearing member carrying positions resulting from such transactions to liquidate the positions in a commercially reasonable manner. Such positions shall be liquidated within 30 minutes of such notification or within 30 minutes of the time the Clearing Member knew or should have known that it had been assigned transactions resulting from Phantom Orders, whichever is sooner. The GCC, in its sole discretion, may waive the 30 minute liquidation requirement if it determines that such requirement may have a material, adverse impact on the integrity of the market.

The GCC shall provide notification to the marketplace regarding any action taken or to be taken with respect to the entry of Phantom Orders or execution of a transaction as a result of Phantom Orders, and, in the event transactions are not otherwise canceled or price adjusted by the GCC, any actions required to be taken by Clearing Members. Such notification(s) shall be made as soon as practicable, but in no event more than 30 minutes after the time that the GCC has accurate information regarding the Phantom Orders that is sufficient to support the necessary notification(s).

Any Exchange, CME, CBOT or NYMEX liability for losses resulting from Phantom Orders shall be subject to the limitations of Rule 578.

**588.G. Schedule of Administrative Fees**

When GCC cancels or price adjusts a trade, the party responsible for entering the order into the electronic trading system that gave rise to the trade cancellation or price adjustment shall pay an administrative fee to the Exchange in the amount of \$500 for each such occurrence. If the party is not deemed a Permit Holder as defined in Rule 400 and fails to pay the fee, the clearing member through which the trade was placed shall be responsible for payment of the fee.

**588.H. Globex Non-Reviewable Trading Ranges**

<u>KCBT Product</u>	<u>NRR Including Unit of Measure</u>	<u>NRR Ticks</u>
Hard Red Winter Wheat Futures	\$ .10 per bushel	40

<u>KCBT Product</u>	<u>Bid/Ask Reasonability</u>	<u>NRR</u>
Hard Red Winter Wheat Options	The greater of the delta times the underlying futures non-reviewable range or 20% of the fair value premium up to the underlying futures non-reviewable range with a minimum reasonability of \$.01	20% of premium up to 1/4 of the underlying futures non-reviewable range

**INTERPRETATIONS & SPECIAL NOTICES**  
**RELATING TO CHAPTER 5**

**ACCESS, CONDUCT AND APPEARANCE CODE**

It is imperative that persons who utilize the Exchange Trading Floors (“trading floor”) maintain a proper and businesslike atmosphere on the trading floor. This is not only for the benefit of the thousands of visitors (ranging from U.S. government officials to foreign dignitaries to the general public) who come to the Exchange each year, but also to maintain and enhance the reputation and dignity of the Exchange as an international marketplace.

Accordingly, the Exchange has established rules governing access to and conduct on the trading floor as well as standards of appearance. These rules and standards apply to Permit Holders and their employees, Permit Holder firm employees, Exchange employees and visitors.

**I. Access**

A. To gain access to the trading floor, every Permit Holder, Permit Holder’s employee, Permit Holder firm employee, and Exchange employee must use only his own personal access card to gain access to the trading floor. Exchange trading floor employees, other Exchange employees routinely on the trading floor and Permit Holders must display their personal access card or their Exchange issued identification badge. Non-Permit Holder employees of Permit Holders and Permit Holder firms must display their personal access cards on the upper front of their jackets with the picture side facing outward. Broker assistants must also wear a badge provided by the Exchange that identifies them as broker assistants.

B. Permit Holders are required to register and accompany their visitors and are responsible for their actions while they are on the trading floor. Visitors must wear appropriate attire that is clean and presentable and are not allowed in any pit during trading hours. Visitors’ overcoats, packages, umbrellas or briefcases are not permitted on the trading floor.

C. All visits by public figures to CME Group trading floors, offices and common areas must be approved and coordinated, in advance, by CME Group’s Public Affairs or Government Relations Department. Public figures include government officials and representatives, domestic and foreign dignitaries, politicians, celebrities, business leaders and all other high-profile individuals.

D. Permit Holders may not request trading floor access privileges for the same visitor on more than three days of the same calendar month without the permission of designated Exchange staff of the Security Department.

E. Visitors are prohibited from soliciting employment or from acting as employees of Permit Holders, Permit Holder firms or the Exchange on the trading floor.

F. No one under the age of 16 will be admitted to the trading floor during trading hours.

**II. Conduct**

Commonly accepted standards of propriety and decorum apply to everyone on the trading floor. The following behavior, speech or actions are expressly prohibited on the trading floor.

A. Possessing any weapon (including, but not limited to, firearms, knives, stun guns or pepper spray);

B. Carrying or consuming food or drink. Individually-wrapped (non-chocolate) hard candy and gum, however, are permissible.

C. Reckless throwing of trading cards or any other material;

D. Excessive speed in moving around the trading floor;

E. Use of emergency exits without proper justification;

F. Smoking or use of tobacco products, including chewing tobacco;

G. Use of Permit Holders-only facilities by non-Permit Holders;

H. Failure to give Permit Holder priority to quotation machines, news tickers, monitors and other facilities where such Permit Holder priority is so designated;

I. Engaging in any activity that is disruptive to trading;

J. The sale or solicitation of goods or services without consent of the Exchange;

K. Having outer coats or umbrellas on the trading floor;

L. Use of cameras or video equipment, unless authorized by the Exchange. Flash photography, however, is never permitted.

In addition, the following activities are prohibited anywhere on Exchange premises:

- M. Any behavior, speech or actions that are detrimental to the interests and good name of the Exchange (this includes any conduct which is a violation of any local, state or federal law);
- N. Profanity, vulgarity (including wearing buttons with crude or offensive slogans or pictures) or any speech or action that tends to intimidate, degrade or endanger others;
- O. Defacing or otherwise damaging: 1) an Exchange-issued badge or jacket; 2) Exchange facilities or property; or 3) any facility or property regardless of ownership;
- P. Possessing a firearm or other weapon;
- Q. Discarding refuse on escalators or in elevators or in hallways or lobbies; and
- R. Harassment related to race/color, sex/gender, sexual orientation, age, religion, veteran status, national origin and disability/medical condition is expressly prohibited.

### **III. Appearance**

- A. All apparel should be neat, clean, presentable and in keeping with the businesslike atmosphere of the trading floor.
- B. Jackets: Where required, every Permit Holder, Permit Holder's employee, Permit Holder firm employee and Exchange trading floor employee must wear a jacket provided by the Exchange or their employer, or, in the case of Permit Holders, a jacket of their own choosing. All jackets must conform to Exchange standards. Guests may not wear trading jackets on the trading floor during trading hours.
- C. Shirts: All men must wear shirts with a collar suitable for a necktie or bow tie. Shirts must be buttoned to at least the second button from the collar. Golf-type shirts are permitted. Shirrtails must be tucked in. Turtleneck sweaters are not allowed for men. Crewneck sweaters are allowed if a conventional collar suitable for a necktie or bow tie is visible. Sweatshirts, tie-dye shirts and T-shirts are prohibited.
- D. Shoes: Shoes must be clean, safe and not torn or frayed. The following footwear is specifically prohibited: all shoes without backs, canvas slippers, moccasins, rubber boots, rubber overshoes, clogs, bedroom slippers, and shoes with platforms over 2 inches. All shoes must be tied with laces or appropriately fastened.
- E. Pants: The following pants are specifically prohibited: blue jeans, shorts and sweat pants. Tight-fitting stretch pants are allowed only when worn with blouse or shirt at mid-thigh or lower.
- F. Skirts and dresses: Skirts and dresses must reach mid-thigh or lower.
- G. Headwear: All headgear or head coverings are prohibited, except for religious or medical reasons.
- H. Miscellaneous: The following are specifically prohibited: sunglasses, ornaments, pendants or similar items that are distracting or unbusinesslike. Clothing or accessories that draw unusual attention will be deemed unbusinesslike and not permitted on the trading floor.

### **IV. Drug and Alcohol Abuse**

In order to maintain a safe, healthful, and productive working environment, the Exchange has established the following policy prohibiting drug and alcohol use on Exchange premises.

The following activities are prohibited and may result in disciplinary action, including immediate and permanent bar of access to Exchange premises:

- A. Possession of open containers or use of alcohol, except as expressly authorized by the Exchange.
- B. Being under the influence of alcohol on Exchange premises.
- C. Use, sale, purchase, transfer, or possession of any illegal drug on Exchange premises.
- D. Failure on the part of non-Permit Holders to submit to a reasonable search by authorized Exchange personnel of lunch boxes, bags, parcels, packages, purses, briefcases, pockets or coats, etc.

Permit Holders and Permit Holder Firms are responsible for their employees' strict adherence to these requirements.

## **QUOTATION CHANGES**

### **I. GENERAL PROCEDURES**

- A. Corrections requested up to 15 minutes from the time the bid, offer or trade occurred or reportedly occurred: Changes must be authorized by a member of the Pit Committee or an Exchange Official.
- B. Corrections requested more than 15 minutes from the time the bid, offer or trade occurred or reportedly occurred: Changes must be authorized by:
  - 1. 15-30 Minutes: A member of the Pit Committee and one Exchange Official.

2. Over 30 Minutes: A member of the Pit Committee, a member of the Floor Conduct Committee and a Senior Exchange Official.
- C. Unanimous Approval Required: Unanimous approval among the individuals participating in the quote change consideration is required to effectuate the requested change. In the absence of unanimity, the proposed quote adjustment shall not be made.
- D. A request for a quote change which results in a new high or low for the day must be made within 5 minutes (futures) or 10 minutes (options) of the time the bid, offer or trade occurred or reportedly occurred.  
A request for a quote change which affects an established opening range must be made within 15 minutes after the posting of the range, or, in the case of a request for a quote change which affects an established closing range, within 10 minutes of the posting of the closing range. Such requests shall be considered by a member of the Pit Committee, a Floor Conduct Committee member and a Senior Exchange Official. Failure to make such a timely request will bar consideration of the quote change. The time limitations described in this Section D will not apply in the case of options strikes or futures contracts deemed by a Senior Exchange Official to be inactive or illiquid or in the case of a fast market designation. These requests may be considered by a member of the Pit Committee, a Floor Conduct Committee member and a Senior Exchange Official at any time during the same day's trading session.
- E. A decision to adjust a quote must be made within 15 minutes after a quote change request has been made. However, in the event a fast market has been declared while the quote adjustment is under consideration, the period for consideration may continue for 15 minutes after the end of the fast market. To the extent practicable, quote change adjustments shall be announced to the pit.
- F. Reconsideration: Once a request for a particular quote change has been resolved, or if no decision is reached within the allotted time pursuant to paragraph 5 above, a subsequent request for reconsideration involving the original quote or adjustment may be considered if a Senior Exchange Official deems that new relevant information pertaining to the original request is now available. Such request for reconsideration must be considered by the same individuals who ruled on, or failed to reach a timely resolution of, the original request. In the event one or more of the individuals who participated in the consideration of the original quote change request is unavailable to consider the request for reconsideration, a Senior Exchange Official shall designate a substitute. However, this reconsideration process may not be utilized for a correction involving a quote change which results in a new high or low for the day, with the exception of option strikes or futures contracts deemed by a Senior Exchange Official to be inactive or illiquid, or in declared fast markets.
- G. Requests for Next Day Corrections  
If an outright options or options spread or combination quote has been inadvertently omitted from the price reporting system and such omission is not discovered until after the trading session, trades may be allowed to clear at the omitted price at any time prior to the opening of the affected market the next day, provided that all of the following requirements are satisfied:
1. The parties to the trade can reasonably show that they properly reported the trade price and had a reasonable basis for believing that the trade price would be posted;
  2. The parties to the trade produce documentation of: a) the contemporaneous recordation of the trade; b) the confirmation of the trade to the customer of the Permit Holder firm representing the order; and c) the submission of the trade to the Exchange Clearing House and its failure to clear the trade due to a price edit;
  3. The change is authorized by a Senior Exchange Official; and
  4. The change is documented pursuant to Section II.B below.

## II. DOCUMENTATION NEEDED FOR QUOTATION CHANGES

- A. In the case of quote changes requested pursuant to Section I.A., a record shall be made of all committee members or Exchange employees approving the quote change and the change will be recorded on Time and Sales.
- B. In the case of quote changes requested pursuant to Section I.B.1., a hard copy record of the quote change shall be made by Exchange staff. The individuals approving the change shall promptly sign the record. The record shall be time-stamped upon request and again upon approval and shall include the reason for the change, and, in the case of a quote change requested pursuant to Section I.B.2., the reason for the delay. For all approved quotation changes other than next day corrections pursuant to Section I.G above, the quotation change will be recorded on Time and Sales.

## III. CONFLICTS OF INTEREST

No individual may authorize any quotation change, insertion or cancellation if such individual has a personal or financial interest in such change, insertion or cancellation.

**IV. AUTHORITY OF SENIOR EXCHANGE OFFICIALS WITH RESPECT TO QUOTATION CHANGES**

Senior Exchange Officials may review and authorize any request for a quotation change in circumstances where the individuals specified in Sections I and II are otherwise not available or where the change is not encompassed by Section I or II. Notwithstanding the procedures set forth in Sections I and II, Senior Exchange Officials are empowered to authorize or deny any requested change only in circumstances where such action is necessary to ensure the integrity or promote the orderly functioning of the market. Such decisions by Senior Exchange Officials shall be documented and signed by the Senior Exchange Official and except for next day corrections pursuant to Section I.G above, the quotation change will be recorded on Time and Sales.

(End Chapter 5)

CHAPTER 6  
ARBITRATION

JURISDICTION

600. DISPUTES SUBJECT TO KCBT ARBITRATION

600.A. Disputes Among Members

600.B. Disputes Between Permit Holders and Certain Non-Permit Holder Employees

600.C. Claims Against the Exchange

600.D. Permissive Arbitrations

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**CHAPTER 6 ~~[Reserved.]~~**  
**ARBITRATION**

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**600. DISPUTES SUBJECT TO KCBT ARBITRATION**

**600.A. Disputes Among Members**

It is contrary to the objectives and policy of the Exchange for Permit Holders to litigate certain Exchange-related disputes. Disputes between and among Permit Holders that are described below and that are based upon facts and circumstances that occurred at a time when the parties were Permit Holders shall be subject to mandatory arbitration in accordance with the rules of this Chapter:

1. claims between Permit Holders that relate to or arise out of any transaction on or subject to the rules of the Exchange;
2. claims between or among Permit Holders relating to interests in trading rights on the Exchange; and
3. claims between Permit Holders relating to the enforceability of:
  - a. non-compete clauses to the extent they relate to the Exchange,
  - b. terms of employment on the trading floor, and
  - c. financial arrangements relating to the resolution of error trades that are included in any employment agreement.

Nothing in this rule, however, shall require a Permit Holder employee to submit to arbitration any claim that includes allegations of a violation of federal, state or local employment discrimination, wage payment or benefits laws.

**600.B. Disputes Between Permit Holders and Certain Non-Permit Holder Employees**

The enforceability of the following provisions of an employment agreement between a Permit Holder and a non-Permit Holder employee registered pursuant to Rule 501 shall be subject to mandatory arbitration in accordance with the rules of this Chapter:

1. non-compete clauses to the extent that they relate to the Exchange; and
2. terms of employment on the trading floor.

Nothing in this rule, however, shall require a non-Permit Holder employee to submit to arbitration any claim that includes allegations of a violation of federal, state or local employment discrimination, wage payment or benefits laws. A non-Permit Holder employee shall mean a Permit Holder's bona fide employee who has been registered by the Exchange to work on the trading floor.

**600.C. Claims Against the Exchange**

Claims against the Exchange pursuant to the provisions of Rule 578.C., Rule 578.D., Rule 579.C., and/or Rule 587.C. shall be subject to mandatory arbitration in accordance with the rules of this Chapter, provided the claimant has complied with all pre-filing requirements under the applicable rule(s).

**600.D. Permissive Arbitrations**

The following may be submitted for arbitration at the Exchange and, in the event such a claim is submitted against a Permit Holder, that Permit Holder is required to arbitrate the dispute under these rules, unless otherwise provided:

1. claims of a customer against a Permit Holder that relate to or arise out of any transaction on or subject to the rules of the Exchange;
2. claims against an Exchange Clearing Member and its Globex user pursuant to Rule 588.E., provided that any non-Permit Holder or non-member Globex user has consented to arbitration of the dispute at the Exchange within 21 days of receipt of a claim.
- 3-4. [Reserved]
5. claims of a non-Permit Holder (other than those claims required to be arbitrated under Rule 600.B) against a Permit Holder that relate to or arise out of employment on the trading floor;
6. claims by or against an entity whose majority ownership is held by Exchange Permit Holders and whose principal business relates to activity on or at the Exchange, where the dispute has a material connection to the business or purpose of the Exchange, provided such entity has consented to arbitration of the dispute at the Exchange within 20 days of receipt of a claim; and
7. at the discretion of the Chief Regulatory Officer, any claim involving the interests of the Exchange, its members, their business relations or commodity futures trading in general not otherwise arbitrable under these rules, provided the parties have consented to such arbitration.

#### **600.E. Waiver of Any Objection to Jurisdiction**

Any Permit Holder or non-Permit Holder or non-member who submits a claim or grievance to arbitration or any Permit Holder who appeals to a hearing committee of the Board from any panel decision, or who takes any steps therein, shall be conclusively presumed to have voluntarily recognized and agreed to the jurisdiction of the panel or hearing committee of the Board to hear and determine the claim or appeal.

#### **600.F. Hearing Panel**

Any claim involving only Permit Holders shall be heard by a panel of Permit Holders and/or CME and CBOT members and its decision shall be rendered in accordance with the rules of this Chapter. A Permit Holder and/or member panel shall mean an arbitration panel consisting of a co-chairman of the Arbitration Committee and five Permit Holders as defined in Rule 400 and/or CME or CBOT members.

### **601. CUSTOMER CLAIMS AGAINST MEMBERS**

#### **601.A. Definitions**

1. Customer. Customer shall mean any person, not a Permit Holder of the Exchange, who places an order or for whose account an order is placed for execution on the Exchange or who otherwise executes a transaction on or subject to the rules of the Exchange.
2. Claim. Claim shall mean any dispute arising out of any transaction on or subject to the rules of the Exchange.
3. Mixed Panel. Mixed Panel shall mean an arbitration panel consisting of a co-chairman of the Arbitration Committee and five Arbitration Committee members, three of whom shall be persons who are non-Permit Holders and non-members and who are not associated with any Permit Holder or member of a contract market, or employee thereof, and are not otherwise associated with a contract market.
4. Permit Holder. Permit Holder as used in this Chapter shall mean 1) Permit Holders and Clearing Members of the Exchange; 2) associated persons ("APs") and affiliates of Clearing Members and Permit Holder firms of the Exchange; 3) guaranteed introducing brokers of Clearing Members and Permit Holder firms of the Exchange and their APs; 4) regular firms; and 5) individuals and entities that have agreed in writing to comply with the rules of the Exchange.
5. Punitive Damages. Punitive damages shall mean an award in excess of actual damages suffered. Punitive damages shall be limited to twice the amount of actual damages and may be awarded only to a customer after a determination that there has been willful and wanton misconduct in the execution or handling of an order by a Permit Holder or an employee acting on behalf of a Permit Holder.

#### **601.B. Refusal to Hear Certain Disputes**

A chairman may, but shall not be required to, order that a dispute that is otherwise arbitrable under these rules not be arbitrated hereunder if the dispute requires for adjudication the presence of essential witnesses or third parties over whom the Exchange has no jurisdiction or who are not otherwise available, or if the dispute requires the application of the rules of another exchange.

#### **601.C. Initiation of Arbitration**

In the event that a complaint is received by the Exchange from a customer, it shall be referred to the Market Regulation Department, which shall inform the customer of alternative dispute settlement forums and, when appropriate, forward to the customer a Consent Form for arbitration at the Exchange. Such form shall inform the customer, by attachment of all pertinent rules, of the customer's rights and liabilities, including costs associated with arbitration, and the option of selecting an arbitration panel consisting of Exchange Permit Holders and/or CME and CBOT members or a Mixed Panel to decide the claim and any counterclaims, cross-claims or third-party claims.

A customer who submits a claim for arbitration in accordance with these rules consents thereby to the jurisdiction of the arbitrators and agrees to the arbitration of any counterclaims, cross-claims or third-party claims by any respondent which arise out of the transaction that is the subject of the customer's claim. The claim shall comply with the requirements of Rule 602, and in the case of a request for punitive damages, the claim shall set forth the facts the customer intends to present in support of the claim that the misconduct was willful and wanton.

The customer shall file a completed Consent Form and deposit the arbitration fee with the Market Regulation Department. Notice shall then be given to the Permit Holder against whom the claim is asserted, who shall respond to the claim in accordance with Rule 603.

#### **601.D. Referral to Arbitration Panel or Mixed Panel**

A Customer claim against a Permit Holder shall be heard by the type of panel selected by the customer and its decision shall be rendered in accordance with the rules of this Chapter. Customer claims (and any counterclaims, cross-claims or third-party claims applicable thereto) that do not exceed \$5,000 and do not include any claim for punitive damages may, in the interests of efficiency and economy, be resolved without hearing. The panel shall render its decision based upon the parties' written submissions and any other relevant information obtained and provided to the panel and the parties at the direction of the chairman and/or the panel.

## **FILING PROCEDURES**

### **602. INITIATING AN ARBITRATION CLAIM**

A claimant may initiate a claim by submitting a written description of the dispute, a completed Arbitration Cover Sheet and depositing the appropriate arbitration fee with the Market Regulation Department within the period of eligibility for arbitration claims. The written claim shall include a clear description of the facts and circumstances involved in the dispute, including the transaction(s) or agreement(s) complained of, the names of the persons and firms alleged to be responsible for any loss to the claimant, the dates of all acts or omissions relevant to the claim, a detailed calculation of the amount claimed and any other information necessary to fully describe the dispute.

The Market Regulation Department shall reject for filing any claim that does not fully describe the dispute, is clearly filed after the period of eligibility has expired or is clearly not arbitrable at the Exchange. Such a claim will be promptly returned to the filing party with a notice describing the deficiency. A claimant seeking to correct the deficiency and file an amended claim may do so within 30 days of receiving notice describing the deficiency despite any expiration of the period of eligibility prescribed by Rule 609 during that 30-day period. The acceptance for filing by the Market Regulation Department shall not preclude a challenge to the arbitrability of the claim nor create a presumption that the claim is arbitrable.

### **603. ANSWERING AN ARBITRATION CLAIM**

Each respondent shall file a written response within 21 days after receipt of the written claim. However, if a party has timely filed a challenge to the arbitrability of the dispute, its response shall be due 21 days after receipt of the written decision confirming the arbitrability of the dispute.

The written answer must admit the claim or describe the respondent's basis for denying liability to the claimant(s). The answer may include an admission or denial of each specific allegation contained in the claim and/or the respondent's narrative description of the facts and circumstances involved in the dispute. A respondent may assert in an answer any defense that would be available in a court of law or equity, including any affirmative defense.

### **604. FAILURE TO ANSWER**

A respondent's unexcused failure to file a timely answer shall constitute an admission of the facts alleged in a claim.

### **605. COUNTERCLAIMS, CROSS-CLAIMS AND THIRD-PARTY CLAIMS**

A respondent may assert any counterclaim, cross-claim and/or third-party claim to the extent such claim would be allowable as an original claim under these rules and, in response to claims by a customer against a Permit Holder, the Permit Holder may assert any counterclaim, cross-claim and/or third-party claim arising out of the same transaction or incident that is the subject of the customer's claim. Each respondent must file any counterclaim, cross-claim or third-party claim at the same time an answer to a claim is due. Initiating counterclaims, cross-claims, third-party claims and answers thereto shall conform to the requirements for initiating and answering original claims.

A respondent who believes that another Permit Holder may have a claim to any money or property which is the subject of a dispute in arbitration and that the failure of that other Permit Holder to assert a claim in the pending arbitration could prejudice the interests of the respondent may submit a request to the chairman to compel the participation of the other Permit Holder. If a Permit Holder fails to file such claim after being ordered to assert that claim in the pending arbitration, then notwithstanding any other rule, that Permit Holder shall be barred from asserting in the future any claim against the respondent that is based on the same transaction, occurrence or subject.

### **606. REVIEW OF ARBITRABILITY**

Any party may file a challenge to the arbitrability of a dispute submitted for arbitration at the Exchange. A party's failure to file a timely challenge to arbitrability shall waive any right to object thereafter to the arbitrability of the dispute.

A challenge to arbitrability by a claimant must be filed no later than 5 days after the claim is submitted for arbitration. A challenge to arbitrability by a respondent must be filed no later than 10 days after the respondent has received notice of the claim. The request must be in writing and state the reasons why the dispute is not arbitrable at the Exchange. Any other party may file a written response in support of or opposition to the challenge no later than 10 days after receiving notice of the challenge to arbitrability.

The chairman may decide the arbitrability of a dispute based on his consideration of the written submissions of the parties. The chairman's decision shall be final and is not appealable.

#### **607. CONSOLIDATION OF ARBITRATION DISPUTES**

If a chairman receives notice that two or more arbitration disputes pending at the Exchange are related, the chairman may order that any or all of the disputes be consolidated for purposes of conducting a hearing on the disputes. In determining whether to consolidate the disputes the chairman may consider the efficiencies of consolidation as well as the burdens and benefits to the parties in consolidating the disputes.

#### **608. WITHDRAWAL OF CLAIMS**

- A. A party may voluntarily withdraw its claim, counterclaim, cross-claim or third-party claim without prejudice at any time before an answer thereto has been filed by notifying the Market Regulation Department in writing of such withdrawal.
- B. After an answer to any claim, counterclaim, cross-claim or third-party claim has been filed, the claimant seeking to withdraw the claim, counterclaim, cross-claim or third-party claim must submit to the chairman a written request to withdraw with prejudice or upon such terms and conditions as may be imposed by the chairman.
- C. A withdrawal with prejudice under this rule shall bar the claimant from re-filing any claim based on the same acts, transactions or omissions as the dismissed claim.

#### **609. PERIOD OF ELIGIBILITY FOR ARBITRATION**

An arbitration must be initiated within two years of the date the claimant knew or should have known of the dispute on which the claim is based, except that claims filed pursuant to Rule 600.C. must be submitted within 10 days of receiving notice that the Exchange has refused to compensate the claimant for the claimed loss.

Counterclaims, cross-claims and third-party claims must be submitted no later than the date on which the answer is due.

#### **610. PARALLEL PROCEEDINGS**

No claim will be accepted for arbitration at the Exchange if the Market Regulation Department receives notice that another arbitration, reparations action or civil court proceeding based on the same act, transaction or omission as the arbitration claim is pending at the time of filing.

No claim, counterclaim, cross-claim or third party-claim will be accepted for arbitration against a respondent if the Market Regulation Department has received notice that a stay exists due to the pendency of any bankruptcy proceeding against that respondent. If such a stay arises after a claim is accepted for arbitration or if the Market Regulation Department subsequently learns that such a stay is pending, the claim shall be dismissed without prejudice as to each respondent who is the subject of the stay. Nothing in this rule shall prevent a claim in arbitration from proceeding against any remaining respondent.

### **PRE-HEARING PROCEDURES**

#### **611. REQUESTS FOR DOCUMENTS, INFORMATION OR TESTIMONY**

- A. The initial schedule for document requests by parties and responses will be set by the Market Regulation Department. The chairman may require any Permit Holder, or any person employed by or associated with a Permit Holder, to produce relevant documents in his possession or control at any time after a claim has been filed.

Upon the failure of a party or Permit Holder to voluntarily produce relevant documents in its possession or control upon request by a party, the party seeking the documents may submit a written request to the chairman for an order compelling the production of such documents.

- 1. Any request for an order compelling production of documents must:
  - a. identify each document or type of document sought with as much specificity as possible;
  - b. explain the relevance of each document or type of document sought; and
  - c. include a representation that the requesting party has attempted to obtain the documents from the responding party before resorting to a request to the chairman.
- 2. The party or Permit Holder against whom an order compelling production is sought shall:
  - a. produce copies of the requested documents to the requesting party and the Exchange; or

- b. represent in writing that the documents are not in his possession or control and explain the basis for such representation, and, if applicable, identify who is in possession or control of the requested documents; or
  - c. object in writing to a request and provide the basis for each objection.
- B. In connection with any claim, counterclaim, cross-claim or third-party claim that seeks relief in excess of \$50,000, any party may seek leave from the chairman to serve written requests for information on any other party. The chairman shall have discretion to determine whether and under what circumstances such requests may be permitted.
- C. The chairman may require any Permit Holder, or any person employed by or associated with a Permit Holder, to appear and to testify at a hearing.
- D. Whenever such production or appearance results from the request of a party, all reasonable costs and expenses incurred shall be borne by the party making the request, unless directed otherwise by the panel. A party who incurs costs and expenses recoverable under this rule may, no later than the close of the last hearing date in the matter, submit an application to the panel for such costs and expenses. Such application shall contain a detailed explanation of amounts claimed. The panel may grant or deny all or any portion of the application.
- E. Any Permit Holder or employee thereof failing to appear, testify, produce documents or provide information in accordance with this rule may be charged with a violation of Rule 432.

## **612. DOCUMENTS AND WITNESSES TO BE PRESENTED AT HEARING**

No later than 10 business days prior to the first scheduled hearing, each party must provide every other party and the Exchange with copies of all documents that the party intends to offer into evidence and a list of the names of all witnesses, including party-witnesses, who the party intends to call at the hearing in support of a claim or defense. Parties are not required under this rule to provide copies of those documents that they may use, or to identify any witnesses whom they may call, only in cross-examination or rebuttal.

## **613. ADDITIONAL PROCEDURES**

The chairman may establish any procedures not otherwise contemplated by these rules necessary to establish a just, equitable and efficient method of resolving a particular dispute, except that the chairman may not decide a motion to dismiss a claim, as motions to dismiss are not permitted under these rules.

## **HEARINGS**

### **614. ARBITRATION PANEL**

#### **614.A. Appointment of Arbitration Panel**

The Market Regulation Department shall select a panel of arbitrators from the Exchange's Arbitration Committee to hear and decide a dispute. The panel shall consist of five arbitrators and one chairman.

#### **614.B. Requests to Remove an Arbitrator**

1. Each party may request the removal of any arbitrator(s) from a panel for good cause shown. Such request must be made no later than the start of testimony at the first scheduled hearing. Failure of a party to timely request the removal of any arbitrator(s) will be deemed a waiver of that party's right to any further objection to the arbitrator's participation in the hearing and decision of the dispute.
2. The chairman, after considering a request to remove an arbitrator, another party's objections thereto and/or the statements of an arbitrator whose removal is sought, may deny the request or excuse the arbitrator. The chairman's decision shall be final and may not be appealed.
3. If an arbitrator is excused prior to the date of the first scheduled hearing, the Market Regulation Department shall select another Arbitration Committee member to replace the excused arbitrator at the hearing. Parties may make any appropriate request for the removal of the replacement arbitrator under this rule.
4. If an arbitrator is excused on or after the date of the first scheduled hearing, the dispute may, at the election of the non-requesting party and with the consent of the chairman be heard and decided by the remaining arbitrators.

## **615. HEARING PROCEDURES**

### **615.A. Chairman**

The panel chairman shall preside over the proceeding and shall make such determinations on relevancy and procedure as will promote a fair and expeditious adjudication of any claim. The chairman may administer oaths or

affirmations by witnesses. Upon request of the panel chairman, the Market Regulation Department shall submit any documents to the panel and parties in the Exchange's possession that are relevant and readily available.

#### **615.B. Arbitrators**

The arbitration panel shall consider all relevant, probative testimony and documents submitted by the parties. The panel shall be the sole judge of the law and the facts, but if the panel is in doubt as to any questions of law, it may refer the question to Exchange legal counsel for an opinion. The panel shall not be bound by the formal rules of evidence. The final decision of the panel shall be by majority vote of the arbitrators, and the chairman shall vote only to resolve a tie.

#### **615.C. Parties and their Representatives**

Each party and his representative has the right to examine all relevant documents prior to and during the hearing, to present all relevant evidence in support of a claim or defense or as rebuttal to a claim or defense, and to question during the hearing witnesses presented in connection with a claim or defense. An entity may have one corporate representative of the entity, in addition to any counsel of record, attend the arbitration hearing. Such corporate representative will not be precluded from testifying in the matter.

#### **615.D. Witnesses**

All testimony offered to the panel will be under oath or affirmation. Witnesses will be permitted in the hearing room only while providing testimony to the panel. Witnesses shall testify in person at the hearing, except that for good cause shown and in the discretion of the chairman, a witness may be allowed to testify by telephone or other appropriate means.

#### **615.E. Hearing Record**

An audio recording of the proceeding shall be made by the Market Regulation Department. Unless otherwise ordered by a chairman of the Arbitration Committee, Business Conduct Committee or a duly appointed Hearing Panel of the Board of Directors, a copy of the audio recording will be released to a party only for the purpose of perfecting an appeal of a decision rendered by a Panel or upon application to confirm, vacate, modify or correct an award in a court of law. The requesting party shall bear the cost of copying the recording.

## **DECISIONS**

### **616. AWARDS**

#### **616.A. Decision by Panel**

After a hearing, or, on customer claims that do not exceed \$5,000 upon consideration of the pleadings and other relevant information, the arbitration panel shall issue a written decision signed by the panel chairman and at least a majority of the panel. The panel may decide any matter in controversy and issue any order the panel deems necessary to fully resolve the dispute. The Market Regulation Department shall promptly serve copies on all parties. A monetary award made by the panel may include the following:

1. actual damages;
2. interest thereon;
3. punitive damages of no more than two times the amount of actual damages in accordance with Rule 601.A.5.;
4. the arbitration fee incurred by a prevailing party, or a portion thereof; and
5. all or any portion of the administrative costs of the proceeding and any other reasonable and necessary expenses, including, but not limited to, attorneys' fees (a) incurred by a party by reason of another party's frivolous or bad faith claim, defense, or conduct during the arbitration or (b) where a statutory or contractual basis exists for awarding such fees. Requests for attorneys' fees and costs incurred in the arbitration proceeding must be raised in the proceeding or they are waived.

The chairman may order a party who fails to prosecute or defend a claim to pay to the Exchange all or a portion of its administrative costs incurred in connection with the arbitration claim.

Monetary awards in claims filed pursuant to Rule 621 shall be limited as set forth in Rule 578.

#### **616.B. Decision by the Chairman**

The chairman may order a party who fails to prosecute or defend a claim to pay to the Exchange all or a portion of its administrative costs incurred in connection with the arbitration claim.

#### **616.C. Limitations on Monetary Awards**

Monetary awards in claims filed pursuant to Rule 621 shall be limited as set forth in Rule 578.

#### **617. CORRECTION OF AWARD**

Any party may, within three days after receipt of the notice of decision, request the arbitration panel to modify or correct its decision where there has been an obvious material miscalculation or misdescription or where the notice is imperfect in a matter of form not affecting the merits of the dispute or decision.

#### **618. SATISFACTION OF AWARD**

A party directed to pay an award shall submit payment of the amount due directly to the party receiving the award. An arbitration award must be satisfied within 15 days of receipt of the notice of decision. If a request is made to correct an award pursuant to Rule 617, the award must be satisfied within 15 days of receipt of the corrected notice of decision.

A party making payment must submit proof of payment to the Market Regulation Department no later than the business day following payment. An individual Permit Holder who fails to provide proof of payment within the time prescribed will forfeit the following privileges until proof of payment has been provided: 1) access to all CME Group markets; 2) access to the Globex platform; and 3) access to any other electronic trading or clearing platform owned or controlled by CME Group. A Permit Holder firm that fails to provide proof of payment within the time prescribed will forfeit preferred fee treatment for its proprietary trading. Any Permit Holder that fails to pay an arbitration award within the time prescribed may be subject to sanctions pursuant to Rule 432.R and may be immediately removed from any trading floor owned or controlled by CME Group.

### **APPEALS**

#### **619. APPEALS**

Any decision rendered in a dispute among Permit Holders resulting in a non-cash award or involving a claim, counterclaim, cross-claim or third-party claim that sought a recovery over \$10,000 may be appealed to an appellate panel of the Board ("Appellate Panel"). All other decisions rendered by an arbitration panel are final and may not be appealed. In order to appeal a decision, a party must, within 10 days of receipt of the notice of decision, file with the Market Regulation Department a written request stating the grounds for the appeal and the specific error or impropriety of the original decision based upon the standards set forth in Rule 620 and deposit the applicable fee established by the Exchange. Within 15 days of receipt of the notice of decision, the appellant must deposit with the Market Regulation Department a cashier's or certified check payable to CME Group in the amount of any monetary award against such appellant.

Failure to timely comply with these requirements for appeal, when applicable, shall constitute a waiver of any right to appeal and render the arbitrators' decision final and binding.

Within 15 days after filing a request for an appeal, the appellant shall file with the Market Regulation Department any argument and any documents or information that the appellant intends to use in support of the appeal. The appellee shall have 15 days thereafter to file whatever documents or information he intends to rely upon in opposition to the appeal. An extension beyond the 15-day filing period may be granted by the Market Regulation Department upon a showing of good cause. In the case of a non-cash award, the filing of the notice of appeal shall not stay the decision appealed from unless the panel from which the appeal is taken or the Chief Regulatory Officer specifically directs that the decision be stayed.

The appeal will be determined by an Appellate Panel consisting of three directors appointed by the Chairman of the Board, one of whom the Chairman of the Board shall designate as chairman of the Appellate Panel. No director may serve on an Appellate Panel if he has a personal or financial interest in the matter under consideration. A party may strike any member of the Appellate Panel for good cause shown as determined by the Chief Regulatory Officer, in which event that director shall be excused and the Chairman of the Board shall then select an alternate director from the Board. Any meeting of the Appellate Panel shall require the presence, either in person or by telephone, of each director appointed to the Appellate Panel and shall be conducted by the chairman of the Appellate Panel.

The Appellate Panel may, by unanimous vote, determine that the appeal will be decided based solely upon the parties' written submissions, the record from the arbitration proceeding and any other relevant information provided by the parties to the Appellate Panel. Any information provided by one party must be provided to all parties to the appeal. Additionally, the parties may, upon unanimous consent, request that the Appellate Panel consider the matter based solely on the parties' written submissions, subject to the approval of the Appellate Panel.

#### **620. STANDARDS AND PROCEDURES FOR REVIEW UPON APPEAL**

In the following cases, the hearing committee may enter an order amending or vacating the award of the arbitration panel:

A. Where the award was procured by corruption, fraud or undue means;

- B. Where there was evident partiality or corruption on the part of any of the arbitrators or the chairman;
- C. Where the arbitrators were guilty of misconduct in refusing to hear relevant evidence; or of any other behavior by which the rights of any party have been prejudiced;
- D. Where the arbitrators exceeded their powers, or so imperfectly executed them that a mutual, final, and definite award upon the dispute submitted was not made; or
- E. Where the arbitrators acted in manifest disregard of the applicable law, including Exchange rules.

The hearing committee shall consider only the record made before the panel and any other evidence submitted by the parties relevant to A. through E. above. In the event that the hearing committee determines to vacate the award, the matter shall be resubmitted to a new panel of arbitrators for a rehearing. In the event that the hearing committee amends the award or denies the appeal, such decision of the hearing committee shall be final and binding.

### **ADDITIONAL CLAIMS**

## **621. CERTAIN CLAIMS AGAINST THE EXCHANGE INVOLVING TRADING SYSTEMS OR SERVICES**

### **621.A. General**

All claims arising out of or relating to the following matters shall be arbitrated in accordance with the specific requirements of this Rule 621 and, to the extent not inconsistent with such requirements, the rules of this Chapter:

1. receipt of an incorrect order status or the failure to have received an appropriate order status;
2. the negligence of GCC personnel or any other Exchange staff; or
3. Phantom Orders, as defined in Rule 578.F.

Nothing in Rules 621 or 622 shall be construed to create a claim against the Exchange, to limit a defense available to the Exchange, or to obviate or modify any limitation of Exchange liability imposed by any other rule.

### **621.B. Initial Liability Claim and Demand for Arbitration**

The initial claim of loss, including a detailed description of any loss suffered, must be made to the Exchange within ten business days of the date of the incident that caused the loss. The Exchange shall have 30 business days to pay or deny the claim in whole or in part. If the Exchange denies the claim in whole or in part, the claimant must file a written demand for arbitration with the Market Regulation Department within ten business days after the Exchange has notified the claimant of such denial. A claimant's failure to pursue its claim within these time limits shall bar any recovery on such claim.

### **621.C. Selection of Arbitration Panel**

The arbitration panel shall consist of three non-Permit Holder arbitrators from the Exchange's Arbitration Committee. The panel shall choose a chairman.

### **621.D. Related Claims**

All claims arising out of the same system failure, event or alleged negligent act shall, to the extent practicable in the determination of the chairman, be consolidated for a single hearing.

### **621.E. Award**

Within 30 days of completion of the hearing, the panel shall issue a written decision. The award shall be limited to the lesser of the actual loss or the loss that would have been incurred if the claimant had used its best efforts to mitigate the loss. Punitive damages, loss of profits, loss of use, and indirect, incidental or consequential damages shall not be awarded. The decision of a majority of the panel shall be final and binding, and there shall be no appeal to a hearing committee of the Board of Directors. A party may move, within three business days of the award, that the award be corrected to remedy any miscalculation or misdescription or where the award is otherwise imperfect in a matter of form not affecting the merits of the award.

### **621.F. Satisfaction of Award by Exchange**

The Exchange shall satisfy any award against it subject to its limitation of liability rules and the rules respecting proration among claimants where damages allowed for a defined period of time exceed any limit imposed by Exchange rules. The Exchange may delay paying any award until such time as any applicable proration or limitation can be finally calculated.

## **622. CLAIMS RELATING TO TRADE CANCELLATIONS OR PRICE ADJUSTMENTS**

### **622.A. General**

All claims relating to price adjustments or trade cancellations pursuant to Rule 588 shall be arbitrated in accordance with the specific requirements of this Rule 622 and, to the extent not inconsistent with such requirements, the rules of this Chapter.

#### **622.B. Initiation of Claim**

Any claim for loss under Rule 588 must first be submitted to the Exchange as described in Rule 588.E. Following a denial of liability by a party responsible for a trade cancellation or price adjustment and by the clearing firm through which the trade was placed, the claimant may file an arbitration claim with the Market Regulation Department. The Market Regulation Department shall administer the arbitration and provide notice to all parties.

The party alleged to have made the trade that caused the trade cancellation or price adjustment and the clearing firm through which that trade was placed both may be respondents in the arbitration. Any party responsible for a trade cancellation or price adjustment who is not otherwise subject to arbitration under these rules may voluntarily submit to such arbitration by filing a submission agreement with the Market Regulation Department within 21 days of that party's receipt of notice of the referral to arbitration. In the absence of the voluntary submission to arbitration by such party, the arbitration shall proceed solely against the clearing firm through which the trade was placed, and that firm shall be liable for any damages awarded by the panel.

#### **622.C. Related Claims**

All claims arbitrable under this rule that arise out of a trade cancellation or price adjustment that was caused by the same incident shall, to the extent practicable in the determination of the chairman, be consolidated for a single hearing.

#### **622.D. Award**

Within 30 days of completion of the hearing, the panel shall issue a written decision signed by a majority of the arbitrators. Except as provided below, the claims shall be limited to realized losses. Any award shall be made jointly and severally against the respondents. In the event the panel finds the respondent(s) liable for the full amount of the claim, the panel shall also award the claimants their costs and attorneys fees incurred in connection with arbitrating the claim.

Punitive damages, loss of profits, loss of use, and indirect, incidental or consequential damages shall not be awarded. The decision of a majority of the panel shall be final and may not be appealed. A party may move, within three business days of the award, for an order correcting or modifying the award to remedy any miscalculation or misdescription or where the award is otherwise imperfect in a matter of form not affecting the merits of the award.

### **MISCELLANEOUS**

#### **623. RIGHT TO COUNSEL**

Every person is entitled to represent his own interests, be represented by an attorney at law of his choosing and at his own expense who is admitted to practice before the highest court in any State, or be represented by any other non-compensated representative at any stage of an arbitration proceeding at the Exchange. An entity must be represented by an officer or owner of the entity or by an attorney at law.

#### **624. COMPUTATION OF TIME**

For the purposes of this Chapter, when a period of time is prescribed by a number of days, and not a specific date, the first day counted for the time prescribed is the day after notice is received or other event giving rise to the period of time occurs. Any submission is due or the time to take action shall lapse by the close of business on the last day counted, unless the last day is a weekend or Exchange holiday, in which case the due date shall be the next following day the Exchange is open for business.

For time periods of five days or less only days the Exchange is open for business will be counted. For all other time periods calendar days will be counted.

#### **625. SUBMISSIONS TO OR COMMUNICATIONS WITH THE PANEL**

Any submission for consideration by a chairman or panel must be submitted to the Market Regulation Department with copies simultaneously served on each other party or designated representative of a party.

After a dispute has been submitted for arbitration, a person filing the claim or required to respond to the claim and any person asked to provide documents, information or testimony in connection with such claim shall not contact any member of a panel appointed to hear the claim for any purpose related to the dispute described by the claim.

#### **626. ARBITRATION FEES**

Any person submitting an arbitration claim or appealing a decision of an arbitration panel shall remit the applicable fees as may be determined by the Exchange at the time of submission or appeal, in order for such action to be effective.

## ARBITRATION COMMITTEE

### 627. ARBITRATION COMMITTEE

Each member of the Arbitration Committee shall:

- A. be appointed by the Board Chairman on an annual basis;
- B. pledge to the Exchange that he will not publish, divulge, or make known in any manner any facts or information which may come to his attention while performing his duties as a member of the Arbitration Committee, except when reporting to the Board, or to a committee concerned with such information, or when called upon to respond in any judicial or administrative proceeding;
- C. comply with the standards of the American Bar Association-American Arbitration Association's "Code of Ethics for Arbitrators in Commercial Disputes" which the Exchange hereby adopts as its own code of ethics for arbitrators;
- D. pledge to immediately disclose any matter, relationship or interest with any party or the subject of a dispute which may affect the arbitrator's ability to be, or create the appearance that the arbitrator is not, impartial in deliberating and deciding a dispute; and
- E. promptly give notice to the Market Regulation Department of any ex parte communication directed to such Arbitration Committee member which is prohibited by Rule 625.

(End of Chapter 6)

CHAPTER 7  
FORCE MAJEURE

701. DECLARATIONS OF FORCE MAJEURE

**CHAPTER 7 ~~[Reserved.]~~**  
**FORCE MAJEURE**

**701. DECLARATIONS OF FORCE MAJEURE**

If a determination is made by the Chief Executive Officer, President or Chief Operating Officer, or their delegate, that delivery or final settlement of any contract cannot be completed as a result of Force Majeure, he shall take such action as he deems necessary under the circumstances, and his decision shall be binding upon all parties to the contract. The Exchange shall notify the CFTC of the implementation, modification or termination of any action taken pursuant to this Rule as soon as possible after taking the action.

It shall be the duty of clearing members, members and regular facilities to notify the Exchange of any circumstances that may give rise to a declaration of Force Majeure.

Nothing in this Rule shall in any way limit the authority of the Board of Directors to act in a Force Majeure situation pursuant to Rule 230.k.

(End Chapter 7)

CHAPTER 8  
CLEARING HOUSE AND PERFORMANCE BONDS

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**CHAPTER 8 ~~[Reserved.]~~**  
**CLEARING HOUSE AND PERFORMANCE BONDS**

**GENERAL**

**800. CLEARING HOUSE**

The Exchange shall utilize the services of the CME Clearing House in order to protect market participants and to maintain the integrity of the contracts traded on or processed through the Exchange. Membership in the Clearing House shall be a right and privilege granted by the Board of Directors which may, from time to time, establish such classes of membership in the Clearing House, together with the duties, rights and privileges thereof, as it deems necessary.

**801. MANAGEMENT**

The general direction of the Clearing House shall be under the jurisdiction of the Clearing House Risk Committee. The Chief Executive Officer with the approval of the Board shall appoint a President of the Clearing House, who shall be responsible for the daily operation of the Clearing House and the implementation of the rules applicable to the Clearing House. The President of the Clearing House may also delegate authority for certain aspects of the daily operation of the Clearing House to staff of the Clearing House.

Clearing House staff shall adopt, establish, publish and amend from time to time a Clearing House Manual of Operations ("Manual"). This Manual shall contain, among other things, information and directions for preparing trade data, completing prescribed memoranda and meeting other Clearing House requirements. The Manual and amendments thereto shall constitute part of the rules of the Exchange.

**802. [RESERVED]**

**803. LIMITATION OF LIABILITY**

The liability of the Clearing House shall be limited to losses resulting from the substitution of the Clearing House upon contracts between Clearing Members and to losses in connection with substitution of another Participating Exchange for Clearing Members (i.e., the Mutual Offset System), and to losses in connection with amounts due and owing from a Partner Clearing House. The Clearing House shall not be liable for any other obligations, including but not limited to, obligations of a non-Clearing Member, obligations of a Clearing Member to a nonmember, obligations of a Clearing Member to another member of the Clearing House who is acting for him as broker, or obligations to a customer by a Clearing Member; nor shall the Clearing House become liable to make deliveries to or accept deliveries from a customer of its Clearing Members.

**804. SUBSTITUTION**

Except with respect to trades made pursuant to Rules 538 and 853, the Clearing House shall, through the process of novation, be substituted as, and assume the position of, seller to the buyer and buyer to the seller of the relevant number of Exchange contracts upon the successful matching of trade data submitted to the Clearing House by the Clearing Members on the long and short sides of a trade. With respect to contracts that are traded on and matched by another exchange or market, the Clearing House shall be substituted as, and assume the position of, seller to buyer and buyer to seller of the relevant number of such contracts upon matching of trade data submitted to and accepted by the Clearing House.

Upon such substitution, each Clearing Member shall be deemed to have bought the contracts from or sold the contracts to the Clearing House, as the case may be, and the Clearing House shall have all the rights and be subject to all the liabilities of such member with respect to such transaction. Such substitution shall be effective in law for all purposes.

With regard to trades made pursuant to Rules 538 and 853, the Clearing House shall be substituted at the time payment of the first settlement variation and performance bond due for such trades pursuant to Rule 814 is confirmed by the appropriate settlement bank for both members.

**805. OPEN POSITIONS**

All contracts for the purchase or sale of any product for future delivery shall remain open and in force, and shall continue to be binding upon the original parties until liquidated by offset as provided in Rule 806 or by delivery or failure to perform as provided in the relevant delivery chapter or product chapter.

## **806. OFFSET PROCESS**

When a Permit Holder buys and sells the same commodity for the same delivery month or a put or call option with the same strike price and expiration month and such contracts are cleared through the Clearing House, the purchases and sales are not automatically offset one against the other. Transactions can only be offset against one another by complying with Rule 811.

## **807. OPEN LONG POSITIONS DURING DELIVERY MONTH**

At such times and in such manner as shall be prescribed by the Manual, Clearing Members shall submit a complete and accurate record of dates of all open purchases for use in making deliveries. Clearing Members shall be fully responsible for inventories submitted to the Clearing House. This rule shall not apply to trading in options contracts.

## **808. PROCEDURES FOR TRADE SUBMISSION ON CME CLEARPORT**

### **808.A. Scope of Rule**

This Rule governs transactions not competitively executed on the Exchange ("Transactions") that are submitted via CME ClearPort for clearing in connection with a contract that is listed on the Exchange for clearing only or listed for trading and clearing on the Exchange. For purposes of this Rule, the two parties to the Transaction shall be referenced as the "Parties to the Transaction."

### **808.B. Compliance with Regulatory Exemptions and Exclusions**

Each of the Parties to the Transaction shall be responsible for ensuring that, where applicable, the Transaction complies with CFTC regulatory requirements.

### **808.C. Exchange for Related Position Transactions**

The process of submission of an exchange for related position Transaction ("EFRP") executed pursuant to Rule 538 shall not be deemed to have been completed unless and until the Parties to the Transaction have successfully concluded the submission of the Transaction to the Clearing House as an Exchange of Futures for Physical ("EFP"), an Exchange of Futures for Risk ("EFR") or an Exchange of Options for Options ("EOO"), as applicable, pursuant to the provisions of this Rule and the requirements of Rule 804.

### **808.D. OTC Derivatives Transactions Submitted for Clearing**

CME ClearPort allows for the submission of off-Exchange OTC derivatives Transactions that the Exchange has designated as eligible for clearing only. Such Transactions are subject to the Rules of the Exchange applicable to such cleared-only products.

### **808.E. Trade Submission Procedures**

All Transactions submitted to the Exchange pursuant to this Rule must be submitted in accordance with the procedures established by the Exchange and the Clearing House for this purpose, as amended from time to time. The Parties to the Transaction and any Party authorized under Section F. of this Rule with brokering capability ("Broker" or "Brokers") to submit executed transactions on behalf of Parties to the Transaction to the Exchange shall be responsible, both individually and jointly, for accurately confirming the details of the Transaction to the Exchange. Additionally, Brokers submitting Transactions on behalf of Parties to the Transaction remain responsible for ensuring that such Transactions are accurately and timely submitted in accordance with the requirements of applicable Rules and requirements of the Clearing House. Once submitted, such transactions may not be modified except in accordance with Section H. of this Rule. The Exchange has no responsibility with respect to the confirmation of trade terms for the Transactions, and the Clearing Members carrying the account of the Parties to the Transaction shall only be responsible for the confirmation required pursuant to Rule 957.

### **808.F. CME ClearPort Registration Requirements**

Each Clearing Member must register with the Exchange in the manner required for any customer authorized by the Clearing Member to submit transactions to the Exchange pursuant to this Rule, and must also register with the Exchange the applicable account numbers for each such customer. For each such account, the Clearing Member carrying that account must also submit to the Exchange the name of any Broker(s) who has registered with the Exchange for services provided by the Exchange, and who is authorized by the customer to act on its behalf in the submission of executed Transactions to the Exchange. For any such Brokers authorized by the customer and submitted to the Exchange by the Clearing Member, such submission by the Clearing Member will not constitute an endorsement or ratification of the customer's authorization of the Broker. Moreover, submission of Brokers authorized by the customer will not mean that the Clearing Member is in privity with, has a relationship with and/or is otherwise standing behind any of the customer's authorized Brokers, and the Clearing Member will have no responsibility for any such Brokers selected by the customer and no duty or obligation to supervise the activities of any such Brokers.

#### **808.G. Establishment of Authorized Commodities and Account Risk Limit(s)**

With the exception of Credit Default Swap (“CDS”) and Interest Rate Swap (“IRS”) Transactions, for each account number that has been registered with the Exchange pursuant to Section F. of this Rule, a Clearing Member must also input into the CME Account Manager system an authorization identifying the specific commodities for which a Transaction may be submitted to the Exchange pursuant to this Rule and the account risk limit(s) assigned by the Clearing Member for Transactions for that account. Requirements for CDS and IRS Transactions are set forth in the applicable sections of the Clearing House Manual of Operations for those products.

#### **808.H. Trade Deletion Procedures for Transactions Submitted via CME ClearPort**

Following submission of the trade details by Broker (or by Exchange staff as mutually agreed by the Parties to the Transaction), an e-mail will be transmitted to the Parties to the Transaction notifying them that they have been listed as counterparties in a Transaction that has been submitted to the Exchange. Following such submission, a buyer or seller may not unilaterally reject the trade terms previously submitted to the Exchange. However, in order to correct an error resulting from the good faith actions of the Broker or Exchange staff, as applicable, and upon mutual consent of the Parties to the Transaction, Broker or Exchange staff, as applicable, may void the transaction provided, however, that this void response is received by the Exchange within three Business Days of the time of the initial submission of the Transaction to the Exchange. Notwithstanding the provisions of this Section, the Parties to the Transaction and any Broker authorized by the Parties to the Transaction pursuant to Section E. of this Rule may be subject to sanctions pursuant to Rule 512 for the inaccurate, incomplete or untimely submission of the Transactions to the Clearing House.

#### **808.I. Entry of Transactions**

For a Transaction submitted to the Exchange pursuant to this rule, such Transaction will first be routed to the Exchange's credit check system. The time of entry of a Transaction into the Exchange's system will be recorded by the system and will be used by the Exchange as the time that a credit check was conducted pursuant to Section J. below.

#### **808.J. Use of Credit Check System**

The Exchange will conduct a credit check for each Transaction. The credit check will confirm whether the Clearing Member carrying that account has authorized that account for Transactions submitted pursuant to this Rule in the commodity involved in the Transaction, and confirm whether the entry of the Transaction into clearing would fall within the account risk limit(s) established by the Clearing Member. At all times until both sides (Buy and Sell) of the Transaction have successfully cleared the credit check and the Clearing House has been substituted as the counterparty to the Transaction pursuant to Rule 804, a Transaction submitted to the Exchange pursuant to this rule shall remain as an uncleared Transaction. In the event that either side of the Transaction is rejected as a result of the credit check test, the Parties to the Transaction and their respective Clearing Members will be informed accordingly.

Thereafter, any determination as to further action with respect to the Transaction will be the sole responsibility of the Parties to the Transaction.

#### **808.K. Trade Submission Deadlines**

With the exception of CDS, IRS and FX Spot, Forward and Swaps Transactions, all other Transactions that are submitted, confirmed and accepted for clearing, as further provided by Section L. of this rule, prior to 5:15 p.m. New York time on an Exchange Business Day will be included by the Exchange for clearing for that Business Day. The Exchange reserves the right to modify these business hours without notice at any time. The CME ClearPort Facilitation Desk will generally be available to assist users 24 hours a day on all Exchange Business Days. Trade submission deadlines for CDS, IRS and FX Spot, Forward and Swaps Transactions are set forth in the applicable sections of the Clearing House Manual of Operations for those products.

#### **808.L. Clearance by Both Sides of the Transactions of Credit Check**

Upon clearance by both sides of the Transaction of the credit check, the Transaction shall be deemed to have been accepted for clearing and will be routed automatically to the Exchange's clearing system. Notwithstanding the above, a Clearing Member shall also be responsible for accepting and clearing a position for a Transaction entered into the Exchange's clearing system for clearing following any non-operation of the Exchange's credit check functionality for the applicable account carried by the Clearing Member.

### **809. TRADE DATA PROCESSING SYSTEM**

#### **809.A. Trade Data**

Every Clearing Member must submit accurate trade data for the day's business to the Clearing House no later than the time specified by the Clearing House.

#### **809.B. Matched and Unmatched Trades**

The Clearing House shall process all trade data submitted by Clearing Members but shall accept only those trade records (transactions) which are in agreement with the corresponding trade records submitted by the opposite Clearing Members.

Trade records will be matched, to the extent the opposite trade information is consistent, through the tiered matching process.

Resubmitted trade data will be processed by the Clearing House. Trades with unmatched trade information remaining after the tiered matching process will be rejected and outrade notices will be issued to Clearing Members.

Trades unreconciled after the final reconciliation must be submitted on the following business day as "as-of-trades."

#### **809.C. Trade Register and Clearing Reports**

From the trade data cleared during each day's reconciliation, the Clearing House will produce a trade register for each Clearing Member which will itemize by commodity and contract: the opening long and short position, the contracts bought and/or sold during the day, the prices at which executed, and the settlement amounts.

The Clearing House will also produce a recap ledger for each Clearing Member that will itemize various position and financial information that includes but is not limited to, commodity positions, settlement amounts and performance bond information.

#### **809.D. Reconciliation of Outtrades**

It shall be the primary responsibility of the Clearing Member to see that all trades are cleared prior to the opening of the following day's open outcry market.

Each Permit Holder, if applicable, and Clearing Member firm shall designate a person or persons who will be available and responsible for reconciling the Permit Holder or Clearing Member firm's outtrades. The person or persons shall be qualified to resolve outtrades as the Permit Holder or Clearing Member firm's designated outrade representative. Failure to have a qualified representative available, with all materials necessary to reconcile outtrades, at the time specified above shall constitute negligence in the determination of responsibility for any outtrades. If one firm cannot locate another firm's broker or representative for clearing purposes during these time periods, it shall report such fact to the President of the Clearing House. If the President of the Clearing House or his designee cannot find the broker or representative of the firm, fines will be assessed in the amounts of \$1,000, \$2,000 or \$3,000 sequentially, for violations occurring within a 30-day period.

#### **810. FALSE ENTRIES ON CLEARING MEMORANDA**

No Party shall place any false or inaccurate entries on any clearing memoranda, including, with respect to a Participating Clearing Member, the clearing memoranda of a Cross-Margining Clearing Organization.

#### **811. POSITION CHANGE DATA**

Position change data must be submitted to the Clearing House each trading day not later than the time specified by the Clearing House. Position change data will be in such form and contain such information as prescribed by the Clearing House. When requested, the identification of accounts will be made available to the Financial and Regulatory Surveillance Department.

#### **812. FINAL SETTLEMENT PRICE**

Certain products, as described in the applicable product chapters, have procedures for establishing a final settlement price that are distinct from the procedures for establishing the daily settlement price for the product on the last day of trading. For such products, if a final settlement price is unable to be determined or if the applicable procedures result in a clearly aberrant final settlement price inconsistent with market value and alternative settlement procedures are not otherwise specified in the relevant product chapter, then the Chief Executive Officer, President or Chief Operating Officer, or their delegate, may establish a final settlement price that reflects the true market value at the time of final settlement.

#### **813. DAILY SETTLEMENT PRICE**

Daily settlement prices shall be determined each business day for each product pursuant to one or more of the procedures set forth below. The settlement price shall be a price consistent with the minimum tick increment for the product; if the calculated settlement price is not a standard tick increment, the calculated settlement price will be rounded either to the nearest tick or to the tick closer to the previous day's settlement price. The procedure used to determine the settlement price of a product will depend on the product group, level of activity and liquidity during the defined closing time period, and the trading venue(s) used to derive the settlement. To the extent that any members participate in the creation of settlement prices, they agree to assign and transfer to the Exchange any and all right,

title and interest in and to the settlement prices, including, but not limited to, all copyright in the settlement prices.

1. Midpoint of the Closing Range: In products that use this procedure, the first trade and all subsequent trades, higher bids and lower offers that are quoted during the established closing time period will be included in the closing range. The midpoint of the high and low quotes in the closing range will be the settlement price. If no trade occurs during the defined closing period, the last quote of the day (trade, higher bid, lower offer) will be the settlement price. In the event there are no valid quotes during the day, the settlement price will be the prior day's settlement price.

2. Volume-Weighted Average Price (VWAP) of the Closing Range: In products that use this procedure, all outright trades that occur during the defined closing time period are utilized to calculate the VWAP for specified contract months and the VWAP will be the settlement price. If the open outcry venue is used to determine the settlement price, the VWAP may be estimated. The calculated or estimated VWAP of relevant spread trades that occur during the closing time period may be used to determine the settlement price of deferred or less actively traded contract months in products that use this procedure.

3. Bid/Ask Midpoint at the Close: In products that use this procedure, the midpoint of the bid/ask at the defined closing time will be the settlement price.

4. Option Settlements: Option settlements are derived from available market information including, but not limited to, outright trades, bids or offers during the close, relevant spread trades, bids or offers during the close, the settlement price of the underlying future and relevant relationships based on option pricing theory using option pricing models employed by the exchange.

5. For all contract months not determined by one of the methods set forth above or pursuant to Section 6 below, relevant spread relationships between contract months will be used to derive the settlement.

6. In the event the Exchange determines that the settlement price derived by one of the methods set forth above is not an accurate representation of the relevant market, the Exchange may determine the settlement price based on other market prices, including settlement prices for similar contracts trading on other exchanges.

7. For all products that are settled with the delivery of, or by reference to, the same underlying instrument but which are offered in alternative contract sizes (mini or micro), a single settlement price will be applicable to all such contracts, with necessary adjustments made to round to the nearest tradable price increment eligible in all such contracts.

8. For contracts cleared through ClearPort Clearing that are not otherwise settled by one of the methods set forth above, staff shall determine settlement prices for such contracts based upon a consideration of relevant market data, including, but not limited to, trading activity in such OTC products, pricing data obtained from OTC market participants, the settlement prices of related products and any other pricing data from sources deemed reliable by Staff. With respect to CDS products, in addition to the foregoing, the Exchange may use a price quality auction in which bids and offers submitted by Members may be "crossed" to effect trades and to establish settlement prices for particular contracts.

9. Notwithstanding the above, if a settlement price in any product, as derived by the normal methodology used for that product, is inconsistent with trades, bids or offers in other months/strikes during the closing range, or other relevant market information, or if there is no relevant market activity, an Exchange official may establish a settlement price that best reflects the true market valuation at the time of the close.

10. For products cleared by the Clearing House on behalf of another entity, the settlement price shall be determined according to the rules of such entity.

11. Notwithstanding the above, in the case of inaccuracy or unavailability of a settlement price, or if a settlement price creates risk management concerns for the Clearing House, the Clearing House reserves the right to calculate settlement variation using an alternate price determined by the Clearing House.

#### **814. SETTLEMENT VARIATION**

When a Clearing Member is long or short any amount of any futures contract at the end of the trading day, as indicated by its clearing memoranda, settlement shall be made with the Clearing House to the settlement price for that day, and such member shall be liable to pay to, or entitled to collect from, the Clearing House any loss or profit, as the case may be, represented by the difference between the price at which the commodity was bought or sold and the settlement price of the commodity at the end of the trading day. After making such settlement with the Clearing House, such Clearing Member shall be deemed long or short (or long and short) such commodity, as the case may be, at the settlement price of the trading day. Notwithstanding the foregoing, the Clearing House shall not be required to pay any profit to a Participating Clearing Member in the event that such member or its Cross-Margining Affiliate fails to make any required settlement for that trading day with a Cross-Margining Clearing Organization.

If the market conditions or price fluctuations are such that the Clearing House deems it necessary, it may call upon the Clearing Members which in its opinion are affected to deposit with the Clearing House by such time as specified by the Clearing House the amount of funds that it estimates will be needed to meet such settlements as may be necessary. The Clearing House may pay out funds to those Clearing Members that in the opinion of the Clearing

House will have credit balances as a result of those same market conditions or price fluctuations, except that in no instance may the Clearing House pay out funds to a Clearing Member, other than at the regular settlement, in excess of the total original performance bond deposits it holds for such Clearing Member. All deposits and payments made under this Rule shall be subject to the procedures prescribed by the Clearing House and set forth in the Manual.

Settlement variation, as figured to the market at such times as the Clearing House shall determine, must be paid in cash or any other form of collateral approved by the Clearing House Risk Committee.

#### **815. – 817. [RESERVED]**

#### **818. CLOSE-OUT NETTING**

If at any time, Chicago Mercantile Exchange Inc. ("CME") is subject to a Bankruptcy Event (as defined in CME's Close-Out Netting Rule (Rule 818)), then all open positions in the CME Clearing House shall be closed in accordance with CME Rule 818. If at any time, CME is in default (as defined in CME's Close-Out Netting Rule (Rule 818)), a Clearing Member's open proprietary and customer positions at the CME Clearing House shall, at the election of the Clearing Member, be promptly closed in accordance with CME Rule 818. The procedures for netting, offsetting and valuing Clearing Member positions in a Bankruptcy Event or a default involving CME are set forth in CME's Close-Out Netting Rule (Rule 818).

#### **819. LIEN ON COLLATERAL**

Each Clearing Member hereby grants to the Clearing House a first priority and unencumbered lien against any property and collateral deposited with the Clearing House by the Clearing Member. Clearing Members shall execute any documents required by CME to create and enforce such lien.

#### **820. PERFORMANCE BONDS**

Performance bond requirements will be as determined by Exchange staff from time to time.

Subject to the terms and conditions as approved by Exchange staff, the Clearing House will accept as performance bond, cash, equity securities, shares of mutual funds, United States Treasury and agency Securities, Letters of Credit, units in CME's Interest Earning Facility Program, shares in CME's Interest Earning Facility 2 Program, permitted investments allowable under CFTC Regulation 1.25, "readily marketable securities" as defined by Securities and Exchange Commission Rules, as applicable, and "London Good Delivery" gold, as defined by the London Bullion Market Association (as used in this Rule 820, such assets and any proceeds thereof are collectively referred to as "Assets"), all of which must be and remain unencumbered. The Clearing House may include other forms of collateral within the definition of "Assets" upon the approval of the Clearing House Risk Committee and notice to Clearing Members.

All performance bond collateral, as herein described, shall be placed to the credit of the member paying the same for its customers' trades or its own (so-called "house") trades as designated by the Clearing Member. The Clearing House shall value performance bond collateral as it deems appropriate. The Clearing Member shall transfer the performance bond collateral to the Exchange or to an approved depository for safekeeping in an Exchange account and the Exchange shall retain control over such performance bond collateral. Neither the Exchange nor the Clearing House shall have any obligation or responsibility to preserve, protect, collect or realize upon, and under no circumstances shall the Exchange or Clearing House be liable for, any loss or diminution in value or depreciation in the performance bond collateral maintained pursuant to this rule. A Clearing Member who maintains performance bond collateral for its benefit pursuant to this rule shall hold the Exchange and Clearing House harmless from all liability, losses and damages which may result from or arise with respect to the care and sale of such performance bond collateral. All initial and additional performance bonds shall be retained by the Clearing House in whole or in part, as Exchange staff may deem necessary, until the trades for which such performance bond collateral has been deposited, have been offset, cash settled, delivered or otherwise closed out as determined by Exchange staff.

Each Clearing Member shall reimburse the Clearing House for all fees, expenses, charges and costs assessed by a depository against the Exchange with respect to all performance bond collateral maintained in its account, and shall make deposits as may be required by the Clearing House by reason of any depreciation in the market value of such performance bond collateral. If a Clearing Member defaults to the Clearing House with respect to performance bonds, the performance bond collateral maintained in its account pursuant to this rule shall be taken over by the Clearing House and sold without notice and the proceeds of the performance bond collateral deposited for customers' trades shall be applied against the performance bond requirements for the Clearing Members' customers' accounts, and the proceeds of performance bond collateral deposited for the house trades shall be applied against the requirements for the Clearing Member's own (so-called "house") account.

## **821. – 823. [RESERVED]**

### **824. ADDITIONAL PERFORMANCE BOND**

Whenever, in the opinion of the Clearing House Risk Committee, the President of the Clearing House or, in his absence, his delegate, unstable conditions relating to one or more products exist, they may from time to time, call for additional performance bond collateral from Clearing Members. Such additional performance bond calls may be as much as or more than the original performance bond collateral. The performance bond collateral thus called for may be for one or more contract(s) from one or more Clearing Member(s) and on long positions, short positions or both.

In the event market conditions and price fluctuations at any time shall cause the Clearing House Risk Committee or the President of the Clearing House or, in his absence, his delegate, to conclude that additional performance bond collateral is required to maintain an orderly market or to preserve fiscal integrity the Clearing House Risk Committee or the President of the Clearing House or his delegate may call for additional performance bond collateral to be deposited with the Clearing House during the next banking hour after demand therefor, or at such times as may be specified. Such additional performance bond collateral may be called from the longs or the shorts or from both.

When the Clearing House Risk Committee or the President of the Clearing House or, in his absence, his delegate, shall be of the opinion that any Clearing Member is carrying commitments or incurring risk in its proprietary, customer and/or cross-margin accounts, that are larger than is justified by the financial condition of that Clearing Member, then the Clearing House Risk Committee, the President of the Clearing House or, in his absence, his delegate, may require additional performance bond collateral of such Clearing Member which shall be deposited with the Clearing House during the next banking hour after demand therefor, or at such time as may be specified, or a portion of the open positions of said Clearing Member may be required to be transferred to the books of another Clearing Member.

## **825. – 826. [RESERVED]**

### **827. SECURITIES LENDING PROGRAM**

United States Treasury Bills, Treasury Notes, Treasury Bonds, Treasury Bond Principal Strips, Agency Securities, and other financial instruments approved by Exchange staff, (collectively, "Securities") that are deposited with the Clearing House by Clearing Members as performance bond for their own (i.e., "house") trades may be loaned out by the Exchange pursuant to the Securities Lending Program. Clearing Members depositing Securities with the Exchange as performance bond for house trades that are loaned out pursuant to the Securities Lending Program are deemed to agree that the lending of Securities under arrangements having safeguards consistent with generally accepted market practices will constitute reasonable care of the Securities in the possession of the Exchange or its securities lending custodian.

## **828. – 829. [RESERVED]**

### **830. CROSS-MARGINING**

#### **830.A. Definitions**

1. Cross-Margining Affiliate: An affiliate of a Participating Clearing Member with which such Clearing Member is cross-margining its positions at the Clearing House and a Cross-Margining Clearing Organization.
2. Participating Clearing Member: A Clearing Member that is cross-margining its positions at the Clearing House with its own or a Cross-Margining Affiliate's positions at a Cross- Margining Clearing Organization.
3. Cross-Margining Clearing Organization: A clearing organization that has entered into a Cross-Margining Agreement with the Clearing House.
4. Joint Cross-Margining Program: A cross-margining program in which the Clearing House and one or more Cross-Margining Clearing Organizations each hold a joint security interest in positions, margin and other property of Participating Clearing Members and, if applicable, their Cross-Margining Affiliates.
5. Guaranteed Cross-Margining Program: A cross-margining program in which a guaranty is provided by and between the Clearing House and one or more Cross-Margining Clearing Organizations and each entity holds an individual security interest in positions, margin and other property of Participating Clearing Members and, if applicable, their Cross-Margining Affiliate.

#### **830.B. Cross-Margining Programs**

1. The Clearing House may establish cross-margining programs as approved by the Clearing House Risk Committee and the Board. A Clearing Member may become a Participating Clearing Member to participate in a Joint Cross-Margining Program by establishing with the Clearing House one or more cross-margin accounts for cross-margining positions with either its own positions or those of a cross-margining affiliate at a Cross-Margining Clearing

Organization. In order to establish a cross-margin account, a Clearing Member shall enter into the agreements required by the Clearing House, including a Cross-Margined Account Agreement and Security Agreement with the Clearing House, the Cross-Margining Clearing Organization, and, if applicable, the member's Cross-Margining Affiliate. That Agreement shall provide, among other things, that the Clearing House and the Cross-Margining Clearing Organization shall jointly have a first lien on and security interest in all positions held in the cross-margin account, all related performance bond, and all proceeds of the foregoing, as security for the obligations of the Clearing Member and, if applicable, its Cross-Margining Affiliate, to the Clearing House and the Cross-Margining Clearing Organization. Failure to comply with the terms of such Agreements may constitute an act detrimental to the interest or welfare of the Exchange.

2. A Clearing Member may become a Participating Clearing Member in a Guaranteed Cross-Margining Program by entering into a Cross-Margining Participant Agreement with the Clearing House, the Cross-Margining Clearing Organization, and, if applicable, the Clearing Member's Cross-Margining Affiliate. That Agreement shall provide, among other things, that a Participating Clearing Member shall immediately be obligated to reimburse the Clearing House ("Reimbursement Obligation") in the event the Participating Clearing Member or its Cross-Margining Affiliate defaults in the payment of any obligation to a Cross-Margining Clearing Organization and the Clearing House is required to make a guaranty payment to such Cross-Margining Clearing Organization. In addition, the Agreement shall provide that the Clearing House shall have a first lien and security interest in all positions held, all related performance bond, and all proceeds of the foregoing, as security for the obligations of the Clearing Member and, if applicable, its Cross-Margining Affiliate, to the Clearing House. Failure to comply with the terms of such Agreement may constitute an act detrimental to the interest or welfare of the Exchange.

The provisions of this Rule 11A830.00 and the corresponding sections of the Clearing House Manual shall apply to all CME-cleared positions held pursuant to a cross-margining program and shall supersede all other provisions of the Rules to the extent inconsistent therewith. In addition, the Clearing House shall determine what positions will be eligible for cross-margining.

#### **830.C. [RESERVED]**

#### **830.D. Performance Bonds for Cross-Margining Program**

Performance bond requirements for a Joint and Guaranteed Cross-Margining Program shall be determined as set forth in the Cross-Margining Agreement, and that Agreement shall also govern what forms of performance bond will be permitted and how such performance bond will be held.

#### **830.E. Close-Out of Cross-Margin Positions**

A Participating Clearing Member may be suspended if it or its Cross-Margining Affiliate, if any, is in default in payment of any obligation, including a Reimbursement Obligation, with respect to a Joint or Guaranteed Cross-Margining Program.

The cross-margin account of a Clearing Member participating in a Joint Cross-Margining Program may be liquidated by the Clearing House at the request of a Cross-Margining Clearing Organization whether or not the Exchange or the Clearing House suspends, or is permitted under the Rules to suspend, such Clearing Member. Upon the suspension of a Participating Clearing Member, or upon receiving notice from a Cross-Margining Clearing Organization of its suspension of a Participating Clearing Member or its Cross-Margining Affiliate, the Clearing House shall have the right to liquidate the positions in the cross-margin account, convert to cash the performance bond therefor, and dispose of the proceeds thereof, all in accordance with the terms of the Cross-Margining Agreement.

The positions of a Clearing Member participating in a Guaranteed Cross-Margining Program may be liquidated by the Clearing House in the event that the Participating Clearing Member or its Cross-Margining Affiliate defaults in the payment of any obligation to the Clearing House or a Cross-Margining Clearing Organization. Upon the suspension of a Participating Clearing Member, or upon receiving notice from a Cross-Margining Clearing Organization of its suspension of a Participating Clearing Member or its Cross-Margining Affiliate, the Clearing House may liquidate: the positions of the Participating Clearing Member; all related performance bond; and all proceeds of the foregoing. The Clearing House may then apply all such liquidated proceeds to satisfy the Participating Clearing Member's obligations to the Clearing House, all in accordance with the terms of the Cross-Margining Agreement.

#### **831. – 849. [RESERVED]**

#### **850. FEES**

The Exchange shall determine the transaction and clearing fees that shall be assessed for each contract transacted on the Exchange.

#### **851. [RESERVED]**

## **852. SURCHARGES FOR ERRORS, DELAYS AND OMISSIONS**

Exchange staff may establish, and from time to time revise, schedules of surcharges to be imposed upon Clearing Members for errors, delays and omissions with respect to trade data and certain other information required to be provided to the Clearing House. These surcharges are to be collected by the Clearing House and are in addition to any disciplinary sanctions that may be imposed by Market Regulation, the BCC or CHRC for the violation of Exchange rules.

## **853. TRANSFERS OF TRADES AND CUSTOMER ACCOUNTS**

### **853.A. Transfers of Trades**

1. Subject to the limitations of Rule 854, existing trades may be transferred either on the books of a Clearing Member or from one Clearing Member to another Clearing Member provided:

i. The transfer merely constitutes a change from one account to another account provided the underlying beneficial ownership in said accounts remains the same; or

ii. An error has been made in the clearing of a trade and the error is discovered and the transfer is completed within three Business Days after the trade date.

2. Subject to the limitations of Rule 854, Exchange staff may, upon request by the Clearing Member(s), approve a transfer of existing trades either on the books of the same Clearing Member, or from the books of one Clearing Member to the books of another Clearing Member if the transfer is in connection with, or as a result of, a merger, asset purchase, consolidation or similar non-recurring transaction between two or more entities where one or more entities become the successor in interest to one or more other entities.

3. Exchange staff may, with the consent of the Clearing Member(s) involved, permit the transfer of existing trades if, in staff's opinion, the situation so requires and such transfer is in the best interests of the Exchange.

4. Provided that the transfer is permitted pursuant to Sections 1, 2 or 3 above, transactions in all physically delivered futures contracts must be recorded and carried on the books of the receiving firm at the original trade dates; all other transactions may be recorded and carried at either the original trade date or the transfer date.

Futures transactions may be transferred using either the original trade price or the most recent settlement price; options transactions may be transferred using either the original trade price or a trade price of zero.

5. All transfers shall be reported to the Clearing House in a form acceptable to the Exchange for the type of transactions involved. The proper indicator must be included in the transfer such that the transactions, including the transaction(s) to reverse an error, clear as transfers. The Clearing Members involved shall maintain a full and complete record of all transactions together with all pertinent memoranda.

### **853.B. Transfers of Customer Accounts**

1. Subject to the limitations of Rule 853.A, after receipt of a signed instruction from a Clearing Member (the "Carrying Clearing Member") to transfer all or a portion of a customer account to another Clearing Member (the "Receiving Clearing Member"), and provided that such instruction contains the customer's name and account number (and, if the transfer is not of the entire account, a description of which portion is to be transferred), and provided that the Receiving Clearing Member agrees to accept the account, the Exchange shall promptly transfer the account (or the relevant portion thereof), without requiring any close-out or rebooking of positions in connection with the transfer, provided that:

i. The transferred positions will satisfy Exchange performance bond requirements at the Receiving Clearing Member; and

ii. Any remaining positions in the customer account at the Carrying Clearing Member will satisfy Exchange performance bond requirements.

## **854. CONCURRENT LONG AND SHORT POSITIONS**

Set forth below are the procedures that must be followed for concurrent long and short positions and hold-open accounts.

A. Concurrent long and short positions in the same commodity and month may be held by a Clearing Member at the direction of a customer or on behalf of an omnibus account; however it shall be the duty of the Clearing Member to ascertain whether such positions are intended for offset or to be held open prior to final transmission of position data to the Clearing House.

B. Concurrent long and short positions in physically delivered contracts that are held by the same owner during the delivery month and two business days prior to the delivery month must be offset by transactions executed in the market, by allowable privately negotiated transactions, or fulfilled through the normal delivery process, provided however that trades may be transferred for offset if the trade date of the position being transferred is the same as the transfer date. Such positions may not be offset via netting, transfer, or position adjustment except to correct a bona

vide clerical or operational error on the day the error is identified and provided that the quantity of the offset does not represent more than one percent of the reported open interest in the affected futures contract month.

C. Clearing Members which, pursuant to this rule, carry concurrent long and short positions, must report to the Clearing House both sides as open positions. When either side or both sides are reduced in accordance with Section B. of this rule, the open positions as reported to the Clearing House must be reduced accordingly.

D. The Exchange takes no position regarding the internal bookkeeping procedures of its Clearing Members which, for the convenience of a customer, may "hold open" a position only on their books. However, the Clearing Member must accurately report to the Exchange and the Clearing House, as appropriate, large trader positions, long positions eligible for delivery and open interest.

(End Chapter 8)

**CHAPTER 9**  
**ELECTRONIC TRADING CLEARING MEMBERS**

See Chapter 9 of the CME and CBOT Rulebooks for Rules pertaining to Clearing Members eligible to clear trades in KCBT products.

~~900.00 Electronic Trading System~~

~~The term “Electronic Trading System”, when used in this Chapter shall refer to the electronic trading platform operated by Chicago Mercantile Exchange Inc. under the name CME Globex®. CME and CME Globex are trademarks of the Chicago Mercantile Exchange Inc. and are registered in the United States. CME Group is a trademark of CME Group Inc.~~

~~901.00 Rules & Regulations.~~

~~The rules contained in this Chapter govern those Exchange contracts that are traded through the Electronic Trading System. To the extent that the provisions in this Chapter conflict with other Rules, this Chapter supersedes those Rules and governs the manner in which contracts are traded through the Electronic Trading System. Otherwise, contracts traded on the Electronic Trading System are fully subject to all other applicable Rules of the Exchange unless specifically and expressly excluded therefrom.~~

~~901.02 Electronic Trading System Procedures.~~

~~The Exchange may immediately adopt, cancel or modify procedures of the Electronic Trading System, including but not limited to, access, order entry, open, execution, confirmation, closing, clearing, reporting, notification and recordkeeping procedures determined to be necessary so as to comply with the Commodity Exchange Act, Commission Regulations, the Rules, and surveillance obligations, or other controlling or governing authority; or determined to be in the best interest of the Exchange.~~

~~903.00 Clearing Authorization.~~

~~(a) Each Permit Holder or each non-Permit Holder with a direct connection who enters transactions through the Electronic Trading System must be properly qualified by a CME or CBOT Clearing Member. The qualifying Clearing Member shall guarantee and assume financial responsibility for all such transactions traded through the Electronic Trading System under its Clearing Member ID. The qualifying Clearing Member shall be liable upon all such trades made by the qualified Permit Holder or qualified non-Permit Holder and shall be a party to all disputes arising from such trades.~~

~~(b) Revocation of Clearing Authorization — A Clearing Member may revoke its qualification of a Permit Holder or non-Permit Holder without prior notice. Written Notice of the revocation of such qualification shall be immediately provided to the Clearing House, which shall thereby terminate such Exchange privileges and cancel all orders of the Permit Holder or non-Permit Holder.~~

~~904.00 Authorized Products.~~

~~The Board shall determine the contracts and/or products which shall be listed on the Electronic Trading System. The following products are authorized for trading:~~

~~a. Hard Red Winter Wheat Futures (“Wheat Futures”)~~

~~b. Options on Wheat Futures (“Wheat Options”)~~

~~905.00 Trading Hours.~~

~~The Board shall determine the business day hours during which the Electronic Trading System shall operate for the trading of each contract or product. The trading hours for the authorized products are as follows:~~

~~a. Wheat Futures — 7:00 p.m. to 7:45 a.m., Sunday through Friday and 8:30 a.m. to 1:15 p.m., Monday through Friday~~

~~b. Wheat Options — 7:00 p.m. to 7:45 a.m., Sunday through Friday and 8:30 a.m. to 1:15 p.m., Monday through Friday~~

~~909.00 Priority of Execution.~~

~~Orders received by a Permit Holder or Registered User shall be entered into the Electronic Trading System in the sequence received. Orders that cannot be immediately entered into the Electronic Trading System must be entered when the orders become executable in the sequence in which the orders were received.~~

~~910.00 Good Faith Bids and Offers.~~

~~A Permit Holder or Registered User shall not knowingly enter, or cause to be entered, bids or offers into the Electronic Trading System other than in good faith for the purpose of executing bona fide transactions.~~

~~911.00 Records of Transactions Effected Through the Electronic Trading System.~~

~~All written orders and any other original records pertaining to orders entered through the Electronic Trading System must be retained for five (5) years. For orders entered into the Electronic Trading System immediately upon receipt, the data contained in the Electronic Trading System shall be deemed the original records of the transaction.~~

~~912.00 Trading Against Customer Orders, Crossing Orders and Pre-Execution Communications.~~

~~(a) Trading Against Customer Orders — During an Electronic Trading System trading session, a Permit Holder or Registered User shall not knowingly cause to be entered or knowingly enter into a transaction in which he takes the opposite side of an order entered on behalf of a customer, for the Permit Holder’s or Registered User’s own account or his employer’s proprietary account unless the customer order has been entered~~

immediately upon receipt and has first been exposed on the Electronic Trading System for a minimum of five (5) seconds for futures contracts and a minimum of fifteen (15) seconds for options contracts. Such transactions that are unknowingly consummated shall not be considered to have violated this regulation.

(b) ~~Crossing Orders~~—Independently initiated orders on opposite sides of the market for different beneficial account owners that are immediately executable against each other may be entered without delay, provided that the orders did not involve pre-execution communications.

Opposite orders for different beneficial accounts that are simultaneously placed by a party with discretion over both accounts may be entered, provided that one (1) order is exposed on the Electronic Trading System for a minimum of five (5) seconds for futures contracts and a minimum of fifteen (15) seconds for options contracts. An order allowing for price and/or time discretion, if not entered immediately upon receipt, may be knowingly entered opposite a second order entered by the same firm only if the second order has been entered immediately upon receipt and has been exposed on the Electronic Trading System for a minimum of five (5) seconds for futures contracts and a minimum of fifteen (15) seconds for options contracts.

(c) ~~Pre-Execution Communications Prohibited~~—Pre-execution communications are communications between two market participants for the purpose of discerning interest in the execution of a transaction prior to the entry of an order on the Electronic Trading System. Pre-execution communications and transactions arising from such communications are prohibited except with respect to Exchange of Futures transactions pursuant to Rules 1128.00 and 1129.00, if applicable.

~~Violations of this rule shall be considered an act detrimental to the best interest and welfare of the Exchange.~~

913.00 ~~Disclosure Statement.~~

~~No Permit Holder or Clearing Member shall accept an order from, or on behalf of, a customer for entry into the Electronic Trading System, unless such customer is first provided with the Uniform Electronic Trading and Order Routing System Disclosure Statement developed by the National Futures Association.~~

914.00 ~~Disciplinary Procedures.~~

~~All access denials, suspensions, expulsions and other restrictions imposed upon a Permit Holder or Registered User by the Exchange pursuant to disciplinary procedures contained in Chapter 14 of the Rules shall restrict with equal force and effect access to, and use of, the Electronic Trading System.~~

915.00 ~~Misuse of Electronic Trading System.~~

~~Misuse of the Electronic Trading System is strictly prohibited. It shall be deemed an act detrimental to the interest and welfare of the Exchange to either willfully or negligently engage in unauthorized access to the Electronic Trading System, to assist any individual in obtaining unauthorized access to the Electronic Trading System, to trade on the Electronic Trading System without the authorization of a Clearing Member, to alter the equipment associated with the Electronic Trading System, to interfere with the operation of the Electronic Trading System, to use or configure a component of the Electronic Trading System in a manner which does not conform to the Electronic Trading System's acceptable use policy, to intercept or interfere with information provided on or through the Electronic Trading System, or in any way to use the Electronic Trading System in a manner contrary to the Rules.~~

916.00 ~~Termination of Electronic Trading System Connection.~~

~~The Exchange, at its sole discretion, shall have the right to summarily terminate the connection of any Permit Holder or non-Permit Holder, or the access of any Registered User. Additionally, the Exchange, at its sole discretion, shall have the right to direct a Permit Holder or non-Permit Holder with a direct connection to immediately terminate access to the Electronic Trading System of any user.~~

917.00 ~~Books and Records, Participation in Exchange Investigations~~

~~It shall be an offense:~~

- ~~1. to fail to appear before the Board, Exchange staff or any investigative or hearing committee at a duly convened hearing or scheduled staff interview, or in connection with any investigation;~~
- ~~2. to fail to fully answer all questions and produce all books and records at such hearing, or in connection with any investigation, or to make false statements; and~~
- ~~3. to fail to produce any books or records requested by duly authorized Exchange staff, in the format and medium specified in the request, within ten (10) days after such request is made or such shorter period of time as determined by Exchange staff in exigent circumstances.~~

918.00 ~~LIMITATION OF LIABILITY, NO WARRANTIES~~

~~A. EXCEPT AS PROVIDED BELOW, THE EXCHANGE, CHICAGO MERCANTILE EXCHANGE INC. ("CME"), THE BOARD OF TRADE OF THE CITY OF CHICAGO INC. ("CBOT") AND THE NEW YORK MERCANTILE EXCHANGE INC. ("NYMEX") (INCLUDING EACH OF THEIR RESPECTIVE SHAREHOLDERS, SUBSIDIARIES AND AFFILIATES), THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, CONSULTANTS, LICENSORS, PERMIT HOLDERS, AND CLEARING MEMBERS, SHALL NOT BE LIABLE TO ANY PERSON FOR ANY LOSSES, DAMAGES, COSTS OR EXPENSES (INCLUDING, BUT NOT LIMITED TO, LOSS OF PROFITS, LOSS OF USE, AND DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES), ARISING FROM:~~

~~(i) ANY FAILURE, MALFUNCTION, FAULT IN DELIVERY, DELAY, OMISSION, SUSPENSION, INACCURACY, INTERRUPTION, TERMINATION, OR ANY OTHER CAUSE, IN CONNECTION WITH~~

~~THE FURNISHING, PERFORMANCE, OPERATION, MAINTENANCE, USE OF OR INABILITY TO USE ALL OR ANY PART OF ANY OF THE SYSTEMS AND SERVICES OF THE EXCHANGE, CME, CBOT OR NYMEX, OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS AND SERVICES, INCLUDING WITHOUT LIMITATION ELECTRONIC ORDER ENTRY/DELIVERY, TRADING THROUGH ANY ELECTRONIC MEANS, ELECTRONIC COMMUNICATION OF MARKET DATA OR INFORMATION, WORKSTATIONS USED BY PERMIT HOLDERS AND AUTHORIZED EMPLOYEES OF PERMIT HOLDERS, PRICE REPORTING SYSTEMS AND ANY AND ALL TERMINALS, COMMUNICATIONS NETWORKS, CENTRAL COMPUTERS, SOFTWARE, HARDWARE, FIRMWARE AND PRINTERS RELATING THERETO; OR~~

~~(ii) ANY FAILURE OR MALFUNCTION, FAULT IN DELIVERY, DELAY, OMISSION, SUSPENSION, INACCURACY, INTERRUPTION OR TERMINATION, OR ANY OTHER CAUSE, OF ANY SYSTEM OR SERVICE OF THE EXCHANGE, CME, CBOT OR NYMEX, OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS OR SERVICES, CAUSED BY ANY THIRD PARTIES INCLUDING, BUT NOT LIMITED TO, INDEPENDENT SOFTWARE VENDORS AND NETWORK PROVIDERS; OR~~

~~(iii) ANY ERRORS OR INACCURACIES IN INFORMATION PROVIDED BY THE EXCHANGE, CME, CBOT OR NYMEX OR ANY EXCHANGE, CME, CBOT OR NYMEX SYSTEMS, SERVICES OR FACILITIES; OR~~

~~(iv) ANY UNAUTHORIZED ACCESS TO OR UNAUTHORIZED USE OF ANY EXCHANGE, CME, CBOT OR NYMEX SYSTEMS, SERVICES OR FACILITIES BY ANY PERSON.~~

~~THE FOREGOING LIMITATION OF LIABILITY SHALL APPLY WHETHER A CLAIM ARISES IN CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY, CONTRIBUTION OR OTHERWISE AND WHETHER THE CLAIM IS BROUGHT DIRECTLY OR AS A THIRD PARTY CLAIM.~~

~~THE FOREGOING LIMITATION OF LIABILITY SHALL BE SUBJECT TO THE COMMODITY EXCHANGE ACT AND REGULATIONS THEREUNDER. A PARTY WHO HAS BEEN FINALLY ADJUDICATED TO HAVE ENGAGED IN WILLFUL OR WANTON MISCONDUCT MAY NOT AVAIL ITSELF OF THE PROTECTIONS IN THIS RULE.~~

~~B. THERE ARE NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS (INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE OR USE) PROVIDED BY THE EXCHANGE, CME, CBOT OR NYMEX (INCLUDING THEIR RESPECTIVE SUBSIDIARIES AND AFFILIATES), THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, CONSULTANTS, AND LICENSORS RELATING TO ANY SYSTEMS OR SERVICES OF THE EXCHANGE, CME, CBOT OR NYMEX OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS OR SERVICES, INCLUDING THE GLOBEX SYSTEM.~~

~~C. ANY DISPUTE ARISING OUT OF THE USE OF SYSTEMS OR SERVICES OF CME OR THE EXCHANGE OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS OR SERVICES IN WHICH CME OR THE EXCHANGE (INCLUDING ITS SUBSIDIARIES AND AFFILIATES), OR ANY OF ITS OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, CONSULTANTS OR LICENSORS IS A PARTY SHALL BE ARBITRATED PURSUANT TO CME AND EXCHANGE RULES. ANY ARBITRATION SHALL BE BROUGHT WITHIN THE PERIOD PRESCRIBED BY CME AND EXCHANGE RULES. ANY OTHER ACTIONS, SUITS OR PROCEEDINGS AGAINST ANY OF THE ABOVE MUST BE BROUGHT WITHIN TWO (2) YEARS FROM THE TIME THAT A CAUSE OF ACTION HAS ACCRUED. THIS PARAGRAPH C SHALL IN NO WAY BE CONSTRUED TO LIMIT A PARTY'S OBLIGATION TO ARBITRATE ITS CLAIM OR TO CREATE A CAUSE OF ACTION AND SHALL NOT AUTHORIZE AN ACTION THAT WOULD OTHERWISE BE PROHIBITED BY CME OR EXCHANGE RULES. IF FOR ANY REASON, A COURT OF COMPETENT JURISDICTION FINDS THAT SUCH DISPUTE IS NOT ARBITRABLE, SUCH DISPUTE MAY ONLY BE LITIGATED IN THE COUNTY OF COOK IN THE STATE OF ILLINOIS AND WILL BE GOVERNED BY THE LAWS OF THE STATE OF ILLINOIS WITHOUT REGARD TO ANY PROVISIONS OF ILLINOIS LAW THAT WOULD APPLY THE SUBSTANTIVE LAW OF A DIFFERENT JURISDICTION.~~

~~D. THE EXCHANGE, CME, CBOT AND NYMEX MAY, IN THEIR SOLE DISCRETION, ASSUME RESPONSIBILITY FOR DIRECT, OUT-OF-POCKET LOSSES DIRECTLY CAUSED BY THE NEGLIGENCE OF GLOBAL COMMAND CENTER OR OTHER EXCHANGE, CME, CBOT OR NYMEX STAFF AND/OR ORDER STATUS ERRORS PROVIDED BY THE GLOBAL COMMAND CENTER AND/OR THE CLEARING CUSTOMER SERVICE DESK. IF SUCH LIABILITY IS ACCEPTED, THE TOTAL AGGREGATE OBLIGATIONS FOR THE EXCHANGE, CME, CBOT AND NYMEX SHALL NOT EXCEED \$200,000 FOR ALL LOSSES SUFFERED FROM ALL CAUSES IN A SINGLE CALENDAR MONTH, EXCEPT FOR LOSSES CAUSED BY PHANTOM ORDERS WHICH ARE SUBJECT TO THE PROVISIONS OF PARAGRAPHS F. AND G. BELOW. ANY DISPUTED CLAIM MADE UNDER THIS RULE MUST BE ARBITRATED PURSUANT TO EXCHANGE RULES.~~

~~E. IN NO EVENT SHALL THE COLLECTIVE TOTAL AGGREGATE LIABILITY FOR THE EXCHANGE, CME,~~

~~CBOT AND NYMEX FOR ALL CLAIMS ARISING OUT OF ANY NEGLIGENCE, FAILURES, MALFUNCTIONS, FAULTS IN DELIVERY, DELAYS, OMISSIONS, SUSPENSIONS, INACCURACIES, INTERRUPTIONS, TERMINATIONS, ORDER STATUSING ERRORS OR ANY OTHER CAUSES, EXCEPT FOR PHANTOM ORDERS WHICH ARE SUBJECT TO THE PROVISIONS OF PARAGRAPHS F. AND G. BELOW, IN CONNECTION WITH THE FURNISHING, PERFORMANCE, OPERATION, MAINTENANCE, USE OF OR INABILITY TO USE ALL OR ANY PART OF ANY OF THE EXCHANGE'S, CME'S, CBOT'S OR NYMEX'S SYSTEMS OR SERVICES, OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS AND SERVICES, OR THE NEGLIGENCE OF EXCHANGE, CME, CBOT OR NYMEX STAFF, EXCEED \$200,000 IN ANY CALENDAR MONTH.~~

~~IF THE NUMBER OF ALLOWED CLAIMS ARISING OUT OF ANY FAILURES OR MALFUNCTIONS IN A SINGLE CALENDAR MONTH CANNOT BE FULLY SATISFIED BECAUSE OF THE MONTHLY LIABILITY LIMITATION, ALL SUCH CLAIMS SHALL BE LIMITED TO A PRO RATA SHARE OF THE MAXIMUM AMOUNT AVAILABLE FOR THAT MONTH.~~

~~F. NOTWITHSTANDING THE FOREGOING, THE EXCHANGE, CME, CBOT AND NYMEX MAY, IN THEIR SOLE DISCRETION, ASSUME RESPONSIBILITY FOR DIRECT, OUT-OF-POCKET NET LOSSES DIRECTLY CAUSED BY PHANTOM ORDERS (AS DEFINED BELOW). IF SUCH LIABILITY IS ACCEPTED, THE TOTAL AGGREGATE OBLIGATIONS FOR THE EXCHANGE, CME, CBOT AND NYMEX SHALL NOT EXCEED \$5,000,000 FOR ALL SUCH LOSSES SUFFERED IN A SINGLE CALENDAR MONTH. ANY DISPUTED CLAIM MADE UNDER THIS RULE MUST BE ARBITRATED PURSUANT TO EXCHANGE RULES.~~

~~FOR THE PURPOSES OF THIS RULE AND RULE 921, A PHANTOM ORDER IS AN ORDER: 1) THAT WAS NOT AUTHORIZED BY A PERSON BUT WAS CAUSED BY A FAILURE, MALFUNCTION OR NEGLIGENT OPERATION OF GLOBEX OR ANY OTHER EXCHANGE, CME, CBOT OR NYMEX SYSTEM, SERVICE OR FACILITY, OR 2) WHOSE TERMS (E.G. CONTRACT, CONTRACT MONTH, QUANTITY, PRICE OR DIRECTION) WERE CHANGED WITHOUT AUTHORIZATION OF THE PERSON PLACING THE ORDER SOLELY AS A RESULT OF A FAILURE, MALFUNCTION, OR NEGLIGENT OPERATION OF GLOBEX OR ANY OTHER EXCHANGE, CME, CBOT OR NYMEX SYSTEM, SERVICE OR FACILITY.~~

~~G. IN NO EVENT SHALL THE COLLECTIVE TOTAL AGGREGATE LIABILITY FOR THE EXCHANGE, CME, CBOT AND NYMEX FOR DIRECT, OUT-OF-POCKET NET LOSSES DIRECTLY CAUSED BY PHANTOM ORDER(S) EXCEED \$5,000,000 IN A SINGLE CALENDAR MONTH. COMPLIANCE WITH THE TERMS OF RULE 922.F. IS REQUIRED IN ORDER FOR LOSSES TO BE CONSIDERED BY THE EXCHANGE PURSUANT TO THIS RULE.~~

~~IF THE AMOUNT OF DIRECT, OUT-OF-POCKET NET LOSSES DIRECTLY CAUSED BY PHANTOM ORDERS IN A SINGLE CALENDAR MONTH CANNOT BE FULLY SATISFIED BECAUSE OF THE MONTHLY LIABILITY LIMITATION, ALL SUCH LOSSES SHALL BE LIMITED TO A PRO RATA SHARE OF THE MAXIMUM AMOUNT AVAILABLE FOR THAT MONTH.~~

~~A CLAIM AGAINST THE EXCHANGE, CME, CBOT OR NYMEX ARISING OUT OF ANY FAILURE, MALFUNCTION OR PHANTOM ORDER SHALL BE STRICTLY SUBJECT TO THE RESPECTIVE LIABILITY LIMITS OF THIS RULE.~~

~~920.00 Fees. The Exchange shall determine the transaction and clearing fees that shall be assessed each contract transacted on the Electronic Trading System.~~

#### ~~921.00 GLOBAL COMMAND CENTER~~

##### ~~A. Customer Support~~

~~The Global Command Center ("GCC") provides Globex customer support and problem management only to Members, Clearing Members, Permit Holders and customers designated by Clearing Members. In addition, designated MGEX Members and Clearing Members may also receive customer support and problem management from GCC with respect to contracts traded on Globex. In order to be eligible for GCC support, such persons must register with the GCC ("Registered Contacts"). The GCC provides customer support via a specified telephone number and during specified hours. GCC employees may not always be available to assist Registered Contacts. Persons other than Registered Contacts must contact their Clearing Members to make support requests.~~

##### ~~B. GCC Communications~~

~~As provided in Rule 918, the Exchange shall not be liable for any loss resulting from any inability to communicate with the GCC. The liability of the Exchange for the negligent acts of GCC staff shall be subject to the limitations and conditions of Rule 918. In no event, however, shall the Exchange be liable for the negligence of the GCC if the person claiming to have suffered a loss could have secured the support it sought from GCC through its own administrative terminal, its clearing member's terminal or an Independent Software Vendor's ("ISV") terminal. For purposes of this rule, a person is deemed able to take action through its own administrative terminal, a Clearing Member's terminal or an ISV's terminal unless such terminal was inoperative or such terminal service was interrupted at the time the GCC took action.~~

##### ~~C. Order Status~~

A person who believes he has received an incorrect order status or does not receive an appropriate status shall immediately notify the GCC. In the event that the GCC and an Exchange system, service or facility provide conflicting information relating to an order status, a person may only reasonably rely on the information received from the GCC. Additionally, such person shall take any necessary and appropriate market action to mitigate any potential losses arising from the incorrect order status or lack of appropriate order status immediately after the person knew or should have known that the order status information was incorrect or should have been received. Any liability of the Exchange for incorrect order status shall be subject to the limitations and conditions of Rule 918.

#### D. Cancellation of Orders at Prices Outside of the Applicable Globex Price Limits

In certain circumstances, the price limits applicable to contracts traded on Globex may vary depending on the time of day. In this situation, it is possible for an order to be entered into the Globex system during one time period at a price that is outside of the price limit that applies during a subsequent time period. If this order remains in the system at the beginning of the subsequent time period, the system will freeze in the event a market order on the opposite side of the market is entered and there are no other resting orders against which it can be matched rather than allow the match to occur at a price outside of the applicable price limit.

Accordingly, whenever the GCC becomes aware of a bid or offer in the Globex system for any contract that is outside of the applicable price limit, the GCC will cause such bid or offer to be cancelled and will promptly notify the affected Globex user of such cancellation.

### 922.00 TRADE CANCELLATIONS AND PRICE ADJUSTMENTS

#### A. Global Command Center Authority Regarding Trade Cancellations and Price Adjustments

The following shall be applied to balance the adverse effects on market integrity of executing trades and publishing trade information inconsistent with prevailing market conditions while preserving legitimate expectations of trade certainty by market participants. This rule authorizes the Global Command Center ("GCC") to adjust trade prices or cancel trades where, in its absolute and sole discretion, the GCC believes such action is necessary to mitigate market disrupting events caused by the improper or erroneous use of the electronic trading system or by system defects. Notwithstanding any other provisions of this rule, the GCC may, in its absolute and sole discretion, adjust trade prices or cancel any trade if it believes that allowing the trade(s) to stand as executed could have a material, adverse effect on the integrity of the market. All decisions of the GCC shall be final. Subject to the limitations and conditions of Rule 918, and irrespective of the terms of any order entered into Globex, the Exchange shall not have any liability for losses resulting from price adjustments or trade cancellations by the GCC under this Rule.

#### B. Review of Trades

The GCC may determine to review a trade based on its independent analysis of market activity or upon request for review by a user of the electronic trading system. A request for review must be made to the GCC via telephone within eight minutes of the execution of the trade. Any other form of communication with the GCC will not constitute a request for review as set forth in this Section. GCC phone numbers are available on the CME Group website.

The GCC shall determine whether or not a trade will be subject to review. In the absence of a timely request for review, during volatile market conditions, upon the release of significant news, or in any other circumstance in which the GCC deems it to be appropriate, the GCC may determine, in its sole discretion, that a trade shall not be subject to review.

Upon deciding to review a trade, the GCC will promptly issue an alert indicating that the trade is under review.

#### C. Price Adjustments and Cancellations

Upon making a determination that a trade will be subject to review, the GCC will first determine whether the trade price is within the Non-Reviewable Range for futures or within the Bid/Ask Reasonability Allowance for options, as described in Section G. The Bid/Ask Reasonability Allowance for an option is the maximum width of the bid/ask range which will be considered reasonable for use in applying the parameters necessary to establish the Non-Reviewable Range for the option. In applying the Non-Reviewable Range, the GCC shall determine the fair value market price for that contract at the time the trade under review occurred. The GCC may consider any relevant information, including, but not limited to, the last trade price in the contract or a better bid or offer price on the electronic trading system, a more recent price in a different contract month, the price of the same or related contract established in another venue or another market, the market conditions at the time of the trade, the theoretical value of an option based on the most recent implied volatility and responses to a Request for Quote (RFQ).

##### 1. Trade Price Inside the Non-Reviewable Range

If the GCC determines that the price of the trade is inside the Non-Reviewable Range, the GCC will issue an alert indicating that the trade shall stand.

##### 2. Trade Price Outside the Non-Reviewable Range

###### a. Futures Contract

If the GCC determines that a trade price is outside the Non-Reviewable Range for a futures contract (including futures spreads), the trade price shall be adjusted to a price that equals the fair value market price

for that contract at the time the trade under review occurred, plus or minus the Non-Reviewable Range. In the event there are multiple parties, prices and/or contracts involved in the transactions at issue, the GCC has the authority, but not the obligation, to cancel rather than price adjust such transactions. The GCC will issue an alert regarding its decision.

#### b. Option Contracts

If the GCC determines that a trade price is outside the applicable Non-Reviewable Range for an option contract, the trade price shall be adjusted. In the case of a buy (sell) error, the price will be adjusted to the determined ask (bid) price set forth in the Bid/Ask Reasonability Allowance in Section G, plus (minus) the Non-Reviewable Range. In the event there are multiple parties, prices and/or contracts involved in the transactions at issue, the GCC has the authority, but not the obligation, to cancel rather than price adjust such transactions. The GCC will issue an alert regarding its decision.

Cancelled trade prices and any prices that have been adjusted shall be cancelled in the Exchange's official record of time and sales. Trades that are price adjusted shall be inserted in the time and sales record at the adjusted trade price.

#### D. Alternative Resolution by Agreement of Parties

With the approval of the GCC, parties to a trade that is price adjusted may instead mutually agree to cancel the trade. With the approval of the GCC, parties to a trade that is cancelled may instead mutually agree to price adjust the trade to a price consistent with the adjustment provisions of Section C.

Parties to a trade that is cancelled or price adjusted may mutually agree to a cash adjustment provided that such adjustments are reported to the GCC and the parties maintain a record of the adjustment.

An executed trade may not be reversed via transfer except where such trade is determined by GCC to be outside of the Non-Reviewable Range but not reported timely, subject to agreement of the parties and approval of the GCC. Any such transfer must occur at the original trade price and quantity; however the parties may mutually agree to a cash adjustment.

#### E. Liability for Losses Resulting from Price Adjustments or Cancellations and Prohibition on Claims for Losses Arising From Error Trades Executed Within the Non-Reviewable Range

A party entering an order that results in a price adjustment or trade cancellation shall be responsible for demonstrated claims of realized losses incurred by persons whose trade prices were adjusted or cancelled provided, however, that a claimant shall not be entitled to compensation for losses incurred as a result of the claimant's failure to take reasonable actions to mitigate the loss.

A claim for a loss pursuant to this section must be submitted to the Exchange on an Exchange claim form within five business days of the event giving rise to the claim. The Exchange shall reject any claim that is not filed in a timely manner or is not permitted by this section and such decisions shall be final. Eligible claims shall be forwarded by the Exchange to the party responsible for the order(s) that resulted in a trade cancellation or a price adjustment and to the Clearing Member through which the trade was placed. Such party, or the Clearing Member on behalf of the party, shall, within ten business days of receipt of the claim, admit or deny responsibility in whole or in part. Failure to respond to the claim within ten business days shall be considered a denial of liability. To the extent that liability is admitted, payment shall be made within ten business days. Unless otherwise agreed upon in writing by the parties, failure to make the payment within ten business days shall be considered a denial of liability for purposes of this rule. A copy of any such written agreement must be provided to the Exchange.

To the extent that liability is denied, the party making the claim may submit the claim to arbitration in accordance with the Rules. Such claims must be submitted to the Market Regulation Department within ten business days of the date the party was issued notification that liability was denied.

Claims for losses incurred as a result of trades executed in error at prices within the non-reviewable range may not be submitted for arbitration pursuant to the provisions of the Rules.

#### F. Permissible Responses to Phantom Orders

If the GCC has reason to believe that Phantom Orders as defined in Rule 918 have been or are being entered into any Exchange system, service or facility, the GCC shall be empowered to take appropriate action to protect the integrity of the market, including, without limitation, suspending trading and/or canceling unfilled orders. The GCC shall also be empowered, in its sole discretion, to cancel transactions or adjust the trade prices of transactions that were directly or indirectly caused by Phantom Orders, whether or not such transactions were executed at prices outside of the non-reviewable range specified in this Rule.

If Phantom Orders directly cause transactions to be executed on any Exchange system, service or facility and such transactions are not canceled, the GCC shall promptly direct the clearing member carrying positions resulting from such transactions to liquidate the positions in a commercially reasonable manner. Such positions shall be liquidated within 30 minutes of such notification or within 30 minutes of the time the Clearing Member knew or should have known that it had been assigned transactions resulting from Phantom Orders, whichever is sooner. The GCC, in its sole discretion, may waive the 30 minute liquidation requirement if it determines that such requirement may have a material, adverse impact on the integrity of the market.

The GCC shall provide notification to the marketplace regarding any action taken or to be taken with respect to the entry of Phantom Orders or execution of a transaction as a result of Phantom Orders, and, in the event

transactions are not otherwise canceled or price adjusted by the GCC, any actions required to be taken by Clearing Members. Such notification(s) shall be made as soon as practicable, but in no event more than 30 minutes after the time that the GCC has accurate information regarding the Phantom Orders that is sufficient to support the necessary notification(s).

Any Exchange, CME, CBOT or NYMEX liability for losses resulting from Phantom Orders shall be subject to the limitations of Rule 918.

#### 923.00 Globex Opening

Each business day, Globex will open with a single price for each instrument unless otherwise designated by the Exchange.

Prior to the opening of each Globex Session, Globex will provide an indicative opening price or prices, based on the Globex equilibrium price algorithm described below, and on all pending orders that may be executed on the opening. During the 30-second period prior to the opening, no previously entered orders may be modified or cancelled, although new orders may be entered.

Globex will establish an equilibrium price that will be the opening price. The equilibrium price is the calculated price between sell pressure and buy pressure where the largest volume of trading can occur. The price will be determined in accordance with the following methodology:

1. Any bid at a given price may also be executed at a lower price.
2. Any offer at a given price may also be executed at a higher price.
3. The bid volume at any price is the quantity bid at that price plus the sum of the quantities bid at all higher prices.
4. The offer volume at any price is the quantity offered at that price plus the sum of the quantities offered at all lower prices.
5. Sell pressure occurs when the offer volume exceeds the bid volume at a particular price.
6. Buy pressure occurs when the bid volume exceeds the offer volume at a particular price.
7. The trade volume at any price is the smaller of the bid volume or the offer volume.
8. The price overlap is the range of prices where trades are possible.
9. The equilibrium is the price range within the price overlap where buy pressure changes to sell pressure.
10. The equilibrium price is one of the following:
  - (a) The price within the equilibrium that has the largest trade volume and the lowest unmatched volume at that price remaining after the opening.
  - or
  - (b) If more than one price has the same trade volume and the same unmatched volume at that price, the equilibrium price is the one nearest the previous day's settlement price.
11. If there is no equilibrium (there is only buy pressure or sell pressure), there will be no opening price until a trade occurs unless there is a bid higher than, or an offer lower than, the previous day's settlement price.
12. After the provisional opening price is determined as set forth above for all orders excluding stop and stop limit orders, the calculations are repeated with any such orders that would be triggered at such price included until a new provisional opening price is determined. If such new price would trigger additional stop or stop limit orders, the process is repeated until no more orders are triggered.
13. Bids and offers will be selected for matching at the opening price based on price and time priority.

#### 924.00 Globex Access Restrictions

All connections to the Globex system, including direct connections of non-clearing members or customers, must be guaranteed by a clearing member that assumes financial responsibility for all activity through the connection. With respect to transactions given up to other clearing members, such guarantee is effective only until such time that the other clearing member accepts the trade.

All individuals entering non-member customer orders in other than a clerical capacity must have appropriate industry registration. Non-member customer orders may be entered only from designated areas on the floor of the Exchange or from the premises of an entity registered to conduct customer business.

Clearing members shall assist the Exchange in any investigation into potential violations of the rules or the Act which occur through or with respect to a Globex connection guaranteed by the clearing member. Such assistance must be timely and may include, but not be limited to, requiring any non-member customer to produce documents, to answer questions from the Exchange, and/or to appear in connection with an investigation.

Clearing members shall suspend or terminate a non-member customer's Globex access if the Exchange determines that the actions of the non-member customer threaten the integrity or liquidity of any contract or violate any Exchange rule or the Act, or if the non-member customer fails to cooperate in an investigation. If a clearing member has actual or constructive notice of a violation of Exchange rules in connection with the use of Globex by a non-member for which it has authorized a direct connection and the clearing member fails to take appropriate action, the clearing member may be found to have committed an act detrimental to the interest or welfare of the Exchange.

#### 925.00 Identification of Globex Terminal Operators

Each Globex terminal operator shall be identified to the Exchange, in the manner prescribed by the Exchange, and shall be subject to Exchange rules. If user IDs are required to be registered with the Exchange, it is the duty

~~of the clearing member to ensure that registration is current and accurate at all times. Each individual must use a unique user ID to access Globex. In no event may a person enter an order or permit the entry of an order by an individual using a user ID other than the individual's own unique user ID.~~

~~926.00 CME Globex Trade Matching Algorithms~~

~~The CME Globex platform employs multiple predefined sets of matching algorithms used to match trades on the platform. Information concerning the matching algorithm applicable to a particular product is set forth in the CME Globex Price Banding document available at [www.cmegroup.com/globex/files/PriceBanding.pdf](http://www.cmegroup.com/globex/files/PriceBanding.pdf). Information on the operation of the matching algorithms is available at [www.cmegroup.com/globex/introduction](http://www.cmegroup.com/globex/introduction).~~

**CHAPTER 10 [RESERVED]  
COMMODITY EXCHANGE ACT**

~~1000.00 Commodity Exchange Act, As Amended; Controlling.~~

~~In order to comply with the Act of Congress known as the Commodity Exchange Act, as amended, it is hereby provided that all Rules shall be construed with reference to, and shall be deemed subject to, and modified by, the provisions of said Act, and by any lawful regulation or order made by authority of said Act.~~

~~1001.00 Records And Reports. [RELOCATED TO RULE 536]~~

~~Every Permit Holder shall make and file such reports and keep such records of all transactions as required to be made, filed, or kept by the Commodity Exchange Act, as amended, and the rules and regulations promulgated thereunder; and shall make such records open at all times to the inspection of any representative of the CFTC or United States Department of Justice as provided by said Act. On failure to do so, such Permit Holder shall be suspended by the BCC from all privileges of a Permit Holder until compliance with the said provisions of said Act and the said rules, and regulations promulgated thereunder has been made.~~

~~1001.01 Reporting Infractions. [REVISED AND RELOCATED TO RULE 512]~~

~~1001.01.A. General~~

~~All data, records and other information required by the rules to be reported to the Exchange or the Clearing House, as applicable, must be submitted in an accurate, complete and timely manner.~~

~~1001.01.B. Sanctions~~

~~1. The Chief Regulatory Officer or his designee shall have the authority to impose summary fines on Members and Member firms not to exceed \$5,000 per offense for individual Members or \$10,000 per offense for Member firms for the inaccurate, incomplete or untimely submission of data, records or information required to be submitted to the Exchange or the Clearing House.~~

~~2. Members and Member firms shall have 15 days following receipt of the notice of a summary fine to present evidence to the Market Regulation Department that the fine should be rescinded or reduced. Absent the submission of such evidence within the designated time period, the fine shall be deemed final and may not be appealed.~~

~~1001.01.C. Hearings and Appeals~~

~~If the Chief Regulatory Officer or his designee determines that evidence submitted by a Member or Member firm pursuant to Section B.2. is insufficient to support the requested rescission or reduction of the fine, the Member or Member firm may, within 10 days of the decision, file a written appeal with the Market Regulation Department. A written appeal that fails to specify the grounds for the appeal and the specific error or impropriety of the original decision shall be dismissed. The appeal shall be heard by a Panel of the Business Conduct Committee whose decision shall be final. The appellant shall be entitled to be represented by counsel, appear personally before the BCC Panel and present evidence that he may have in support of his appeal. The BCC Panel shall not set aside, modify or amend the appealed decision unless it determines, by a majority vote, that the decision was:~~

~~1. Arbitrary, capricious, or an abuse of the Exchange staff's discretion;~~

~~2. In excess of the Exchange staff's authority or jurisdiction; or~~

~~3. Based on a clearly erroneous application of Exchange rules.~~

~~Notwithstanding the provisions of Sections B.1. and B.2. above, the Market Regulation Department, may, at any time, refer matters that it deems egregious to the Complaint Committee.~~

~~1002.00 Suspension Of Trading Privileges.~~

~~Any Permit Holder who, under any provision of said Commodity Exchange Act, as amended, shall be deprived of the privileges of trading in contract markets, shall be suspended from all privileges of trading at the Exchange, for such period as may be specified in the order of the CFTC against such Permit Holder.~~

~~An order of suspension by the CFTC is self-executing; and while the Exchange must enforce such order, no formal action is required of the Exchange, such as issuing an identical Board resolution.~~

~~1003.00 Trading With Suspended Permit Holder.~~

~~Any Permit Holder who shall accept or execute an order from any person who, under any provision of the Commodity Exchange Act, as amended, shall have been deprived of the privilege of trading in contract markets, shall be subject to the disciplinary procedures of the Exchange and shall be suspended from all privileges of a Permit Holder for such time as the appropriate disciplinary committee and the Board, on appeal, if taken, in their discretion, shall determine.~~

~~1004.00 Exchange Use of Regulatory Data. [RELOCATED TO RULE 400]~~

~~Pursuant to CFTC Regulation §38.7, the Exchange may not use for business or marketing purposes any proprietary data or personal information collected or received, from or on behalf of any Person, for the purpose of fulfilling its regulatory obligations; provided however, that the Exchange may use such data or information for business or marketing purposes if the Person from whom it collects or receives such data or information clearly consents to the Exchange's use of such data or information in such manner. The Exchange may, where necessary or appropriate for regulatory purposes, share such data or information with one or more designated contract markets or swap execution facilities registered with the CFTC. The Exchange is precluded from conditioning access to its markets on a Person's consent to the use of such data for business or marketing~~

purposes.

~~1005.00 Cooperation with Other Exchanges and Clearing Organizations and International Government Information Sharing Agreements.~~ **[RELOCATED TO RULE 415]**

~~The Chief Executive Officer or the President, or their delegates, are authorized to provide information to:~~

~~A. an exchange or clearing organization that is a party to an information sharing agreement with the Exchange, in accordance with the terms and conditions of such agreement; or~~

~~B. a duly authorized foreign regulator or governmental entity, as directed by the Commission, in accordance with an information sharing agreement executed with the Commission.~~

## CHAPTER 11 [RESERVED.]

### TRADING PRACTICE TRANSACTIONS SUBJECT TO RULES [TRADE PRACTICE RULES HAVE BEEN HARMONIZED WITH CBOT RULES AND RELOCATED IN ACCORDANCE WITH CBOT RULE NUMBERING]

#### ~~1100.00 Contracts Subject To Rules~~

~~All Contracts of a Permit Holder, a firm having a Permit Holder as a general partner, or any other corporation having Permit Holder representation incident to the purchase and sale of futures contracts are contracts subject to these Rules.~~

#### ~~1100.01 Consent to Exchange Jurisdiction.~~

~~Any Person initiating or executing a transaction on or subject to the Rules directly or through an intermediary, and any Person for whose benefit such a transaction has been initiated or executed, expressly consents to the jurisdiction of the Exchange and agrees to be bound by and comply with the Rules in relation to such transactions, including, but not limited to, rules requiring cooperation and participation in investigatory and disciplinary processes.~~

#### ~~TIME AND PLACE~~

~~1101.00 Time of Trading. See the Rules for the appropriate contract.~~

~~1102.00 Place of Trading. See the Rules for the appropriate contract.~~

~~1103.00 Change of Time And Place. See the Rules for the appropriate contract.~~

~~1104.00 Prohibition; Exceptions. See the Rules for the appropriate contract.~~

#### ~~1104.01 Permit Holders Not Trading; Open And Close.~~

~~Permit Holders not actively trading should not be within the pit itself during the first ten (10) minutes and the last ten (10) minutes of trading in the pit each day.~~

#### ~~U.S. GRAIN STANDARDS~~

~~1106.00 Change of Grades. See the Rules for the appropriate contract.~~

#### ~~TRADING FOR CUSTOMERS~~

#### ~~1108.00 Registration; Futures Commission Merchants.~~

~~No account for the purchase and sale of commodities for future delivery at the Exchange shall be accepted or carried where the party in whose name the account is held is known to be acting for and on behalf of others unless such party is properly registered with the CFTC and/or National Futures Association pursuant to the requirements of the Commodity Exchange Act, as amended.~~

#### ~~TRADING RULES~~

#### ~~1110.00 Trades Executed Openly And Competitively.~~

~~All orders received by any Permit Holder, firm, or corporation doing business on the Exchange to buy or sell for future delivery any commodities dealt in on the floor of the Exchange (except transfer trades or when futures are exchanged for cash property as permitted by Rules 1127.00 and 1128.00) must be executed openly and competitively as to price, by open outcry in the trading pit or other place designated for such trading.~~

#### ~~1111.00 Open And Close.~~

~~The pit reporter shall be the judge of the proper opening and closing range of quotations to be officially issued. Such quotations must be based upon transactions made in the pit on bids or offers made in such manner as to be open to all Permit Holders.~~

~~Futures traders and brokers on both sides of a trade are responsible, by trade custom, for reporting any trades missed by the pit reporter, particularly those which constitute a new high, a new low, an adjustment to the opening or closing range, or an opening trade or the only trade for the session for that contract. Such trades, if missed by the pit reporter, should be reported promptly to the pit reporter so the trade can be timed, recorded, posted, and disseminated. Failure to report such trades may result in a disciplinary action.~~

#### ~~1111.01 Official Opening And Closing.~~

~~The official opening and closing of the Exchange's market shall be understood to include all prices at which the opening and closing orders are executed, provided that in the opinion of the pit reporter, due promptness and diligence have been observed in handling such orders. In case of disagreement, an appeal may be taken to the Pit Committee, which shall determine the official opening or closing after hearing the interested parties. The size of the orders involved and the condition of the market shall be considered by the pit reporter and the Pit Committee in forming their decision.~~

#### ~~1111.02 Closing Period; Time.~~

~~The close period for all contracts traded at the Exchange is as follows:~~

#### ~~Contract Close Period~~

~~Wheat Futures:—Last 30 seconds of trading \*\* Wheat Options:—Last one minute of trading~~

~~\*\* The closing period can be expanded by up to one minute on a particular trade date at the discretion of the Pit Committee to address unique market conditions. Any such expansion of the closing period must be communicated to the market at least five minutes prior to the beginning of the revised close for that date.~~

#### ~~1111.03 Settlement Price Appeal.~~

~~Any Permit Holder can immediately appeal the settlement price orally to the Pit Committee, which will be convened on the spot. A quorum of at least three (3) Committee members (or alternates picked from Permit Holders on the floor) shall immediately determine the settlement price and such determination shall be final.~~

#### 1111.04 Post Settlement Session.

As soon as practicable, following the posting of the settlement prices for all contract months, but no later than fifteen (15) minutes following the close of regular trading hours unless a later start time is approved by the Pit Committee, there shall be a two (2) minute trading period (the "post settlement session"). All trades which may occur during regular trading hours may occur during this post settlement session, under the following conditions:

- a. Trades may be made at any price within the established daily price limit for the contract.
- b. New customer orders may be entered into the session for execution.
- c. Permit Holders may trade in the pit as a principal and/or agent during the session.
- d. Orders entered for execution during normal trading hours remain eligible for execution during the session unless cancelled.
- e. Spread trades must be executed using prices within the daily price limit.
- f. The prices at which trades occur during the post settlement session may establish a new high or low in an outright contract month or quoted spread or combination transaction.
- g. Except as otherwise set forth in this Rule and Rule 1114.02, the rules applicable to trading during regular trading hours shall be applicable to trading during the post settlement session.

This post settlement session rule is applicable to wheat futures and options contracts traded at the Exchange.

#### 1112.00 Limitation On Fluctuation Of Prices. See the Rules for the appropriate contract.

#### 1112.01 Daily Trading Limits. See the Rules for the appropriate contract.

#### 1112.02 Minimum Price Fluctuation. See the Rules for the appropriate contract.

#### 1113.00 No Trading During End of Delivery Month. See the Rules for the appropriate contract.

#### 1114.00 Orders And Cancellations Accepted On A "Not Held" Basis.

All orders and cancellations that reach the trading floor fifteen (15) minutes or less before the opening of the market and all orders and cancellations that reach the trading floor fifteen (15) minutes or less before the close of the market may involve extraordinary problems and hence will be accepted solely at the risk of the customer on a "not held" basis.

#### 1114.01 Permit Holder To Permit Holder Verbal Orders.

Permit Holder to Permit Holder verbal orders (Type 3 trades as described at CFTC Regulation Section 1.35 (e)(3)) shall be handled the same as customer orders. The executing Permit Holder must have in their possession, or lacking that, must prepare a written order in non-erasable ink conforming with the requirements of Rule 11-1130.00-1 before executing such order. The requirements of this rule shall not apply to transactions that are executable as part of intermarket spread transactions or option offset transactions.

#### 1114.02 Opening And Closing Orders.

Floor brokers who are unable to execute price limit or stop orders during the opening, reopening following a trading halt, closing period or post settlement session, while using due diligence in handling such orders, shall not be held liable. Nothing herein shall preclude the Pit Committee (pursuant to Rules 1111.00 & 1111.01) from considering the circumstances pursuant to which such orders were not executed in determining the proper prices to be officially quoted during such periods.

#### 1115.00 Trading Records.

(a) Each Permit Holder who executes purchases or sales of any contract traded on the Exchange, shall prepare regularly and promptly in non-erasable ink a trading record showing such purchases and sales. Such trading record shall show the Permit Holder's trading initials, the Clearing Member's code, transaction date, time to the nearest minute, quantity, commodity, delivery month, price or premium, put or call, strike price, opposite floor trader or broker's trading initials with whom the transaction was executed and the opposite Clearing Member's code. Such trading record must reflect all purchases on the buy side of the record in order of occurrence and all sales on the sell side of the record in order of occurrence, without skipping lines between trades. Provided, however, that trades recorded on order tickets must reflect both purchases and sales in order of occurrence without skipping lines between trades, and provided further, however, that spread transactions executed in accordance with Rules 1145.00 and 1146.00 may be recorded on one side of the trading record corresponding to the front month of the spread. Such trading record shall also identify the purchases and sales executed during the opening and closing periods by drawing a line to separate those trades from other trades recorded on the record. The opening and closing periods are defined in Rules 1111.01 and 1111.02.

(b) In addition to the requirements in subsection (a) above, each Permit Holder recording purchases and sales for the Permit Holders' personal account shall:

- (i) Correct errors by crossing out erroneous information or rewriting the trading card. The Permit Holder is accountable pursuant to paragraph (b) (vi) of this Rule for any card that is subsequently rewritten;
- (ii) If lines remain after the last execution recorded on a trading card, the remaining lines must be marked through;
- (iii) Use trading cards that are pre-printed with the Permit Holder's trading initials;
- (iv) Use trading cards that contain pre-printed sequence numbers that will permit the intra-day sequencing of the cards. The pre-printed sequence numbers must distinguish each of the trading cards prepared by the Permit Holder from other such trading cards for no less than a one-week period;

(v) Use a new trading card at the beginning of each designated thirty (30)-minute interval unless no trades were recorded during the preceding thirty (30)-minute interval;

(vi) Be accountable for all such trading cards in exact numerical sequence, whether or not such trading cards are relied on for entering trade data into the Clearing House;

(vii) Submit such trading cards to a Clearing Member (acting as custodian for the cards) in accordance with the provisions of Rule 1115.02 (a).

~~1115.02 Collection And Accountability Of Trading Records.~~

~~Trading records prepared by a Permit Holder which are relied upon for entering trade data into the Clearing House shall be submitted to the Clearing Member as often as is practicable, but no later than fifteen (15) minutes following the end of each thirty (30)-minute interval, commencing with the beginning of each trading session. Trading records prepared in the thirty (30)-minute interval during which the close occurs shall be submitted to the Clearing Member no later than fifteen (15) minutes following the close of trading. Partially-filled orders are exempt from the above submission requirements until completely filled, provided, however, that partially-filled orders must be submitted no later than fifteen (15) minutes following the close of trading.~~

~~(a) Trading records submitted to a Clearing Member pursuant to paragraph (a) above, shall be time stamped promptly to the nearest minute by the Clearing Member.~~

~~(b) Each Clearing Member acting as custodian for the trading cards of a Permit Holder prepared pursuant to Rule 1115.00(b), shall be accountable for such trading cards in exact numerical sequence on at least a daily basis, whether or not such trading cards are relied on for entering trade data into the Clearing House.~~

~~Accountability means that each Clearing Member must be able to produce all sequentially-numbered trading cards for a given day or provide an acceptable explanation as to why a trading card is missing or missequenced.~~

~~1116.00 Optional Timing Requirements. See the Rules for the Appropriate Contract~~

~~1117.00 Volume Bids And Offers.~~

~~Permit Holders in the pit who make volume bids or offers will be required to accept against such bids or offers, any and all lesser offers or bids, as appropriate, up to the quantity quoted. This also means that "all or none orders" will not be accepted.~~

~~1118.00 Dissemination Of Prices.~~

~~The Exchange will record and disseminate the price of all trades and changes in bids and offers, including "volume" bids and offers (these being bids or offers for multiples of one (1) contract, open interest, and open and closing ranges for actively traded contracts at the Exchange.~~

~~1118.01 Quotations; No Change.~~

~~Quotations based on transactions made in the open market after being officially issued shall not be cancelled or changed.~~

~~1119.00 Fast Market.~~

~~A fast market situation exists when a condition in the market not necessarily limited to the following, but similar, exists:~~

- ~~1. Larger than normal price changes between pit reported prices.~~
- ~~2. Market is bid up or offered down rapidly.~~
- ~~3. Quotations, bids or offers are happening too rapidly to be fully reported.~~

~~1119.01 Not Held, No Readjustment.~~

~~Whenever price fluctuations of the commodities dealt in on the Exchange are rapid and the volume of business is large, it is of common occurrence that different prices are bid and offered for the same delivery month in different parts of the pit at the same time. The normal result of such conditions is, at times, the execution by Permit Holders of orders at prices not officially quoted, or the inability of a Permit Holder to execute an order at a limited price. This is unavoidable, but is in no wise the fault of anyone, and it is not permissible for Permit Holders to readjust the price at which orders have been filled, nor to report as filled orders that have not been filled. To do so is a grave offense.~~

~~1119.02 No Cancellation.~~

~~Any quotations based on a transaction made in the open market, already distributed or sent out over the wire, shall not be cancelled.~~

~~1119.03 Fast Symbol.~~

~~Whenever a fast market situation exists the symbol FAST shall be used. But see Rule 1119.05.~~

~~1119.04 Intervening Prices.~~

~~The reporter, subject to supervision of the respective Pit Committee, shall be the judge of when the symbol should be used and any trades made at intervening prices are to be considered officially quoted. During this period of activity in all commodities, it only slows reporting of quotations on the ticker to utilize the symbol FAST. Thus, reporters will report the market to the best of their ability using FAST, and whenever possible, it shall be printed in the ticker.~~

~~1119.05 Not Retroactive.~~

~~In no case shall a FAST MARKET be declared to have existed retroactively, but it may be presumed to have existed for a short period of time prior to its invocation.~~

1119.06 End.

It shall also be the duty of the reporter, subject to the supervision of the respective Pit Committee, to declare an end to the FAST-MARKET situation.

Notes:

1. These rules apply to all futures contracts.
2. In practice, the pit reporter consults with the Chairman of the respective Pit Committee prior to declaring the existence or end of a fast market, and would not make the determination alone.
3. The Pit Committees normally function by the chairman or acting chairman consulting with available members and then advising the reporter. Should there be any uncertainty the members present will take an immediate vote. If less than three members are present, the chairman or acting chairman appoints one or more temporary members to consider and vote on the issue.
4. A broker is not held for executions during a fast market.
5. Rules 1119.00 and 1119.01 will be read together as alternative conditions indicating a fast market.

1120.00 Give-ups.

A Permit Holder must have prior permission from a Clearing Member to give up its name for a trade executed at the Exchange. A Clearing Member whose name is so given up in the pit must enter the trade into the Clearing House in its name. Give up orders are prohibited when used as a pricing mechanism in connection with cash market contracts. Such transactions must be done only on a versus-cash basis.

1120.02 Average Price System.

Application of Average Prices

The Exchange's Average Price System ("APS"), or a proprietary APS developed by a Clearing Member, allows a Clearing Member to confirm to customers an average price when multiple execution prices are received on an order or series of orders for futures, options or combination transactions. An order or series of orders executed during the same trading day at more than one price may be averaged pursuant to APS only if each order is for the same account or group of accounts and for the same product and expiration month for futures, or for the same product, expiration month, put/call and strike price for options.

Requirements for APS Trades

A Clearing Member may have the Exchange calculate average prices or a Clearing Member may calculate average prices internally for contracts executed on the Exchange. The requirements enumerated below must be met for APS transactions.

1. The customer must have requested average price reporting.
2. Each individual trade must be submitted and cleared by the Exchange at the executed price.
3. If a Clearing Member computes and confirms the average price to its customers, it must compute the weighted mathematical average price, as set forth in Section C.
4. If a Clearing Member calculates the average price, it must possess the records to support the calculations and allocations to customer accounts and must maintain these records pursuant to CFTC regulations.
5. A Clearing Member must ensure that its proprietary trades are not averaged with customer APS trades.

Computation of Average Price

Upon receipt of an execution or match at multiple prices for an APS order, the weighted mathematical average must be computed by: (a) multiplying the number of contracts purchased or sold at each execution price by that price, (b) adding the results together and (c) dividing by the total number of contracts. An average price for a series of orders will be computed based on the average prices of each order in that series. The actual average price or the average price rounded to the next price increment may be confirmed to customers. If a Clearing Member confirms the rounded average price, the Clearing Member must round the average price up to the next price increment for a buy order or down to the next price increment for a sell order. The residual created by the rounding process must be paid to the customer. APS may produce prices that do not conform to whole-cent increments. In such cases, any amounts less than one cent may be retained by the Clearing Member.

Disclosure

Each Clearing Member that confirms an average price to a customer must indicate on the confirmation and monthly statement that the price represents an average price.

1128.00 Exchange Futures For Cash; Exception.

Transactions in commodities for future delivery made in connection with cash commodity transactions, involving the exchange of futures for cash commodities, or to establish the price of cash commodities may be made. Such trades shall not be deemed in violation of Rule 1110.00. Transactions involving the exchange of futures in connection with cash commodity transactions or the exchange of futures for cash commodities may be made at such prices as are agreed upon by the parties.

1128.01 Clearing; Exchange Futures For Cash.

All such trades must be cleared through the Clearing House as required by Rule 1185.00, appropriately identified by symbol on Clearing House reports and supported by a report showing a description of the futures transaction with the price, the name of the opposite Clearing Member, and the amount and commodity involved in the cash transaction.

1128.02 Evidence of Cash Transaction.

Upon request of the Exchange, each Permit Holder shall provide documentation of cash transactions underlying exchanges of Exchange futures for cash commodities or exchanges of Exchange futures in connection with cash commodity transactions. For the purposes of this paragraph, documentation means those documents customarily generated in accordance with cash market practices which demonstrate the existence and nature of the underlying cash transactions, including, but not limited to, contracts, confirmation statements, telex, printouts, invoices and warehouse receipts or other documents of title.

#### 1129.00 Exchange For Risk ("EFR") Transactions.

Transactions involving the exchange of futures or options contracts for or in connection with over the counter derivative ("OTC") transactions shall be allowed, provided the provisions of Rules 1129.00 through 1129.02 are met. Such transactions (hereinafter referred to as "EFR") may be made at such prices as are agreed upon by the parties. An EFR shall consist of two separate but related component transactions—an OTC transaction and a futures or options transaction. Each holder of futures or options contracts involved in an EFR must also be the holder of the economically offsetting OTC transactions involved in such EFR. The OTC component shall involve the commodity underlying the futures or options contracts (or a derivative, by product or related product of such commodity). The quantity covered by the OTC component must be approximately equivalent to the quantity covered by the futures or options contracts. The OTC component of an EFR must comply with any applicable regulatory requirements prescribed by the CFTC.

#### 1129.01 Clearing; Exchange For Risk.

All such trades must be cleared through the Clearing House as required by Rule 1185.00, appropriately identified by the symbol "Z" on Clearing House reports.

#### 1129.02 Evidence of OTC Transaction.

Upon request of the Exchange, each Permit Holder shall provide all documentary evidence of OTC transactions underlying an EFR. For the purposes of this paragraph, documentary evidence means those documents customarily generated in accordance with market practices, which demonstrate the existence and nature of the underlying OTC transactions, including, but not limited to a master swap agreement and any supplements thereto.

### FLOOR BROKERS

#### 1130.00 Broker; Defined.

A floor broker is defined to be a Permit Holder who buys and sells futures contracts in the trading pit, not for the Permit Holder's account, but as an agent of another Permit Holder, where the name of the principals are announced on making of the futures contract, and the broker at no stage of the transaction becomes the actual owner of the property.

#### 1130.01 Registration.

No Permit Holder shall act as a futures or options floor broker unless that Permit Holder is registered with the CFTC as a futures or options floor broker, and such registration has not expired nor been suspended (and the period of such suspension shall not have expired) nor been revoked; and such floor broker shall properly file with the Exchange a copy of any Form 3-R required to be filed under appropriate regulations. Each Permit Holder registered as a floor broker must file biennial updates with the National Futures Association ("NFA") using Form 8-R within thirty (30) days following a date specified by the NFA. Failure to file the biennial Form 8-R within the aforementioned time frame shall be deemed to be a request to withdraw from registration. Voluntary withdrawal of floor broker registration can be accomplished by completing Form 7-W and filing such with the NFA in accordance with Commission Regulation 3.33(e), a copy of which must be provided to the Exchange.

#### 1130.02 Broker Associations.

Permit Holders of "broker associations" shall comply with the following provisions of this rule in registering and updating information pertaining to their association.

a. Definition. "Broker Association" is defined as two or more Permit Holders with floor trading privileges, of whom at least one is acting as a floor broker, who: (1) Engage in floor brokerage activity on behalf of the same employer, (2) have an employer and employee relationship which relates to floor brokerage activity, (3) share profits and losses associated with their brokerage or trading activity, or (4) regularly share a deck of orders.

b. Registration required. It shall be unlawful for any Permit Holder of a broker association to receive or to execute an order unless the broker association is registered with the Exchange.

c. Information to register. The following information must be supplied in writing to the Exchange no later than ten (10) calendar days following the establishment of such relationship in order for such broker association to be considered properly registered with the Exchange:

(1) Name;

(2) Form of organization, e.g., partnership, corporation, trust, etc.;

(3) Name of each person who is a Permit Holder or otherwise has a direct beneficial interest in the association;

(4) Badge symbols for all Permit Holders;

(5) Account numbers for all accounts of any Permit Holder, accounts in which any Permit Holder(s) has an

interest, and any proprietary or customer accounts controlled by any Permit Holder(s);

(6) Identification of all other broker associations with which each Permit Holder is associated; and

(7) Individual(s) authorized to represent the association in connection with its registration obligations.

d. Updating registration information. Any registration information provided to the Exchange which becomes deficient or inaccurate must be updated or corrected within ten (10) calendar days.

#### ~~1131.00 Trading Ahead Of Customer.~~

~~Each floor broker is prohibited from trading ahead of a customer order:~~

~~a. Own Account; No Purchasing. Each floor broker is prohibited from purchasing any commodity for future delivery for the broker's own account, or for any account in which such Permit Holder has an interest, while holding an order of another person for the purchase of the same commodity which is executable at the market price or at the price at which such purchase can be made for the Permit Holder's own account or the account in which such Permit Holder has an interest.~~

~~b. Own Account; No Selling. Each floor broker is prohibited from selling any commodity for future delivery for the broker's own account or for any account in which such Permit Holder has an interest, while holding an order of another person for the sale of the same commodity which is executable at the market which such Permit Holder has an interest.~~

#### ~~1132.00 Disclosure Of Orders.~~

~~Each floor broker is prohibited from disclosing at any time that such broker is holding an order of another person or from divulging any order revealed to such broker by reason of the broker's relationship to such other person except at the request of an authorized representative of the CFTC or the contract market.~~

#### ~~1133.00 Taking Other Side.~~

~~Each floor broker is prohibited from taking, directly or indirectly, the other side of any order of another person revealed to such Permit Holder by reason of the Permit Holder's relationship to such other person.~~

#### ~~1134.00 Prearranged Sale.~~

~~Each Permit Holder is prohibited from making any purchase or sale which has been prearranged.~~

#### ~~1135.00 Allocation of Trades.~~

~~Each floor broker is prohibited from allocating trades among accounts.~~

#### ~~1136.00 Withholding or Withdrawal of Orders.~~

~~Each floor broker is prohibited from withholding or withdrawing from the market any order or part of an order of another person for the convenience of another Permit Holder.~~

#### ~~1137.00 Prompt Give-Up Of Clearing Permit Holder.~~

~~Each floor broker is required to promptly give up the Clearing Member for each transaction executed on the floor. On failing to do so, the floor broker shall thereafter be held responsible for such trade at the option of the party with whom the trade was made. The floor broker shall also be held liable for acceptance of such trade by the principal.~~

#### ~~1138.00 Customer Discretionary Accounts.~~

~~Each floor broker is prohibited from executing any transaction for any customer discretionary account except that orders for such an account may be placed with another Permit Holder for execution. The phrase "customer discretionary account" means an account with a floor broker on behalf of a customer other than the broker's employer, partnership, or corporation.~~

~~Notes:~~

~~1. "Discretionary Accounts" under these Rules do not include Permit Holders of a floor broker's immediate family, so that a broker holding such orders would have to treat them as if they were orders of non-Permit Holders and execute them ahead of the broker's own trades.~~

~~2. The CFTC has granted the Exchange an exemption from the CFTC Regulation Section 155.2(c) "handing off" requirement for discretionary orders originated by a floor broker for the individual, partnership, or corporation which the floor broker represents within the meaning of these Rules. Under the Rules a floor broker is permitted to execute discretionary orders on behalf of only one person or one entity which the broker represents. As a result a broker may only execute discretionary orders on behalf of those categories of persons or entities that are either contract market Permit Holders or entities vested with Permit Holder privileges. This means that if the broker is also an account executive with a FCM and has trading authority over any discretionary accounts, that broker cannot execute trades for those accounts.~~

#### ~~SPREAD TRANSACTIONS~~

##### ~~1144.00 Strip Transactions; Permitted.~~

~~A strip transaction is permitted at the Exchange provided the following conditions are met. The Board shall determine which contracts may offer strip transactions pursuant to this Rule.~~

~~a. Definition. A strip transaction shall consist of either the simultaneous purchase or sale of an equal number of contracts in each of two or more consecutive futures contract months.~~

~~b. Account. All of the two or more consecutive futures contract months representing the strip purchase or sale must be for the same account.~~

~~c. Price. A strip shall be quoted and traded at a single price (generally such price approximates the average of the outright futures prices for the months comprising the strip transaction). Such price must~~

be in line with prevailing contract prices for strip transactions.

d. Open Outcry. All strip transactions must be executed by open outcry in the trading pit.

e. Record. When strip trades are transacted, the executing Permit Holder on each side of the transaction shall record on the trading record (in addition to quantity, opposite broker, time and opposite Clearing Member) the first and last month of the strip in the month box, the single price reported in the price box, and the strip symbol in the code box. When strip trades are entered for clearing, the price assigned to each month comprising the strip shall be the trade price. For strip trades of an equal number of monthly contracts in each of two or more consecutive months, the strip symbol "M" shall be recorded in the code box. For strip trades of an equal number of calendar day contracts in each of two or more consecutive futures contract months, the strip symbol "C" shall be recorded in the code box. In the latter case, the number of daily contracts is what is recorded in the amount column of the trading record and when entering for clearing must be multiplied by the number of calendar days to arrive at the number of contracts applicable to each contract month of the strip transaction.

f. Reporting. A strip transaction shall be reported, recorded, and publicized as a strip at the single price quoted, traded and reported.

g. Stop Orders. Strip transactions shall not set off stop orders in any contract.

#### 1144.01 Option Strip Transactions; Permitted.

Option strip transactions are permitted at the Exchange provided the following conditions are met. The Board shall determine which contracts may offer option strip transactions pursuant to this Rule.

a. Definition. A strip transaction shall consist of either the simultaneous purchase or sale of an equal number of options contracts of the same strike price in each of two or more consecutive option contract months.

b. Account. All of the option contracts representing the strip purchase or sale must be for the same account.

c. Price. A strip shall be quoted and traded at a single price (generally such price approximates the average of the options premiums for the strike prices of the months comprising the strip transaction). Such price must be in line with prevailing contract prices for strip transactions.

d. Open Outcry. All strip transactions must be executed by open outcry in the trading pit.

e. Record. When strip trades are transacted, the executing Permit Holder on each side of the transaction shall record on the trading record (in addition to quantity, opposite broker, time and opposite Clearing Member) the first and last month of the strip in the month box, the single price reported in the price box, and the strip symbol in the code box. When strip trades are entered for clearing, the price assigned to each month comprising the strip shall be the trade price. For strip trades of an equal number of monthly contracts in each of two or more consecutive months, the strip symbol "M" shall be recorded in the code box. For strip trades of an equal number of calendar day contracts in each of two or more consecutive months, the strip symbol "C" shall be recorded in the code box. In the latter case, the number of daily contracts is what is recorded in the amount column of the trading record and when entering for clearing must be multiplied by the number of calendar days to arrive at the number of contracts applicable to each contract month of the strip transaction.

f. Reporting. A strip transaction shall be reported, recorded, and publicized as a strip at the single price quoted, traded and reported.

g. Stop Orders. Strip transactions shall not set off stop orders in any contract.

#### 1145.00 Spread Transactions; Permitted.

A spread transaction involving the purchase and sale of different futures at a price difference is permitted at the Exchange.

#### 1146.00 Requirements.

A spread transaction at the Exchange must meet the following conditions:

a. Same Account. Each side of the spread must be for the same account;

b. Executed Competitively. Such trades must be executed competitively by public outcry in the pit;

c. Prices. Both sides of the spread transaction must be assigned prices within the daily price limit;

d. Reporting. The transaction shall be reported, recorded, and publicized as a spread; and

e. Designation. The transaction shall be designated as a spread on the trading cards by an appropriate word or symbol clearly identifying such transaction.

Note: A spread is designated by the symbol S on the trading card.

#### 1147.00 Option Spread Transactions; Permitted.

A spread transaction involving the purchase and sale of different options or the purchase and sale of options and the underlying futures, at a price difference, is permitted at the Exchange provided the conditions of Rule

1148.00 are met.

#### 1148.00 Option Spreads; Requirements.

Spreads allowed under Rule 1147.00 must meet the following conditions:

a. All sides of the spread must be for the same account;

b. Such spread must be executed competitively by public outcry in the pit;

c. All sides of the spread must be executed at prices within the daily price limit;  
d. The transaction shall be reported, recorded, and publicized as a spread in the ratio in which it was executed, provided such spread was executed simultaneously at a price difference.  
e. When spread transactions are executed simultaneously, the executing Permit Holder on each side of the transaction shall designate each part of the trade as a spread on the trading cards by an appropriate word or symbol clearly identifying each part of such transaction;  
Note: An option spread is designated by the symbol R on the trading card.

f. Only the futures which underlie the options may be included in spreads traded at a price difference;  
g. Spreads that involve the trading of futures and options contracts that do not offset to reduce economic risk shall not be executed simultaneously at a price difference. Each side of such spread trade must be executed separately in the respective designated trading area for such contract.

#### 1149.00 Spread Transactions To Rectify Errors.

A spread transaction executed at a differential pursuant to Rule 1146.00 or 1148.00 must be for the same account, except, however, that in the event an order was executed in the wrong month or strike price, a spread transaction at a differential may be executed to both fill the terms of the original order and liquidate the erroneous trade previously executed, provided the following conditions are met:

a. If the error was on the part of a floor broker not employed by the Clearing Member representing the order:

1. The floor broker places the position erroneously acquired and the subsequent offsetting position entered into as part of a spread transaction into his error account; and

2. A Permit Holder representing (employed by) the Clearing Member initiating the mishandled order approves the execution price used in the spread transaction (for filling the order erroneously handled) by initialing the trading card used to record the spread transaction.

b. If the error was on the part of a Clearing Member representing the order or its floor broker employee:

1. The Clearing Member places the position erroneously acquired and the subsequent offsetting position entered into as part of a spread transaction into its error account; and

2. The Pit Committee chairman (or a member of the Pit Committee in his absence) reviews the propriety of the execution price used in the spread transaction (for filling the order erroneously handled) using Time and Sales information, the time received stamped on the order and any other relevant information. If a dispute arises between the Pit Committee Chairman and the Clearing Member, the matter may be appealed to the full Pit Committee present for a final decision in the matter. The chairman or any other member of the Pit Committee may not take part in the review or resolution in the case of an appeal, if such member has a financial, personal or other direct interest in the matter under consideration.

c. The circumstances surrounding the nature and resolution of the error are clearly documented by the floor broker or Clearing Member, as the case may be, and such document is provided to the Exchange the same day the error occurred.

#### CONTROLLED ACCOUNTS

##### 1150.00 Controlled Accounts.

No account for the purchase and sale of commodities for future delivery on the Exchange shall be accepted or carried for any person who has given trading authority to another person, not a Permit Holder of the same family, unless the requirements of Rules 1108.00 and 1151.00 are observed.

##### 1151.00 Requirements.

No controlled account shall be accepted or carried unless trading authority pursuant to Rule 1150.00 has been obtained, the registration requirement of Rule 1108.00 has been met, and each of the following conditions has been fulfilled:

a. A monthly statement shall be sent directly to the customer showing the exact position of the account, including all open trades figured to the market;

b. Each transaction shall be specifically designated with the customer's name at the time the order is accepted;

c. No transaction shall be held open in the customer's account which can be closed by making up an account purchase and sale; and

d. Confirmations of all trades shall be sent promptly to both the customer and the party acting for the customer.

#### RECORD KEEPING

##### 1165.00 Non-Permit Holder Corporation Or Association; Orders.

No Permit Holder shall accept from a non-Permit Holder firm orders for the purchase or sale of any of the commodities dealt in under the rules of the Exchange for future delivery, unless there be on file in the records of such Permit Holder a certified copy of the resolution of the board of such corporation or association authorizing some designated representative of such non-Permit Holder firm to place such orders for its account and naming some other representative of non-Permit Holder firm to receive duplicate confirmations of all trades made for its account. Permit Holders must handle their confirmations in accord with this rule.

#### 1165.01 Time For Compliance.

Permit Holders receiving orders from non-Permit Holder firms who do not have a resolution from such corporation's or association's board of directors on file in their own records shall be allowed a reasonable time within which such authorization may be obtained.

#### 1166.00 Confirmations.

Whenever a Permit Holder acting on his or her own behalf, or as the representative of a firm or corporation, shall have made a purchase or sale for another party for future delivery of contract grades of commodities dealt in at the Exchange, such Permit Holder, or the firm or corporation which such Permit Holder represents, shall on the day of the purchase or sale notify in writing the party for whom such purchase or sale was made. The notice shall include the price at which the purchase or sale was made, the commodity, and the quantity. Noncompliance with this rule shall be deemed uncommercial conduct subject to the disciplinary procedures set forth in Chapter 14.

#### 1167.00 Customer Type Indicator (CTI) Codes

Each clearing member must identify each transaction executed on the trading floor or on the Globex platform on the record of transactions submitted to the Exchange with the correct customer type indicator (CTI) code. The CTI codes are as follows:

CTI 1: Electronic Trading and Open Outcry — Applies to transactions initiated and executed by an individual Permit Holder for his own account, for an account he controls, or for an account in which he has an ownership or financial interest. However, transactions initiated and executed by a Permit Holder for the proprietary account of a Clearing Member firm must be designated as CTI 2 transactions.

CTI 2: Electronic Trading and Open Outcry — Applies to orders entered or trades executed for the proprietary accounts of a Clearing Member.

CTI 3: Electronic Trading — Applies to orders entered by a Permit Holder or a non-Permit Holder terminal operator for the account of another individual Permit Holder or an account controlled by such other individual Permit Holder.

CTI 3: Open Outcry — Applies to orders that a Permit Holder executes on behalf of another individual Permit Holder, or for an account such other Permit Holder controls or in which such other Permit Holder has an ownership or financial interest.

CTI 4: Electronic Trading and Open Outcry — Applies to all orders and transactions not included in CTI categories 1, 2 or 3. These typically are orders entered by or on behalf of non-Permit Holder entities.

#### PROHIBITED TRANSACTIONS

##### 1170.00 Permit Holder May Not Be Both Principal And Agent.

No Permit Holder is allowed, under any circumstances, knowingly and willfully, to be both principal and agent in any transaction in any of the commodities dealt in under the Rules (except when futures are exchanged for cash, Rule 1128.00).

##### 1171.00 Wash, Cross, Accommodation, Or Fictitious Trades.

It shall be a violation of these Rules to enter into or confirm the execution of any transaction, if such transaction is of the character of, or is commonly known to the trade as a "wash trade," "cross trade," "accommodation trade," or is a fictitious sale.

Note: It is a violation of this Rule for a Permit Holder to give a name and thereby make accommodation trades, offsetting two (2) opposed trades for the purpose of concealing the true nature of the crossed transactions.

##### 1172.00 False Price.

It shall be a violation of these rules to enter into or confirm the execution of any transaction if such transaction is used to cause any price to be reported, registered, or recorded which is not a true and bona fide price.

##### 1173.00 Detrimental Acts.

It shall be a violation of these rules if a Permit Holder is or has engaged in conduct that is detrimental to the best interest of the Exchange, impairs the good name of the Exchange, or is inconsistent with just and equitable principles of trade.

##### 1173.01 Intermarket Trading Restrictions.

If a Permit Holder or person associated with a Permit Holder or Permit Holder firm executes or causes to be executed, for an account in which such Permit Holder or person has a direct or indirect pecuniary interest or for an account with respect to which such Permit Holder or person exercises investment discretion, any transactions described below to take advantage of material, non-public information which can reasonably be expected to have an immediate, favorable impact in relation to such transactions, such Permit Holder or persons may be in violation of this rule which prohibits certain types of intermarket trading activity:

In determining whether a Permit Holder or person has taken advantage of material, non-public information, it is not necessary for the Exchange to demonstrate that another person has been disadvantaged. Further, such Permit Holder or person may be in violation of just and equitable principles of trade regardless of whether the other person has given permission for such trading.

However, nothing herein shall prevent such Permit Holder or person from establishing, in a futures market, a bona fide hedge of risk such Permit Holder or person may have assumed or agreed to assume in facilitating the execution of any other person's stock program or stock index option orders. The risk to be hedged must be the

result of having established a position or having given a firm commitment to assume a position, and the offsetting hedging transaction must be commensurate with such risk. In addition, a Permit Holder or person associated with a Permit Holder organization who implements a proprietary market strategy involving a stock program or stock index option transaction(s) and a related stock index futures transaction by executing the stock index futures trade(s) prior to the execution of the stock program or the stock index option transaction(s) will not be deemed to be in violation of this policy. However, if the Permit Holder or person executes or causes to be executed a transaction in one market to take advantage of such Permit Holder's or person's imminent transaction in a related market, that Permit Holder or person may be engaging in manipulative activity.

#### 1174.00 Permit Holders Not Take Trades For Their Own Account.

No Permit Holder, firm, or corporation, under any circumstances, shall assume to have executed any order(s) or portion thereof, by knowingly and willfully taking the trades, or any portion of them, for their own account, either directly or indirectly, in their own name or that of an employee, broker, or other Permit Holder.

#### 1175.00 Match Trades.

A Permit Holder having in hand, at the same time, both buying and selling orders from different principals for the same commodity in the same delivery month, may execute such orders directly between such principals at the market price if the requirements of Rules 1175.01 through 1175.05 are met.

#### 1175.01 Open Outcry; Observer.

To execute a valid match ("ring") trade, the orders must first be offered openly and competitively in the trading pit by bidding and offering the orders at the same price at least two times, and if neither the bid nor offer is accepted by another Permit Holder, the orders may be executed directly, followed immediately by an announcement of the quantity matched. This transaction must be executed in the presence of the pit reporter. For example, a broker having a buy order for 100 Dec wheat at 4.55 per bushel and an order to sell 50 Dec wheat at 4.55 per bushel, would shout (witness by a pit reporter):

"Buy or sell Dec at 5," "Buy or sell Dec at 5," "Ring 50"

#### 1175.02 Record.

The Permit Holder executing a valid match trade must clearly identify all such transactions on the trading card by appropriate descriptive word or symbol. The trading card shall be made at the time of execution and shall record the exact time of execution. The trading card shall be promptly presented to the pit reporter for verification and initialing.

#### 1175.03 No Interest.

The FCM or floor broker receiving or executing such orders shall have no interest therein, directly or indirectly, except as FCM or floor broker.

#### 1175.04 Not Violate Rule 1170.00.

The execution of orders in accordance with the conditions described in Rules 1175.00 through 1175.03 will not be deemed to be the filling of orders by offset within the meaning of Rule 1170.00 or to be cross trades within the meaning of Section 4c of the Commodity Exchange Act, as amended.

#### 1175.05 Exchange Record.

Each valid match trade executed shall be made a matter of permanent record by the Exchange, showing the date, price, quantity, commodity, delivery month, by whom executed, and the exact time of execution.

#### 1176.00 Other Prohibited Activities. No Permit Holder in connection with any order or contract for or on behalf of any person shall:

- a. Not Cheat. Cheat, defraud, or attempt to cheat or defraud such person;
- b. No False Report. Willfully make or cause to be made to such person any false report or statement thereof, or willfully to enter or cause to be entered for such person any false record thereof;
- c. Not Willfully Deceive. Willfully deceive or attempt to deceive such person by any means whatsoever in regard to any such order or contract, the disposition of or execution of any such order or contract, or in regard to any act of agency performed with respect to such order or contract for such person;
- d. Not Bucket. Bucket such order, fill such order by offset against the order(s) of any other person, willfully and knowingly become the buyer in respect to any selling order of such person, become the seller in respect to any buying order of such person, or knowingly trade with or be associated with persons engaged in such activities;
- e. Not Extort. Be guilty of any extortion or attempted extortion, or of any fraudulent, corrupt, uncommercial, or dishonest practices in any business dealings with Permit Holders or others;
- f. Not Manipulate. Attempt to manipulate the prices of grain or other commodities, or corner, or attempt to corner any grain or other commodities. No False Business Reports. Be guilty of making or circulating any false or slanderous reports relative to the business affairs of other Permit Holders, or relative to the officers, appointees, and committees of the Exchange, or the general management of the market; and
- g. No False Market Reports. Knowingly disseminate any false, misleading, or inaccurate report concerning crop or market information or conditions that affect or tend to affect the price of any commodities in interstate commerce or otherwise.

#### 1177.0 Telephone, Hand-held and Headset Technology in Trading Pits.

~~1. Corded Devices – No Permit Holder or any other person holding a telephone or any other device with a cord that can cause a safety hazard may enter any of the Exchange trading pits.~~

~~2. Wireless telephone, hand-held and headset technology – All Permit Holders and Permit Holder firms are eligible to receive authorization to utilize wireless technology in the trading pits. Only Permit Holders may operate approved wireless technology in the trading pits. The use of wireless technology is subject to an application and approval process by Exchange staff, who may establish reasonable, nondiscriminatory guidelines for the approval and use of such technology. Permit Holders and Permit Holder firms employing individuals utilizing wireless technology either in the trading pits or at their floor booth are responsible for ensuring that such individuals comply with the Exchange's guidelines. Use of wireless technology involving customer orders is subject to the following:~~

~~a. Any Permit Holder using a wireless telephonic link between such Permit Holder's floor booth and a broker in the trading pit for the transmission of customer orders must ensure that the requisite information pursuant to Rule 11-1130.00-1 (Written Record Of Customer Or Option Customer Order) is being properly recorded by such Permit Holder's floor personnel at the booth.~~

~~b. Any Permit Holder using a wireless telephonic link that involves the transmission of customer orders directly to a broker in the trading pit from other than a floor booth must simultaneously have the Permit Holder's floor booth linked so that floor personnel can record the information required by Rule 11-1130.00-1.~~

~~c. Any Permit Holder using technology that transmits customer orders electronically to a hand-held device operated by a broker in the trading pit is not required to maintain a floor booth link provided that such technology captures the requisite information pursuant to Rule 11-1130.00-1. Further, such broker is not required to record such trades on a trading card provided the hand-held device captures the requisite information pursuant to Rule 1115.00 (Trading Records).~~

#### ~~FEES AND CHARGES~~

##### ~~1190.00 Discretion On Fees.~~

~~Commissions or charges permitted to be charged by these Rules shall be in such amounts as the Exchange shall charge in their discretion, and their imposition shall not violate these Rules.~~

##### ~~1191.00 Futures Trades.~~

~~A commission shall be charged for buying and selling, or selling or buying, grain for future delivery. Such commission shall include the service of taking delivery of the grain on the futures contract, and such delivery shall, for the purpose of these rules, be deemed completed by acceptance of the warehouse receipts and payment therefor.~~

##### ~~1191.01 Redelivery.~~

~~A futures commission charge shall be made for making delivery on futures contracts when the grain to be delivered has previously been obtained by delivery on futures contracts.~~

##### ~~1192.00 Financing Charges. A charge shall be made to non-Permit Holders, resident Permit Holders, and nonresident~~

~~Permit Holders as a financing commission in addition to interest charges for:~~

~~a. Carried Over. Financing grain delivered on contract during one (1) contract delivery month and carried to another contract delivery month and redelivered;~~

~~b. Ten Day Lapse. Where the grain taken on delivery is not redelivered and payment from the principal or otherwise is not received until more than ten (10) days have elapsed from the time of acceptance of delivery;~~

~~c. Customer's Account; Redelivery. When grain taken on delivery is carried for the customer's account and redelivered in the same contract month, the said financing charge shall not be made. In such cases a futures commission charge shall be made on each transaction in addition to interest charges; and~~

~~d. Interest Rate. Interest charged according to the provisions of these rules shall be computed from the time of delivery until reimbursement is made.~~

##### ~~1192.01 No Compulsory Financing.~~

~~Nothing herein contained shall be construed as making it compulsory for a Permit Holder to finance deliveries.~~

##### ~~1193.00 Grain In Store; Financing.~~

~~In addition to the finance charge provided for in Rule 1192.00, a charge shall be made for selling grain while in store represented by warehouse receipt(s) obtained by the taking of delivery on futures contracts when financed by a commission merchant or when financed by a customer. However, if the holder of the grain obtained the same by taking delivery of the futures contracts executed by the same Permit Holder, firm, or corporation, there shall be deducted the futures commission previously paid on such transaction.~~

##### ~~1194.00 Ordering Out.~~

~~A charge equal to the commission on consignments shall be made for ordering out and supervising the loading and/or shipping of grain delivered on futures contracts, whether financed by the Permit Holder, firm, or corporation making such charge, or financed by the customer holder of such receipts. The charge shall be in addition to the finance charge provided for in Rule 1192.00. If the futures contract has been~~

executed by the same Permit Holder, firm, or corporation, the commission for such futures contract shall be deducted from the charge provided in this rule.

#### ~~1195.00 Receiving; Delivering Cash Grain On Futures.~~

~~A consignment selling commission shall be charged for receiving cash grain, arranging for the storage thereof, selling the futures and delivering the cash grain on the futures contracts so made. If a storage commission charge has been made previously on the same cash grain, there shall be deducted from the charge herein provided for the amount previously collected.~~

#### ~~1196.00 Reserved~~

#### ~~1197.00 Fees And Charges On Futures Trades.~~

~~All taxes, Exchange fees, and regulatory charges, if any, on a sale for future delivery shall be charged to the party for whom the sale is made.~~

#### ~~1198.00 Brokerage.~~

~~Permit Holders registered with the CFTC shall charge a brokerage commission or fee for execution of futures orders in the trading pit.~~

#### ~~1199.00 Clearing Fee.~~

~~Clearing Members shall charge a fee for reporting and clearing trades, and may charge a larger fee for carrying a trade overnight.~~

#### ~~11-1130.00-1 Written Record Of Customer Or Option Customer Order~~

~~Immediately upon receipt on the floor of the Exchange of a Customer's or option customer's order, the Permit Holder or its designee shall prepare a written record of such order including the Account Identification, Order Number and the Date and Time, to the nearest minute, such order was transmitted or received on the floor of the Exchange. The Date and Time shall be recorded thereon by a time stamp or other timing device.~~

~~Such order may then be transmitted physically, verbally or by hand signals to the floor broker by the Permit Holder or its designee. If such order is not transmitted immediately to the floor broker, the order must be time stamped when it is transmitted.~~

~~(a) If the order is transmitted physically to the floor broker, when the order is received back from the floor broker, the order must also be time stamped;~~

~~(b) If the order is transmitted verbally or by hand signals to the floor broker, when a report of execution, or the fact that it is unable to be executed is received from the floor broker, the order must also be time stamped.~~

~~All Permit Holders shall initiate written procedures to ensure compliance with this rule.~~

#### ~~INTERPRETATIONS~~

#### ~~INTRP 11-1115.00-1 Recording Trading Quantity~~

~~Effective Friday, January 2, 1998, the term "quantity," as used in Rule 1115.00 respecting the items required to be recorded on a trading record, shall mean "number of contracts."~~

~~Note: Prior to 1/2/98, wheat futures quantity was recorded in thousands of bushels rather than contracts.~~

#### ~~INTRP 11-1128.00-1 Exchange Of Futures For Cash~~

~~Rule 1128.00 pertaining to the exchange of futures for cash commodities or in connection with cash commodity transactions may only occur between two parties wherein one of the parties is the buyer of the futures contracts and the seller of the cash commodity and the other party is the seller of the futures contracts and the buyer of the cash commodity. The transaction must be submitted to the Clearing House by a Clearing Member acting on its own behalf or for the beneficial account of a customer who is a party to the transaction. Pass-through of futures is prohibited.~~

#### ~~INTRP 11-1146.00-1 Futures Trading; Spread Requirements~~

##### ~~Intramarket Spreads; Market Up The Limit~~

~~Question: When the market is up the limit, can a futures trader enter into spreads with one side of the spread being lower than the current price which was up the daily limit?~~

~~Answer: Rule 1146.00 permits such spreading transactions provided there is an open outcry in the pit and the pit reporter is advised of the spread transaction. The restrictions of Rule 1146.00 apply to all such transactions.~~

#### ~~INTRP 11-1146.00-2 Futures Trading; Trading Requirements – Bid/Ask Differences~~

~~Rule 1146.00(c) shall mean the following:~~

~~"Spread transactions occurring in contract months which have no daily quotation range, must be concluded at prices which reflect the bid/ask differences available by open outcry in the pit."~~

**CHAPTER 11A****[MOVED TO CHAPTER 8]**  
**CLEARING HOUSE AND PERFORMANCE BONDS**

**11A00.00 CLEARING HOUSE**

The Exchange shall utilize the services of the CME Clearing House in order to protect market participants and to maintain the integrity of the contracts traded on or processed through the Exchange. Membership in the Clearing House shall be a right and privilege granted by the Board of Directors which may, from time to time, establish such classes of membership in the Clearing House, together with the duties, rights and privileges thereof, as it deems necessary.

**11A01.00 MANAGEMENT**

The general direction of the Clearing House shall be under the jurisdiction of the Clearing House Risk Committee. The Chief Executive Officer with the approval of the Board shall appoint a President of the Clearing House, who shall be responsible for the daily operation of the Clearing House and the implementation of the rules applicable to the Clearing House. The President of the Clearing House may also delegate authority for certain aspects of the daily operation of the Clearing House to staff of the Clearing House.

Clearing House staff shall adopt, establish, publish and amend from time to time a Clearing House Manual of Operations ("Manual"). This Manual shall contain, among other things, information and directions for preparing trade data, completing prescribed memoranda and meeting other Clearing House requirements. The Manual and amendments thereto shall constitute part of the rules of the Exchange.

**11A03.00 LIMITATION OF LIABILITY**

The liability of the Clearing House shall be limited to losses resulting from the substitution of the Clearing House upon contracts between Clearing Members and to losses in connection with substitution of another Participating Exchange for Clearing Members (i.e., the Mutual Offset System), and to losses in connection with amounts due and owing from a Partner Clearing House. The Clearing House shall not be liable for any other obligations, including but not limited to, obligations of a non-Clearing Member, obligations of a Clearing Member to a nonmember, obligations of a Clearing Member to another member of the Clearing House who is acting for him as broker, or obligations to a customer by a Clearing Member; nor shall the Clearing House become liable to make deliveries to or accept deliveries from a customer of its Clearing Members.

**11A804.00 SUBSTITUTION**

Except with respect to trades made pursuant to Rules 1128.00, 1129.00 and 11A853.00, the Clearing House shall, through the process of novation, be substituted as, and assume the position of, seller to the buyer and buyer to the seller of the relevant number of Exchange contracts upon the successful matching of trade data submitted to the Clearing House by the Clearing Members on the long and short sides of a trade. With respect to contracts that are traded on and matched by another exchange or market, the Clearing House shall be substituted as, and assume the position of, seller to buyer and buyer to seller of the relevant number of such contracts upon matching of trade data submitted to and accepted by the Clearing House.

Upon such substitution, each Clearing Member shall be deemed to have bought the contracts from or sold the contracts to the Clearing House, as the case may be, and the Clearing House shall have all the rights and be subject to all the liabilities of such member with respect to such transaction. Such substitution shall be effective in law for all purposes.

With regard to trades made pursuant to Rules 1128.00, 1129.00 and 11A853.00, the Clearing House shall be substituted at the time payment of the first settlement variation and performance bond due for such trades pursuant to Rule 11A814.00 is confirmed by the appropriate settlement bank for both members.

**11A805.00 OPEN POSITIONS**

All contracts for the purchase or sale of any product for future delivery shall remain open and in force, and shall continue to be binding upon the original parties until liquidated by offset as provided in Rule 11A806.00 or by delivery or failure to perform as provided in the relevant delivery chapter or product chapter.

**11A806.00 OFFSET PROCESS**

When a Permit Holder buys and sells the same commodity for the same delivery month or a put or call option with the same strike price and expiration month and such contracts are cleared through the Clearing House, the purchases and sales are not automatically offset one against the other. Transactions can only be offset against one another by complying with Rule 11A811.00.

**11A807.00 OPEN LONG POSITIONS DURING DELIVERY MONTH**

At such times and in such manner as shall be prescribed by the Manual, Clearing Members shall submit a complete and accurate record of dates of all open purchases for use in making deliveries. Clearing Members shall be fully responsible for inventories submitted to the Clearing House. This rule shall not apply to trading in options contracts.

**11A808.00 CME CLEARPORT: PROCEDURES FOR TRADE SUBMISSION**

(A) Scope of Rule. This rule governs transactions not competitively executed on the Exchange ("Transactions") that are submitted via CME ClearPort for clearing in connection with a contract that is listed on the Exchange for clearing only or listed for trading and clearing on the Exchange. In submitting such Transactions to CME ClearPort or in allowing such Transactions to be submitted to CME ClearPort, the two parties to the Transaction shall be deemed to have mutually agreed to initiate a process to substitute their transaction for a standardized

futures contract listed for trading and clearing on the Exchange. For purposes of this rule, the two principals in such Transactions shall be referenced as the "Parties to the Transaction."

(B) Transactions: Compliance with Regulatory Exemptions and Exclusions. Each of the Parties to the Transaction shall be responsible for ensuring that the Transaction complies with CFTC regulatory requirements as applicable for such transaction, including as appropriate compliance with the terms of a statutory exemption or exclusion under the Commodity Exchange Act from other CFTC regulation relied upon by the Parties to the Transaction.

(C) Submission of Transactions. The process of submission of a Transaction shall not be deemed to have been completed unless and until the Parties to the Transaction have successfully concluded the submission of the Transaction to the Exchange as an Exchange of Futures for Physicals ("EFP"), an Exchange of Futures for Risk ("EFR"), an Exchange of Options for Options (EOO), as applicable, pursuant to the respective provisions of Exchange Rules 1128.00 or 1129.00 and the provisions of this Rule.

(D) Trade Submission Procedures. All Transactions submitted to the Clearing House pursuant to this rule must be submitted in accordance with the procedures established by the Clearing House for this purpose, as amended from time to time. The Parties to the Transaction and any Party authorized under Section (E) of this Rule with brokering capability ("Broker" or "Brokers") authorized to submit executed transactions on their behalf to the Clearing House and authorized for related activities shall be exclusively responsible, both individually and jointly, for accurately confirming the details of the Transaction to the Clearing House. Once submitted, all such transactions, subject to the rules for trade adjustments set forth in Section (G) of this Rule, shall be deemed final. Neither the Clearing House nor a Clearing Member carrying the account of either party will have any responsibility in the confirmation of trade terms for the Transactions.

(E) Registration of Eligible Participants, Eligible Accounts and Authorized Brokers. Each Clearing Member must register with the Clearing House in the manner required for any customer authorized by the Clearing Member to submit transactions to the Clearing House pursuant to this rule, and must also register with the Clearing House the applicable account numbers for each such customer. For each such account, the Clearing Member carrying that account also must submit to the Clearing House in the manner provided the name of any Broker(s) who has registered with the Clearing House for services provided by the Clearing House, and who is authorized by the customer to act on its behalf in the submission of executed transactions to the Clearing House and related activity.

For any such Brokers authorized by the customer and submitted to the Clearing House by the Clearing Member, such submission by the Clearing Member will not constitute an endorsement or ratification of the customer's authorization of the Broker. Moreover, submission of Brokers authorized by the customer will not mean that the Clearing Member is in privity with, has a relationship with and/or is otherwise standing behind any of the customer's authorized Brokers, and the Clearing Member will have no responsibility for any such Brokers selected by the customer and no duty or obligation to supervise the activities of any such Brokers.

(F) Establishment of Authorized Commodities and Total Risk Value. For each account number that has been registered with the Clearing House pursuant to Section (E) of this rule, a Clearing Member also must input into the Exchange's system authorization indicating the specific commodities for which a Transaction may be submitted to the Clearing House pursuant to this rule and the risk value(s) assigned by the Clearing Member for Transactions for that account.

(G) Trade Deletion Procedures for Transactions Submitted via CME ClearPort. Following submission of the trade details by Broker or Parties to the Transaction (or by Clearing House staff as mutually agreed by the Parties to the Transaction), an e-mail will be transmitted to the Parties to the Transaction notifying them that they have been listed as counterparties in a Transaction that has been submitted to the Clearing House. Following such submission, a buyer or seller may not unilaterally reject the trade terms previously submitted to the Clearing House. However, in order to correct an error resulting from the good faith actions of the Broker or Clearing House staff, as applicable, and upon mutual consent of the Parties to the Transaction, Broker or Clearing House staff, as applicable, may void the transaction provided, however, that this void response is received by the Clearing House within sixty (60) minutes of the time of the initial submission of the Transaction to the Clearing House.

(H) Entry of Transactions. For a Transaction submitted to the Clearing House pursuant to this rule, such transaction first will be routed to the Exchange's credit check system. The time of entry of a Transaction into CME's system will be recorded by the system and will be used by the Clearing House as the time that a credit check was conducted pursuant to Section (I) below.

(I) Use of Credit Check System. The Clearing House will conduct a credit check for each Transaction. The credit check will confirm whether the Clearing Member carrying that account has authorized that account for Transactions submitted pursuant to this rule in the commodity involved in the Transaction, and confirm whether the entry of the Transaction into clearing would fall within the risk value(s) established by the Clearing Member. At all times until both sides (Buy and Sell) of the Transaction have successfully cleared the credit check, a Transaction submitted to the Clearing House pursuant to this rule shall remain as an uncleared Transaction. In the event that either side of the Transaction is rejected as a result of the credit check test, the Parties to the Transaction and their respective Clearing Members would be informed accordingly. Thereafter, any determination as to further action with respect to the Transaction would be resolved by the Parties to the

Transaction.

(J) Trade Submission Deadlines. Transactions that are submitted, confirmed and accepted for clearing, as further provided by Section (K) of this rule, prior to 4:15 p.m. Chicago time on a Clearing House business day will be included by the Clearing House for clearing for that business day. The Clearing House reserves the right to modify these business hours without notice at any time. The CME ClearPort Facilitation Desk will generally be available to assist users 24 hours a day on all Clearing House business days.

(K) Clearance by Both Sides of the Transactions of Credit Check. Upon clearance by both sides of the Transaction of the credit check, the transaction shall be deemed to have been accepted for clearing and will be routed automatically to the Clearing House's clearing system. Notwithstanding the above, a Clearing Member also shall be responsible for accepting and clearing a position for a Transaction entered into the Clearing House's clearing system for clearing following any non-operation of the credit check functionality for the applicable account carried by the Clearing Member.

#### 11A809.00 TRADE DATA PROCESSING SYSTEM

##### Trade Data

Every Clearing Member must submit accurate trade data for the day's business to the Clearing House no later than the time specified by the Clearing House.

##### Matched and Unmatched Trades

The Clearing House shall process all trade data submitted by Clearing Members but shall accept only those trade records (transactions) which are in agreement with the corresponding trade records submitted by the opposite Clearing Members.

Trade records will be matched, to the extent the opposite trade information is consistent, through the tiered matching process.

Resubmitted trade data will be processed by the Clearing House. Trades with unmatched trade information remaining after the tiered matching process will be rejected and outrade notices will be issued to Clearing Members.

Trades unreconciled after the final reconciliation must be submitted on the following business day as "as-of-trades."

##### Trade Register and Clearing Reports

From the trade data cleared during each day's reconciliation, the Clearing House will produce a trade register for each Clearing Member which will itemize by commodity and contract: the opening long and short position, the contracts bought and/or sold during the day, the prices at which executed, and the settlement amounts.

The Clearing House will also produce a recap ledger for each Clearing Member that will itemize various position and financial information that includes but is not limited to, commodity positions, settlement amounts and performance bond information.

##### Reconciliation of Outtrades

It shall be the primary responsibility of the Clearing Member to see that all trades are cleared prior to the opening of the following day's open outcry market.

Each Permit Holder, if applicable, and Clearing Member firm shall designate a person or persons who will be available and responsible for reconciling the Permit Holder or Clearing Member firm's outrades. The person or persons shall be qualified to resolve outrades as the Permit Holder or Clearing Member firm's designated outrade representative. Failure to have a qualified representative available, with all materials necessary to reconcile outrades, at the time specified above shall constitute negligence in the determination of responsibility for any outrades. If one firm cannot locate another firm's broker or representative for clearing purposes during these time periods, it shall report such fact to the President of the Clearing House. If the President of the Clearing House or his designee cannot find the broker or representative of the firm, fines will be assessed in the amounts of \$1,000, \$2,000 or \$3,000 sequentially, for violations occurring within a 30-day period.

#### 11A810.00 FALSE ENTRIES ON CLEARING MEMORANDA

No Party shall place any false or inaccurate entries on any clearing memoranda, including, with respect to a Participating Clearing Member, the clearing memoranda of a Cross-Margining Clearing Organization.

#### 11A811.00 POSITION CHANGE DATA

Position change data must be submitted to the Clearing House each trading day not later than the time specified by the Clearing House. Position change data will be in such form and contain such information as prescribed by the Clearing House. When requested, the identification of accounts will be made available to the Audit Department.

#### 11A814.00 SETTLEMENT VARIATION

When a Clearing Member is long or short any amount of any futures contract at the end of the trading day, as indicated by its clearing memoranda, settlement shall be made with the Clearing House to the settlement price for that day, and such member shall be liable to pay to, or entitled to collect from, the Clearing House any loss or profit, as the case may be, represented by the difference between the price at which the commodity was bought or sold and the settlement price of the commodity at the end of the trading day. After making such settlement with the Clearing House, such Clearing Member shall be deemed long or short (or long and short) such commodity, as the case may be, at the settlement price of the trading day. Notwithstanding the foregoing, the Clearing House shall not be required to pay any profit to a Participating Clearing Member in the event that such

member or its Cross-Margining Affiliate fails to make any required settlement for that trading day with a Cross-Margining Clearing Organization.

If the market conditions or price fluctuations are such that the Clearing House deems it necessary, it may call upon the Clearing Members which in its opinion are affected to deposit with the Clearing House by such time as specified by the Clearing House the amount of funds that it estimates will be needed to meet such settlements as may be necessary. The Clearing House may pay out funds to those Clearing Members that in the opinion of the Clearing House will have credit balances as a result of those same market conditions or price fluctuations, except that in no instance may the Clearing House pay out funds to a Clearing Member, other than at the regular settlement, in excess of the total original performance bond deposits it holds for such Clearing Member. All deposits and payments made under this Rule shall be subject to the procedures prescribed by the Clearing House and set forth in the Manual.

Settlement variation, as figured to the market at such times as the Clearing House shall determine, must be paid in cash or any other form of collateral approved by the Clearing House Risk Committee.

#### 11A818.00 CLOSE-OUT NETTING

If at any time, Chicago Mercantile Exchange Inc. ("CME") is subject to a Bankruptcy Event (as defined in CME's Close-Out Netting Rule (Rule 818)), then all open positions in the CME Clearing House shall be closed in accordance with CME Rule 818. If at any time, CME is in default (as defined in CME's Close-Out Netting Rule (Rule 818)), a Clearing Member's open proprietary and customer positions at the CME Clearing House shall, at the election of the Clearing Member, be promptly closed in accordance with CME Rule 818. The procedures for netting, offsetting and valuing Clearing Member positions in a Bankruptcy Event or a default involving CME are set forth in CME's Close-Out Netting Rule (Rule 818).

#### 11A819.00 LIEN ON COLLATERAL

Each Clearing Member hereby grants to the Clearing House a first priority and unencumbered lien against any property and collateral deposited with the Clearing House by the Clearing Member. Clearing Members shall execute any documents required by CME to create and enforce such lien.

#### 11A820.00 PERFORMANCE BONDS

Performance bond requirements will be as determined by Exchange staff from time to time.

Subject to the terms and conditions as approved by Exchange staff, the Clearing House will accept as performance bond, cash, equity securities, shares of mutual funds, United States Treasury and agency Securities, Letters of Credit, units in CME's Interest Earning Facility Program, shares in CME's Interest Earning Facility 2 Program, permitted investments allowable under CFTC Regulation 1.25, "readily marketable securities" as defined by Securities and Exchange Commission Rules, as applicable, and "London Good Delivery" gold, as defined by the London Bullion Market Association (as used in this Rule 11A820.00, such assets and any proceeds thereof are collectively referred to as "Assets"), all of which must be and remain unencumbered. The Clearing House may include other forms of collateral within the definition of "Assets" upon the approval of the Clearing House Risk Committee and notice to Clearing Members.

All performance bond collateral, as herein described, shall be placed to the credit of the member paying the same for its customers' trades or its own (so-called "house") trades as designated by the Clearing Member. The Clearing House shall value performance bond collateral as it deems appropriate. The Clearing Member shall transfer the performance bond collateral to the Exchange or to an approved depository for safekeeping in an Exchange account and the Exchange shall retain control over such performance bond collateral. Neither the Exchange nor the Clearing House shall have any obligation or responsibility to preserve, protect, collect or realize upon, and under no circumstances shall the Exchange or Clearing House be liable for, any loss or diminution in value or depreciation in the performance bond collateral maintained pursuant to this rule. A Clearing Member who maintains performance bond collateral for its benefit pursuant to this rule shall hold the Exchange and Clearing House harmless from all liability, losses and damages which may result from or arise with respect to the care and sale of such performance bond collateral. All initial and additional performance bonds shall be retained by the Clearing House in whole or in part, as Exchange staff may deem necessary, until the trades for which such performance bond collateral has been deposited, have been offset, cash settled, delivered or otherwise closed out as determined by Exchange staff.

Each Clearing Member shall reimburse the Clearing House for all fees, expenses, charges and costs assessed by a depository against the Exchange with respect to all performance bond collateral maintained in its account, and shall make deposits as may be required by the Clearing House by reason of any depreciation in the market value of such performance bond collateral. If a Clearing Member defaults to the Clearing House with respect to performance bonds, the performance bond collateral maintained in its account pursuant to this rule shall be taken over by the Clearing House and sold without notice and the proceeds of the performance bond collateral deposited for customers' trades shall be applied against the performance bond requirements for the Clearing Members' customers' accounts, and the proceeds of performance bond collateral deposited for the house trades shall be applied against the requirements for the Clearing Member's own (so-called "house") account.

#### 11A824.00 ADDITIONAL PERFORMANCE BOND

Whenever, in the opinion of the Clearing House Risk Committee, the President of the Clearing House or, in his absence, his delegate, unstable conditions relating to one or more products exist, they may from time to time, call

for additional performance bond collateral from Clearing Members. Such additional performance bond calls may be as much as or more than the original performance bond collateral. The performance bond collateral thus called for may be for one or more contract(s) from one or more Clearing Member(s) and on long positions, short positions or both.

In the event market conditions and price fluctuations at any time shall cause the Clearing House Risk Committee or the President of the Clearing House or, in his absence, his delegate, to conclude that additional performance bond collateral is required to maintain an orderly market or to preserve fiscal integrity the Clearing House Risk Committee or the President of the Clearing House or his delegate may call for additional performance bond collateral to be deposited with the Clearing House during the next banking hour after demand therefor, or at such times as may be specified. Such additional performance bond collateral may be called from the longs or the shorts or from both.

When the Clearing House Risk Committee or the President of the Clearing House or, in his absence, his delegate, shall be of the opinion that any Clearing Member is carrying commitments or incurring risk in its proprietary, customer and/or cross-margin accounts, that are larger than is justified by the financial condition of that Clearing Member, then the Clearing House Risk Committee, the President of the Clearing House or, in his absence, his delegate, may require additional performance bond collateral of such Clearing Member which shall be deposited with the Clearing House during the next banking hour after demand therefor, or at such time as may be specified, or a portion of the open positions of said Clearing Member may be required to be transferred to the books of another Clearing Member.

#### 11A827.00 SECURITIES LENDING PROGRAM

United States Treasury Bills, Treasury Notes, Treasury Bonds, Treasury Bond Principal Strips, Agency Securities, and other financial instruments approved by Exchange staff, (collectively, "Securities") that are deposited with the Clearing House by Clearing Members as performance bond for their own (i.e., "house") trades may be loaned out by the Exchange pursuant to the Securities Lending Program. Clearing Members depositing Securities with the Exchange as performance bond for house trades that are loaned out pursuant to the Securities Lending Program are deemed to agree that the lending of Securities under arrangements having safeguards consistent with generally accepted market practices will constitute reasonable care of the Securities in the possession of the Exchange or its securities lending custodian.

#### 11A830.00 CROSS-MARGINING

##### Definitions

1. Cross-Margining Affiliate: An affiliate of a Participating Clearing Member with which such Clearing Member is cross-margining its positions at the Clearing House and a Cross-Margining Clearing Organization.
2. Participating Clearing Member: A Clearing Member that is cross-margining its positions at the Clearing House with its own or a Cross-Margining Affiliate's positions at a Cross-Margining Clearing Organization.
3. Cross-Margining Clearing Organization: A clearing organization that has entered into a Cross-Margining Agreement with the Clearing House.
4. Joint Cross-Margining Program: A cross-margining program in which the Clearing House and one or more Cross-Margining Clearing Organizations each hold a joint security interest in positions, margin and other property of Participating Clearing Members and, if applicable, their Cross-Margining Affiliates.
5. Guaranteed Cross-Margining Program: A cross-margining program in which a guaranty is provided by and between the Clearing House and one or more Cross-Margining Clearing Organizations and each entity holds an individual security interest in positions, margin and other property of Participating Clearing Members and, if applicable, their Cross-Margining Affiliate.

##### Cross-Margining Programs

1. The Clearing House may establish cross-margining programs as approved by the Clearing House Risk Committee and the Board. A Clearing Member may become a Participating Clearing Member to participate in a Joint Cross-Margining Program by establishing with the Clearing House one or more cross-margin accounts for cross-margining positions with either its own positions or those of a cross-margining affiliate at a Cross-Margining Clearing Organization. In order to establish a cross-margin account, a Clearing Member shall enter into the agreements required by the Clearing House, including a Cross-Margined Account Agreement and Security Agreement with the Clearing House, the Cross-Margining Clearing Organization, and, if applicable, the member's Cross-Margining Affiliate. That Agreement shall provide, among other things, that the Clearing House and the Cross-Margining Clearing Organization shall jointly have a first lien on and security interest in all positions held in the cross-margin account, all related performance bond, and all proceeds of the foregoing, as security for the obligations of the Clearing Member and, if applicable, its Cross-Margining Affiliate, to the Clearing House and the Cross-Margining Clearing Organization. Failure to comply with the terms of such Agreements may constitute an act detrimental to the interest or welfare of the Exchange.
2. A Clearing Member may become a Participating Clearing Member in a Guaranteed Cross-Margining Program by entering into a Cross-Margining Participant Agreement with the Clearing House, the Cross-Margining Clearing Organization, and, if applicable, the Clearing Member's Cross-Margining Affiliate. That Agreement shall provide, among other things, that a Participating Clearing Member shall immediately be obligated to reimburse the Clearing House ("Reimbursement Obligation") in the event the Participating Clearing Member or its Cross-

~~Margining Affiliate defaults in the payment of any obligation to a Cross-Margining Clearing Organization and the Clearing House is required to make a guaranty payment to such Cross-Margining Clearing Organization. In addition, the Agreement shall provide that the Clearing House shall have a first lien and security interest in all positions held, all related performance bond, and all proceeds of the foregoing, as security for the obligations of the Clearing Member and, if applicable, its Cross-Margining Affiliate, to the Clearing House. Failure to comply with the terms of such Agreement may constitute an act detrimental to the interest or welfare of the Exchange. The provisions of this Rule 11A830.00 and the corresponding sections of the Clearing House Manual shall apply to all CME-cleared positions held pursuant to a cross-margining program and shall supersede all other provisions of the Rules to the extent inconsistent therewith. In addition, the Clearing House shall determine what positions will be eligible for cross-margining.~~

#### ~~Performance Bonds for Cross-Margining Program~~

~~Performance bond requirements for a Joint and Guaranteed Cross-Margining Program shall be determined as set forth in the Cross-Margining Agreement, and that Agreement shall also govern what forms of performance bond will be permitted and how such performance bond will be held.~~

#### ~~Close-Out of Cross-Margin Positions~~

~~A Participating Clearing Member may be suspended if it or its Cross-Margining Affiliate, if any, is in default in payment of any obligation, including a Reimbursement Obligation, with respect to a Joint or Guaranteed Cross-Margining Program.~~

~~The cross-margin account of a Clearing Member participating in a Joint Cross-Margining Program may be liquidated by the Clearing House at the request of a Cross-Margining Clearing Organization whether or not the Exchange or the Clearing House suspends, or is permitted under the Rules to suspend, such Clearing Member. Upon the suspension of a Participating Clearing Member, or upon receiving notice from a Cross-Margining Clearing Organization of its suspension of a Participating Clearing Member or its Cross-Margining Affiliate, the Clearing House shall have the right to liquidate the positions in the cross-margin account, convert to cash the performance bond therefor, and dispose of the proceeds thereof, all in accordance with the terms of the Cross-Margining Agreement.~~

~~The positions of a Clearing Member participating in a Guaranteed Cross-Margining Program may be liquidated by the Clearing House in the event that the Participating Clearing Member or its Cross-Margining Affiliate defaults in the payment of any obligation to the Clearing House or a Cross-Margining Clearing Organization. Upon the suspension of a Participating Clearing Member, or upon receiving notice from a Cross-Margining Clearing Organization of its suspension of a Participating Clearing Member or its Cross-Margining Affiliate, the Clearing House may liquidate the positions of the Participating Clearing Member; all related performance bond; and all proceeds of the foregoing. The Clearing House may then apply all such liquidated proceeds to satisfy the Participating Clearing Member's obligations to the Clearing House, all in accordance with the terms of the Cross-Margining Agreement.~~

#### ~~11A852.00 SURCHARGES FOR ERRORS, DELAYS AND OMISSIONS~~

~~Exchange staff may establish, and from time to time revise, schedules of surcharges to be imposed upon Clearing Members for errors, delays and omissions with respect to trade data and certain other information required to be provided to the Clearing House. These surcharges are to be collected by the Clearing House and are in addition to any disciplinary sanctions that may be imposed by Market Regulation, the BCC or CHRC for the violation of Exchange rules.~~

#### ~~11A853.00 TRANSFERS OF TRADES AND CUSTOMER ACCOUNTS~~

##### ~~Transfers of Trades~~

~~1. Subject to the limitations of Rule 11A854.00, existing trades may be transferred either on the books of a Clearing Member or from one Clearing Member to another Clearing Member provided:~~

- ~~i. The transfer merely constitutes a change from one account to another account provided the underlying beneficial ownership in said accounts remains the same; or~~
- ~~ii. An error has been made in the clearing of a trade and the error is discovered and the transfer is completed within three Business Days after the trade date.~~

~~2. Subject to the limitations of Rule 11A854.00, Exchange staff may, upon request by the Clearing Member(s), approve a transfer of existing trades either on the books of the same Clearing Member, or from the books of one Clearing Member to the books of another Clearing Member if the transfer is in connection with, or as a result of, a merger, asset purchase, consolidation or similar non-recurring transaction between two or more entities where one or more entities become the successor in interest to one or more other entities.~~

~~3. Exchange staff may, with the consent of the Clearing Member(s) involved, permit the transfer of existing trades if, in staff's opinion, the situation so requires and such transfer is in the best interests of the Exchange.~~

~~4. Provided that the transfer is permitted pursuant to Sections 1, 2 or 3 above, transactions in all physically delivered futures contracts must be recorded and carried on the books of the receiving firm at the original trade dates; all other transactions may be recorded and carried at either the original trade date or the transfer date. Futures transactions may be transferred using either the original trade price or the most recent settlement price; options transactions may be transferred using either the original trade price or a trade price of zero.~~

~~5. All transfers shall be reported to the Clearing House in a form acceptable to the Exchange for the type of~~

transactions involved. The proper indicator must be included in the transfer such that the transactions, including the transaction(s) to reverse an error, clear as transfers. The Clearing Members involved shall maintain a full and complete record of all transactions together with all pertinent memoranda.

#### Transfers of Customer Accounts

1. Subject to the limitations of Rule 11A853.00, after receipt of a signed instruction from a Clearing Member (the "Carrying Clearing Member") to transfer all or a portion of a customer account to another Clearing Member (the "Receiving Clearing Member"), and provided that such instruction contains the customer's name and account number (and, if the transfer is not of the entire account, a description of which portion is to be transferred), and provided that the Receiving Clearing Member agrees to accept the account, the Exchange shall promptly transfer the account (or the relevant portion thereof), without requiring any close-out or rebooking of positions in connection with the transfer, provided that:

- i. The transferred positions will satisfy Exchange performance bond requirements at the Receiving Clearing Member; and
- ii. Any remaining positions in the customer account at the Carrying Clearing Member will satisfy Exchange performance bond requirements.

#### 11A854.00 CONCURRENT LONG AND SHORT POSITIONS

Set forth below are the procedures that must be followed for concurrent long and short positions and hold-open accounts:

A. Concurrent long and short positions in the same commodity and month may be held by a Clearing Member at the direction of a customer or on behalf of an omnibus account; however it shall be the duty of the Clearing Member to ascertain whether such positions are intended for offset or to be held open prior to final transmission of position data to the Clearing House.

B. Concurrent long and short positions in physically delivered contracts that are held by the same owner during the delivery month and two business days prior to the delivery month must be offset by transactions executed in the market, by allowable privately negotiated transactions, or fulfilled through the normal delivery process, provided however that trades may be transferred for offset if the trade date of the position being transferred is the same as the transfer date. Such positions may not be offset via netting, transfer, or position adjustment except to correct a bona fide clerical or operational error on the day the error is identified and provided that the quantity of the offset does not represent more than one percent of the reported open interest in the affected futures contract month.

C. Clearing Members which, pursuant to this rule, carry concurrent long and short positions, must report to the Clearing House both sides as open positions. When either side or both sides are reduced in accordance with Section B. of this rule, the open positions as reported to the Clearing House must be reduced accordingly.

D. The Exchange takes no position regarding the internal bookkeeping procedures of its Clearing Members which, for the convenience of a customer, may "hold open" a position only on their books. However, the Clearing Member must accurately report to the Exchange and the Clearing House, as appropriate, large trader positions, long positions eligible for delivery and open interest.

CHAPTER 12  
DELIVERIES

CLEARING HOUSE

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## **CHAPTER 12 DELIVERIES**

### **CLEARING HOUSE**

#### **1200.00 DELIVERIES; CLEARING HOUSE**

Deliveries on all futures contracts shall be made through the Clearing House. Delivery notices will be given and received, based upon positions (short and long) as shown on the records of the Clearing House as of the close of the business day next preceding the day of delivery notice.

#### **1200.01 SELLER; DELIVERY NOTICE**

A seller obligated to make delivery of commodities shall issue and deliver to the Clearing House a signed delivery notice which shall contain the name and business address of the issuer and which shall state the quantity and kind of grain to be delivered.

#### **1200.02 SELLER; TIME**

Delivery notices must be issued and delivered to the Clearing House before 4:00 p.m. on the second business day preceding the day of delivery except that, on the last notice day of the delivery month, delivery notices may be delivered to the Clearing House until 2:00 p.m. on the last notice day (business day preceding the last delivery day).

#### **1200.03 SELLER; WAREHOUSE RECEIPTS DELIVERED**

When electronic warehouse receipts are to be delivered, notice shall describe the electronic warehouse receipts by giving the name of the elevator, the serial number, the quantity, and the grade of grain.

#### **1200.04 CLEARING HOUSE; NOTICE TO BUYER**

The Clearing House, upon receipt of such notice of intention to deliver, shall immediately issue notice to the buyer to whom the delivery will be made. Delivery must be accepted by the said buyer.

#### **1200.05 TIME OF DELIVERY; APPLICATION BY CLEARING HOUSE**

Deliveries on futures contracts shall be made to the Clearing House not later than 11:00 a.m. The Clearing House shall apply such deliveries as soon as possible that same day. This limit shall not be changed by any resolution of the Board advancing the hours of trading and other time limits contained in these rules. The Clearing House shall refuse to accept any tender of delivery after the time limit here provided.

#### **1200.06 LONGER NOTICE**

Whenever the CFTC by order requires the giving of longer notice of delivery than herein provided, such order shall be observed by sellers, but the time of delivery of notices to the Clearing House shall be as herein provided. No order of the CFTC shall apply to then existing contracts.

#### **1201.00 FAILURE TO DELIVER**

Failure to make delivery of commodities within proper time after tender of notice as herein provided shall be deemed uncommercial conduct subject to the disciplinary procedure of Chapter 14. Further, such failure shall be deemed a default and the provisions of Rules 1225.00 through 1228.00 shall be applicable.

### **ELECTRONIC WAREHOUSE RECEIPTS**

#### **1205.00 DELIVERY BY ELECTRONIC WAREHOUSE RECEIPTS**

Except as otherwise provided, delivery of commodities shall be made by the delivery of registered electronic warehouse receipts issued by warehousemen against stocks in warehouses which have been declared regular by the Board.

### **1206.00 DELIVERABLE ELECTRONIC WAREHOUSE RECEIPTS**

All electronic warehouse receipts deliverable on futures contracts shall be for quantities or parcels sold, accompanied by a memorandum of the property to be delivered, with the price of the same, together with the amount due therefore. All electronic warehouse receipts which are tendered on a contract shall be for 5,000 bushels of grain.

### **1207.00 STORAGE ALLOWANCE AND OTHER ALLOWANCES**

Effective with the September 2011 wheat futures contract month, no electronic warehouse receipts covering grain in store shall be valid for delivery on futures contracts unless the storage and insurance charges set forth in Rule 17-1715.00-2 (but not load-out fee) on such grain have been paid up to the first calendar day of each contract delivery month (whether or not such receipts will be delivered in satisfaction of futures contracts) and such payment endorsed on the electronic warehouse receipt. Such endorsement may be made, at the option of the holder, by the regular warehouse issuing the receipt or Exchange staff upon payment to the Exchange Secretary as agent of the warehouse company. Unpaid accumulated storage and insurance charges and the load-out fee shall be assumed by the buyer. Failure to pay the storage and insurance charges by the business day preceding the first calendar day of each contract delivery month shall be deemed a violation subject to the disciplinary procedures set forth in Chapter 44 of the Rules.

### **1208.00 CHARGES**

On all deliveries by regular electronic warehouse receipts, the deliverer (seller) shall allow storage and insurance charges accrued to date of delivery.

### **1209.00 LOADING OUT; DOCUMENTS REQUIRED**

Delivery of grain by regular warehouses when ordered loaded out by holders of regular electronic warehouse receipts shall be by tender of an Official Inspection Certificate and with a weight certificate supplied by a Federally licensed weigh master attached. All deliveries on regular electronic warehouse receipts shall be settled on weights and grades of the respective market.

#### **1209.01 NO FREIGHT REQUIREMENT**

The Warehouseman is not required to furnish transit billing on grain represented by electronic warehouse receipt deliveries. Delivery shall be flat.

### **1210.00 INSPECTION GOVERNING**

Grain loaded against electronic warehouse receipts that have been delivered on futures contracts shall grade at the loading elevator according to the Official Inspection Certificate the same grade as specified on warehouse receipt surrendered.

## **DELIVERIES ON ELECTRONIC WAREHOUSE RECEIPTS; PROCEDURE**

### **1215.00 SURRENDER ELECTRONIC WAREHOUSE RECEIPTS**

Permit Holders who hold electronic warehouse receipts and desire delivery of grain shall surrender the electronic warehouse receipts to the issuer thereof with written load-out instructions in duplicate, stating the grade and amount of grain called for by said receipts. The parties issuing said electronic warehouse receipts shall deliver the amount and kind of grain called for into covered hopper rail cars (hereinafter referred to as cars), or such other equipment mutually agreed upon by the parties. The duplicate order shall be signed by the issuer to acknowledge receipt thereof, and returned to the holder.

#### **1215.01 UNITED STATES ORIGIN ONLY**

A futures contract for the sale of wheat shall be performed on the basis of United States origin only upon written request by a taker of delivery at the time load-out instructions are submitted.

(See also Rule 2000.05)

### **1216.00 ORDER CARS**

In accordance with trade practices, the issuer of electronic warehouse receipts shall be responsible for ordering, in writing, the cars necessary for the shipment ordered to be loaded against such receipts and shall give a copy thereof

to the holder. However, the holder of the warehouse receipts may elect, in writing, to furnish cars to the elevator of the warehouse receipts issuer to expedite shipment and shall give notice to the loading elevator accordingly. Cars furnished by the taker on delivery shall apply against the delivering elevator's empty car order. Any charges incurred for the ordering or cancellation of car orders made at the request of the holder by written instructions shall be for the account of the holder.

#### 1217.00 EVIDENCE

In case the receipt holder elects, in the notice given, to have the issuer order the cars necessary for the loading requested, or in the event that railroad companies will furnish empty cars only on the order of elevator operators, the issuer shall immediately place an order with the railroad for all of such cars as the notice specifies and furnish to the receipt holder the railroad order number or other communication from the respective railroad company giving satisfactory evidence that the cars have been ordered.

#### 1218.00 LOADING CARS

Within five (5) business days after the receipt of the loading order request the delivering elevator shall commence loading all applicable rail equipment that has been actually placed or constructively placed to the delivering elevator at the applicable daily/weekly rate pursuant to subsections (a) and (b) below. The cars are to be loaded in the order they are placed and applied to the respective loading instruction in the order they were furnished. However, in the event cars for more than one set of loading instructions are on constructive placement, the loading elevator shall be required to order from constructive placement those cars furnished for the earliest loading request.

a. Warehouse Received Wheat Delivered and Not Loaded Out	Load-Out Requirements In-Hopper Cars	
	Daily	Weekly
Up to 3,000,000 Bushels	30	150
3,005,000 to 4,000,000 bu.	40	200
4,005,000 to 5,000,000 bu.	50	250
Each Like Increment up, Add	10	50

#### b. Reporting requirements

The operator of a facility that is declared regular for delivery is to report the total quantity delivered on current and prior contracts that has not yet been loaded-out as of the close of business on the last business day of the expiring contract month. Such information shall be reported to the Exchange not later than 9:00 a.m. on the next following business day (first business day of the month immediately following the expiring month).

#### c. Publicizing the Load-Out Rate

The Exchange is charged with publicizing the load-out rate for each warehouse declared regular whose load-out rate is above the minimum thirty (30) cars per day.

#### d. Duration of Established Load-Out Rate

The published load-out requirement is to remain in effect through the close of business on the last delivery day of the next following contract month, at which time the new load-out rate will be determined pursuant to subsections (a) and (b) above.

#### 1219.00 STORAGE CHARGES

Storage charges for account of the holder of the warehouse receipts will cease on any amount on the date that amount is loaded. Furthermore, provided cars are actually or constructively placed, storage charges for the account of the holder will also cease on any bushels not meeting the minimum weekly load-out requirements on the final day that loading is due. In the event loading orders are subsequently cancelled before completion, storage charges will accrue on the total remaining balance.

## **1220.00 DEFAULT**

A default on the entire remaining delivery obligation shall be deemed to have been made if the loading elevator becomes more than twenty (20) business days delinquent in maintaining the minimum load-out capacity, if applicable cars are available, or does not comply with other provisions of these rules.

## ~~1220.01 CONDITIONS BEYOND CONTROL~~

~~No default shall exist if the deliverer can submit satisfactory proof that, because of conditions beyond the deliverer's control, the deliverer has not been able to load the grain as prescribed. These conditions include, but are not limited to fire, flood, strike, windstorm, and other conditions generally considered acts of God.~~

## **DEFAULT**

### **1225.00 DEFAULTED DELIVERY; PURCHASER'S OPTIONS**

In case any property contracted for future delivery is not delivered at maturity of contract, the purchaser may elect to:

- a. Consider the contract forfeited and cancel the same at the last settlement price as determined by Rule ~~8131487.00~~;
- b. Purchase the property on the market for the account of the seller by 11:00 P.M. of the next business day and notify the seller of such purchase before 2:30 P.M. of the same day; or
- c. Require a settlement with the seller at the average market price on the day of the maturity of contract.

Any damage or loss due to the purchaser by reason of such purchase or declared settlement shall be due and payable by the seller immediately.

### **1226.00 BUYER'S DEFAULT; SELLER'S RIGHTS**

In case any property contracted for future delivery is not received and paid for when property tendered, it shall be the duty of the seller, in order to establish any claim on the purchaser, to sell the property at any time during the next twenty-four (24) hours after such default shall have been made. The purchaser shall be notified within one (1) hour of such sale. Any loss resulting to the seller shall be paid by the party in default.

### **1227.00 UNREASONABLE CHARGES NOT ALLOWED**

Rules 1225.00 and 1226.00 shall not be construed as authorizing unjust or unreasonable claims based upon manipulated or fictitious markets. In case of any disagreement arising from any action taken under these Rules, the expressed willingness of either party to the controversy to submit the controversy to arbitration under these Rules shall be accepted and construed by the appropriate committee as evidence of the Permit Holder's readiness to equitably adjust and settle the disputed obligation. Such Permit Holder shall not be subject to discipline while the matter is pending arbitration. Such Permit Holder shall abide by the same in good faith and in case of an award, shall promptly perform such award.

### **1228.00 PARTIES TO ARBITRATION ON DEFAULT**

In case of default on any contract month's deliveries, when the transactions have been carried through the Clearing House, the arbitration of all disputes in reference thereto shall be in one (1) arbitration, so that all the controversies and rights of all parties for any one (1) month's deliveries may be settled at one and the same time. The parties to such arbitration shall be the Clearing House and all parties to whom deliveries were to have been made. All the provisions of the rules and regulations of the Exchange as to arbitration shall apply.

### **1240.00 THRU 1260.00 [RESERVED]**

### **1270.00 DELIVERIES IN BANKRUPTCY SITUATION**

- a. For purposes of this Rule:
  - (i) The term "carrying Clearing Member" means a Clearing Member which carries accounts for customers of a debtor on an omnibus basis.
  - (ii) The term "customer" shall mean any person for whom a Permit Holder carries an Exchange futures contract.
  - (iii) The term "debtor" shall mean any Permit Holder with respect to which an order for relief is entered under the Bankruptcy Code.

- (iv) The term "person" shall include an individual, partnership, corporation, trust, association or any other organization.
- (v) The term "order for relief" means the filing of a petition in bankruptcy in a voluntary case and the adjudication of bankruptcy in an involuntary case.
- (vi) The term "tender" with respect to a notice of delivery shall mean:
  - A. In the case of a short Clearing Member that has presented such a notice to the Clearing House, the assignment of such notice by the Clearing House to a long Clearing Member;
  - B. In the case of a long Clearing Member, the acceptance by such Clearing Member of such notice from the Clearing House;
  - C. In the case of a short non-Clearing Member that has requested its Clearing Member to issue such a notice, the presentment by such carrying Clearing Member of such notice to the Clearing House; and
  - D. In the case of a long non-Clearing Member, the allocation of such notice to the debtor by its carrying Clearing Member and the allocation of such notice to a customer by the long non-Clearing Member.
- b. This Rule shall apply only in the event and under the circumstances set forth in paragraph (c) hereof.
- c. Any provision of the By-Laws or Rules to the contrary notwithstanding, in the event that a debtor carries for a customer any Exchange futures contract in the current delivery month with respect to which the underlying physical commodity has not become a part of the debtor's estate on the date of the entry of the order for relief, and with respect to which:
  - (i) Trading has ceased on the date of the entry of the order for relief; or
  - (ii) Notice of delivery has been tendered on or before the date of the entry of the order of relief; or
  - (iii) Trading ceases before such futures contract can be liquidated by the trustee of the debtor's estate; then, any customer for whose account such debtor is holding any such futures contract shall make delivery of and receive payment for, or receive delivery of and make payment for, the physical commodity as required to fulfill such contract as follows:
    - A. If the debtor is a Clearing Member, directly with the Clearing House and the Clearing House shall receive delivery of and make payment for, or make delivery of and receive payment for, such commodity in accordance with these Rules; provided, however, that in lieu of making and taking delivery, any such customer and the Clearing House may settle any such contract in any manner permitted under the Clearing House's rules.
    - B. If the debtor is not a Clearing Member, through the carrying Clearing Member that carried the customer's account in an omnibus account for the debtor in accordance with the provisions of paragraph (d).
- d.
  - (i) Immediately upon learning that an order for relief under the Bankruptcy Code has been entered with respect to a debtor which is not a Clearing Member, the carrying Clearing Member shall communicate with the debtor or its trustee in bankruptcy to ascertain the identity and address of each customer of the debtor who is to make or take delivery pursuant to this Rule 1270.
  - (ii) Immediately upon ascertaining such information, the carrying Clearing Member shall:
    - A. Notify each such customer that such customer is to make or take delivery, as the case may be, through the carrying Clearing Member as if the customer maintained an account directly with the carrying Clearing Member, and
    - B. Specify the actions which the customer is required to take to consummate such delivery.
  - (iii) If, prior to the time when delivery is required to be consummated pursuant to the By-Laws and Rules, the carrying Clearing Member, after good faith efforts, is unable to communicate with a customer or if the customer, for any reason fails or refuses to timely undertake the actions required pursuant to Rule 1270, the carrying Clearing Member shall have no further obligation or liability to the debtor or such customer in connection with such delivery.
  - (iv) Nothing contained in this Rule 1270 shall prevent a customer and a carrying Clearing Member from making mutually agreeable arrangements to settle deliveries on terms other than those set forth in paragraph (d).
- e. The making or taking of delivery or payment with respect to any futures contract in accordance with paragraph (c) or (d) shall discharge in full the obligations of such customer and such opposite Clearing Member or carrying Clearing Member, as the case may be, to the debtor with respect thereto, but shall not discharge the debtor from any of its obligations with respect to such contract except to the extent that such delivery or payment is made.

Nothing contained in this Rule 1270 shall relieve any customer of its obligation to make or take delivery under any Exchange futures contract for the sole reason that delivery must be made to or taken from a commodity broker which is a debtor.

#### **1271.00 DECLARATIONS OF FORCE MAJEURE MOVED TO RULE 701**

~~If a determination is made by the Chief Executive Officer, President or Chief Operating Officer, or their delegate, that delivery or final settlement of any contract cannot be completed as a result of Force Majeure, he shall take such action as he deems necessary under the circumstances, and his decision shall be binding upon all parties to the contract. The Exchange shall notify the CFTC of the implementation, modification or termination of any action taken pursuant to this Rule as soon as possible after taking the action.~~

~~It shall be the duty of clearing members, members and regular facilities to notify the Exchange of any circumstances that may give rise to a declaration of Force Majeure.~~

~~Nothing in this Rule shall in any way limit the authority of the Board of Directors to act in a Force Majeure situation pursuant to Rule 230.k.~~

#### **INTERPRETATION OF CHAPTER 12 RULES**

Note: Any examples used in this Interpretation are based on the minimum load-out rate of 30 cars per day or 150 cars per week. Any elevator subject to a higher load-out rate pursuant to Rule 1218.00 must take such higher rate of load-out into consideration and adjust such examples accordingly.

The delivery rules charge the loading elevator to begin loading requested delivery wheat within five (5) business days, which is on day six (6) following receipt of the taker's load-out instructions on day one. Business days do not count Saturdays, Sundays or holidays. Rules include loading requirements per day or per week because some elevators may have to load on a daily basis rather than on a weekly basis. However, an elevator may choose to consolidate his loadings to even once a week. The stop storage rule is to be figured on a weekly basis. Under these rules neither prior business nor new business is of any consequence and does not affect loading requirements or applicable stop of storage. However, an elevator may choose to delay loading, for whatever reason, and allow storage to stop, but must load at a rate adequate to avoid default. Therefore, storage would stop with day ten (10) on 495,000 bushels if no wheat has been loaded or on any portion of this amount that has not been previously loaded. Storage charges would include day ten (10). Loadings made prior to a stop storage deadline would have charges due through the actual day of loading. Storage would stop in a like manner on additional 495,000 bushels at five (5) business day increments thereafter.

Because communications between parties is encouraged, any amendments to the loading request would continue to have time count for stop storage requirements. However, if the order is cancelled and reinstated at a later date, the time begins again at the reinstatement date. Also, if the order is cancelled, then storage charges will accrue from day one on the total remaining balance, whether or not any of the bushels had previously passed a stop storage date. Subsequent amendments or modifications of an existing load-out request do not constitute cancellation of a loading order. A taker may request any railroad covered rail hopper cars or elect to provide private car equipment. Any charges that may be incurred for the ordering or cancellation of car orders shall be paid by the taker. The intent is for the taker to be responsible for reasonable costs of placing and canceling car orders. If cars are not available, as requested in load-out instructions, then the obligation to load is suspended and time does not count until cars are available.

While an elevator may choose to load the required amount after a stop storage date, the intent is not to delay loading unreasonably. The intent of the default rule is therefore intended as only a serious extreme limit. An elevator would be in default on the entire remaining delivery obligation on day 31 if it has not loaded at least 495,000 bushels by day 30. Default on the entire remaining delivery obligation would also be deemed to have occurred after each following five day increment if the elevator becomes more than 20 business days delinquent in maintaining the minimum load-out schedule.

While communication is encouraged, throughout the delivery rules there are various requirements that communication be confirmed in writing. This is intended to provide a clear audit trail of the delivery process.

#### **12-1215.00-1 DELIVERIES ON WAREHOUSE RECEIPTS; REQUIREMENTS**

Deoxynivalenol (also known as Vomitoxin) Restriction

When electronic warehouse receipts are surrendered to the issuer for load-out pursuant to Rule 1215.00, the taker of delivery shall have the option to, at taker's expense, request in such written load-out instructions that the wheat contain no more than 2 ppm (two parts per million) of deoxynivalenol (vomitoxin). A determination of the level of deoxynivalenol shall be made at the point of origin by the Federal Grain Inspection Service or such other third party inspection service mutually agreeable to the maker and taker of delivery. The determination of the level of

deoxynivalenol shall be based on the average test results of the wheat loaded in a single day from a single warehouse for each taker of delivery. As of the effective date of this rule (September 1, 2011), any electronic warehouse receipts previously issued and outstanding shall be subject to the provisions of this Rule.

**INTRP 12-1209.00-1 CHARGES TO MOVE OR TRANSPORT GRAIN**

Electronic warehouse receipts delivered to fulfill a futures contract obligation shall be interpreted as "in store" a regular elevator and that any and all charges to move or transport the grain from the elevator is for the account of the warehouse receipt holder. This includes elevation, weight certificates, grade certificates and other charges known or unknown at this time.

[\(End Chapter 12\)](#)

## CHAPTER 13 RESERVED

### FINANCIAL REQUIREMENTS

#### ~~1301.00 Guaranty Of Futures Trades.~~

~~A guaranty of trades protects the other side of a futures trade made in the pit by a guaranteed Permit Holder until the trade has been accepted for clearing. At that point the trade becomes the responsibility of the Clearing Member accepting the trade. Usually such Clearing Member will also be the guarantor, but this may not be the case. Trades made by a guaranteed Permit Holder at another futures market are not covered by such guaranty.~~

#### ~~1301.01~~

~~Withdrawal Of Guaranty. Except as otherwise provided in these rules, privileges accorded a Permit Holder shall terminate when the Permit Holder's guaranty of trades by a Clearing Member is withdrawn by such Permit Holder's Clearing Member.~~

**CHAPTER 14 [RESERVED]**  
**DISCIPLINE [REVISED AND MOVED TO CHAPTER 4]**

**INVESTIGATIONS**

~~1400.00 Staff To Conduct~~

~~The Exchange shall conduct a prompt and thorough investigation of any possible rule violation regardless of how such matter was called to their attention.~~

~~1401.00 Discovery Of Violations:~~

~~If, during the progress of any arbitration or other investigation before any committee of the Exchange, it shall appear to such committee that any person may be guilty of violating or attempting to violate these Rules, such committee shall report such matters to Exchange staff. Thereafter, such matter shall be handled as any other possible rule violation.~~

~~1402.00 Time To Commence:~~

~~Normally an investigation will be commenced within four (4) weeks of receipt of information suggesting an investigation of a possible Rule violation is necessary, and the investigation shall be completed as soon as reasonably possible.~~

~~1403.00 Notice To Permit Holders:~~

~~Persons under investigation shall be advised unless not feasible due to press of time or other factors.~~

~~1405.00 Written Report:~~

~~A written investigation report shall be made by Exchange staff on conclusion of the investigation where it has reasonable cause to believe a violation of the Rules has occurred.~~

~~1406.00 Warning Letter:~~

~~Exchange staff is authorized to issue a warning letter to a person under investigation or to recommend the Complaint Committee issue such a letter.~~

~~1410.00 Committee:~~

~~The Complaint Committee shall review all matters involving possible violations of these Rules. That Committee shall be charged with the duty to review the written reports submitted by Exchange staff.~~

~~1411.00 Exchange Staff Report Submitted To Committee:~~

~~The investigation report must be given to each member of the Complaint Committee once it is prepared unless Exchange staff clearly feels there is no evidence of a rule violation. The Committee shall, by majority vote, take one of the following actions:~~

~~A. If the Committee determines that a reasonable basis exists for finding that a violation of a Rule may have occurred which warrants disciplinary action, it shall issue appropriate charges.~~

~~B. If the Committee determines that a reasonable basis exists for finding that a violation of a Rule may have occurred, but that the issuance of charges is unwarranted, it shall direct that a warning letter be issued.~~

~~C. If the Committee determines that no reasonable basis exists for finding that a violation of a Rule may have occurred it shall direct that no further action be taken.~~

~~D. Direct that Exchange staff investigate the matter further.~~

~~The Committee shall direct Exchange staff to give notice of the charges to the respondent in accordance with these Rules and to the BGC.~~

~~If the Complaint Committee refuses to issue any charge requested by Exchange staff, the Committee shall explain the reason(s) for such refusal in writing. Exchange staff may appeal to the Board any refusal by a Panel to issue these charges requested. If such an appeal is requested, the Board shall conduct a hearing on the matter in accordance with the procedures in Rules 1435.00-1442.02.~~

~~No person shall serve on the Complaint Committee unless he has agreed in writing that he will not publish, divulge or make known in any manner, any facts or information regarding the business of any person or entity or any other information which may come to his attention in his official capacity as a member of the Complaint Committee, except when reporting to the Board or to a committee concerned with such information or to the Legal Department or Market Regulation Department, when requested by the CFTC or other governmental agency or when compelled to testify in any judicial or administrative proceeding.~~

~~All information, records, materials and documents provided to the Complaint Committee and all deliberations, testimony, information, records, materials and documents related thereto shall be treated as non-public and confidential and shall not be disclosed, except as necessary to further an Exchange investigation or as required by law.~~

~~1412.00 Committee Convene; Time:~~

~~The Complaint Committee shall endeavor to consider the investigation report within thirty (30) days of the receipt thereof.~~

~~1413.00 Committee Decision; Time:~~

~~The decision of the Complaint Committee shall be made within ten (10) business days, absent extraordinary circumstances.~~

~~1414.02 Notice Of Charges; Content. The Notice of Charges shall state:~~

~~a. The acts, practices, or conduct in which the person is alleged to have engaged;~~

b. ~~The Rule(s) alleged to have been violated (or about to be violated);~~

c. ~~Reserved;~~

d. ~~That the charged person is entitled to a hearing on the charges unless waived or a written offer of settlement is submitted and ultimately accepted and approved (Rule 1416.00);~~

e. ~~That the charged party may file a written answer within twenty-one (21) business days;~~

f. ~~That the charged party may file a written "nolo contendere" plea, neither admitting nor denying guilt, but waiving all proceedings except a hearing to set any appropriate penalty;~~

g. ~~That failure to answer the charges in writing within the time prescribed in paragraph (e) above shall be deemed admitted plea and a hearing will be scheduled before the BCC where the person shall be deemed to waive his right to a hearing on the charges and the BCC shall find that the violation(s) alleged in the Notice of Charges have been committed;~~

h. ~~That sufficient facts to prove a rule violation must be presented at any hearing before the BCC in order for a penalty to be imposed; and~~

i. ~~Recommend that the charged party carefully review the rules of the Exchange and the CFTC Regulations on disciplinary matters.~~

1414.03 Notice Of Charges; Service On Permit Holder.

The Notice of Charges shall be sent by certified mail to the most current business address known by the Exchange, or the last known residence of the charged party. Proof of mailing in such fashion shall be deemed sufficient notice.

1416.00 Offers Of Settlement

A respondent that is the subject of an investigation or who is charged with a Rule violation(s) may submit for consideration by a panel of the BCC a written offer of settlement in disposition of such investigation or charges. A respondent may submit an offer of settlement without admitting or denying the Rule violations upon which the penalty is based; provided, however, that an offer must include a consent to entry of findings by the BCC regarding the conduct and Rule violations at issue and to the penalty to be imposed.

If Exchange staff does not oppose the respondent's offer of settlement, the respondent's written offer of settlement and staff's supporting statement shall be submitted to the BCC for consideration.

If staff opposes the respondent's offer of settlement, the respondent, following the issuance of any charges by the Complaint Committee, may submit a written unsupported offer of settlement for consideration by the BCC no less than twenty-eight (28) days in advance of the originally scheduled hearing date.

If a respondent submits an unsupported offer less than 28 days before a scheduled hearing date, or after the hearing has commenced, the offer shall not be considered unless agreed upon by the parties. Exchange staff shall be entitled to file a written response to an unsupported offer of settlement within ten (10) days of receiving the unsupported offer. In considering whether to accept the respondent's offer, the Committee shall examine the respondent's written offer of settlement and the staff's written opposition thereto. The respondent may not submit more than one unsupported offer of settlement. Notwithstanding the preceding sentence, a respondent may submit a single additional unsupported offer of settlement if the charging memorandum has been modified pursuant to these Rules subsequent to the BCC's consideration of an unsupported offer of settlement.

A respondent may withdraw an offer of settlement at any time prior to final acceptance by the BCC. If the BCC accepts the offer, a written decision setting forth the BCC's findings and sanction shall be issued, and written notice of the decision shall be given to the respondent.

If the BCC rejects an offer of settlement, the respondent will be notified of the rejection and it will be deemed withdrawn. If an offer is withdrawn or rejected by the BCC, the respondent shall not be deemed to have made any admissions by reason of the offer and shall not otherwise be prejudiced by having submitted the offer. The assigned Chairman of the BCC may decline to convene the BCC to consider an unsupported offer of settlement.

Any contested hearing following an offer of settlement not accepted by a Panel of the BCC will be heard by a new panel.

In submitting an offer of settlement, the respondent waives his right to a contested hearing and to appeal the BCC's decision, pursuant to these Rules of the CFTC, if the offer is accepted; the respondent also waives any claim of bias or prejudgment on the part of the BCC.

If the offer of settlement is accepted, the BCC's decision shall be final on the date it is signed by the appointed Chairman. In the case of an unsupported offer of settlement accepted by the BCC, the Committee's decision shall become the final decision of the Exchange after the appeal period has lapsed.

#### DISCIPLINARY HEARING

1420.00 Hearing Requirement.

No Permit Holder may be disciplined under these Rules without being afforded an opportunity to a fair hearing at which such Permit Holder can present a defense.

1421.00 Hearing Body.

The hearing shall be fair and shall be conducted before a panel of BCC.

1421.01 Conflict Of Interest; Inability To Serve.

No member of the BCC may serve on the Committee or panel if such member or any person or firm, with which

member is affiliated, has a financial, personal, or other direct interest in the matter under consideration.

#### 1422.00 Hearing Date.

In the event a hearing is necessary, it shall be the duty of the appointed Chairman of the Business Conduct Committee to set a hearing date after the date of issuance of the Notice of Charges.

#### 1422.01 Extension Of Time.

The respondent charged and Exchange staff are each entitled to one (1) fifteen (15) business-day extension for good cause shown. The Business Conduct Committee may, in its discretion, grant a longer extension on proof of extraordinary circumstances such as would result in a severe handicap or unfair burden to either side and therefore be unjust.

#### 1422.02 Hearing Promptly Convened.

The hearing shall be promptly convened after reasonable notice to the charged party.

#### 1423.00 Failure To Appear.

If the respondent, after due notice of the hearing as provided in these Rules, fails to appear at the appointed time and place or shall abscond or conceal their whereabouts so that notice pursuant to Rule 1414.03 cannot be made, the hearing may proceed in the absence of such party and the determination of the Business Conduct Committee shall be binding as in other cases.

#### 1424.00 Staff A Party.

Exchange staff shall be a party to the hearing before the Business Conduct Committee and shall present the case on those charges and penalties which are the subject of the hearing.

#### 1425.00 Rights Of Charged Party; Prehearing.

Prior to the commencement of the disciplinary hearing required by this Chapter, the charged party shall be afforded the following:

- a. Right To Representation. Upon being served with a Notice of Charges, a charged Permit Holder has the right to be represented by legal counsel or any other representative chosen by such Permit Holder (such as an accountant or another Permit Holder) in all succeeding stages of the disciplinary proceeding; and
- b. Discovery. The Exchange shall maintain a file once an investigation is initiated. The file shall include any materials in the possession of Exchange staff that are relevant to the conduct being investigated. A respondent charged with a violation of the Rules shall have the right to review the evidence in the investigation file relevant to the issued charges; provided, however, that protected attorney work product, attorney-client communications and investigative work product, including, but not limited to, the investigation report and any exception reports, are neither discoverable by a respondent in disciplinary proceedings nor subject to review by a respondent as part of the investigation file. In its sole discretion, Exchange staff may assign the costs of copying and producing evidence in an investigation file to the respondent requesting the evidence. A respondent may petition the assigned BCC Chairman in writing for an order compelling the production of evidence not contained in the investigation file that it reasonably believes is relevant to the issued charges. Exchange staff shall have a reasonable opportunity to respond, in writing, to the respondent's motion.

#### 1426.00 Rights Of Charged Party; Hearing.

The charged party shall be afforded the following rights at any hearing required by this Chapter:

- a. Appear Personally. The charged party shall be entitled to appear personally at the hearing;
- b. Call Witnesses. The charged party shall be entitled to call witnesses and to present such evidence as may be relevant to the charges; and
- c. Cross Examination. The charged party shall be entitled to cross examine any person appearing as a witness at the hearing.

#### 1427.00 Hearing; Requirements. The following requirements shall apply to any hearing required by this Chapter:

- a. Rules Of Evidence. The formal rules of evidence need not apply; however, the hearing procedures may not be so informal as to deny a fair hearing;
- b. Record Of Proceeding. A substantially verbatim record of any hearing shall be made and become a part of the proceeding. The record must be one that is capable of being accurately transcribed; however, it need not be transcribed unless the transcript is requested by the CFTC or the charged party, if the decision is appealed under CFTC Regulation Section 8.19, if the decision is reviewed by the CFTC pursuant to Section 8c of the Commodity Exchange Act, as amended, or appealed as permitted by these rules; and
- c. Irrelevant Material. Testimony which in the opinion of the Committee or tribunal is irrelevant to the case on hearing shall not be admitted.

#### 1427.01 Hearing; Disorderly Conduct.

The use of any personal, abusive, or discourteous language or other conduct which impedes the progress of any hearing pursuant to this Chapter shall subject the party offending to censure, a fine of not exceeding \$100.00, or both. The penalty shall be imposed by the Committee Chairman at the time of the offense.

#### 1428.00 Witnesses; Exchange Efforts.

The Exchange shall require persons within its jurisdiction who are called as witnesses to appear at the hearing and to produce evidence. Reasonable efforts shall be made by the Exchange to secure the presence of all other

~~persons called as witnesses whose testimony would be relevant.~~

#### ~~1428.01 Persons Within The Jurisdiction Of The Exchange; Defined-~~

~~In addition to Rule 1100.01, other persons within the jurisdiction of the Exchange shall include all Permit Holders to the extent such individuals or firms are involved in transactions governed by the Rules, Floor Clerks, Exchange staff, and Clearing House staff.~~

#### ~~1429.00 Hearing; Testimony-~~

~~All testimony before the Business Conduct Committee shall be truthful and anyone violating this Rule is subject to disciplinary action, including a fine and expulsion from participating in Exchange markets.~~

#### ~~1430.00 Hearing; Witnesses-~~

~~In any hearing before the Business Conduct Committee, if any Permit Holder who shall have had notice, in writing, from the Exchange to appear and testify in the case, or if any Permit Holder who shall have been cited by an appointed Chairman of the Business Conduct Committee to appear and testify, shall neglect or refuse to answer any question which may, by a majority vote of the said panel of the Business Conduct Committee, be declared proper and pertinent to the case in hearing, such Permit Holder shall be subject to suspension by such Committee from all the privileges of the Exchange for such period as that Committee may determine. The Business Conduct Committee may suspend a Permit Holder in case of contempt of a witness before said Committee, provided that in case of such contempt before the Business Conduct Committee, the penalties herein provided may be inflicted at once and without notice.~~

#### ~~1431.00 Hearing; Order of Presentation-~~

~~When Permit Holders are required to appear at a hearing before the Business Conduct Committee for the purpose of discipline, normally each party to such hearing shall be allowed to address the Business Conduct Committee once in opening the case, stating the line of prosecution and defense only; thereafter both sides shall present evidence, the staff first, then the charged party, subject to the right of cross-examination. At the conclusion of such hearing, the staff shall be allowed to address the Business Conduct Committee in opening and closing the argument, and the defense shall be allowed equal time after the opening and before the closing arguments by the prosecution. The closing argument of the staff shall, however, be confined to a summation and any new matters presented in the closing argument of the defense. Before the beginning of the argument the Committee Chairman shall designate the time to be allowed to each party.~~

#### ~~1432.00 Business Conduct Committee Decision-~~

~~A majority vote of the panel of the BCC is required for a finding of guilt. Promptly following a hearing conducted in accordance with these Rules, the Business Conduct Committee shall render a written decision based upon the weight of the evidence contained in the record of the proceeding. A copy of the decision shall be provided to the respondent charged with a rule violation.~~

#### ~~1432.01 Time-~~

~~Normally, a decision should be made in a closed executive session, drafted, edited, revised, signed, and given to the charged Permit Holder as soon as practicable following the conclusion of the hearing.~~

#### ~~1432.02 Consider Rule 1441.00-~~

~~The Business Conduct Committee shall, in considering a case, take into account the guidelines of Rule 1441.00.~~

#### ~~1432.03 Penalties-~~

~~Subject to appeals as provided by the Rules and applicable laws, any respondent who shall be found guilty of any violation of any of the provisions of the Rules shall be subject to being warned, censured, fined, suspended, expelled, or its Exchange trading privileges forfeited, at the discretion of the Business Conduct Committee, after a full and fair hearing of all the facts presented in the case.~~

#### ~~1432.04 Written Decision-~~

~~The written decision shall include:~~

- ~~a. The notice of charges or a summary of the charges;~~
- ~~b. The answer, if any, or a summary of the answer;~~
- ~~c. A brief summary of the evidence produced at the hearing or, where appropriate, incorporation by reference to the investigation report;~~
- ~~d. A statement of findings and conclusions with respect to each charge, including the specific rules which the charged Permit Holder is found to have violated; and~~
- ~~e. A declaration of any penalty imposed and the effective date of such penalty.~~

#### ~~1432.05 Failure To Comply-~~

~~A respondent charged with failing to comply with the terms of any penalty imposed by the Business Conduct Committee or the Board within the time provided shall result in warning, censure, fine, suspension, expulsion or forfeiture of its Exchange trading privileges at the sole discretion of the Board.~~

#### ~~1432.06 Procedure For Imposition Of Penalty For Failure To Comply-~~

~~The failure of a respondent charged with failing to comply with the terms of any penalty imposed by the Business Conduct Committee or the Board within the time provided shall be considered by the Board for possible imposition of sanctions. The respondent shall be given ten (10) days written notice in advance of the meeting of the Board by certified mail to the most current business address known by the Exchange or the last known residences of the charged respondent. Proof of mailing in such fashion shall be deemed sufficient notice.~~

#### 1433.00 Hearing Reopened.

The Business Conduct Committee may order the hearing reopened to receive newly discovered material evidence prior to issuing a written decision on the written request of the staff or the charged party.

#### APPEAL

#### 1435.00 Appeal; Generally.

An appeal, may be taken to an appellate hearing panel of the Board from a decision of the Business Conduct Committee. The appellate hearing panel shall consist of three members of the Board, one of which must be an independent member of the Board, who are appointed by the Executive Chairman upon request.

Exchange staff may request an appeal to a hearing panel of the Board ("Appellate Panel") regarding a final decision of or sanction imposed by the BCC, or any refusal by the Complaint Committee to issue those charges requested by Exchange staff, by filing a written request for an appeal with the Legal Department within ten (10) business days after receiving notice of such decision, sanction or refusal. Filing of a request for an appeal by Exchange staff shall stay any decision that is appealed unless the Board or the appointed Chairman of the panel of the BCC from which the appeal is taken specifically directs that the decision is not stayed pending appeal.

A respondent found guilty of an offense or otherwise aggrieved by a final decision of the BCC, may request an appeal to the Board provided that the decision assesses a monetary sanction greater than \$10,000 and/or an access denial or suspension of any Exchange trading privileges for greater than five (5) business days against the respondent. The request shall be filed in writing with the Legal Department within ten (10) business days after Notice of any such decision. Filing of a request for an appeal by a respondent shall stay the decision appealed unless Exchange staff objects to such a stay and the Board or the Chairman of the panel of the BCC from which the appeal is taken specifically directs that the decision is not stayed pending appeal.

A written request for an appeal must specify the grounds for the appeal and the specific error or impropriety of the original decision. Upon receiving the written request for an appeal, the Board, by a majority vote, shall determine whether sufficient grounds exist to hold a hearing on the appeal. The Board may only determine that sufficient grounds exist if there is a reasonable basis to conclude that the appellant might be able to meet one of the three standards identified below that would permit the Appellate Panel to set aside, modify or amend the appealed decision or the refusal to issue charges. The Appellate Panel's determination shall be based solely upon the written request and, in the case of an appeal of a BCC decision, any written response by the opposing party. The Appellate Panel's determination of whether to hold a hearing on an appeal shall be final.

#### 1436.00 Grounds for Appeal.

The Board shall not set aside, modify or amend the appealed decision or the refusal to issue charges unless it determines, by a majority vote, that the decision or the refusal to issue charges was:

- A. Arbitrary, capricious, or an abuse of the committee's discretion;
- B. In excess of the committee's authority or jurisdiction; or
- C. Based on a clearly erroneous application or interpretation of Exchange Rules.

#### 1437.00 Appeal Hearing; Time.

If a request for an appeal is timely filed and granted by the Appeal Board it shall then convene to hear the appeal within sixty (60) calendar days. At least ten (10) business days advance written notice of the hearing day must be sent to both parties.

#### 1437.01 Continuance.

On written application, for a good cause shown such as a delay in obtaining a typed copy of the transcript, unavailability of counsel, etc., the appointed Chairman of the panel of the Business Conduct Committee may grant each party one (1) continuance not to exceed thirty (30) calendar days.

#### 1438.00 Appeal Board.

The appeal or review proceeding shall be conducted before a panel of three (3) Directors, including at least one independent Director. The Appeal Board shall be appointed by the Executive Chairman upon the timely and proper filing of a request for an appeal pursuant to Rule 1435.00 and 1436.00.

#### 1438.01 Conflict of Interest; Inability To Serve.

No member of the Board shall serve on an appeal or a review body or panel thereof if such member participated in any prior stage of the disciplinary proceeding or if such member or any person or firm, with which such member is affiliated, has a financial personal, or other direct interest in the matter.

#### 1439.00 Scope Of Review On Appeal.

Except for good cause shown, the appeal shall be based on the record of the hearing before the Business Conduct Committee, including documentary evidence and the transcript, and oral and written positions of the parties. The Board shall determine if the decision was based on the weight of the evidence (CFTC Regulation Section 8.18) and/or if the sanction imposed was appropriate. The Board, or a panel thereof, shall have the power to affirm the decision of the Business Conduct Committee, reduce the sanction or remand the matter to the Business Conduct Committee for rehearing.

#### 1440.00 Hearing; Procedure.

The procedure before the Board, or panel thereof, sitting as an appeal body shall be generally as follows:

- a. The Chairman shall preside;
- b. The appealing party shall ordinarily have twenty-five (25) minutes to present its case (not counting question

time);

c. The staff shall have ordinarily thirty (30) minutes (not counting question time);

d. The appealing party shall have a five-minute period for rebuttal and summation;

e. The Directors may ask questions, although generally they should wait until the end of a presentation to do so.

Note: The rights guaranteed by Rules 1425.00, 1426.00, and 1427.00 shall also apply at any appeal hearing.  
1441.00 Considerations In Review Of Sanctions On appeal.

In reviewing the sanction, the Board, or panel thereof, shall consider, among other factors:

a. Nature and extent of injury or damages, if any, suffered as a result of the rule violation, and remuneration, if any, to the injured party;

b. Past record of the charged party;

c. Financial position of the charged party;

d. Deterrent effect of the sanction; and e. Other relevant factors.

1442.00 Appeal Decision.

In the case of an appeal of a disciplinary decision, the Board shall promptly issue a written decision which shall include a statement of findings with respect to the decision from which the appeal was taken and the Board's determination that such initial decision is affirmed, set aside, modified or amended in whole or in part and, with respect to any initial decision that is not affirmed in whole, the Board's determination of the order or penalty to be imposed, if any. The decision of the Board shall be deemed a decision of the Board and shall be a final decision of the Exchange.

1442.01 Copy To Charged Party.

A copy of the written decision of the Board, or a panel thereof, shall be mailed to the charged party, return receipt requested, at the last known address of the charged party.

1442.02 [Reserved.]

SANCTIONS; EFFECTIVE DATE

1455.00 Effective Date.

The effective date for any sanction imposed by the Business Conduct Committee or of any decision of the Board, or a panel thereof, on an appeal, except as otherwise provided, shall be two (2) business days following the delivery of the written decision to the CFTC, a copy having been mailed, return receipt requested, to the charged party at such party's last known address. The decision shall be final on such date, subject to the exceptions listed in Rule 1455.01.

1455.01 Exceptions. The effective date of sanctions as set forth by Rule 1455.00 shall not apply:

a. Where there is reasonable belief that immediate action is necessary to protect the best interest of the market;

b. Where the actions of a person within the jurisdiction of the Exchange impede the progress of a disciplinary hearing (see Rule 1427.01);

c. Where a person has failed to timely submit accurate records required for clearing or to verify each day's transactions or other similar activities (see, e.g., CFTC Regulation Section 8.27); or

d. Where the person against whom the action is taken has consented to the sanction to be imposed.

1456.00 Notice Required For All Sanctions.

Written notice of all disciplinary actions under these rules shall include:

a. The name of the person against whom disciplinary action was taken;

b. A statement of the reason(s) for the Exchange action together with a listing of any rule(s) which the person who was the subject of the disciplinary action was charged with having violated or which otherwise serve as the basis of the Exchange action;

c. A statement of the conclusions and findings made by the Exchange with regard to each rule violation charged; or, in the event of an approved and accepted offer of settlement, a statement specifying those rule violations which the Exchange has reason to believe were committed; and

d. The terms of the disciplinary action.

COSTS

1460.00 Costs Of Transcript.

The costs of transcribing the record of any hearing shall be borne by a charged party requesting the transcript, the party appealing the decision, or the party whose application for Commission review of the disciplinary action has been granted.

Rule 14-1400.00-1 Discipline; Staff To Conduct Investigation

Authority Of Exchange Staff; Confidentiality

During the course of any investigation or review conducted by the Exchange, appointed Exchange staff is authorized and empowered to review and, as necessary, copy any and all books, records, papers, reports, memoranda, financial data, customer data, or any other information or documents in the possession of any person, firm, partnership, or corporation within the jurisdiction of the Exchange which may have a bearing on the matter(s) under investigation or review. All such books, records, papers, etc., reviewed shall be maintained in strict confidence, except that relevant information so obtained may be disclosed only as necessary to the

~~Complaint Committee, Business Conduct Committee, and the Board in connection with matters pending before such bodies.~~

## **CHAPTER 15 [RESERVED]**

### **CUSTOMER ARBITRATION [REVISED AND RELOCATED TO CHAPTER 6]**

Note: FCM responsibilities, CFTC regulations. Customer arbitration procedures are subject to CFTC regulations, which place certain duties on both contract markets and FCMs. It is presumed that Permit Holders will follow CFTC requirements, such as notice to customers, providing multiple forums, etc. (See CFTC Reg. §180).

#### **DISPUTES SUBJECT TO ARBITRATION**

##### **1500.00 Customer Claims And Grievances.**

All customer(s) claims and grievances against Permit Holders or employees thereof, may be heard for settlement through arbitration, in accordance with fair, equitable, objective, and impartial procedures as set forth in this Chapter.

##### **1500.01 Claim Or Grievance; Defined.**

The term "claim or grievance" shall mean any dispute which arises out of any transaction on or subject to the rules of this contract market, executed by or effected through a Permit Holder of this contract market or employee thereof, which dispute does not require for adjudication the presence of essential witnesses or third parties over whom this contract market does not have jurisdiction and who are not otherwise available. The term "claim or grievance" does not include disputes arising from cash market transactions which are not a part of or directly connected with any transaction for the purchase or sale of any commodity for future delivery.

##### **1500.02 Customer; Defined.**

The term "customer" shall mean any person, for whom or on behalf of whom a Permit Holder affects a futures or option transaction on the Exchange, having a dispute, claim, or grievance involving a futures or options contract transaction against a Permit Holder or employee of such Permit Holder; provided, however, that such term does not include Permit Holders.

##### **1500.03 [Reserved]; HEARING BODY**

##### **1503.00 Arbitration Committee Or Special Committee.**

a. Customer Election. Customers submitting a matter in dispute for arbitration under these rules may either elect to have their claim or grievance heard by the regularly constituted Arbitration Committee of the Exchange; or, heard by a specially constituted panel having at least a majority of the persons serving thereon who are not Permit Holders, not associated with any Permit Holder of any contract market, nor employees thereof, and who are not otherwise associated with any contract market. (But see Rule 1503.03, Single Arbitrator).

b. Panel. The parties to an arbitration case shall, if utilizing the regular Arbitration Committee, mutually select five (5) panelists to serve as the hearing panel for that case from the ten (10) elected Arbitration Committee member. Should the parties be unable to reach agreement, the five (5) panelist hearing panel shall be determined by each party alternatively striking one (1) name until five (5) are left; the first strikes being determined by a toss of a coin.

##### **1503.01 Notice Of Election To Customer.**

On receipt by the Exchange of a customer request to arbitrate a dispute with a Permit Holder, the customer shall be advised by written notice of the right to elect to have the controversy decided by the regular Arbitration Committee of the Exchange, or to request a special panel having a majority who are not Permit Holders, not associated with any Permit Holder, nor employees of any contract market, and who are not otherwise associated with any contract market. Such notice must also advise the customer that there are certain fees and costs incidental to the filing of the complaint, stating them and that the panel may not assess any incremental fees for provision of a panel or decision-maker conforming to the requirements of CFTC Regulation 180.2(a), unless the arbitrators in that particular proceeding determine that the customer has acted in bad faith in initiating or conducting that proceeding.

a. For purposes of determining whether a person is "associated with any contract market," the phrase shall include any individual who performs a significant amount of work for any contract market, or a Permit Holder; and any individual who was a Permit Holder, or associated with any Permit Holder, or an employee, of any contract market within the past two (2) years.

b. A Permit Holder who is party to an arbitration proceeding shall pay any incremental fees which may be assessed for provision of a panel or decision-maker conforming to the requirement of Regulation 180.2(a), unless the arbitrators in a particular proceeding determine that the customer has acted in bad faith in initiating or conducting that proceeding.

##### **1503.02 Special Panel; Composition.**

If the customer, following notice as prescribed in Rule 1503.01, makes a written request for a special panel, such panel shall consist of five (5) persons selected as follows:

a. Two (2) members of the regular Arbitration Committee; selected by listing the members' last names in alphabetical order, and using the highest two (2) on the list who have not been used before, with the first being the sixth, eleventh, etc.

b. One (1) member selected by mutual agreement, or failing agreement, under the rules of the American Arbitration Association, which member shall be an attorney and shall be the chairman. Such person shall

~~not be a Permit Holder nor associated with any Permit Holder of any contract market, and shall not be otherwise associated with any contract market.~~

~~c. Two (2) disinterested persons from the public at large, one (1) of whom shall be selected by each party, but neither of whom shall be Permit Holders, nor associated with any Permit Holder of any contract market, nor any employee thereof, and who are not otherwise associated with any contract market.~~

~~d. The parties shall expeditiously make the above selections, so that the hearing will not be unduly delayed.~~

~~1503.03 Single Arbitrator.~~

~~Notwithstanding the above rules, customers may elect a single arbitrator who meets the requirements of CFTC Reg. 180.2 (a).~~

~~1503.04 Incremental Fees.~~

~~A contract market Permit Holder which is a party to an arbitration proceeding shall pay any incremental fees which may be assessed by a qualified forum for provision of a panel or other decision maker which conforms to the requirements of CFTC Reg. 180.2(a) (i.e. one or more persons, of which at least a majority are not Permit Holders or associated with any Permit Holder of any contract market or employee thereof and who are not otherwise associated with a contract market), unless the arbitrator(s) in a particular proceeding determine that the customer has acted in bad faith in initiating or conducting that proceeding. (CFTC Reg. 180.2(e))~~

~~1504.00 Disqualification To Serve.~~

~~Members of the hearing body shall, upon request, through the Exchange, state in writing to the parties relevant background information, including any circumstance that might prevent the member from acting impartially. Members of the hearing body shall be disqualified to sit as a member of the hearing body on the hearing of any case whenever it shall appear by the statement of such member or by the statement under oath of either party to the hearing that such member is interested or prejudiced, is an associate, is related to either party, or that the opposite party has an undue influence over the mind of such member.~~

~~1504.01 Sworn Statement Of Party; Time.~~

~~The party filing a statement under oath under Rule 1504.00 must do so not later than three (3) days prior to the date set for hearing.~~

~~1504.02 Substitute.~~

~~In the event of a disqualification, and if the parties are unable to agree on a substitute, the parties shall submit to each other three (3) names of disinterested members from which each shall strike two (2) names and submit the remaining two (2) names to the Exchange. From those names submitted, the Exchange shall select the member to act as substitute. All such proceedings must be had so as not to delay the hearing and any substitutes must be impartial and objective as required by Rule 1500.00.~~

~~1505.00 Special Committee.~~

~~If a matter for arbitration under these rules is to be heard by the regularly constituted Arbitration Committee and, due to absence or disqualification of the regular member, the Arbitration Committee cannot be formed, the parties in the controversy shall be allowed to fill vacancies with any member(s) willing to serve (not being members of the Board) and upon whom they can agree. If such parties are unwilling to submit their case to the Arbitration Committee, they may choose three (3) or more members (willing to serve and not being on the Board), upon whom they may agree to hear the matter. In either case, such agreement shall be communicated to the Exchange in writing and signed by all parties in controversy.~~

~~1505.01 Award Of Special Committee Binding.~~

~~An award or finding of the majority of any Committee formed pursuant to Rule 1505.00 shall be binding.~~

#### ~~PRE-HEARING PROCEDURES~~

~~1506.00 Exchange of Documents and Written Information.~~

~~The parties to the arbitration shall cooperate with each other in the exchange of relevant documents and written information which may serve to facilitate a fair and equitable hearing. All requests for documents and written information shall be made in writing no later than ten (10) calendar days after an answer is due to an arbitration complaint. Such relevant documents and written information shall be furnished to the requesting party within ten (10) calendar days after the request is made unless an objection is filed to the furnishing of such documents and written information. Unless the hearing body directs otherwise, any such objections will be decided on the written positions of the parties. Upon request of any party to the arbitration copies of documents and written information to be used as exhibits and a list of witnesses to be called (other than those used for rebuttal or cross examination) shall be furnished to the other party and the Exchange. The hearing body may exclude from introduction at the hearing any such documents and witnesses not so identified in advance as provided in this rule.~~

~~1506.01 Preliminary Hearing.~~

~~The hearing body may, at the written request of a party or on its own, order a preliminary hearing in appropriate situations. Such hearing may be conducted orally, by telephone conference, or by written submissions. The hearing body may assign a single arbitrator to resolve the issues in the hearing, who shall be the chairman in the case of a special panel.~~

#### ~~DUTIES OF HEARING BODY~~

~~1507.00 Duties Of Arbitration Committee Or Special Panel.~~

It shall be the duty of the Arbitration Committee or the special panel, as appropriate, to hear and determine all disputes before it pursuant to this Chapter. The Committee or panel shall render a just and equitable award based on the evidence, the law, the Certificate of Incorporation, rules and regulations of the Exchange, and trade practice to the best of its ability.

~~1507.01 Nonliability.~~

~~The Arbitration Committee or panel members and the Exchange shall not be held liable for any errors of judgment in any respect whatsoever, or for any damages done or loss suffered by reason of their acts.~~

~~1508.00 Duty To Attend.~~

~~Members of the Arbitration Committee, failing to attend when their services are required, shall be fined by the Board, for the use of the Exchange, \$25.00 for each default, unless a satisfactory excuse shall be made to the Arbitration Committee.~~

#### COMPLAINT

~~1510.00 Written Sworn Complaint; Filing.~~

~~Any customer desiring to submit a matter in dispute as defined in Rule 1500.01 to the Arbitration Committee of the Exchange or to a special panel, shall file a written sworn complaint with the Secretary, alleging the nature of the dispute, the basic facts, the damages sought, and the name of the Permit Holder.~~

~~1510.01 Time.~~

~~The written sworn complaint must be filed within two (2) years after the date of the transaction from which the dispute arose.~~

~~1510.02 Mandatory joinder.~~

~~Any customer having claims growing out of or connected with the same transaction against more than one (1) Permit Holder shall be required to join all of said Permit Holders. On failing to do so, the customer shall be barred and estopped from making any claim or demand against any Permit Holder hereof not so named. This same rule shall apply to counterclaims.~~

~~1510.03 Service On Permit Holder.~~

~~A copy of the complaint shall be served by the Exchange on the Permit Holder.~~

~~1510.04 Withdrawal.~~

~~The customer may withdraw the complaint prior to service of the answer, or thereafter with consent of the Permit Holder.~~

#### ANSWER

~~1514.00 Failure By Permit Holder To Answer.~~

~~If the Permit Holder fails to answer the complaint in writing within ten (10) calendar days after service of copy, or if the Permit Holder refuses to sign the agreement prescribed in Rule 1517.00, the Permit Holder shall be deemed to have refused to arbitrate and to have incurred the possibility of disciplinary action by the Business Conduct Committee for such non-action, including the possibility that the Committee may order an award for the customer.~~

#### AGREEMENT TO ARBITRATE

~~1517.00 Agreement.~~

~~Within ten (10) calendar days the parties to the arbitration shall sign the Articles of Agreement in a form to be furnished by the Exchange.~~

~~1517.01 Execution By Customer.~~

~~The customer shall also sign an agreement to abide by and comply with all the terms and provisions of the Certificate of Incorporation, and all orders and resolutions of the Board, and any committee of the Exchange concerning the arbitration of said demand, and of any counterclaim which the Permit Holder may present.~~

~~1517.02 Execution By Permit Holder.~~

~~Any Permit Holder or any officer of a Permit Holder firm may execute an agreement on behalf of such firm or corporation.~~

#### CUSTOMER RELEASE

~~1520.00 Release. Every customer presenting a complaint against a Permit Holder seeking arbitration shall accompany the complaint with a release in the form to be furnished by the Exchange.~~

~~1520.01 Hold In Trust By Exchange.~~

~~The Exchange shall hold the release in trust pending the result of arbitration, and shall deliver it to the Permit Holder in any of the following cases:~~

- ~~a. If after being ordered to do so by the Committee or panel, or by the Board, the customer has failed to prosecute the claim within ten (10) days of being notified in writing of the order to prosecute;~~
- ~~b. If an award is rendered for the Permit Holder by the Committee or panel; or~~
- ~~c. If the Permit Holder pays or offers to pay the customer the amount of award, after deducting any counterclaim in favor of the Permit Holder.~~

~~1521.00 Cancellation And Return Of Release.~~

~~In the event an award is rendered against a Permit Holder which is not paid within ten (10) calendar days, then the release shall be cancelled and returned to the customer. Should any unforeseen event render it just and proper that the release be returned, the Board can direct such to be done.~~

~~1524.00 When Presented.~~

~~A Permit Holder shall have the right to present any counterclaim of the character defined in Rule 1500.01, and wherein the counterclaim arises out of the transaction or occurrence that is the subject of the customer's claim or grievance and does not require for adjudication the presence of essential witnesses, parties, or third persons over whom the Exchange does not have jurisdiction. Other counterclaims are permissible only if the customer agrees to the submission after the counterclaim has arisen, and if the aggregate monetary value of the counterclaim is calculable.~~

~~1524.01 Reply to Counterclaim.~~

~~The customer shall reply to the counterclaim in writing within ten (10) calendar days after service of copy.~~

~~HEARING~~

~~1528.00 General.~~

~~Hearings shall settle the issues with all practical dispatch. Unnecessary and unreasonable delay by any of the parties shall not be permitted.~~

~~1528.01 Time Of Hearing.~~

~~The time and place of the arbitration hearing shall be determined by the appointed Chairman of the hearing body, and due notice thereof shall be given by the Exchange. Reasonable effort shall be made to accommodate the parties.~~

~~1528.02 Postponements.~~

~~Unless for good cause shown satisfactory to the hearing body, neither party shall postpone the hearing of a case longer than twenty-one (21) calendar days after it has been submitted.~~

~~1528.03 Location.~~

~~Arbitration proceedings conducted under this Chapter must be held at a place appointed by the Exchange, in Kansas City, Missouri, unless otherwise agreed to by the parties and the hearing body.~~

~~1529.00 Representation By Counsel.~~

~~Each of the parties in an arbitration hearing shall have the right, if desired, to be represented by counsel, at such party's own expense, in any aspect of the procedure.~~

~~1530.00 No Ex Parte Contacts.~~

~~Contacts by any of the parties involving the matter in dispute with members of any panel or Arbitration Committee shall not be permitted except at the hearing.~~

~~1531.00 Personal Appearance.~~

~~Each of the parties shall be entitled to appear in person, or by telephone conference, at such hearing, except, however, those claims or grievances submitted in writing (and any counterclaims applicable thereto) which are in the aggregate under \$2,500 may be resolved without a hearing on the basis of the submitted written documents. The procedures for the resolution of such case based on submission of such written documents shall insofar as possible, follow the rules for submission at a hearing.~~

~~1532.00 Citations To Witnesses.~~

~~The hearing body has the power to issue citations to witnesses upon the written request of the parties, or on its own. Permit Holders or the customer served with a citation must appear to testify and bring such documents as required by the citation, at the time and place indicated.~~

~~1533.00 Rule Of Construction.~~

~~In all such adjudications, the hearing body shall construe all the provisions of the law, the Certificate of Incorporation, the rules, and all the regulations of the Exchange as being designed to secure justice and equity in trade, and all awards or findings shall be made in conformity therewith.~~

~~1534.00 Determining Value.~~

~~In determining the true market value of property, its value in other markets, or for manufacturing purposes in this market, together with such other facts as may justly enter into the determination of its true value, shall be considered, in addition to prices it may be selling for in this market. In case of default of contracts for future delivery, the buyer or the seller may be required to pay, in addition to the actual damage or loss, as a penalty for such default, an amount not exceeding ten percent (10%) of the value of the property as the same may be determined under the foregoing provisions of this rule.~~

~~1535.00 Oath Of Arbitration.~~

~~Before commencing the hearing of a case, the Permit Holders of any hearing body shall be required to take and subscribe to the following oath or affirmation, vis-à-vis:~~

~~I do solemnly swear (or affirm) that I will faithfully and fairly hear and examine all matters in dispute now to be submitted, and that I will make a just and equitable award or finding upon the same, in conformity with the law, the Certificate of Incorporation, Rules of the Exchange and according to the evidence to the best of my understanding and ability, so help me God.~~

~~1536.00 Evidence.~~

~~All evidence before the hearing body shall be taken orally, or by telephone conference, under oath or affirmation.~~

~~1537.00 Record Of Proceedings.~~

~~All testimony and the proceedings of the hearing shall be recorded by a stenographer and/or electronic recorder.~~

The original stenographic or electronic record shall be transcribed or electronically duplicated only upon the request of the hearing body, or of a party. A requesting party shall bear the cost of the transcription or duplication, provided that one (1) copy of any transcript shall be furnished the hearing body, at the expense of such requesting party.

#### 1538.00 Role Of Chairman:

The appointed Chairman of the hearing body shall perform the following functions:

- a. Set the time and date for the hearing in consultation with the other hearing body Permit Holders and the parties;
- b. Convene and conduct the hearing in an orderly fashion following the procedural guidelines (Rule 1540.00) to the extent practicable;
- c. Consult with the hearing body to determine procedural matters, which may be done in private (such as whether or not challenged evidence is to be admitted into evidence), and then to announce the hearing body's decision to the parties;
- d. Assign the drafting of the award; and
- e. Sign the final award.

#### 1539.00 Role Of Hearing Clerk:

A designated member of Exchange staff may serve as hearing clerk. The clerk will make sure the room is in order; arrange for the recording of the hearing; receive and send all official notices, citations, etc.; administer oaths to hearing body members and to witnesses; mark evidence; retain the evidence and the official record; call witnesses; and otherwise serve to facilitate the hearing. The clerk may confer with the hearing body upon its request; when asked, provide nonbinding legal or procedural opinions; and if so instructed, prepare a draft of an award. The clerk may not express an opinion upon the factual issues.

#### 1540.00 Procedural Guidelines:

The intent of this rule is for the hearing to be conducted in a fair, businesslike manner using the following procedure as a guide:

- a. Formal call of the case to order by the Chairman of the hearing;
- b. Oath of hearing body members administered by hearing clerk;
- c. Introduction, identification of parties, hearing body members, witnesses, clerk, etc;
- d. Administration of oath to witnesses;
- e. Customer's opening statement;
- f. Permit Holder's opening statement;

[Explanation of (e) and (f): Opening statements are optional, and should consist of a very brief description of the principal issue(s) in dispute, and what the parties intend to prove, and to inform the hearing body as to the nature of the case. Opening statements may consist of reading of the complaint and/or answer. They are not evidence of facts alleged therein.]

- g. Presentation of written stipulation of undisputed facts, signed by both parties and prepared prior to the hearing;

[Explanation: This is optional and may be used to shorten the hearing since all facts not stipulated must be proved at the hearing. If no facts are in dispute, parties may elect not to have a hearing and to make a written presentation.]

- h. Presentation of customer's evidence;
- i. Presentation of Permit Holder's evidence;

[Explanation of (h) and (i): Factual allegations in dispute must be proven by oral testimony of witnesses and/or by documentary evidence. Each party may question the other's witnesses (including the other party if a witness) after initial testimony and may examine documentary evidence before it is offered into evidence. Normally all evidence is admitted in an arbitration proceeding for whatever value it may have, even if slight. However matters clearly not relevant may be excluded if challenged. Parties testifying in their own behalf should only present facts at this point, and not argue the case. Arguments are presented later.]

- j. Rebuttal (if any) by customer;
- k. Rebuttal (if any) by Permit Holder;

[Explanation of (j) and (k): Rebuttal is an attempt to refute facts presented by the other party by further documents or witnesses.]

- l. Customer announces case closed;
- m. Permit Holder announces case closed;

[Explanation of (l) and (m): Usually at this point a brief recess is in order to permit the parties time to organize closing arguments.]

- n. Customer's final argument;
- o. Permit Holder's final argument;
- p. Customer's rebuttal argument;

[Explanation of (n), (o), and (p): Any or all of these (final argument and/or rebuttal argument) may not be given if the party so chooses. By permission of the hearing body, final arguments may be made in writing and submitted later.]

q. Formal hearing adjourned by Chairman;

[Explanation: The hearing body may announce its decision at the conclusion of the hearing, or it may await private deliberations and/or reading of the transcript prior to announcing a decision.]

#### AWARD

1541.00 Arbitration Award; Time.

The hearing body shall meet and discuss the case within two (2) business days after the hearing and shall make its decision within ten (10) business days after receipt of the transcript.

1541.01 Award In Writing.

The hearing body shall render its award(s) or finding(s) in writing, through Exchange staff, within five (5) business days after its decision is made. Such award(s) or finding(s) shall be signed by the persons to whom submitted.

1541.02 Contents Of Award. The written award should:

a. Identify the parties;

b. State the procedural and substantive issue(s), and the resolution of each;

c. State the reason(s) for the decision, including the relevant facts;

d. Announce the name of the prevailing party; and

e. State the monetary award, if any, to be paid, by and to whom, and direct payment of costs.

The decision should be clear and concise, yet contain enough information to permit a stranger to the case to understand the facts, the issues, the decision, and the reasoning.

1541.03 Modification of Awards.

The hearing body may modify or correct an award for clarifying the award; or where there is an evident miscalculation of figures or evident mistake in the description of any person, thing or property; or where the award is imperfect in a matter of form, not affecting the merits of the controversy.

1541.04 Record Of Awards.

The Exchange shall keep a record of the cases submitted for adjudication, and the disposition of the same. The Exchange shall also collect all awards and pay them over to the parties in whose favor they may be and enter the same in the record of the case.

1541.05 Appeal From Award.

There shall be no right of appeal to any entity within the Exchange which can overturn the settlement procedure decision under the provisions of this Chapter; the only right of appeal being under applicable law. Any party who becomes aware of a judicial appeal of the award shall notify the Board through Exchange staff.

1541.06 Compliance With Award.

A Permit Holder's refusal to comply with an award within thirty (30) calendar days of it being rendered in writing (without an appeal being taken), is a violation of Exchange Rules.

#### FEES

1545.00 Advance Notice Of Fees.

Exchange staff shall ensure that adequate notice is provided in advance of a submission of a claim, grievance, or counterclaim of the nature and amount of any fees which may be assessed against customers utilizing the procedure.

1546.00 Filing Fee.

Exchange staff shall receive a nonrefundable filing fee of \$50.00.

1547.00 Fees For Arbitration.

The hearing fees for arbitration under the provisions of this Chapter shall be for the benefit of the individual Permit Holders of the hearing body and shall be as follows:

Where the amount in controversy is \$2,500 or less, the hearing fee shall be \$100.00 (\$20.00 per Permit Holder)

\$2,501 to \$10,000, the hearing fee shall be \$200.00 (\$40.00 per Permit Holder)

Over \$10,000, the hearing fee shall be \$600.00 (\$120.00 per Permit Holder)

1548.00 Paid In Advance.

The fees shall be paid in advance to the Exchange by the party bringing the case except for the additional sitting fee which must be paid prior to the issuance of the award.

1549.00 Additional Sitting Fee.

In all cases brought before the hearing body wherein the evidence is of such volume that it cannot be presented or heard in one (1) sitting, the hearing body shall have power to adjourn the hearing from time to time and to charge, in its discretion, \$10.00 for each additional sitting of not less than three (3) hours.

1550.00 Failure To Appear.

If either or both of the parties to a controversy fail to appear at the time set for the hearing, or request a postponement, they may (if the case is postponed) be assessed with costs, by and for the use of the hearing body, in any reasonable sum at the hearing body's discretion. The hearing body, however, may insist that the hearing shall take place without postponement.

1551.00 Who Pays Fees.

Fees, and all additional costs that may be incurred, shall be finally paid by either of the parties in the case, as may be decided by the hearing body, and included in its award or finding.

~~A Permit Holder who is party to an arbitration proceeding shall pay any incremental fees which may be assessed for provision of a panel or decision-maker conforming to the requirement of Regulation 180.2(a), unless the arbitrators in a particular proceeding determine that the customer has acted in bad faith in initiating or conducting that proceeding.~~

**CHAPTER 16 [RESERVED]**

**PERMIT HOLDER TO PERMIT HOLDER FUTURES ARBITRATION [REVISED AND RELOCATED TO CHAPTER**

**6]**

**Disputes Subject To Arbitration**

**1600.00 Settlement Of Permit Holder Disputes**

This chapter sets forth the procedure for settlement of claims, grievances, or disputes involving futures contract transactions between Permit Holders only, and which do not involve customers.

**1601.00 Claim, Grievance or Dispute; Defined.**

The term "claim or grievance" shall mean any dispute which arises out of any transaction on or subject to the rules of this contract market, executed by or effected through a Permit Holder of this contract market or employee thereof, which dispute does not require for adjudication the presence of essential witnesses or third parties over whom this contract market does not have jurisdiction and who are not otherwise available. The term "claim or grievance" does not include disputes arising from cash market transactions which are not a part of or directly connected with any transaction for the purchase or sale of any commodity for future delivery.

**1602.00 Permit Holder; Defined. [Reserved].**

**1603.00 Permit Holders Must Arbitrate.**

Any Permit Holder who shall commence any legal action against another Permit Holder (unless by agreement) for any dispute arbitratable under this Chapter before first attempting to arbitrate, shall be subject to disciplinary action pursuant to Chapter 14. If arbitration has been attempted and rejected, then a legal action may be commenced and the Permit Holder failing or refusing to arbitrate may be disciplined pursuant to Chapter 14.

**1604.00 Procedure.**

Only the rules and procedures of this Chapter 16 shall govern Permit Holder to Permit Holder disputes involving futures contract transactions and shall be independent of customer claims or grievances submitted for resolution under Chapter 15.

**HEARING BODY**

**1605.00 Arbitration Committee.**

(a) Hearing. It shall be the duty of the Arbitration Committee to hear and determine all disputes described in Rule 1601.00.

(b) Panel. The parties to the arbitration case shall, if utilizing the regular Arbitration Committee, mutually select five (5) members to serve as the hearing panel for that case from the ten (10) elected Arbitration Committee members. Should the parties be unable to reach agreement, the five (5) member hearing panel shall be determined by each party alternatively striking one (1) name until five (5) are left. The first shall be determined by a toss of a coin.

**1606.00 Disqualification To Serve.**

Members of the Arbitration Committee shall be disqualified to serve as a member of such Committee on the hearing of any case whenever it shall appear by the statement of such member or by the statement under oath of either party to the hearing, that such member is interested or prejudiced, is an associate, is related to either party, or that the opposite party has an undue influence over the mind of such member.

**1607.00 Sworn Statement Of Party; Time.**

The party filing a statement under oath pursuant to Rule 1606.00 must do so not later than three (3) business days prior to the date set for hearing.

**1608.00 Substitute.**

In the event of disqualification, and if the interested parties are unable to agree on the substitute, each party shall submit to the other three (3) names of disinterested members (those persons who have no interest in the dispute) from which each shall strike two (2) names and submit the remaining two (2) names (one from each list) to Exchange staff. From the names submitted, Exchange staff shall select the member to act as a substitute. All such proceedings must be had so as not to delay the hearing.

**1609.00 Special Committee.**

When the Arbitration Committee cannot be formed due to absence, disqualification, or unwillingness of regular members to serve, the parties shall be allowed to fill vacancies with any member(s) willing to serve (not being members of the Board) on whom they may agree. If such parties are unwilling to submit their case to the Arbitration Committee, they may choose three (3) or more members (willing to serve and not being on the Board) on whom they may agree. Such agreement, in either case, shall be communicated to Exchange staff in writing and signed by all the parties in the controversy.

Note: Any Special Committee agreed upon under this rule shall adhere to all requirements and duties of a hearing body as set forth in this Chapter.

**1610.00 Award Of Special Committee Binding.**

An award or finding of any committee formed pursuant to Rule 1609.00 shall be binding as if made by the regular Arbitration Committee.

**DUTIES OF HEARING BODY**

**1611.00 Duties Of Arbitration Committee.**

The Committee shall render a just and equitable award based on the evidence, the law, the Certificate of

Incorporation, the rules and regulations of the Exchange, and trade practice to the best of its ability.

#### ~~1612.00 Nonliability.~~

~~The Committee members and the Exchange shall not be held liable for any errors of judgment in any respect whatsoever, or for any damages done or loss suffered by reason of their acts.~~

#### ~~1613.00 Duty To Attend.~~

~~Members of the Arbitration Committee who fail to appear when their services are required shall be in default and shall be fined \$25.00 for each default by the Board for the use of the Exchange, unless a satisfactory written excuse is presented to the Board within five (5) business days of said default.~~

#### ~~COMPLAINT~~

#### ~~1614.00 Written Sworn Complaint.~~

~~Any Permit Holder desiring to submit a matter in dispute as defined in Rule 1601.00 to the Arbitration Committee for resolution, shall file a sworn written complaint with the Exchange, alleging the nature of the dispute, the basic facts, the damages sought and the name of the Defendant.~~

#### ~~1614.01 Time.~~

~~The sworn written complaint must be filed with the Exchange within two (2) years after the date of the transaction from which the dispute arose.~~

#### ~~1615.00 Mandatory Joinder.~~

~~Any Claimant having claims growing out of or connected with the same transaction against more than one (1) Permit Holder shall be required to join all of said Permit Holders as Defendants. On failing to do so, the Claimant shall be barred and stopped from making any claim or demand against any Permit Holder not so made a Defendant. The same rule shall apply to counterclaims.~~

#### ~~1616.00 Service On Defendant.~~

~~A copy of the complaint shall be served by the Exchange on the Defendant.~~

#### ~~ANSWER~~

#### ~~1617.00 Failure By Defendant To Answer.~~

~~If the Defendant fails to answer the complaint in writing within ten (10) calendar days after service of copy, or if the Defendant refuses to sign the Articles of Agreement prescribed in Rule 1618.00, the Defendant shall be deemed to have refused to arbitrate and to have incurred the possibility of disciplinary action by the Business Conduct Committee as discussed in Chapter 2 for such non-action, including the possibility that the Committee may order an award for the Claimant.~~

#### ~~AGREEMENT TO ARBITRATE~~

~~1618.00 Agreement. Within ten (10) calendar days from the date the sworn written complaint is served on the Defendant as set forth in Rule 1616.00, the parties to the arbitration shall sign the Articles of Agreement in a form to be furnished by the Exchange.~~

#### ~~1618.01 Execution By Permit Holder.~~

~~Any Permit Holder or any officer of a Permit Holder firm may execute the Articles of Agreement on behalf of such firm or corporation.~~

#### ~~COUNTERCLAIM~~

#### ~~1619.00 When Presented.~~

~~Any Defendant shall have the right to present any counterclaim of the character described in Rule 1601.00 against the Claimant.~~

#### ~~HEARING~~

#### ~~1620.00 Time Of Hearing.~~

~~The time and place of the arbitration hearing shall be determined by the Chairman of the Arbitration Committee or Special Committee, and the Exchange shall give due notice to all parties involved. Reasonable effort shall be made to accommodate the parties.~~

#### ~~1621.00 Postponements.~~

~~Unless for good cause shown satisfactory to the Committee hearing the dispute, neither party shall postpone the hearing of a dispute longer than twenty-one (21) calendar days after the sworn written complaint has been filed with the Exchange.~~

#### ~~1622.00 Location.~~

~~Arbitration proceedings conducted under this Chapter must be held at a place appointed by the Exchange, located in Kansas City, Missouri, unless otherwise agreed to by the parties and the Arbitration Committee.~~

#### ~~1623.00 Representation By Counsel.~~

~~The parties to any arbitration proceeding under this Chapter shall have the right to be represented by counsel, at his or her own expense during any aspect of the procedure.~~

#### ~~1624.00 Citations To Witnesses.~~

~~The Arbitration Committee has the power to issue citations to witnesses on the written request of the parties, or on its own. Permit Holders served with a citation to be a witness must appear to testify and bring such documents as required by the citation, at the time and place identified. Refusal to appear, to testify, or produce documents may subject such person to disciplinary actions under these Rules.~~

#### ~~1625.00 Rule Of Construction.~~

At all such adjudications, the Committee shall construe all the provisions of the law, the Certificate of Incorporation, the Rules of the Exchange as being designed to secure justice and equity in trade, and all awards or findings shall be made in conformity therewith.

#### ~~1626.00 Determining Value.~~

~~In determining the true market value of property, its value in other markets, or its value for manufacturing purposes in this market, together with such other facts as may justly enter into the determination of its true value, shall be considered, in addition to prices it may be selling for in this market. In case of default on contracts for future delivery, the defaulting party may be required to pay, in addition to the actual damage or loss, as a penalty for such default, an amount not exceeding ten percent (10%) of the value of the property as determined under the provisions of this rule.~~

#### ~~1627.00 Oath Of Arbitration.~~

~~Before commencing the hearing of a case, the members of the Arbitration Committee shall take and subscribe to the following oath or affirmation, vis-à-vis:~~

~~I do solemnly swear (or affirm) that I will faithfully and fairly hear and examine all matters in dispute to be submitted in this proceeding and that I will make a just and equitable award or finding upon the same, in conformity with the Certificate of Incorporation, rules of the Exchange, and according to the evidence to the best of my understanding and ability, so help me God.~~

#### ~~1628.00 Evidence.~~

~~All evidence before the Arbitration or Special Committee shall be taken orally under oath or affirmation.~~

#### ~~1629.00 Record Of Proceedings.~~

~~All testimony and the proceedings of the hearing shall be recorded by a stenographer and transcribed. The original transcript shall be filed with the Exchange and retained with the record in each case. Copies of the transcript shall, upon request, be furnished to each party to the proceeding. The cost of such record shall be assessed by the Committee.~~

#### ~~1630.00 Role of Chairman.~~

~~The members of the Arbitration Committee or Special Committee shall elect a Chairman. Such Chairman shall perform the following functions:~~

- ~~a. Set the time and date for the hearing in consultation with the other hearing body members and the parties;~~
- ~~b. Convene and conduct the hearing in an orderly fashion following the procedural guidelines set forth in Rule 1632.00 to the extent practicable;~~
- ~~c. Consult with the hearing body to determine procedural matters, which may be done in private (such as whether or not challenged evidence is to be admitted into evidence), and then to announce the decision to the parties;~~
- ~~d. Assign the drafting of the award; and~~
- ~~e. Sign the final award.~~

#### ~~1631.00 Role Of Hearing Clerk.~~

~~A designated member of Exchange staff may serve as Hearing Clerk. The Clerk will make sure the room is in order; arrange for the recording of the hearing; receive and send all official notices, citations, etc.; administer oaths to members and to witnesses; mark evidence; retain the evidence and official record; call witnesses; and otherwise serve to facilitate the hearing. The Clerk may confer with the Committee on its request; and when asked, provide non-binding legal or procedural opinions; and if so instructed, may prepare a draft of an award. The Clerk may not express an opinion on the factual issues.~~

#### ~~1632.00 Procedural Guidelines.~~

~~The intent of this rule is for the hearing to be conducted in a fair, businesslike manner using the following procedure as a guide:~~

- ~~a. Formal call of the case to order by the Chairman;~~
- ~~b. Oath of Committee members administered by Hearing Clerk;~~
- ~~c. Introduction, identification of parties, Committee members, witnesses, Clerk, etc.;~~
- ~~d. Administration of oath to witnesses;~~
- ~~e. Claimant's opening statement;~~
- ~~f. Defendant's opening statement;~~

~~[Explanation of (e) and (f): Opening statements are optional, and should consist of a very brief description of the principal issue(s) in dispute, what the parties intend to prove, and to inform the Committee as to the nature of the case. Opening statements may consist of a reading of the complaint and/or answer. They are not evidence of facts alleged therein.]~~

- ~~g. Presentation of written stipulation of undisputed facts, signed by both parties and prepared prior to the hearing;~~

~~[Explanation: This is optional and may be used to shorten the hearing since all facts not stipulated must be proved at the hearing. If no facts are in dispute the parties may elect not to have a hearing and make a written presentation.]~~

- ~~h. Presentation of Claimant's evidence;~~
- ~~i. Presentation of Defendant's evidence;~~

j. [Explanation of (h) and (i): Factual allegations in dispute must be proven by oral testimony of witnesses and/or by documentary evidence. Each party may question the other's witnesses (including the other party if a witness) after initial testimony and may examine documentary evidence before it is offered into evidence. Normally all evidence is admitted in an arbitration proceeding for whatever value it may have, even if slight. However, matters clearly not relevant may be excluded if challenged. Parties testifying in their own behalf should only present facts at this point, and not argue the case. Arguments are presented later.]

k. Rebuttal (if any) by Claimant;

l. Rebuttal (if any) by Defendant;

[Explanation of (j) and (k): Rebuttal is an attempt to refute facts presented by the other party by further documents or witnesses.]

l. Claimant announces case closed;

m. Defendant announces case closed;

[Explanation of (l) and (m): Usually at this point a brief recess is in order to permit the parties time to organize final arguments.]

n. Claimant's final argument;

o. Defendant's final argument;

p. Claimant's rebuttal argument;

[Explanation of (n), (o), and (p): Any or all of these (final argument and/or rebuttal argument) may not be given if the party so chooses. By permission of the Committee, final arguments may be made in writing and submitted later.]

q. Formal hearing adjourned by Chairman.

[Explanation: The Committee may announce its decision at the conclusion of the hearing or it may await private deliberations and/or reading of the transcript, prior to announcing the decision.]

#### AWARD

##### 1633.00 Arbitration Award; In Writing.

The Arbitration Committee shall render its award in writing, through Exchange staff within five (5) business days after its decision is made. Such award shall be signed by the Chairman and the other members of the Committee.

##### 1633.01 Contents Of Award. The written award should:

a. Identify the parties;

b. State the controlling issue(s) in dispute;

c. Announce the name of the prevailing party;

d. State the reason(s) for the decision, including the relevant facts; and

e. State the monetary award, if any, to be paid, by and to whom, and direct the payment costs.

The decision should be clear and concise, yet contain enough information to permit a stranger to the case to understand the facts, dispute, decision, and reasoning.

##### 1633.02 Record Of Awards.

The Exchange shall keep a record of the cases submitted for adjudication of the Arbitration Committee and the disposition of the same. The Exchange shall collect all awards and pay them over to the appropriate parties and enter the same in the record of the case; or receive written acknowledgment of the receipt of all awards from the parties so entitled, and record the same in the record of the case.

##### 1633.03 Inspection.

The official record and decisions of the Committees and all other records of the case, may be inspected by any Permit Holder who is a party to the case upon written application to the Exchange; except that either party or any witness may request confidential treatment of trade secrets, customers, etc., at the time such is introduced.

#### FEES

##### 1634.00 Filing Fee.

The Exchange shall receive a non-refundable filing fee of \$50.00 for each complaint filed.

##### 1635.00 Fees For Arbitration.

The hearing fees for arbitration under the provisions of this Chapter shall be for the benefit of the individual members of the Committee and shall be as follows:

Where the amount in controversy is

\$2,500 or less, the hearing fee shall be \$100.00 (\$20.00 per Permit Holder)

\$2,501 to \$10,000, the hearing fee shall be \$200.00 (\$40.00 per Permit Holder) Over \$10,000, the hearing fee shall be \$600.00 (\$120.00 per Permit Holder)

##### 1636.00 Paid In Advance.

The fees shall be paid in advance to the Exchange by the party bringing the case, except for the additional sitting fee which must be paid prior to the issuance of the award.

##### 1637.00 Additional Sitting Fee.

In all cases brought before the Arbitration Committee where the evidence is of such volume that it cannot be presented or heard in one (1) sitting, the Arbitration Committee shall have the power to adjourn the hearing from

~~time to time and to charge, in its discretion, \$50.00 extra for each additional sitting of not less than three (3) hours.~~

~~1638.00 Failure To Appear.~~

~~If either of the parties to the dispute fails to appear at the hearing, or requests a postponement, the parties may (if the case is postponed) be assessed with costs, by and for the use of the Committee, in any sum, in the Committee's discretion, not exceeding \$50.00. However, the Committee may insist that the hearing take place without postponement.~~

~~1639.00 Who Pays Fees.~~

~~Fees, and all additional costs that may be incurred during the investigation of suits, shall be finally paid by the party as is decided by the Committee hearing the same, and shall be included in the Committee's award or finding.~~

CHAPTER 17  
ELEVATORS AND WAREHOUSES APPLICATION

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**CHAPTER 17**  
**ELEVATORS AND WAREHOUSES APPLICATION**

**1700.00 APPLICATION FOR REGULARITY**

The owner or operator of any warehouse or elevator who desires to have such facility declared regular for the delivery of grain under the rules and regulations of the Exchange may make an application to Exchange staff for a Declaration of Regularity. Such application shall be made on a form prescribed by the Exchange and shall be accompanied with a description of the facility, including its capacity, strength, and receiving and loading facilities. The application shall also be accompanied by a financial statement certified by an independent certified public accountant as of the end of the fiscal year most recently preceding the date of application. All applications shall be subject to approval by the Exchange to determine compliance with the requirements of this Chapter.

**CONDITIONS**

**1705.00 BOARD PRESCRIBE**

Exchange staff by regulation may prescribe the conditions on which warehouses and warehousemen may become regular. To the extent required by the Commodity Exchange Act, as amended, the Exchange, in the case of federally licensed warehouses and warehousemen, may impose only such reasonable requirements as to location, accessibility, and suitability as may be imposed on other regular warehouses and warehousemen.

**1705.01 EFFECTIVE DATE OF REGULARITY**

For applications for regularity pertaining to a warehouse(s) that is not currently regular, the effective date of regularity shall be as follows:

- a. If the application for regularity is approved during a delivery month, the effective date shall be the first business day of the calendar month immediately following the date of the approval.
- b. If the application for regularity is approved during a month that is not a delivery month:
  1. And the calendar month immediately following the month during which approval was granted is not a delivery month, the effective date shall be the business day following the date of approval.
  2. And the calendar month immediately following the month during which approval was granted is a delivery month, the effective date shall be the business day following the last delivery day of such delivery month.

For applications for regularity pertaining to a warehouse(s) that is currently regular (regularity has not expired or been withdrawn, suspended or revoked prior to consideration of the new regularity application), and the application is for approval of a new operator of such warehouse(s), the effective date of regularity shall be the business day following approval.

**1706.00 CONDITIONS OF REGULARITY**

No warehouse or elevator shall be made regular unless it conforms to the requirements set forth in Rules 1706.01 through 1706.07.

**1706.01 LICENSED**

The warehouse or elevator must be licensed as a public warehouse under the laws of the State of Missouri or Kansas, or under the United States Warehouse Act.

**1706.02 CAPACITY**

The warehouse or elevator must have a storage capacity of not less than one hundred thousand (100,000) bushels.

**1706.03 FACILITIES**

The warehouse or elevator must be equipped with bulk receiving and loading facilities adequate for the prompt dispatch of business.

#### **1706.04 RAILWAY CONNECTIONS**

The warehouse or elevator must be so situated that it is connected by railroad tracks with one (1) or more railway lines within the switching district as described in railroad tariffs of the city in which the elevator is located.

#### **1706.05 FINANCIAL STANDING**

The individual, firm, or corporation operating the warehouse or elevator seeking to be declared regular, shall be of unquestioned good financial standing and credit. Such individual, firm, or corporation shall have and maintain a minimum net worth as may be fixed from time to time by the Exchange, provided that the same is uniform in principle as to all individuals, firms, or corporations. The Exchange shall have full authority to determine at any time whether such net worth, financial standing, and credit exists and is being maintained.

#### **1706.06 COMPLIANCE**

The individual, firm, or corporation operating the warehouse or elevator seeking to be declared regular must comply with the rules and regulations of the Exchange and be a Permit Holder thereof.

#### **1706.07 LOAD-OUT CAPACITY**

The warehouse or elevator must be equipped to load covered hopper rail cars. The warehouse or elevator shall file with the Exchange, stating in bushels, the eight (8) hour load-out capacity of the facility for a five (5) day work week. This load-out capacity must at least meet the minimum load-out required for deliveries on electronic warehouse receipts. (See Rule 1218.00). Further, the warehouse or elevator shall notify the Exchange of any change in such load-out capacity.

#### **1706.08 NOTIFICATION, CHANGE OF STATUS**

The Permit Holder operating a regular warehouse shall notify the Exchange in writing no later than 4:30 p.m. local time on the business day following the date when such Permit Holder becomes aware of any requirement of regularity pursuant to the rules and regulations of the Exchange that is no longer being met. Such requirements include, but are not limited to, Permit Holder requirements under Chapter 12 and financial and suitability requirements under Chapter 17. Failure to notify the Exchange shall be deemed an act detrimental to the best interests of the Exchange and subject to disciplinary action under Chapter 14 of the Rules.

#### **1706.09 REVOCATION, EXPIRATION OR WITHDRAWAL OF REGULARITY**

Any regular warehouse may have their regularity revoked by the Board if it does not or cannot comply with the conditions of regularity set forth in this Chapter ~~or in Chapter 5 of these rules~~. Should the Board revoke the regularity of any warehouse, notice of such shall be posted.

### **ANNUAL RENEWAL**

#### **1708.00 REGULARITY; RENEW ANNUALLY**

Each Declaration of Regularity shall expire each year on the 30th day of May. Application for renewal of such declaration must be filed with the designated Exchange staff at least thirty (30) days prior to such expiration and shall be processed in the same manner as the original application.

### **REQUIREMENTS OF REGULARITY**

#### **1710.00 BOND**

All regular warehouses or elevators shall file with the Exchange a copy of the bond(s), filed with and approved by the applicable licensing authority. All such bonds shall provide that the surety thereon shall notify the Exchange, without right of exoneration, by thirty (30) days' prior written notice of any change, expiration, termination, or cancellation thereof, together with a copy of any change made. Additional bonds may be required by the Exchange in such amount, and containing such conditions or provisions, as it may fix and determine.

#### **1711.00 INSURANCE**

All regular warehouses or elevators shall file with the Exchange copies of insurance policies covering all insurance filed with and approved by the applicable licensing authority. All such policies shall provide that the insurer shall notify

the Exchange, without right of exoneration, by thirty (30) days' prior written notice of any change, expiration, termination, or cancellation thereof, together with a copy of any change made. If the policy requires periodical reports on stocks of grain on hand, certified copies of such reports shall be filed with the Exchange.

#### **1712.00 WEIGH-UP OR MEASURE-UP REQUIREMENTS**

All operators of warehouses or elevators regular under the Rules must weigh-up or measure-up their facilities when requested by the Exchange.

#### **1713.00 RECORDS AND REPORTS**

Operators of elevators or warehouses regular under these rules shall make such reports, keep such records, and permit such warehouse visitation as the Exchange, CFTC, or any other applicable government agency may require. Such books and records shall be kept for a period of five (5) years from the date thereof, and such books, records, and warehouses shall be open at all times to inspection by any representative of the Exchange, CFTC, or any other applicable government agency.

### **CHARGES**

#### **1715.00 ELEVATOR CHARGES; DELIVERY GRAIN**

The Exchange may, from time to time establish and revise fees for regular elevators relating to grain delivered in satisfaction of futures contracts, including an elevation fee, a load-out fee, and an insurance and storage fee; provided that the effective date of such fees must be at least thirty (30) days after enactment to permit notice to the Permit Holders.

#### **RULE 17-1700.00-1 REGULAR ELEVATORS**

As of May 29, 2012, the following elevators are regular for delivery under the Rules.

#### **2012 ELEVATORS DECLARED REGULAR FOR DELIVERY OPERATOR ELEVATOR & RAILROAD STORAGE CAPACITY KANSAS CITY**

ADM Grain Company Milwaukee (KCS) 1,304,000

ADM Grain Company Wolcott (UP) 2,526,000

Bartlett Grain Company, LP River Rail (UP) 10,039,000

Bartlett Grain Company, LP KCT #1 (BNSF) 4,307,000

Bartlett Grain Company, LP Fairfax (UP) 10,291,000

Cargill, Inc. Chouteau (BNSF) 927,000

Cargill, Inc. Katy (UP) 4,332,000

Storage Capacity - Kansas City 33,726,000

#### **HUTCHINSON**

ADM Grain Company Elevator A (UP) 4,071,000

ADM Grain Company Elevator B (BNSF & UP) 1,869,000

ADM Grain Company Elevator I (BNSF) 6,836,000

ADM Grain Company Elevator J (BNSF & UP) 18,307,000

Cargill, Inc. Hutchinson (BNSF & UP) 4,394,000

Cargill, Inc. Hutchinson W (UP) 4,448,000

Storage Capacity - Hutchinson 39,925,000

#### **SALINA/ABILENE**

ADM Grain Company Salina A (UP) 4,197,000

Cargill, Inc. Salina (K&O) 31,669,000

Gavilon Grain, LLC Abilene (BNSF & UP) 1,392,000

The Scoular Company Salina (UP) 11,077,000

Storage Capacity - Salina/Abilene 48,335,000

#### **WICHITA**

Bartlett Grain Company, LP Wichita (BNSF) 12,080,000

Gavilon Grain, LLC Wichita (K&O) 30,542,000  
Horizon Milling, LLC Wichita (BNSF & UP) 5,682,000  
Storage Capacity - Wichita 48,304,000

TOTAL STORAGE CAPACITY 170,290,000 Rule 17-1706.05-1 Elevators and Warehouses; FINANCIAL STANDING  
MINIMUM NET WORTH REQUIREMENT

A minimum net worth of fifteen cents (15¢) per bushel upon the aggregate storage capacity at all locations in the United States be established and maintained by elevators regular for delivery.

**RULE 17-1711.00-1 ELEVATORS AND WAREHOUSES; INSURANCE**

INSURANCE CERTIFICATE IN LIEU OF POLICY

Firms may submit a certificate of insurance in lieu of submitting an insurance policy; provided that the certificate is issued by the insurance company, that there is a certificate for each location covered, that such certificate indicates the amount of coverage, the policy expiration date, the number of the policy, and includes the standard Kansas City thirty (30) day notification clause to the Exchange in the event of change or termination as required by Rule 1711.00 (February 28, 1974).

**RULE 17-1715.00-1 ELEVATORS AND WAREHOUSES; ELEVATOR CHARGES, DELIVERY GRAIN**

LOAD-OUT FEE

Under the authority of Rule 1715.00, the maximum load-out fee for regular elevators on grain delivered on futures contracts is established at eight cents (8¢) per bushel.

**RULE 17-1715.00-2 ELEVATORS AND WAREHOUSES; ELEVATOR CHARGES, DELIVERY GRAIN**

STORAGE & INSURANCE

Under the authority of Rule 1715.00, effective September 1, 2011 the maximum storage and insurance charge for regular elevators on grain delivered on futures contracts is established at \$.00197 per bushel per day from December 1 to June 30, and \$.00296 per bushel per day from July 1 to November 30.

[\(End Chapter 17\)](#)

CHAPTER 18  
WAREHOUSE RECEIPTS

1800.00 REQUIREMENTS

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1805.00 REGISTRATION

1805.01 TIME

1805.02 LIMITATION

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1811.01 CANCELLATION PROCEDURE

RULE 18-1800.00-1 WAREHOUSE RECEIPTS; REQUIREMENTS

MOISTURE REQUIREMENTS

RULE 18-1800.00-2 ELECTRONIC WAREHOUSE RECEIPTS; REQUIREMENTS

PROCEDURAL GUIDELINES

PROC GUIDE 18 -1810.01-1 Cancellation Of Electronic Warehouse Receipts On Load-Out

PROC GUIDE 18-1811.00-1 Cancellation Of Electronic Warehouse Receipts On Proof Of Purchase

## **CHAPTER 18 WAREHOUSE RECEIPTS**

### **1800.00 REQUIREMENTS**

Electronic warehouse receipts shall be eligible for delivery in satisfaction of futures contracts only if the electronic warehouse receipts comply with the following requirements:

- a. Are freely negotiable;
- b. Have been issued by a regular warehouse or elevator;
- c. Designate the warehouse or elevator in which the grain is stored; and
- d. Have been registered by the Registrar of the Exchange.
- e. All electronic fields which are required to be completed in connection with an electronic warehouse receipt have been properly completed

## **REGISTRATION**

### **1805.00 REGISTRATION**

The owner or holder of an electronic warehouse receipt desiring to have such receipt registered for delivery in satisfaction of a futures contract shall present such receipt to the Registrar via the approved electronic warehouse receipt provider.

#### **1805.01 TIME**

Registration must be effected by the owner or holder of the electronic warehouse receipt during the business day in which such person or entity files notice of intention of delivery with the Clearing House or during the next following business day.

#### **1805.02 LIMITATION**

Receipts registered as provided in Rule 1805.01 shall not represent a total quantity in excess of the quantity stated in such notice of intention.

### **1806.00 DUTIES OF REGISTRAR ON PRESENTATION**

The Registrar shall register the electronic warehouse receipts if the warehouse or elevator on which the receipt is issued is currently regular. The electronic warehouse receipt shall be approved by the Registrar within the system of the approved electronic warehouse receipt provider of the Exchange and shall be recorded in the proper books of the Exchange.

## **CANCELLATION**

### **1810.00 CANCELLATION ON LOAD-OUT**

Registration or registered receipts must be cancelled upon the loading out of the grain represented thereby.

#### **1810.01 CANCELLATION PROCEDURE**

Immediately following such loading out, the operator of the warehouse or elevator shall deliver such receipt to the Registrar for cancellation. The Registrar is directed to hold such receipt until receipt of a certified report from the taker of the grain accepting the grain as delivered. Upon receipt of such report, the Registrar shall send the electronic warehouse receipt back to the issuer by the approved electronic warehouse provider, shall cancel such registration on the Registrar's books, and the registration of said electronic warehouse receipt shall thereafter be void.

#### **1811.00 CANCELLATION ON PROOF OF PURCHASE**

Registration of registered receipts may be cancelled upon proof of purchase by the issuing warehouse or elevator by presentation of such receipts to the Registrar.

### **1811.01 CANCELLATION PROCEDURE**

The Registrar shall cancel same in the manner provided in Rule 1810.01.

### **RULE 18-1800.00-1 WAREHOUSE RECEIPTS; REQUIREMENTS**

#### **MOISTURE REQUIREMENTS**

Electronic warehouse receipts delivered in satisfaction of futures contracts to the Clearing House and registered with the Exchange, must indicate thereon, if wheat, maximum of thirteen and one-half percent (13.5%) moisture.

### **RULE 18-1800.00-2 ELECTRONIC WAREHOUSE RECEIPTS; REQUIREMENTS**

#### **INSECT DAMAGED KERNELS ("IDK") RESTRICTION**

Electronic warehouse receipts delivered in satisfaction of futures contracts to the Clearing House and registered with the Exchange must indicate thereon, for wheat, a maximum of ten (10) IDK (indicating no more than 10 insect damaged kernels per 100 grams). As of the effective date of this rule, any electronic warehouse receipts previously issued and outstanding (that do not indicate thereon a maximum of 10 IDK) shall be subject to the 10 IDK restriction of this rule.

#### **PROCEDURAL GUIDELINES**

#### **PROC GUIDE 18 -1810.01-1 Cancellation Of Electronic Warehouse Receipts On Load-Out**

Rule 1810.01 contemplates the records necessary in connection with the loading out of a delivery. The Registrar must receive from the loading elevator a "load-out" sheet showing the party for whom the load-out was made and the receipts covered thereby, and the load-out elevator shall deliver registered receipts to the Registrar for cancellation. The rule also requires that the "taker" of such grain furnish the Registrar a certified acceptance of the grain as delivered which shows that the delivery has been satisfactorily completed and the electronic warehouse receipts previously registered must be cancelled. Therefore, satisfaction of delivery of a futures contract on the Exchange is evidenced by a load-out report by the delivering elevator accompanied by the warehouse receipts applicable thereto and an acknowledgment of accepted delivery by the taker.

#### **PROC GUIDE 18-1811.00-1 Cancellation Of Electronic Warehouse Receipts On Proof Of Purchase**

Should electronic warehouse receipts originally registered for delivery purposes be repurchased by the issuing elevator, the Registrar must be furnished with proof of such purchase accompanied by the registered electronic warehouse receipts whereupon the Registrar will cancel them from the records.

[\(End Chapter 18\)](#)

**CHAPTER 19 [RESERVED]**

## CHAPTER 20 WHEAT

### NOTE: TRADING MONTHS

By custom and usage, the delivery/trading months for grain futures are March, May, July, September, and December. These have not been set by Board action or the By-laws insofar as existing records indicate. It is assumed that they could be changed by action of the Exchange. Also by custom, until recently the Permit Holders could trade in any distant month without any official Exchange approval or action to "open" such months. However, since late 1978, due to concern about changing freight rates and laws, the Exchange has adopted the policy of permitting trade only in specifically authorized months (generally one year ahead). This serves to focus the Exchange's attention to such matters and also prevents trades in months in which contract terms could be changed, if required by changed conditions.

### CONTRACTS

#### 2000.00 Contract Grades; Hard Winter Wheat

Contracts for the delivery of Hard Winter Wheat shall be understood as for "Contract" Hard Winter Wheat, and the following grades may be tendered on contract at the premiums or discounts indicated:

No. 1 Hard Red Winter Wheat with eleven percent (11%) protein level or higher deliverable at one and one-half cents (1.5¢) per bushel over contract price

No. 2 Hard Red Winter Wheat with eleven percent (11%) protein level or higher deliverable at contract price All above grades are deliverable at protein levels equal to or greater than ten and one-half percent (10.5%) but less than eleven percent (11%) at a ten cent (10¢) per bushel discount to contract price. Protein levels of less than ten and one-half percent (10.5%) are not deliverable on the contract.

Deliveries of the above grades may be made in such proportions as may be convenient to the seller; subject however, to the provisions of Rules 1206.00 and 1210.00.

#### 2000.01 Change Of Grades

In the event of a change in United States Grain Standards, contracts for future delivery maturing after the effective date of such change shall be made on the basis of the standards as changed; provided, that this shall not be construed to prevent the closing of trades made prior to the effective date of such change.

#### 2000.02 Contract Size

Contracts and deliveries on wheat futures shall be in units of five thousand (5,000) bushels.

#### 2000.03 Delivery Locations

Regular elevators or warehouses shall be located in the switching limits of:

- 1.) Kansas City, Missouri/Kansas,
- 2.) Hutchinson, Kansas,
- 3.) Salina/Abilene, Kansas, or
- 4.) Wichita, Kansas.

#### 2000.04 Contract Fee

An Exchange contract fee will be set by the Exchange to cover its expenses. The Exchange may change the fee at any time on at least thirty (30) days' notice, such change to be effective on the first of a month.

#### 2000.05 United States Origin Only

A futures contract for the sale of wheat shall be performed on the basis of United States origin only upon written request by a taker of delivery at the time load-out instructions are submitted. (See also Rule 1215.01)

#### 2000.06 Location Differentials

Deliveries in satisfaction of Hard Red Winter Wheat futures contracts may be made by warehouse receipt issued by a regular elevator at any of the locations prescribed by Rule 2000.03 at the following prescribed premiums/discounts (differentials):

Kansas City, Missouri/Kansas contract price

Wichita, Kansas at six cents (6¢) per bushel under contract price Hutchinson, Kansas at nine cents (9¢) per bushel under contract price Salina/Abilene, Kansas at twelve cents (12¢) per bushel under contract price

## TIME AND PLACE

### 2001.00 Time Of Trading

The hours for futures trading shall be between 8:30 a.m. and 1:15 p.m. local time on all regular trading days.

### 2002.00 Place Of Trading

The place of wheat futures trading shall be the wheat futures trading pit on the Exchange floor.

### 2003.00 Change Of Time and Place

The time and place of trading may be changed by the Exchange.

### 2004.00 Prohibition; Exceptions

Futures trades at places and hours other than set forth in these rules are prohibited except that the time and place limitations shall not apply to Exchange for Related Position transactions and transfer trades transacted in accordance with Rules 538 and 853, respectively.

## OPENING AND CLOSE

### ~~2005.00 Opening. See Rules 1111.00 and 1111.01~~

### ~~2005.01 Official Close; Settlement Price~~ [\[REVISED AND MOVED TO RULE 813\]](#)

~~The settlement price shall be determined in the following manner:~~

~~a. Immediately following the closing bell, all brokers and traders in the pit shall report to the pit reporter and the Pit Committee all outright trades, bids and offers and all spread trades, bids and offers made in the closing period that are relevant in determining settlement prices in accordance with Sections (b), (c) & (d) below.~~

~~b. The settlement price of the lead contract month (determined by the Pit Committee based on criteria such as volume, open interest and historical experience) shall be determined by the weighted average method of the trades in the closing period executed both on the Electronic Trading System and in the pit, rounded to the nearest price tick.~~

~~c. The remaining contract months shall be settled based on spread price relationships, considering spread trades executed both on the Electronic Trading System and in the pit during the closing period. If individual spreads trade at multiple prices during the close, the Pit Committee shall use the weighted average of spread prices, rounded to the nearest price tick, in determining the settlement. The lead contract month settlement price shall serve as the initial spread relationship basing point for adjacent contract months, whose settlement can then be used in chronology to determine deferred month settlements. If no spreads involving a particular contract month traded during the close, the Pit Committee shall take into consideration other market information available to the Pit Committee that is pertinent to such contract month, including but not limited to, spread bids and offers, the latest quoted spread trade, the latest outright trades, bids or offers and the settlement price differentials that existed on the previous day in order to determine a settlement price that most accurately reflects the relationship between such month and surrounding contract months.~~

~~d. If any settlement price is not consistent with market information known to the Pit Committee supervising the settlement process, or if trading is terminated without a closing period, then the Pit Committee may establish a settlement price at a level consistent with such market information and shall cause to be prepared a written record setting forth the basis for such settlement price.~~

~~Note: It is possible that the settlement prices established as a result of spread price relationships could result in settlement prices that violate either open outright contract month or spread orders. No such orders shall be elected and brokers shall not be held liable on orders violated as a result of such settlement price procedure.~~

## TRADING CONDITIONS

### 2006.00 Limitation On Fluctuation Of Prices

The Exchange may at any time, upon ten (10) hours' notice, provide that there shall be no trading in any specified contract for delivery in any specified month at prices more than a fixed limit above or below the official closing price of the preceding business day. Any Permit Holder who enters into any contracts under the rules of the Exchange in violation of such resolution shall be subject to disciplinary action pursuant to Chapter 44.

Note: There shall be no trading in wheat futures at a price more than \$0.60 per bushel (\$3,000 per contract) above or below the previous day's settlement price. Should two or more wheat futures contract months within the first five listed non-spot contracts (or the remaining contract month in a crop year) close at limit bid or limit offer, the daily price limits for all contract months shall increase to \$0.90 per bushel the next business day.

Should two or more wheat futures contract months within the first five listed non-spot contracts (or the remaining contract month in a crop year) close at limit bid or limit offer while price limits are \$0.90 per bushel, daily price limits for all contract months shall increase to \$1.35 per bushel the next business day. If price limits are \$1.35 per bushel and no wheat futures contract month closes limit bid or limit offer, daily price limits for all contract months shall revert back to \$0.90 per bushel the next business day. If price limits are \$0.90 per bushel and no wheat futures contract month closes limit bid or limit offer, daily price limits for all contract months shall revert back to \$0.60 per bushel the next business day. There shall be no price limits on the current month contract on or after the second business day preceding the first day of the delivery month.

### 2006.01 Minimum Price Fluctuation

The minimum price fluctuation is one-quarter of one cent (1/4¢).

### 2007.00 Last Trading Day

No trade in futures contracts deliverable in a current month shall be made after the business day preceding the fifteenth (15th) calendar day of that month, except that outstanding futures contracts for such delivery may be liquidated by means of a bona fide exchange of such current futures for the actual cash commodity.

Note: The Exchange, pursuant to Rule 230(i) may alter the number of days trading is prohibited during the delivery month to conform with federal law and regulations. The seven (7) days come from a CFTC (former CEA) Regulation.

### 2008.00 Spot Month Position Accumulation Restriction Limits ~~THE REMAINDER OF THE RULE HAS BEEN REVISED AND RELOCATED TO RULE 559~~

#### ~~a. Definitions:~~

- ~~1. Spot Month means the futures contract month next to expire during that period of time beginning at the close of trading on the second business day prior to the first delivery day of such contract month.~~
- ~~2. Single Month means each separate futures contract month, other than the spot month contract.~~
- ~~3. All Months means the sum of all futures contract months including the spot month contract.~~
- ~~4. Net Equivalent Futures Position means the combined futures and options positions, adjusted by the prior day's delta factor for each option series as published by the Clearing House. Long futures contracts have a delta of +1 and short futures contracts have a delta of -1. Long call options and short put options have positive delta factors and short call options and long put options have negative delta factors.~~

~~b. Position Limits — No person may own or control positions, separately or in combination, net long or net short, for the purchase or sale of commodity futures and options contracts, on a Net Equivalent Futures Position basis, in excess of the following:~~

- ~~1. Spot Month — 600 contracts~~
- ~~2. Single Month — 12,000 contracts~~
- ~~3. All Months — 12,000 contracts~~

~~c. Exemptions — Exchange staff may grant exemptions from the position limits set forth in Section (b) of this Rule to the extent such positions are exemption eligible as follows:~~

- ~~1. Bona fide hedging transactions as defined by CFTC Regulation 1.3(z)(1); provided, however, that positions established for purposes of hedging cash commodity index exposure, commodity swaps exposure or any other exposure not involving the production, merchandising or processing of the underlying cash commodity are not allowed to exceed the Spot Month limit.~~

~~2. Spread or arbitrage positions between Single Months of a futures or options contract, on a Net Equivalent Futures Position basis, outside of the Spot Month, in the same crop year (for Exchange wheat, a crop year begins with the contract month of July and ends with the contract month of May);~~

~~provided, however, that such spread or arbitrage positions, when combined with any other net positions in the Single Month, do not exceed the All-Months limit set forth in Section (b) of this Rule.~~

~~3. Positions carried for eligible entities as set forth in CFTC Regulation 150.3(a)(4).~~

~~4. Enumerated Hedging Transactions as defined by CFTC Regulation 1.3(z)(2). Any person who wishes to avail himself of the provisions of CFTC Regulation 1.3(z)(2)(i)(B) or (ii)(C) to make sales or purchases for future delivery in any commodity in excess of trading and position limits then in effect pursuant to section 4a of the Act for the purposes of bona fide hedging shall file statement with the Exchange in conformity with the requirements of CFTC Regulation 1.48.~~

~~d. Non-enumerated Hedging Transactions as defined by CFTC Regulation 1.3(z)(3). Any person who wishes to avail himself of the provisions of CFTC Regulation 1.3(z)(3) and to make purchases or sales of any commodity for future delivery in any commodity in excess of trading and position limits then in effect pursuant to section 4a of the Act shall file statement with the Exchange in conformity with the requirements of CFTC Regulation 1.47. Exemption Procedures—Any person seeking a first-time or supplemental exemption or a continuation of a previously approved exemption from the position limits set forth in paragraph (b) of this Rule must apply to the Exchange using the Application to Exceed Speculative Position Limits in Futures form prescribed by the Exchange prior to exceeding such limits. However, a person who establishes an exemption-eligible position in excess of position limits and files the required application with the Exchange shall not be in violation of this rule provided the filing occurs within one (1) business day after assuming the position. In the event the positions in excess of the limits are not deemed to be exemption-eligible, the applicant and Clearing Member will be in violation of speculative limits for the period of time in which the excess positions remained open. Exchange staff shall, on the basis of the application and any requested supplemental information, determine whether an exemption from position limits shall be granted. The Exchange may approve, deny, condition or limit any exemption request based on factors deemed by Exchange staff to be relevant, including, but not limited to, the applicant's business needs, financial status and whether the positions can be established and liquidated in an orderly manner in the market for which the exemption is being sought.~~

~~Nothing in this Rule shall in any way limit the authority of the Exchange to take emergency action, or Exchange staff to review at any time the positions owned or controlled by any person and to direct that such position be reduced to the position limit provided for in paragraph (b) of this Rule. Any person who has received written authorization from the Exchange to exceed position limits must file an annual updated application within thirty one (31) calendar days following the end of each calendar year using the form prescribed by the Exchange. Failure to file an updated application will result in expiration of the exemption.~~

~~e. Aggregation—In determining whether any person has exceeded the position limits specified in Section (b) of this Rule, such person shall aggregate positions in accounts as set forth in CFTC Regulation 150.4.~~

~~f. Spot Month Position Accumulation Restriction—In calculating a Spot Month position, the number of contracts against which delivery notices have been stopped (issued) during that delivery month minus the number of contracts against which delivery notices have been issued (stopped) during that delivery month shall be added to that Spot Month's long (short) futures position. As an example, if a person goes into a Spot Month with the maximum position of six hundred (600) net long contracts and takes delivery of warehouse receipts in satisfaction of five hundred (500) of such long contracts and does not establish a short position in that same Spot Month for purposes of redelivering such warehouse receipts, such person may not have a Spot Month futures position in excess of one hundred (100) net long contracts.~~

~~Orderly Liquidation of Spot Month Positions—All persons carrying open positions into the Spot Month shall liquidate such positions in accordance with reasonable and sound economic commercial practices and be prepared to justify such to Exchange staff upon request.~~

#### **Rule 20-2000.00-1 Futures Trading; Margins**

##### **MARGIN REQUIREMENTS; GRAIN IN STORE**

~~Pursuant to 1160.00, if a customer of a Permit Holder, on receipt of a margin call, requests the Permit Holder to apply the customer's grain in store against the call and evidence of the stored grain (elevator scale tickets or warehouse receipts) are held by the Permit Holder operating the facility, such transaction shall be considered a cash advance to the customer using the stored grain as collateral and the money credited to the customer's futures account. The application of the grain as collateral for the advance is to be evidenced in writing, and advances made to margin futures trading accounts shall not exceed ninety percent (90%) of the collateral utilized (November 26, 1978).~~

#### **Rule 20-2000.00-2 Contract Grades; Requirements**

##### **UPGRADE PERIOD AND FEE – PROTEIN REQUIREMENTS**

During the five (5) business days preceding the first intention day of the September 2011 wheat futures contract month (August 24 to August 30, 2011), warehouse receipts issued and registered with the Exchange prior to such time may be presented to the issuing warehouse by the holder and upgraded to reflect a deliverable protein level on such receipts. The issuing elevator must comply with such request and shall, in its sole discretion, make the determination as to the minimum protein level to designate on receipts presented for upgrading. The issuing elevator may charge the holder twelve cents (12¢) per bushel to upgrade the receipt with a designation of eleven percent (11%) minimum protein, or two cents (2¢) per bushel to upgrade the receipt with a designation of ten and one-half percent (10.5%) minimum protein. Warehouse receipts not upgraded pursuant to this rule shall not be deliverable against futures contracts from September 2011 forward.

**Rule 20-2005.00-1 Futures Trading; Change Of Grades**

**MAXIMUM MOISTURE; WHEAT**

Effective July 9, 1976, as to futures contracts for wheat for delivery in July, 1977, and thereafter, the maximum allowable moisture will be thirteen and one-half percent (13.5%).

[\(End Chapter 20\)](#)

**CHAPTER 21**  
**WHEAT CALENDAR SWAPS (CLEARED-ONLY) PRODUCT**

**2100.00 Wheat Calendar Swaps; Cleared Only**

The scope of this Chapter is limited to Wheat Calendar Swaps negotiated between eligible swap participants (as defined in CFTC Regulation 35.2(b)(2)) in the Over-The-Counter (“OTC”) market and submitted to the Clearing House for clearing. When accepted for clearing, these Wheat Calendar Swaps are not converted or substituted into futures contracts, but remain OTC products. Wheat Calendar Swaps are not fungible with Exchange wheat futures or options contracts. Wheat Calendar Swaps are subject to the general rules of the Exchange as may be applicable. The clearing and settlement of Wheat Calendar Swaps are also subject to the rules and by-laws of Clearing House.

**2100.01 Participation Requirements – Futures Commission Merchants**

Any FCM registered with the CFTC that carries the account of a customer desiring to enter into Wheat Calendar Swaps transactions must execute a Participation Agreement with Exchange, in the form prescribed by Exchange, prior to the execution of any such swaps transactions, regardless of whether such FCM is a Permit Holder of Exchange.

**2100.02 Participation Requirements – Eligible Swap Participant**

Each customer of an FCM desiring to enter into Wheat Calendar Swaps transactions must be an Eligible Swap Participant (“ESP”), as defined by CFTC Regulation Section 35.1(b)(2). Accordingly, each FCM must verify a customer’s qualification as an ESP prior to allowing such customer to enter into a Wheat Calendar Swaps transaction and, upon request by Exchange, provide documentary evidence of a customer’s qualification as an ESP.

**2100.05 Additional Rules**

The Exchange may adopt additional rules or modify existing rules of this Chapter, subject to CFTC approval, if required.

**PRODUCT CONTRACT SPECIFICATIONS**

**2101.00 Place of Trading**

Wheat Calendar Swaps are negotiated and consummated off-exchange between eligible swap participants in the OTC market.

**2102.00 Hours of Submission for Clearing**

The Clearing House shall determine the business day hours during which Wheat Calendar Swaps may be submitted for clearing. In order to be accepted for clearing, Wheat Calendar Swaps trade data must either be entered into Clearing House’s clearing system by Clearing Members or electronically transmitted directly to the Clearing House’s clearing system, provided both participants of the swap trade have the required agreements and approvals in place with a Clearing Member to accept such electronically-submitted trade data for clearing.

**2103.00 Contract Size**

Each Wheat Calendar Swap contract accepted for clearing must be for five thousand (5,000) bushels of wheat.

**2104.00 Contract Months**

Wheat Calendar Swaps may be entered into for any of the twelve (12) calendar months. The number of months in which clearing may occur shall be at the discretion of the Exchange and Clearing House.

**2105.00 Corresponding Futures Contract Month**

For purposes of determining Wheat Calendar Swaps daily and final settlement prices, the corresponding Exchange wheat futures contract shall be the futures contract month immediately following the swap’s final settlement date.

**2106.00 Minimum Price Increment**

The minimum trade price increment for Wheat Calendar Swaps is one quarter of one cent (1/4¢), or \$12.50 per contract. Trades submitted for clearing must be priced in multiples of the minimum price increment.

**2107.00 Last Clearing Day; Expiration Day; Final Settlement Day**

The last clearing day (also referred to as the expiration day or final settlement day) for a particular Wheat Calendar Swap contract month shall be the last business day of the calendar month immediately preceding such swap contract month.

**2108.00 Delivery Mechanism**

All open contracts as of the close of business on the last clearing day for a contract month shall expire at such time and be liquidated by means of cash settlement to the final settlement price determined in accordance with Rule 2111.00. All balances due to or from the Clearing House shall be established at that time, the Clearing Member so advised, and handled in accordance with normal variation margin settlement procedures.

**2109.00 Last Month of Trading**

The last month of trading for a particular swap contract month shall be the calendar month immediately preceding such swap contract month.

**2110.00 Daily Settlement Price Prior to Last Month of Trading**

The daily settlement price for a swap contract month prior to the last month of trading for such contract shall be the daily settlement price of the corresponding futures contract.

**2111.00 Daily Settlement Price During the Last Trading Month**

The daily settlement price for a Wheat Calendar Swap contract month during the last month of trading for such contract shall be the cumulative average of the daily settlement prices for the corresponding Exchange wheat futures contract month for each clearing day during the last month of trading. As an example, for an April Wheat Calendar Swap, the last month of trading would be March and the corresponding futures contract would be the May contract. Therefore, the daily settlement price for the April swap contract during the last month of trading would be the cumulative average of the daily settlement prices for the May futures contract month for each clearing day during March.

**2112.00 Final Settlement Price**

The final settlement price for a swap contract month, determined on the final settlement day, shall be the cumulative average of the daily settlement prices for the corresponding Exchange wheat futures contract month for each clearing day during the last month of trading. For example, the final settlement price for an April Wheat Calendar Swap would be the cumulative average of the daily settlement prices for the May futures contract month for each clearing day during March.

**2113.00 Position Limits**

Wheat Calendar Swaps shall be subject to the same position limits prescribed for wheat futures contracts as set forth in Rule 2008.00, except that spot month limits are not applicable since Wheat Calendar Swaps contracts expire prior to their corresponding futures contract delivery month.

**2115.00 Margin Requirements**

Exchange minimum margins required for Wheat Calendar Swaps shall be established by the Exchange, and may be changed from time to time in like manner.

**2116.00 Contract Fees**

The Exchange may establish an exchange fee and the Clearing House may establish a clearing fee for each Wheat Calendar Swap contract cleared. Such fees are subject to change.

[\(End Chapter 21\)](#)

**CHAPTER 22 [Reserved.]**  
**CHAPTER 23 [Reserved.]**  
**CHAPTER 24 [Reserved.]**

**CHAPTER 25**  
**OPTIONS ON CONTRACTS OF SALE ON HARD WINTER WHEAT FUTURES CONTRACTS**

**2500.00 Options on Contracts Of Sale On Hard Winter Wheat Futures Contract**

This chapter is limited in application to trading "put" and/or "call" options on the Hard Winter Wheat Futures Contracts traded on the Exchange. The procedures for exchange government, rule enforcement, trading and other rights with privileges and obligations for trading options hereunder, and the procedures for trading, clearing, delivery, and settlement and all other matters not specifically covered herein shall be governed by and be subject to the general rules, regulations and resolutions of the Exchange. Whenever the rules of other chapters use words such as "grain," "wheat," or "commodity," those rules shall be deemed to refer to this Contract as well, if and as the context indicates. However, if there is any conflict between this chapter and the general rules and regulations of the Exchange, the provisions of this chapter shall take precedence.

**2501.00 Additional Rules**

The Exchange has the authority to adopt additional rules and regulations, and alter existing rules and regulations, including the rules of this chapter, on ten (10) hours' notice, subject to CFTC approval, if required. Changes which materially alter the rights of the parties with open contracts must be delayed until there are no open contracts, except in the event of a market emergency.

**2502.00 Options**

Options may be written and traded in the "Hard Winter Wheat Futures Contract" pursuant to Chapter 20 of the Rules as they exist or are amended from time to time.

**2503.00 Transfer, Assignment or Disposal Of Options**

Options shall not be transferred, assigned or otherwise disposed of other than on or subject to the rules of the Exchange, the Commodity Exchange Act and the rules and regulations of the CFTC.

**2503.01 Limitations on Option Transactions**

No person shall solicit or accept orders (other than in a clerical capacity) for the purchase or sale of the option contract, or to supervise any person so engaged, unless that individual meets the requirements of 17 C.F.R. 33.3 (b) (1).

**2503.02 Prohibition on Order Acceptance**

Permit Holders who are FCMs (or others who may trade the option contract pursuant to rule 2503.01) are prohibited from accepting customer orders from another FCM or introducing broker which does not qualify to trade the option contract as prescribed in rule 2503.01.

**2505.00 Option Trading Hours**

The trading hours are 8:30 a.m. to 1:15 p.m. local time. The trading hours may be varied by the Board of Directors.

**2506.00 Location**

Trading will occur on the trading floor of the Exchange.

**2507.00 Option Trading Months**

Options shall be listed for trading in the following months:

- a. For options months in the ordinary cycle of the underlying futures contract (i.e., July, September, December, March and May), the number of months listed shall be the same as the underlying futures contract, provided, however, that a new option contract based on the ordinary cycle will be introduced the day after trading has commenced in the underlying futures pursuant to Rule 2511.02.
- b. For options months outside the ordinary cycle (i.e., August, October, November, January, February, April and June, hereinafter referred to as "serial" months), the number of months listed shall be established by the Exchange. However, no serial months shall be listed outside of the months listed pursuant to subsection (a) above.

### **2507.01 Underlying Futures Contract**

For options that expire in the ordinary cycle (i.e., July, September, December, March and May), the underlying futures contract is the futures contract corresponding to the option expiration month. For serial options (options outside the ordinary cycle), the underlying futures contract is the next futures contract in the ordinary cycle nearest the option expiration month. For example, the underlying futures contract for an option contract expiring in October or November is the December futures contract.

### **2508.00 Futures Contract Size**

The size of the unit of trading in the options contract shall be five thousand (5,000) bushels, the same size as the underlying futures contract.

### **2509.00 Deep-Out-Of-The-Money Options**

1. A deep out-of-the-money option is defined as an out-of-the-money option whose strike price is more than X strike prices distant from the strike price closest to the settlement price of the underlying futures contract, where X equals two (2) plus the number of calendar months remaining until option expiration;
2. However, the Exchange Board may impose additional criteria as appropriate;
3. No Permit Holder who is a FCM shall accept an order for a deep out-of-the-money option without providing the customer with an explanation of the nature and the risks of the option prior to the transaction.

### **2510.00 Option Premium — Definition**

The "option premium" shall be the sum paid to the writer of a call option who agrees to deliver the underlying futures contracts against payment of the exercise price upon being assigned an exercise notice. The premium with respect to the writer of a put option is the sum paid to the writer of the put option who agrees to purchase the underlying futures contract on which the put is written at the exercise price upon being assigned an exercise notice. Both put options and call options may be written.

### **2510.01 Option Premium Payment**

The Clearing House must receive from each of its Clearing Members, and each Clearing Member must receive from each other party for whom it clears commodity option transactions, and each FCM must receive from each of its option customers, the full amount of each option premium at the time the option is purchased, or within a reasonable time thereafter.

### **2511.00 Strike Price**

The strike price is the price at which a party may purchase or sell the underlying futures contract upon exercise of an option. The strike price will be determined in accordance with the following Rules.

### **2511.01 Strike Price Interval**

Trading shall be conducted for options with strike prices in interval multiples of ten cents (10¢) per bushel. At the commencement of trading a new option month, the following strike prices shall be listed: the strike price closest to the previous day's settlement price of the underlying futures contract, the next thirty (30) higher and the next thirty (30) lower strike prices; provided, however, that no strike price shall be listed below the \$1.00 strike price level.

If the previous day's settlement price is midway between two strike prices, the closest price shall be the larger of the two. (For example – if a new futures month contract closes at \$3.75, the closest price is \$3.80.) The Exchange may modify the procedures for the introduction of strikes as it deems appropriate in order to respond to market conditions.

### **2511.02 New Options**

A new option based on a futures month within the ordinary cycle will be introduced the day after trading has commenced in the underlying futures contract for that contract month, (for example — if on February 1, the December futures contract had traded for the first time, then on February 2, an option month for the December futures contract is listed, having strike prices as specified in Rule 2511.01). A new option based on a serial month (a month outside of the ordinary cycle) will automatically be introduced the day following the expiration of a serial month, so as to at all times have available for trading the number of serial months established by the Exchange for trading, (for example, if the Exchange has authorized the listing of three serial months, and those months currently traded are January, February and April, then the serial contract month of June will automatically be listed for trading the day following the expiration of the January contract month).

### **2511.03 New Strike Price**

Any close which causes there to be less than the number of strike prices prescribed by Rule 2511.01 will cause new strike prices to be added the next day in order to have at least the number of strike prices pursuant to Rule 2511.01 available for trading.

### **2511.05 Limit On New Strike Prices**

No new strike prices may be introduced during the last six (6) trading days of the expiring option.

### **2511.06 Delisting**

An option having a particular strike price shall be delisted if for ten (10) consecutive trading days no transaction is made, and there is no open position in such strike price; provided, however, that no option shall be delisted if it has a strike price which is required by Rules 2511.01, 2511.03, or 2511.04.

### **2511.07 Relisting**

Any strike price which has been delisted under Rule 2511.06 shall thereafter be relisted at any time any such option has a strike price required by Rules 2511.01, 2511.03 or 2511.04.

### **2511.08 Price Display and Dissemination**

Each series of options and prices opened for trading shall be displayed on the price display system on the Exchange floor and disseminated in such other manner as deemed appropriate by the Board.

### **2512.00 Bids And Offers**

Bids and offers for options shall be measured and expressed in increments of one-eighth of one cent (1/8¢) per bushel. However, for options valued at less than one-eighth of one cent (1/8¢), the option premium may range from \$1.00 to \$5.00 in \$1.00 increments per option contract.

### **2513.00 Margin Requirements**

The margin requirements will be set by the Exchange.

### **2514.00 Last Day Of Trading And Expiration**

a. For options months in the ordinary cycle; no trades in options expiring in the current month shall be made after 1:15 p.m. on the last Friday which precedes by at least two (2) business days, the first notice day for the corresponding futures contract.

b. For serial options months (months outside the ordinary cycle); no trades shall be made after 1:15 p.m. on the Friday which precedes by at least two (2) business days, the last business day of the calendar month immediately preceding the option serial month, (for example, for November serial options contracts, the last trading day is the Friday which precedes by at least two (2) business days, the last business day in October). If such Friday is not a business day, the last day of trading shall be the business day prior to such Friday. The option shall expire at 10:00 a.m. on the first Saturday following the option's last day of trading.

### **~~2514.01 Settlement Price Procedure~~ [\[REVISED AND MOVED TO RULE 813\]](#)**

~~The settlement price of the option contract shall be determined using a computer model to calculate each settlement based on consensus input in satisfaction of the model variables, provided such settlement does not violate an existing bona-fide CTI type 2 or 4 order. The information input should yield a settlement that reflects the average of the fair value bid/ask for each strike. If technical problems preclude the use of the computer model, the settlement price of the option shall be determined by the same procedure used to determine the settlement price of the hard winter wheat futures contract.~~

### **2514.02 Settlement of Trades**

Trades made in put and call options shall be settled at the end of each day's trading. Positions in the underlying futures contracts as a result of the exercise of options shall be made by book entry in the books of the Clearing House.

### **2515.01. Exercise and Assignment**

In addition to the applicable procedures and requirements of Wheat futures deliveries, the following shall apply to the exercise and assignment of Wheat Options.

#### **Exercise of Option**

The buyer of a Wheat futures option may exercise the option on any business day prior to expiration by giving notice of exercise to the Clearing House by 6:00 p.m., or by such other time designated by the Exchange, on such day.

After the close on the last day of trading, all in-the-money options shall be automatically exercised, unless notice to cancel automatic exercise is given to the Clearing House. Notice to cancel automatic exercise shall be given to the Clearing House by 6:00 p.m., or by such other time designated by the Exchange, on the last day of trading. Unexercised Wheat futures options shall expire at 7:00 p.m. on the last day of trading.

#### **Assignment**

Exercise notices accepted by the Clearing House shall be assigned through a process of random selection to clearing members' open short positions in the same series. A clearing member to which an exercise notice is assigned shall be notified thereof as soon as practicable after such notice is assigned by the Clearing House.

The clearing member assigned an exercise notice shall be assigned a short position in the underlying futures contract if a call is exercised or a long position if a put is exercised. The clearing member representing the option buyer shall be assigned a long position in the underlying futures contract if a call is exercised and a short position if a put is exercised.

All such futures positions shall be assigned at a price equal to the exercise price of the option and shall be marked to market in accordance with Rule 814 on the trading day of acceptance by the Clearing House of the Exercise Notice.

### **2515.02. Corrections to Options Exercises**

Corrections to option exercises, including automatic exercises, may be accepted by the Clearing House after the 6:00 p.m. deadline and up to the beginning of final option expiration processing provided that such corrections are necessary due to: (1) a bona fide clerical error, (2) an un-reconciled Exchange option transaction(s), or (3) an extraordinary circumstance where the clearing firm and customer are unable to communicate final option exercise instructions prior to the deadline. The decision as to whether a correction is acceptable will be made by the President of the Clearing House, or the President's designee, and such decision will be final.

### **2515.03. ~~Option Premium Limits~~[RESERVED]**

### **2515.04. Payment of Option Premium**

The option premium must be paid in full by each clearing member to the Clearing House and by each option customer to his futures commission merchant at the time that the option is purchased, or within a reasonable time after the option is purchased.

### **2516.00 Failure to Perform**

If the Clearing Member with a delivery commitment fails to perform all acts required by this chapter, then that Clearing Member shall be deemed in default, which may be punishable as a major violation. In the event of default, any defaulting party shall be liable for damages and any loss sustained as a result of the default, if any, by the Clearing House, an FCM, or any other FCM or customer thereof, plus a penalty of not less than \$500 per defaulted contract. An additional fee or penalty may also be imposed through Exchange disciplinary procedures.

The defaulting party may petition the Exchange for reconsideration of any penalty so assessed. Whenever, in the judgment of the Exchange, upon consideration, the default was not due to the fault of the appealing party, or for other good cause shown, the Exchange may, in its discretion, waive or reduce the penalty.

### **2517.00 Procedure For Customer Complaints**

Each FCM who is a Permit Holder and engages in the offer or sale of commodity options shall, with respect to all written option customer complaints, comply with Rules 2517.01 through 2517.03.

#### **2517.01 Complaints**

Retain all such written complaints.

#### **2517.02 Records**

Make and retain a record of the date the complaint was received, the associated person who serviced the account, or the introducing broker who introduced the account, and a general description of the matter complained of, and what, if any, action was taken by the FCM in regard to the complaint; and

#### **2517.03 Copies**

Immediately send a copy of any such complaint to the FCM's "Designated Self-Regulatory Organization" (DSRO) and, upon final disposition thereof, immediately send a copy of the record of such disposition to the DSRO.

#### **2518.00 Futures Commission Merchants**

Each FCM who is eligible to trade options pursuant to Rule 2503.01 shall comply with the following:

##### **2518.01 Written Procedures**

Adopt and enforce written procedures pursuant to which it will be able to supervise adequately each option customer's account, including but not limited to the solicitation of any such account, provided that "option customer" does not include another FCM; and

##### **2518.02 Written Record**

Immediately upon the receipt of a customer's order, prepare a written record of the order. Said order shall be dated and time stamped to the nearest minute when the order is received and shall show the account designation. In addition, such written record also shall show the time to the nearest minute the order is transmitted for execution; and

##### **2518.03 Notification**

Give immediate written notification to the FCM's DSRO of any disciplinary action taken against the FCM or any of its associated persons by the commission or by another self-regulatory organization; and

##### **2518.04 Disclosure**

Each Permit Holder FCM which engages in the offer or sale of commodity options shall enforce the disclosure requirements set forth in CFTC Regulation Section 33.7.

##### **2518.05 Option Promotional Material**

Each FCM which engages in the offer or sale of option contracts traded on this Exchange shall submit promptly to the Permit Holder's DSRO all promotional material pertaining to trading in such options. For the purposes of this rule, the term "promotional material" shall include those items described in CFTC Regulations 33.1 (b).

##### **2518.06 Discretionary Accounts**

With respect to option customer accounts for which discretion is given for option trading:

- (i) Provide the option customer with an explanation of the nature and risks of the strategy or strategies to be used in connection with the option customer's account; and
- (ii) Require an officer, general partner, sole proprietor, or branch office manager of the FCM (other than any individual authorized to exercise discretion in trading the account) to approve, in writing, the discretionary authority prior to any trading for the account involved; and
- (iii) Identify as discretionary each order for a discretionary account on the order at the time of entry and an officer, general partner, sole proprietor, or branch office manager of the FCM (other than any individual authorized to exercise discretion in trading the account) must approve, initial, and date all orders for a discretionary account; and Review frequently discretionary accounts pursuant to CFTC rules and regulations.

The provisions of Rule 2518.06 shall not apply to any option customer account: (A) of a commodity pool, the operator of which is registered with the Commission as a commodity pool operator; (B) where the person who has the discretionary authority is the spouse, parent, or child of the option customer, or (C) which is an omnibus account of another FCM.

##### **2518.07 Prohibition**

Shall not engage in fraudulent or high pressure sales communications relating to the offer or sale of option contracts.

#### **2518.08 Sales Practice Audits**

Comply with Exchange procedures and permit the Exchange or its agent to conduct sales practice audits of Permit Holder FCMs which engage in the offer or sale of the options contracts. The sales practice audits with which FCM must comply will be those in effect by the Exchange from time to time as adopted by the Exchange.

#### **2518.09 Applicable CFTC Rules**

Comply with all applicable regulations and rules of the CFTC, and the National Futures Association applicable from time to time to trading in the options governed by this contract.

#### **2519.00 Advertising Guidelines**

Advertising, market letters, and similar information issued by the Exchange, its Permit Holders, and their associates should not be false or misleading.

#### **2519.01 File Copies**

All Permit Holders, Clearing Members, commodity representatives, and other employees of Permit Holders must file within seven (7) days after publication copies of all promotional material including prepared radio or television scripts, prepared lectures, mail solicitations, and market letters relating to commodities traded on the Exchange with the Exchange.

#### **2520.00 Contract Fee**

An Exchange contract fee will be set by the Exchange to cover its expenses. The Exchange may change the fee at any time on at least thirty (30) days' notice, such changes to be effective on the first of a month.

#### **2521.00 Position Reporting Limits**

Permit Holders shall comply with all applicable position limits adopted by the Exchange or by the CFTC.

#### **2521.01 Compliance With CFTC Regulation 16**

Each Clearing Member and each FCM Permit Holder that has customers trading options shall provide such information as the Exchange shall require to comply with the requirements that the CFTC may require of the Exchange pursuant to Part 16 of the Regulations of the CFTC.

#### **2522.00 Option Daily Price Limits [\[THE CURRENT LANGUAGE OF THIS RULE IS PENDING REVISION PURSUANT TO COMMISSION REGULATION 40.4\(a\) AS SET FORTH IN SUBMISSION 13-180 FROM MAY 14, 2013.\]](#)**

Option daily price limits shall be identical to that of the underlying futures contract.

#### ~~**2523.00 Recording Options Orders.**~~

~~Each Permit Holder who, on the floor of the Exchange receives an order from an options customer, including an options customer who is another floor trader or floor broker, which is not in the form of a written record showing the account identification, order number and the date and time, to the nearest minute such order was transmitted or received on the floor of the Exchange, shall immediately upon receipt thereof prepare a written record of such order, including an account identification and order number and shall record thereon the date and time to the nearest minute the order is received.~~

#### ~~**2523.01 Timing Requirements**~~

~~Effective October 1, 1986, the method of time recording of option transactions by pit brokers and traders on their trading cards will be the recording of the time of execution to the nearest minute. Failure to record the time shall constitute a violation of the rules of the Exchange.~~

#### ~~**2524.00 Trading Ahead of Customer**~~

~~Each floor broker is prohibited from trading ahead of a customer order:~~

~~a. Own Account; No Purchasing. Each floor broker is prohibited from purchasing any commodity for future delivery, purchasing any call commodity option or selling any put commodity option for the broker's own account, or for any~~

~~account in which such broker has an interest, while holding an order of another person for (1) the purchase of any future, (2) purchase of any call commodity option, or (3) sale of any put commodity option, in the same commodity which is executable at the market price or at the price such purchase can be made for the broker's own account or the account in which such broker has an interest.~~

~~b. Own Account; No Selling. Each floor broker is prohibited from selling any commodity for future delivery, selling any call option commodity, or purchasing any put commodity option, for the broker's own account or for any account in which such broker has an interest, while holding an order of another person for (1) the sale of any future, (2) the sale of any call option commodity, or (3) the purchase of any put option commodity, in the same commodity, which is executable at the market price or at the price at which such sale can be made for the broker's own account or the account in which such broker has an interest.~~

#### **Rule 25-2518.01 Introducing Brokers — Options Sales Practices**

Each Rule pertaining to the options sales practices of Permit Holders or their employees shall apply with equal force and in effect to the options sales practices of introducing brokers who are operating pursuant to a guarantee agreement with a Permit Holder FCM and such Permit Holder FCM shall be fully responsible therefore until otherwise rescinded by the Exchange, or until such time as the National Futures Association or other registered futures association adopts rules which are approved by the CFTC to govern the commodity option related activity of such guaranteed introducing brokers.

#### **~~Rule 25-2521.01 Position Limits — Wheat Futures Options~~**

~~Position Limits for wheat futures options shall be those limits currently in effect pursuant to Part 150 of the Regulations of the CFTC.~~

[\(End Chapter 25\)](#)



**AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF THE BOARD OF TRADE OF  
KANSAS CITY, MISSOURI, INC.**

FIRST: The name of the Corporation is The Board of Trade of Kansas City, Missouri, Inc. (the "Corporation").

SECOND: The address of the registered office of the Corporation in the State of Delaware is 1209 Orange Street, Wilmington, County of New Castle, 19801. The name of its registered agent at that address is The Corporation Trust Company.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of the State of Delaware as set forth in Title 8 of the Delaware Code (the "GCL").

FOURTH: The total number of shares of stock which the Corporation shall have authority to issue is 1,000 shares of Common Stock, each having a par value of one penny (\$0.01).

FIFTH: The following provisions are inserted for the management of the business and the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders:

- (1) The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors.
- (2) The directors shall have concurrent power with the stockholders to make, alter, amend, change, add to or repeal the Bylaws of the Corporation.
- (3) The number of directors of the Corporation shall be as from time to time fixed by, or in the manner provided in, the Bylaws of the Corporation. Election of directors need not be by written ballot unless the Bylaws so provide.
- (4) No director shall be personally liable to the Corporation or any of its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the GCL or (iv) for any transaction from which the director derived an improper personal benefit. Any repeal or modification of this Article FIFTH by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification with respect to acts or omissions occurring prior to such repeal or modification.
- (5) In addition to the powers and authority hereinbefore or by statute expressly conferred upon them, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, subject, nevertheless, to the provisions of the GCL, this Amended and Restated Certificate of Incorporation, and any Bylaws adopted by the stockholders; provided, however, that no Bylaws hereafter adopted by the stockholders shall invalidate any prior act of the directors which would have been valid if such Bylaws had not been adopted.

SIXTH: The Corporation shall indemnify its directors to the fullest extent authorized or permitted by law, as now or hereafter in effect, and such right to indemnification shall continue as to a person who has ceased to be a director of the Corporation and shall inure to the benefit of his or her heirs, executors and personal and legal representatives; provided, however, that, except for proceedings to enforce rights to indemnification, the Corporation shall not be obligated to indemnify any director (or his or her heirs, executors or personal or legal representatives) in connection with a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized or consented to by the Board of Directors. The right to indemnification conferred by this Article SIXTH shall include the right to be paid by the Corporation the expenses incurred in defending or otherwise participating in any proceeding in advance of its final disposition.

The Corporation may, to the extent authorized from time to time by the Board of Directors, provide rights to indemnification and to the advancement of expenses to officers, employees and agents of the Corporation similar to those conferred in this Article SIXTH to directors of the Corporation.

The rights to indemnification and to the advancement of expenses conferred in this Article SIXTH shall not be exclusive of any other right which any person may have or hereafter acquire under this Amended and Restated Certificate of Incorporation, the Bylaws of the Corporation, any statute, agreement, vote of the stockholders of the Corporation or disinterested directors of the Corporation or otherwise.

No amendment, repeal or modification of this Article SIXTH shall adversely affect any rights to indemnification and to the advancement of expenses of a director of the Corporation existing at the time of such amendment, repeal or modification with respect to any acts or omissions occurring prior to such amendment, repeal or modification.

SEVENTH: Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws may provide. The books of the Corporation may be kept (subject to any provision contained in the GCL) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the Bylaws of the Corporation.

EIGHTH: The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Amended and Restated Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.