

October 31, 2003

Ms. Jean A. Webb  
Secretary  
Commodity Futures Trading Commission  
Three Lafayette Center  
1155 21<sup>st</sup> Street, N.W.  
Washington, D.C. 20581

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10/31/03

Reference File #2381.01  
Rule Certification

Dear Ms. Webb:

Pursuant to Commission Regulation 40.6, the Chicago Board of Trade (CBOT<sup>®</sup>) hereby submits the following:

- **New Rulebook Chapter 9B and Appendices 9B-1 through 9B-4 per the attached texts.**

The referenced provisions will govern, and will be effective concurrently with, trading on e-cbot, the Exchange's new electronic platform which will utilize LIFFE CONNECT<sup>®</sup> technology. Existing Rulebook Chapter 9B and Appendix 9B, which govern trading on the Exchange's current (a/c/e) electronic platform, will continue in effect for products remaining on that platform, until the completion of a phased transition of all CBOT products from a/c/e to e-cbot. The specifics of this implementation schedule are provided below.

1) All electronically traded Agricultural Futures and Options will cease trading on a/c/e as of Friday, November 21, 2003 at 6:00 a.m. (These products will continue to trade only by open auction through December 31, 2003.)

2) On Sunday, November 23, 2003 (trade date November 24), the following products will no longer trade on a/c/e and will begin trading on e-cbot:

- o Ten-Year Swap Rate Futures & Options
- o Five-Year Swap Rate Futures & Options
- o Ten-Year Muni Note Futures
- o Fed Funds Futures & Options
- o Dow Jones Industrial Average<sup>SM</sup> Futures & Options
- o mini-sized Dow<sup>SM</sup> Futures
- o CBOT Dow Jones-AIG Commodity Index<sup>SM</sup> Futures

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3) On Thursday, January 1, 2004 (trade date January 2), the following products will no longer trade on a/c/e and will begin trading on e-cbot:

- Treasury Bond Futures & Options
- mini-sized Treasury Bond Futures
- Ten-Year Treasury Note Futures & Options
- mini-sized Ten-Year Treasury Note Futures
- Five-Year Treasury Note Futures and Options
- Two-Year Treasury Note Futures and Options
- Ten-Year Agency Note Futures and Options
- Five-Year Agency Note Futures and Options
- mini-sized Eurodollar Futures
- mini-sized Gold Futures
- mini-sized Silver Futures

Additionally, all Agricultural Futures and Options except for mini-sized Corn, Soybean and Wheat futures will begin trading on e-cbot on January 1, 2004 (trade date January 2). (The mini-sized Agricultural Futures will continue to trade by open auction only.)

The key features of the new Chapter 9B and its Appendices are summarized below:

- 9B.04 codifies the responsibilities of a clearing member that has authorized a direct e-cbot connection for a non-clearing member or non-member.
- 9B.08, Clearing Member Authorization, allows for a non-clearing member or non-member with a direct connection to enter transactions through one or more clearing members in addition to the Primary Clearing Member upon approval by the Primary Clearing Member. (The previous counterpart of this regulation allowed for only a single clearing member for all electronic transactions.)
- 9B.11, Order Entry is substantially streamlined in comparison to its previous counterpart.
- 9B.13, Trading Against Customer Orders, Crossing Orders and Pre-Execution Communications, reflects the new functionality and enhanced transparency available on e-cbot.
- 9B.14 clarifies that trading against one's own orders is a violation only if the bid or offer was not entered in good faith for the purpose of executing a bona fide transaction.
- 9B.21 and Appendix 9B-2 detail the e-cbot Error Trade Policy.
- Appendix 9B-1 details the Network Acceptable Use Policy.

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When this proposal was presented to the Board of Directors, one director voted against it. Opposing views were not otherwise expressed.

The CBOT certifies that these provisions comply with the Commodity Exchange Act and the rules thereunder.

Sincerely,

Paul J. Draths  
Vice President and Secretary

#### ATTACHMENTS

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**Chapter 9B**  
**e-cbot®**

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**Chapter 9B**  
**e-cbot®**

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**9B.01 Applicability of Rules-** The rules and regulations contained in this Chapter govern those Exchange contracts that are traded through the e-cbot system. To the extent that the provisions in this Chapter conflict with rules and regulations in other sections of this Rulebook, this Chapter supersedes such rules and regulations and governs the manner in which contracts are traded through the e-cbot system. Otherwise, contracts traded on the e-cbot system are fully subject to applicable general rules and regulations of the Exchange unless specifically and expressly excluded therefrom.

**9B.02 Hours-** The Exchange shall determine the hours during which the e-cbot system shall operate for the trading of each contract or product; however, any agricultural contract or product shall be precluded from trading through the e-cbot system during those hours which are now or in the future designated for trading that contract or product by means of open outcry.

The following additional provisions shall apply with respect to agricultural contracts and agricultural products:

- The Exchange shall determine e-cbot trading hours only if such hours are between 6:00 p.m. and 6:00 a.m. (Chicago time).
- e-cbot trading hours outside of the 6:00 p.m. to 6:00 a.m. timeframe shall be subject to approval by membership ballot vote pursuant to the Charter of the Board of Trade of the City of Chicago, Inc. Exhibit A, Section 7.

**9B.03 Products-** The Exchange shall determine the contracts and/or products which shall be traded through or listed on the e-cbot system, subject to the following restriction: Each existing and prospective agricultural futures and options contract shall be restricted from trading through or being listed on the e-cbot system unless approved by affirmative vote of a majority of votes cast in a vote of the membership pursuant to the Charter of the Board of Trade of the City of Chicago, Inc., Exhibit A., Section 7.

**9B.04 Direct e-cbot Connection -** CBOT clearing member firms are eligible to obtain a direct e-cbot connection. Additionally, CBOT clearing member firms may authorize the extension of a direct e-cbot connection to non-clearing members and non-member customers or affiliates. Such authorizations shall be submitted by the Clearing Member to the Exchange in writing and signed by an authorized officer of the Clearing Member. The Clearing Member guarantees the financial obligations of each person or entity for which it has authorized a direct connection with respect to transactions executed under its Clearing Member Mnemonic; however, for give-out transactions, such guarantee is effective only until such time that the give-out transaction is accepted for clearing by another Clearing Member.

An authorized officer of the non-member for which a Clearing Member authorizes a direct connection must agree in writing that the non member's use of the e-cbot system is governed by CBOT rules and regulations and that the non-member shall be subject to the jurisdiction of the CBOT.

With respect to each non-member for whom the Clearing Member has authorized a direct connection, the Clearing Member must:

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- (a) Provide such non-member with information concerning the use of the e-cbot system and the rules and regulations of the Exchange.
- (b) Assist the Exchange in any investigation into potential violations of Exchange rules and regulations or the Commodity Exchange Act. Such assistance must be timely and includes, but is not limited to, requiring the non-member to produce documents, to answer questions from the Exchange, and/or to appear in connection with the investigation.
- (c) Suspend or terminate the non-member's e-cbot access if the Exchange determines that the actions of the non-member threaten the integrity or liquidity of any contract, violate any Exchange rules or regulations or the Commodity Exchange Act, or if the non-member fails to cooperate in an investigation. If a Clearing Member has actual or constructive notice of a violation of Exchange rules or regulations in connection with the use of the e-cbot system by a non-member for which it has authorized a direction connection and the Clearing Member fails to take appropriate action, the Clearing Member may be found to have committed acts detrimental to the interest or welfare of the Exchange.

**9B.05 ITMs and Responsible Persons** –Each person or entity that has a direct connection to e-cbot will request one or more Individual Trader Mnemonics (ITMs) as needed to accommodate the nature and volume of the person's or entity's business. A Responsible Person and one or more Backup Responsible Person(s) must be registered with the Exchange for each ITM. The Exchange, at its sole discretion, may limit the number of, or require additional ITMs and Responsible Persons.

A Responsible Person (or in his absence, the Backup Responsible Person) must be reachable via telephone by the Exchange at all times that any of the ITMs assigned to him are in use. A Responsible Person (or in his absence, his Backup Responsible Person) must:

- (a) have the authority, at the Exchange's request, to modify or withdraw any order submitted under an ITM assigned to him; and
- (b) immediately identify, at the Exchange's request, the source of any order submitted under an ITM assigned to him.

**9B.06 e-cbot User IDs** - Each order entered through an ITM must contain an e-cbot User ID that identifies the participant who entered the order. Each member or non-member with a direct connection must utilize a client application that automatically populates the e-cbot User ID for every order based on the client application login.

Members, non-member employees and proprietary traders of a member or member firm, and non-member employees and proprietary traders of each non-member with a direct connection must have a unique, Exchange assigned, registered e-cbot User ID. Such participants shall be referred to as Registered Users. The e-cbot User ID for all other users need not be registered. Each member or non-member entity with a direct connection shall ensure the accuracy of a Registered User's registration information at all times.

A Registered User shall be subject to the rules of the Exchange, including, but not limited to, the rules of this Chapter and rules relating to order handling, trade practices and disciplinary

proceedings. It shall be the duty of the entity or individual who employs the Registered User to supervise such user's compliance with Exchange rules and regulations, and any violation thereof by such Registered User may be considered a violation by the employer.

**9B.07 e-cbot Access From the Trading Floor** - Individual members on the trading floor may directly enter e-cbot orders in such products as their membership category permits. Non-member employees of a member firm who do not maintain an associated person registration may enter e-cbot orders on a non-discretionary basis from terminals located within the member firm's booth space. A non-member employee of an individual member may enter non-discretionary e-cbot orders from within a pit solely for the account of his employing member.

**9B.08 Clearing Member Authorization-**

(a) **Primary Clearing Member** - Each non-clearing member or non-member with a direct connection who enters transactions through the e-cbot system must obtain authorization from a Primary Clearing Member. The Primary Clearing Member shall guarantee and assume financial responsibility for all such transactions traded through e-cbot under its Clearing Member Mnemonic. The Primary Clearing Member shall be liable upon all such trades made by the non-clearing member or non-member and shall be a party to all disputes arising from such trades.

(b) **Other Clearing Members** - A non-clearing member or non-member with a direct connection may be authorized to enter transactions through the e-cbot system by one or more clearing members, in addition to its Primary Clearing Member, in accordance with the requirements of Rule 333.00, provided that written permission has been granted by its Primary Clearing Member. Such other clearing member shall be liable upon all e-cbot trades made by the non-clearing member or non-member under its Clearing Member Mnemonic and shall be a party to all disputes arising from such trades.

(c) **Revocation of Clearing Authorization** - A clearing member that provides e-cbot trading authorization to a non-clearing member or non-member may revoke such authorization without prior notice. Written notice of the revocation of clearing authorization shall be immediately provided to the Exchange, which shall thereby terminate such connection and cancel all orders of the non-clearing member or non-member in the e-cbot system under the revoking Clearing Member's Mnemonic. If the revocation is by the Primary Clearing Member, all e-cbot connections of the non-clearing member or non-member shall be terminated until another clearing member has designated itself as the Primary Clearing Member. Unless otherwise specified by the Primary Clearing Member, a member whose connection to e-cbot has been terminated shall not automatically be denied access to the Floor of the Exchange during Regular Trading Hours.

**9B.09 e-cbot Opening -**

(a) During the Pre-Open period designated by the Exchange, traders may enter only Market on Open orders, Limit orders and GTC Limit orders for both outright and strategies. Order modifiers are not permitted on orders entered during the Pre-Open.

(b) Immediately upon the Market Open, e-cbot will apply an uncrossing algorithm to calculate the price at which the maximum volume will be traded. All orders executed pursuant to the uncrossing algorithm will be executed at a price equal to or better than that at which they were entered. Market On Open orders are processed immediately after the uncrossing. The Exchange does not guarantee the execution of any order at the opening price.

**9B.10 e-cbot Orders -**

a) An e-cbot order may contain one of the following designations:

(1) Market orders – Market orders are executed at the best price or prices available in the order book at the time the order is received until the order has been filled in its entirety. However, a market order will not trade outside of the dynamic price limits and any residual volume from an incomplete market order is canceled. Market orders are rejected if the market is not open.

(2) Market on Open (MOO) orders – Market on open orders can only be submitted for futures products, including strategies. Such orders are accepted only during Pre-Open and are intended for execution at the opening market price. MOO orders will be executed by the Trading Host at the opening price calculated after the uncrossing of limit orders in the market when the market opens. If an opening price cannot be calculated for the market when it opens, all MOO orders will be automatically canceled. Any residual MOO orders that are not matched on the opening will be converted automatically to limit orders at the opening price.

(3) Limit orders – Limit orders are orders to buy or sell a stated quantity at a specified price, or at a better price, if obtainable. Unless otherwise specified, any residual volume from an incomplete limit order is retained in the central order book until the end of the day unless it is withdrawn or executed..

(4) Good-Till-Canceled Limit orders ("GTC") – GTC orders are eligible for execution for the current and all subsequent e-cbot trade sessions until executed, canceled or the expiry month expires. GTC orders can be given an expiry date and are valid until the end of trading on that date.

(b) The following order modifiers are permitted:

(1) Minimum Volume – Minimum Volume orders are executed only if there is at least the designated minimum volume available at the stated price or better. If the designated minimum volume cannot be traded, the order is canceled. Any residual volume from a partially executed minimum volume order is retained in the central order book. A Minimum Volume modifier may be used with limit orders, GTC limit orders and market orders.

(2) Complete Volume – Complete Volume orders are executed only if there is sufficient volume available, at the stated price or better, to execute the order in its entirety. If the order cannot be executed in its entirety, the entire order is canceled. A Complete Volume modifier may be used with limit orders and market orders.

(3) Immediate & Cancel – Immediate and Cancel orders are executed against any existing orders at the stated price or better, up to the volume designated on the order. Any residual volume on the order is canceled. An Immediate and Cancel modifier may be used with limit orders.



(c) Strategy Orders and Contingent Multiple Orders

(1) Strategy Orders – e-cbot allows for the creation of recognized strategies, including delta neutral strategies, and for the submission of orders in such strategies.

(2) Contingent Multiple Orders – A Contingent Multiple Order is an order that contains between two and eight component outright orders in up to two products. The permitted product pairs are pre-defined by the Exchange. Trading of any component order is contingent on all component orders being fully executed. Only one futures component is permitted if any component is an option. Each component order can be a limit order or a market order.

**9B.11 Order Entry-**

a) A member or Registered User who is registered as a floor broker or associated person, or in a comparable capacity under applicable law, may enter discretionary or non-discretionary orders on behalf of any account of a clearing member with the prior approval of the clearing member responsible to clear such orders.

b) A member or Registered User who is not registered as a floor broker or associated person, or in a comparable capacity under applicable law, may enter non-discretionary orders on behalf of customers. Such member or Registered User may enter discretionary or non-discretionary orders for the account of his employer or for his own account provided he does not enter or handle customer orders.

c) It shall be the duty of each member or Registered User to: (1) submit orders through the e-cbot system under his registered e-cbot User ID and (2) input for each order the correct CTI code and appropriate account designation. A suspense account may be used at the time of order entry provided that a contemporaneous written record of the order, with the correct account designation, is made, time-stamped and maintained in accordance with Regulation 9B.18, and provided that the correct account designation is entered into the clearing system prior to the end of the trading day.

d) With respect to orders received by a member or Registered User which are immediately entered into the e-cbot system, no separate record need be made. However, if a member or Registered User receives an order that is not immediately entered into the e-cbot system, a record of the order including the order instructions, account designation, date, time of receipt and any other information that is required by the Exchange must be made.

**9B.12 Misuse of e-cbot-** Misuse of the e-cbot 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 e-cbot, to assist any individual in obtaining unauthorized access to e-cbot, to trade on the e-cbot system without the authorization of a clearing member, to alter the equipment associated with the system, to interfere with the operation of the system, to use or configure a component of the system in a manner which does not conform to the LIFFE Core Network Acceptable Use Policy set forth at Appendix 9B-1, to intercept or interfere with information provided on or through the system, or in any

way to use the system in a manner contrary to the rules and regulations of the Exchange.

**9B.13 Trading Against Customer Orders, Crossing Orders and Pre-Execution Communications -**

(a) Trading Against Customer Orders

During an e-cbot trading session, a member 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 member'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 e-cbot platform for a minimum of 5 seconds for outright futures contracts and a minimum of 15 seconds for strategies and 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 order is exposed on the e-cbot platform for a minimum of 5 seconds for outright futures contracts and a minimum of 15 seconds for strategies and 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 e-cbot platform for a minimum of 5 seconds for outright futures contracts and a minimum of 15 seconds for strategies and options contracts.

(c) Orders Entered Pursuant to Pre-Execution Communications

- (i) 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 e-cbot platform.
- (ii) Pre-execution communications and transactions arising from such communications are prohibited during open outcry trading hours in all contracts that trade by open outcry, including any mini-sized version of a contract that trades by open outcry.
- (ii) Orders entered pursuant to pre-execution communications must conform to the following:
  - a) Each customer must consent to the execution of his order in accordance with pre-execution communication procedures. As specified in Regulation 336.01, the terms of order execution may not be guaranteed and reports of executions must be based on transactions effected through the e-cbot system.

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- b) All orders entered pursuant to pre-execution discussions must be preceded by the entry of a request for cross (RFQX) which requires the entry of the contract, side of market, price, quantity and designated counterparty ITM. The order corresponding to the RFQX is displayed in the order book.
- c) For outright futures contracts, the opposing order corresponding to the RFQX may not be entered until at least 5 seconds have transpired from the time of the entry of the cross request.  
  
For strategies and options contracts, the opposing order corresponding to the RFQX may not be entered until at least 15 seconds have transpired from the time of entry of the cross request.
- d) A person who has been solicited to participate in a transaction through pre-execution communications may not disclose the details of such communications to another person or use the information obtained from such communications other than to participate in such transaction in accordance with the procedures described above.

Customer orders must be handled with due diligence. It shall be inconsistent with just and equitable principles of trade to withhold a customer order from the market in order to facilitate a pre-arranged execution at a price less favorable to the customer.

**9B.14 Good Faith Bids and Offers** - A member or Registered User shall not knowingly enter, or cause to be entered, bids or offers into the e-cbot system other than in good faith for the purpose of executing bona fide transactions.

**9B.15 Priority of Execution**- Orders received by a member or Registered User shall be entered into the e-cbot system in the sequence received. Orders that cannot be immediately entered into e-cbot must be entered when the orders become executable in the sequence in which the orders were received.

**9B.16 Disciplinary Procedures**- All access denials, suspensions, expulsions and other restrictions imposed upon a member or Registered User by the Exchange pursuant to disciplinary procedures contained in Chapters 2 and 5 of the Exchange's rules shall restrict with equal force and effect access to, and use of, the e-cbot system.

**9B.17 Termination of e-cbot Connection**- The Exchange, at its sole discretion, shall have the right to summarily terminate the connection of any member or non-member, or the access of any ITM. Additionally, the Exchange, at its sole discretion, shall have the right to direct a member or non-member with a direct connection to immediately terminate access to the e-cbot system of any user.

**9B.18 Records of Transactions Effected Through the e-cbot System**- All written orders and any other original records pertaining to orders entered through the e-cbot system

must be retained for five years. For orders entered into the e-cbot system immediately upon receipt, the data contained in the e-cbot system shall be deemed the original record of the transaction.

**9B.19 e-cbot Limitation of Liability-**

This Regulation sets forth the disclaimer of warranties and the limitation of liability that shall apply to any provision, use, performance, maintenance or malfunction of the LIFFE CONNECT™ system for trading on e-cbot:

- (1) **Disclaimer of Warranties.** The CBOT provides any licensed products, access to the interface, the equipment and the trading system "AS IS." Except as specifically provided in any Interface Sublicense and Connection Agreement, the CBOT makes no, and hereby disclaims all, warranties, conditions, undertakings, terms or representations, expressed or implied by statute, common law or otherwise, in relation to any licensed products, equipment or trading system or any part or parts of the same. The CBOT specifically disclaims all implied warranties of merchantability, fitness for a particular purpose and non-infringement. The CBOT further disclaims all warranties, implied or otherwise, relating to any third party materials.
- (2) **Liability**
  - (i) **General Limitation.** Excluding a finding of gross negligence or willful misconduct, the CBOT, the agents, subcontractors and licensors of the CBOT, and the officers, directors, and employees of the CBOT, and its agents, subcontractors and licensors, shall have no liability, to any licensee or any other person, under any Interface Sublicense and Connection Agreement or in relation to the use, performance, maintenance, or malfunction of the equipment, any licensed products, or the trading system or any components thereof, for any losses, or other damage or injury, direct or indirect (including, but not limited to, consequential, incidental, and special damages and loss of profits, goodwill or contracts), whether arising from negligence or breach of contract or otherwise, and whether or not such person (or any designee thereof) shall have been advised of or otherwise might have anticipated the possibility of such damages.
  - (ii) **Aggregate Liability.** In the event the limitation under paragraph (b)(2)(i) above is found by a court of competent jurisdiction to be invalid, unlawful, or unenforceable, the entire aggregate liability of the CBOT, its agents, subcontractors and licensors, and the officers, directors, and employees of the CBOT and its agents, subcontractors and licensors under or in connection with any Interface Sublicense and Connection Agreement shall not exceed \$10,000.

Notwithstanding any of the foregoing provisions, this Regulation shall in no way limit the applicability of any provision of the Commodity Exchange Act, as amended, and Regulations thereunder.

**9B.20 Disclosure Statement-** No member or clearing member shall accept an order from, or on behalf of, a customer for entry into e-cbot, unless such customer is first provided

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with the Uniform Electronic Trading and Order Routing System Disclosure Statement developed by the National Futures Association.

**9B.21 Error Trade Policy-** In order to ensure fair and orderly market conditions, the Exchange, or designated staff, may cancel a transaction in accordance with the Error Trade Policy detailed in Appendix 9B-2.

## APPENDIX 9B-1

### LIFFE CORE NETWORK ACCEPTABLE USE POLICY

#### 1. Permitted Purpose

Except as otherwise agreed by LIFFE, those Persons authorized to use the Core Network in relation to the CBOT Electronic Exchange ("**Users**") shall use the Core Network solely for purposes of participating in, accessing or obtaining information from the CBOT Electronic Exchange via an Interface with the Equipment.

#### 2. Compliance with Laws

Users shall use the Core Network in accordance with all applicable laws and regulations and any additional reasonable requirements as LIFFE may deem necessary to protect the Core Network. Without limiting the foregoing, Users shall not use, transmit, distribute or store via the Core Network any data, information or other material ("**Data**") which (i) infringes or otherwise violates any copyright, trademark, trade secret or other intellectual property of any individual or entity; (ii) is pornographic, obscene, or exploitative of a minor; (iii) is menacing, malicious, illegally threatening or defamatory; or (iv) violates export laws or otherwise violates any applicable treaty, law or regulation.

#### 3. Harmful Activities

Users shall not use the Core Network to transmit, distribute or store any Data or undertake any other activities that may be harmful to or otherwise interfere with (i) the Core Network or the use thereof by any other User or other authorized user of the Core Network, or (ii) any system, network or equipment of LIFFE or any third party, including: (i) intercepting or attempting to intercept Data or other transmissions passing over the Core Network; (ii) forwarding chain letters; (iii) sending multiple e-mails or large transmissions that could reasonably be expected to annoy or harass or to impose a disproportionately large load on, or degrade the functionality of, the Core Network (e.g., "mail bombing"); (iv) sending any e-mail containing misleading or incorrect headers or information rendering the origin of the e-mail unclear or deceptive; (v) sending bulk or unsolicited e-mail messages ("spamming"), either directly or by relaying; or (vi) transmitting any virus, worm or Trojan Horse.

#### 4. Security

4.1 Users shall not violate or attempt to violate the security of the Core Network or interfere or attempt to interfere with LIFFE's systems, networks, authentication measures, servers or equipment or with the use of or access to the Core Network by any other User or any other authorized user of the Core Network. Such prohibited activity includes (i) logging into a server where access is not authorized; (ii) probing, scanning, or testing the security or vulnerability of the Core Network or other networks; and (iii) attempting to gain access via the Core Network to any account or computer resource not belonging to such User ("spoofing").

4.2 Users shall not monitor Data or traffic on the Core Network except via a Trading Application or Interface.

**5. Enforcement**

Except as may be agreed between LIFFE and the CBOT, LIFFE shall have no obligation to monitor or exercise control over any Data transmitted, distributed or stored by any User via the Core Network. Notwithstanding the foregoing, LIFFE reserves the right to monitor and control activities undertaken via the Core Network.

**6. Responsibility**

Each User is fully responsible for all uses of the Core Network undertaken (i) by such User or (ii) via such User's Trading Application or Interface.

## **APPENDIX 9B-2**

### **e-cbot Error Trade Policy**

The CBOT's error trade policy is designed to preserve the integrity of CBOT product markets by striking an appropriate balance between trade certainty and erroneous price discovery. The policy provides a mechanism to promptly address transactions that are executed at obviously erroneous prices substantially inconsistent with the last trade price of the contract or alternative determination of the contract's fair value. This policy does not relieve market participants from potential financial responsibility or liability for the execution of trades that are deemed an "error trade" if their actions caused financial loss to other parties whose transactions were busted.

#### **1 Invoking the Error Trade Policy**

If an e-cbot user believes that he executed a trade through e-cbot at a price that was in error, he must contact e-cbot Market Operations ("e-cbot Operations") at (312) 347-4600 without delay. If e-cbot Operations is not notified within five minutes of the execution time of the asserted error trade, the trade will stand. A third party or e-cbot Operations may also call a trade into question within five minutes of the execution. Trades called into question within five minutes will be evaluated in accordance with sections 2 and 3 of this policy. However, e-cbot Operations has the authority, but not the obligation, to consider trades reported after the five minute deadline provided the trade price in question is grossly (i.e. multiple points) out of line with the last trade price or alternatively determined fair value of the respective contract.

Trades resulting from quantity errors generally will not be called into question.

#### **2 Trade Price Within the "No Bust Range"**

If a futures transaction is asserted to be at a price that is in error, the trade shall not be considered for review by e-cbot Operations unless the price of the asserted error trade is greater than the designated number of ticks (as outlined in Appendix 9B-3) from the reference price. The reference price will be the last trade price preceding the entry of the error trade or an alternatively determined fair value of the contract. Fair value for futures contracts may be determined by the last trade price, preceding settlement price, spread relationships and/or other variables deemed relevant by e-cbot Operations. However, during side-by-side hours the reference price on a downside (upside) move will never be higher (lower) than the low (high) of the pit traded price for an equivalent contract during the time period that the prices of the contracts were disjointed. During non side-by-side hours, the reference price will never be higher (lower) than the low (high) of an equivalently traded contract.

If an option trade is asserted to be at a price that is in error, the trade shall not be considered for review by e-cbot Operations unless the price of the asserted error trade conforms to the following guidelines:



## APPENDIX 9B-2

1. Trades must be greater than 2 ticks above or below the theoretical price in order to be busted.
2. Trades greater than 2 ticks away from the theoretical price, but less than 20 ticks away from the theoretical price, must be greater than 20% above or below the theoretical price, in order to be eligible to be busted.
3. Trades greater than 20 ticks above or below the theoretical price (40 ticks for the Soybean complex and Dow complex), may be busted even if the tick disparity is less than 20% of the theoretical value.

If an asserted trade entry error results in trade executions at multiple price levels, the last trade price (if used to determine the reference price) shall be the last trade price prior to the entry of the alleged error trade.

If the asserted error trade is the first trade in a contract that has not previously been opened, e-cbot Operations will determine a fair value estimate for the contract, which then will be gauged against the error trade range to determine the final status of the trade.

If e-cbot Operations contacts a member user regarding a suspicious order and the user states that the order is entered correctly, the order (if subsequently executed) may only be called into question by a third party.

Trades that are executed outside of the daily price limits will be busted by e-cbot Operations irrespective of whether the trade(s) falls within the "no bust range" established above.

### **3 Trade Price Outside of the "No Bust Range"**

If the price of the asserted error trade is more than the specified number of ticks from the reference price, e-cbot Operations will send a broadcast message to the user community indicating that the trade has been called into question. If the asserted error trade is outside of the specified tick range and involves only two parties, e-cbot Operations will attempt to contact the parties to the transaction. If both parties agree to bust or re-price the transaction, e-cbot Operations shall send a broadcast message to the user community and an alert to the quote vendor network indicating that the trade was busted or re-priced.

If there is more than one contra-party to the order asserted to have been executed in error, e-cbot Operations will gauge the erroneous transactions against the error trade range to determine the final status of the trades.

## APPENDIX 9B-2

### 4 e-cbot Operations Authority to Halt Markets

e-cbot Operations shall have the authority to halt markets in any contract during extraordinary circumstances where there has been a major market movement without any apparent economic or fundamental basis for movement to have occurred.

### 5 Decisions of e-cbot Operations

A. e-cbot Operations will review the circumstances surrounding the alleged error trade to determine whether it should be deemed an error trade and busted. However, subject to the mutual agreement of both parties, the trade may be re-priced in line with the contract's fair value. If the trade is repriced to a level that is below a sell limit price or above a buy limit price, and the customer rejects the trade, the trade must be placed in the error account of the customer's clearing firm. Parties to these transactions are permitted to make cash adjustments to settle losses that occur as a result of the error trade. Should parties to a disputed transaction be unable to mutually resolve financial disputes arising from such transactions, arbitration facilities are available through the Exchange. The Arbitration Committee may hold the party who entered the order that resulted in the error trade financially responsible for losses that occur as a result of the busted trade(s).

Trade certainty and the timely resolution of error trades are critical objectives of this policy. Therefore, if parties to a disputed transaction do not agree to the terms of resolution, e-cbot Operations reserves the final authority to determine the disposition of the questioned transaction.

During side-by-side trading hours, e-cbot Operations shall, unless impracticable, make its determination within 10 minutes of the broadcast message regarding the potential error trade. During non side-by-side trading hours, e-cbot Operations shall, unless impracticable, make its determination within 15 minutes of the broadcast message regarding the potential error trade. The decisions of e-cbot Operations shall be final, and e-cbot Operations shall send a broadcast message and an alert to the quote vendor network indicating whether the trade was busted, re-priced or allowed to stand.

B. In making its determination, e-cbot Operations may consider relevant factors including, but not limited to: market conditions immediately before and after the transaction; the prices of related contracts; whether one or more parties to the trade believe the trade was executed at a valid price; the extent to which the transaction appeared to trigger contingency orders and other trades; information related to the e-cbot Operations by third parties.

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### **6 Procedures for Correcting Error Trades**

In the event a trade is busted, the parties to the transaction must reverse the transaction through applicable clearinghouse procedures. e-cbot Operations will notify OIA regarding any situation where a party fails to claim or misclear trades in a timely manner. Such failure may be deemed a violation of Rule 504.00, Acts Detrimental to the Welfare of the Association.

Under no circumstances shall the parties to an alleged error trade be permitted to reverse the error by entering into a prearranged transaction.

If the trade called into question is determined not to be an error trade, the parties to the trade are permitted to mutually agree upon a cash adjustment; any such adjustment must be reported to e-cbot Operations.

#### **Spreads**

Because of the autoleg feature of the e-cbot system, spreads may be executed such that one leg of the spread is determined to be an error trade and the other leg is deemed to have been executed at a good price. In such circumstances, the party who enters an outright order that causes an error trade on an autolegged spread will be deemed to be the counterparty to the good leg of the spread (see Appendix 9B-4). The parties to the transactions will reverse and claim the transactions as indicated through the applicable clearing house procedures.

### **7 Arbitration Procedures**

Arbitrations relating to asserted error trades are limited to trades that are determined by e-cbot Operations to be an error trade. A notice of intention to arbitrate must be filed within ten business days after the date of the error trade. The party that caused the error may be held responsible for realized losses incurred by parties whose trades were busted as a result of the error.

### **8 Error Trade Fees**

The party responsible for the error must pay a \$1,000 fee for each of the first two error trades, \$3,000 for the 3rd error trade, and \$5,000 for each subsequent error trade within a calendar year.

APPENDIX 9B-3  
Tick Breakdown Per CBOT Product

Product	Symbol	Minimum Tick Increment	"No Bust Range"	Tick increment of "No Bust Range"
U.S. Treasury Bond Futures	ZB	1/32	20 Ticks	20/32nds
Options on U.S. Treasury Bonds	OZB	1/64	20 Ticks	20/64ths
CBOT Mini Sized U.S. Treasury Bond Futures	YH	1/32	20 Ticks	20/32nds
10 Yr. Treasury Note Futures	ZN	(1/2)/32	20 Ticks	10/32nds
Options on 10 Yr. Treasury Notes	OZN	1/64	20 Ticks	20/64ths
CBOT Mini Sized 10 Yr. Treasury Note Futures	YN	(1/2)/32	20 Ticks	10/32nds
5 Yr. Treasury Notes	ZF	(1/2)/32	20 Ticks	10/32nds
Options on 5 Yr. Treasury Notes	OZF	1/64	20 Ticks	20/64ths
2 Yr. Treasury Notes	ZT	(1/4)/32	20 Ticks	5/32nds
Options on 2 Yr. Treasury Notes	OZT	(1/2)/64	20 Ticks	10/64ths
Muni-Note Index	ZU	1/32	20 Ticks	20/32nds
Fed Funds	ZQ	½ Basis Point	20 Ticks	10 Points
Options on Fed Funds	OZQ	¼ Basis Point	20 ticks	5 Points
10 Yr. Agency Notes	AN	(1/2)/32	20 Ticks	10/32nds
Options on 10Yr Agency Notes	OAN	1/64	20 Ticks	20/64ths
5 Yr. Agency Notes	AF	(1/2)/32	20 Ticks	10/32nds
Options on 5 Yr. Agency Notes	OAF	1/64	20 Ticks	20/64ths
10 Yr. Interest Rate Swaps	SR	1/32	20 Ticks	20/32nds
10 Yr. Interest Rate Swaps Options	OSR	1/64	20 Ticks	20/64ths
5 Yr. Interest Rate Swaps	SA	1/32	20 Ticks	20/32nds
5 Yr. Interest Rate Swaps Options	OSA	1/64	20 Ticks	20/64ths
Dow AIG Commodity Index	AI	0.1 Points	40 Ticks	4 Points
Dow Jones Industrial Futures	ZD	1 Point	150 Points	150 Points
Dow Jones Industrial Options	OZD	½ Point	40 Ticks	20 Points
Mini Dow \$5 Multiplier	YM	1 Point	150 Points	150 Points
Mini Eurodollar	YE	½ Basis Point	10 Ticks	5 Points
Mini NY Gold Futures	YG	10 cents	20 Ticks	\$2.00
Mini NY Silver Futures	YI	1/10 cent	40 Ticks	4 Cents
Corn	ZC	¼ cent	20 Ticks	5 Cents
Corn Options	OZC	1/8 cent	20 Ticks	2 ½ Cents
Wheat	ZW	¼ cent	20 Ticks	5 Cents
Wheat Options	OZW	1/8 cent	20 Ticks	2 ½ Cents
Oats	ZO	¼ cent	20 Ticks	5 Cents
Oat Options	OZO	1/8 cent	20 Ticks	2 ½ Cents
Rough Rice	ZR	½ cent	20 Ticks	10 Cents
Rough Rice Options	OZR	¼ cent	20 Ticks	5 Cents
Soybeans	ZS	¼ cent	40 Ticks	10 Cents

Product	Symbol	Minimum Tick Increment	"No Bust Range"*	Tick increment of "No Bust Range"
Soybean Options	OZS	1/8 cent	40 Ticks	5 Cents
Soy Meal	ZM	10 cents	40 Ticks	\$4.00
Soy Meal Options	OZM	5 cents	40 Ticks	\$2.00
Soy Oil	ZL	1/100 cents	40 Ticks	.40 cents
Soy Oil Options	OZL	5/1000 cents	40 Ticks	.20 cents

\* Option products are shown in this chart to indicate the greatest number of ticks defined as the "No Bust Range". (See Section 2, "Options")

## APPENDIX 9B-4

### EXAMPLE OF AUTOLEG ERROR

Trader "A" has a spread order in the book to buy June Bonds and sell September Bonds. (Please note that when you enter a spread order into the system, it assigns prices to the individual legs and the order is included in the outright order books.)

Trader "B" has an order to sell June Bonds.

Trader "C" makes an error by entering a bid in the September contract (he intended to bid June). Trader C's bid for September matches against Trader A's sell September portion of the spread, which triggers Trader A's buy June portion of the spread to match against Trader B's sell June order.

The September trade between Trader C and Trader A is determined to be an error trade. The June trade between A and B is executed at an economically justifiable price.

The September leg is determined to be an error trade and is busted. Trader C is then required to claim the June leg executed for Trader A.

#### Summary

June Bonds		Sep Bonds	
Buy	Sell	Buy	Sell
A	B	C	A

Trader C is cause of error

Trader A vs. B = good price

Trader A vs. C = bad price

Trader A vs. C leg is determined to be an error trade and is busted

Trader A vs. B leg is reversed and Trader C is required to claim the trade so that Trader B is not harmed.