

**BGC Derivative Markets, L.P**  
**2015-13 Rulebook Changes**  
**December 9, 2015**

1. The text of the proposed amendments to the BGC Derivative Markets, L.P. (“BGCDMLP”) Rules are appended as Attachment A. Any additions are underlined and any deletions are struck through.
2. The date of intended implementation of the proposed amendments is ten business days following the filing of this submission.
3. Attached, please find a certification that: (1) these rules comply with the Commodity Exchange Act, and the Commission’s regulations thereunder; and (2) concurrent with this submission, BGC posted on its website: (i) a notice of pending certification of the rule submissions with the Commission; and (ii) a copy of this submission.
4. A concise explanation and analysis of the operation, purpose, and effect of the amended rule appears below.
5. There were no opposing views expressed regarding these amended rules.
6. Confidential treatment is not requested.

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CONCISE EXPLANATION AND ANALYSIS OF THE OPERATION, PURPOSE, AND  
EFFECT OF THE CERTIFIED RULE AND ITS COMPLIANCE WITH APPLICABLE  
PROVISIONS OF THE ACT, INCLUDING CORE PRINCIPLES AND THE  
COMMISSION’S REGULATIONS THEREUNDER

Pursuant to Commission Rule 40.6(a)(7)(vi), the following is a concise explanation and analysis of the operation, purpose, and effect of the amended rules.

BGCDMLP is making a number of related rule amendments. Rule 404 is being amended by adding new paragraph (f) and Rule 603 is being amended by adding paragraph (a)(vii). The new paragraphs make clear to market participants that when they submit an Order to the Facility or an Order has been submitted on their behalf, the Order may be executed upon or it may match against a resting Order. The rule amendments do not alter the operation of the Facility nor do they alter the operation of any other rule. However, this rule amendment is intended to reinforce for market participants that they are responsible for any and all trades that are a result of the entry of an Order into market by them or on their behalf.

Rule 514 is being amended explicitly to address errors which have been made by an Execution Specialist in Order handling or some other material error. The amended rule provides that in the event of such an error, the Facility may take appropriate steps to remediate the erroneous transaction. These include entering into off-setting transactions or ordering the parties to the

trade to do so. This authority may be exercised by the Chief Compliance Officer (“CCO”) or the CCO’s designee. This rule is appropriate as a means of addressing human error that may arise in Order handling by the Facility’s Execution Specialists. Such errors may include, for example, entering a Buy Order rather than a Sell Order or vice versa, entering the wrong amount of such Order, or in some other way misperceiving instructions of the market participant. As provided in the rule, the purpose of the amendment is to address manifest unfairness arising from a material error by the Execution Specialist.

The rule as amended makes clear that the Facility may review trades under these error rules based on the CCO or the CCO designee’s analysis of the market. In addition, the parties to a transaction may request that the transaction be reviewed. As amended, Rule 514(e) provides that the request to review a trade on the basis that it is improper must be made within 20 minutes with a written request submitted within one hour. The request to review the trade must include the reasons and be countersigned by the desk head or other appropriate supervisor.

The procedures to amend or cancel a trade, or to make any other adjustment are set forth in Rule 514(d), (e) and (f), which are also proposed to be amended. Amended Rule 514(f) explicitly provides that a party whose erroneous or improper Order handling causes an error shall be liable for the reasonable out-of-pocket losses of the counterparty to the transaction. The rule is not changed insofar as the process for obtaining compensation caused by such an error. Where a counterparty admits liability, payment is required to be made within 10 business days and where a party denies liability, the claim will be subject to arbitration by the National Futures Association. In addition, there is no change with respect to the non-cancellation of errors, such as “fat finger” errors, which occur inside the “no review” range. Amended Rule 514(l), however, makes explicit that adjustments relating to trades that are outside of the “no-review” range shall be made by the Facility by entering into new or off-setting trades on behalf of the parties or ordering the parties to do so.

In addition, BGCDMLP is making a number of amendments to the Rule Book to clarify the meaning and effect of Orders entered through the Voice Trading Facility. These changes make clear that Voice Orders are firm when entered and that the resulting transactions are the responsibility of the market participant. Specifically, Rule 603(b)(i)(D) is added to include the Order type of “Time in Force” (“TIF”) Orders. TIF Orders on the electronic Order Book appear with a timer through which the market participant indicates the time during which an Order will be firm. Rule 703(a)(vi) introduces a similar concept for the Voice Orders in Required Transactions. This new rule provides that a Voice Order for a Required Transaction will remain firm for a period of 60 seconds, or such longer period as communicated to the Execution Specialist. This is equivalent to a TIF trade. In addition, the new rule specifies the conditions whereby the Order will be cancelled. These include such events as the Order being filled, a new Order at a better price is entered, the market participant cancels the Order before it is filled, or a material Market Event occurs, such as significant economic announcements or news release, or a Force Majeure occurs.

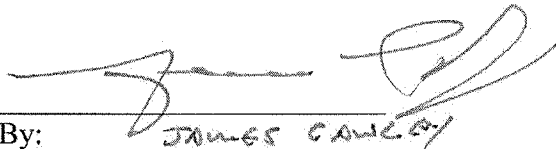
New Rule 703(a)(vii) provides that the Execution Specialist, acting in his or her discretion, may enter any Voice Order in a Required Transaction into the Electronic Trading System. The

Execution Specialist may do so whenever it shall appear that there is sufficient liquidity in the Electronic Order Book to accommodate an efficient execution of the Order. Such Orders shall be entered as TIF Orders for a period of 60 seconds. The purpose and effect of this rule is to ensure that prices in the Voice and Electronic Order Books remain connected. In this regard, Execution Specialists are able to view the Electronic Order Book and to assess whether an Order that has been transmitted to them is able to be executed efficiently and at the market price on the electronic Order Book. If so, the Execution Specialist may place the Order into the electronic Order Book. On the other hand, if it appears that there is not sufficient liquidity, the Execution Specialist may work the Order on the Voice Facility. It should be noted that the ability to place such Orders on the electronic Trading Facility does not create a duty of best execution on the part of the Execution Specialist.

CERTIFICATIONS PURSUANT TO SECTION 5c OF THE COMMODITY EXCHANGE ACT, 7 U.S.C. §7A-2 AND COMMODITY FUTURES TRADING COMMISSION RULE 40.6, 17 C.F.R. §40.6

I hereby certify that:

- (1) the amended Rule complies with the Commodity Exchange Act, and the Commodity Futures Trading Commission's regulations thereunder; and
- (2) concurrent with this submission, BGC Derivative Markets, L.P. posted on its website:
  - (a) a notice of pending certification of the above Rules with the Commission; and
  - (b) a copy of this submission

  
By: JAMES CAWLEY  
Title: CEO  
Date: 1/5/16

# Attachment A—Amended Rules

## PART 4. OBLIGATIONS OF PARTICIPANTS

### 404. Requirements for Persons Submitting Orders.

(a) \* \* \* \* \*

~~(e)(f)~~ The Participant, Authorized Customer or Customer will be responsible for each Order that it enters on the Facility for itself or which is entered on its behalf. All Orders that have been entered on the Facility are subject to acceptance by other Participants, Sponsored Participants or Customers.

## PART 5. TRADING.

### 514. Trade Cancellations and Price Adjustments.

(a) **Trade Cancellation, -Amendment or Adjustment Authority.** The Facility's trade cancellation policy authorizes the Board, through its designee the Chief Compliance Officer (or the Chief Compliance Officer's delegate) (the "Designee"), to amend adjust trade prices, or cancel (bust) trades or to make such other adjustments when such action is necessary to mitigate market disrupting events; to mitigate instances where market integrity has been compromised caused by the improper or erroneous use of the Facility; or by Electronic Trading System defects or to address manifest unfairness caused by a material error of the Execution Specialist in Order handling or other material error by the Facility such as the incorrect display of a Bid or Offer, erroneous execution or erroneous reporting of a Swap transaction.

(b) Notwithstanding any other provision of this Rule, the Designee may adjust trade price(s), or cancel any trade executed through the Facility, execute a new or off-setting swap on behalf of the parties to a disputed transaction on the Facility or another SEF, or require the parties to execute a new or off-setting swap transaction on the Facility or another SEF, if the Designee determines that allowing the trade to stand as executed may have a material, adverse effect on the integrity of the market or is otherwise necessary or appropriate to address manifest unfairness caused by a material error of the Execution Specialist or other material error by the Facility; provided, however, that any such determination by the Designee (if other than the Chief Compliance Officer) will be subject to review by the Chief Compliance Officer if the Designee determines such review to be necessary or appropriate. Subject to the immediately preceding sentence, the decision of the Designee shall be final.

~~(a)(c)~~ Any trade price amendmentadjustment or, trade cancellation or other trade adjustment shall be made subject to the standards of this Rule 514, such standards being clear, fair,

and publicly available. Any determination made under this Rule 514 to adjust any trade price, ~~or cancel any trade or make any other adjustment~~ shall be made subject to the procedures of Rule 514(d), (e), (f) and (g) and announced to the market by a message from the Control Desk or such other method as the Facility shall provide.

~~(b) **Review of Trades.** The Designee may review a trade based on its analysis of market conditions or a request for review by a user of the Facility.~~

~~(d) **Procedure—Review of Trades Made in Erroneous Use of Facility or Resulting from Error of the Facility.** The Designee’s decision on whether to cancel or amend a trade claimed to be made through erroneous use of the Facility or as a result of an error by the Execution Specialist or the Facility shall be made under the following procedure:~~

~~(i) **Review of Trades.** The Designee may review a trade based on its analysis of market conditions or a request for review by a user of the Facility.~~

~~(i)(ii) **Request for Review.** A request for review must be made within 20 minutes from the execution of the trade. The request may be verbal, with a writing (which may be electronic) to follow within one hour from the execution of the trade. The request must specify the trade details, the time of its occurrence, the desired outcome (amend, ~~or cancel or other action~~) and the reason for such a request, including whether due to erroneous trading or a material error by the Execution Specialist in Order handling or other material error by the Facility such as the incorrect display of a Bid or Offer, erroneous execution or erroneous reporting of a Swap transaction. For trades claimed to be improper, the requestor must detail the basis on which the trade should be considered improper and the reason supporting the cancellation or amendment of such a trade. The written request must be countersigned by the customer desk head or a business individual with supervisory authority for the requestor. The Facility will make its determination based upon the request for review.~~

~~(ii)(iii) The Designee shall promptly determine whether the trade will be subject to review, and upon deciding to review a trade, the Designee will promptly notify the counterparties and issue an alert to all Participants and Sponsored Participants, Authorized Traders and Authorized Customers on the Facility indicating that the trade is under review. The Designee, in his or her discretion, may also notify the Compliance department of the requestor.~~

In the course of its review of any trade, the Designee may, but is not obligated to, inform any of the parties to the trade of the identity and contact information of any other party to the trade.

~~(e)(e) **Procedure—Review of Improper Trades Trade Cancellation or Amendment—Improper Trades.** The Designee’s decision on whether to cancel or amend a trade claimed to be improper shall be made under the following procedure:~~

- (i) **Review of Trades.** The Designee may review a trade based on its analysis of market conditions or a request for review by a user of the Facility.
- (ii) **Request for Review.** For trades claimed to be improper, a request for review must be made within 20 minutes from the execution of the trade. The request may be verbal, with a writing (which may be electronic) to follow within one hour from the execution of the trade. The request must specify the trade details, the time of its occurrence, the desired outcome (amend or cancel) and detail the basis on which the trade should be considered improper and the reason supporting the cancellation or amendment of such a trade. The written request must be countersigned by the customer desk head or a business individual with supervisory authority for the requestor. The Facility will make its determination based upon the request for review.
- (i)(iii) Upon receiving a written request to cancel or amend an improper trade, the Designee, in the Designee's discretion, may offer the counterparty an opportunity to respond to the reasons cited in the written request that the trade was improper and to provide an explanation why the trade should not be considered to be improper; *provided however*, the counterparty shall not have a right to view the written request if the Designee shall in his or her discretion determine that the contents or identity of the requestor should not be disclosed.
- (ii)(iv) The Designee, upon reviewing the written request for cancellation or amendment of an improper trade and any statement of the counterparty to the requestor will determine whether the trade on its face violated Applicable Law or these Rules and whether the trade affected the integrity of the market, including but not limited to whether the trade had a material adverse effect on market prices or orderly trading in the market.

(f) **Designee's Determination.**

- (iii)(i) The Designee shall communicate his or her determination to the parties whether to ~~cancel the trade, or amend or adjust the trade, to order such other actions as~~ within the Facility's authority or to let the trade stand, and shall communicate his determination to the market.
- (iv)(ii) Upon a determination by the Designee that a trade shall be cancelled or amended the Facility shall implement the decision including as necessary or appropriate entering into new or off-setting Swap transactions on behalf of the parties or ordering the parties to do so. ~~The cancelled or amended trade price will be reflected as cancelled in the Facility's official record of time and sales.~~
- (v)(iii) Issues of liability in cases where reasonable out-of-pocket losses have been incurred by Persons whose trades were cancelled or amended will be determined by the Designee based upon all relevant facts and circumstances, including the conduct of the respective parties. A party whose erroneous, or improper Order

handling was the cause of the cancelled, amended or adjusted trade shall be liable for reasonable out-of-pocket losses of the counterparty to the transaction. Parties that know a transaction to be erroneous, improper or executed in error have an obligation to mitigate the loss.

(A) A claim for a loss pursuant to this Rule must be submitted to the Facility, on a Facility claim form, within five Business Days of the cancelled, ~~or~~ amended or adjusted trade giving rise to the claim. The Facility shall reject any claim that is not permitted by this Rule and such decision shall be final. All claims which are not rejected by the Facility shall be forwarded to the party responsible for the Order(s) that resulted in the cancelled, ~~or~~ amended or adjusted trade and that party shall, within ten Business Days of receipt of the claim, admit or deny responsibility in whole or in part.

(B) To the extent that liability is admitted, payment shall be made within ten Business Days. To the extent liability is denied, the claim shall be resolved by and pursuant to the arbitration rules of the NFA or such other self-regulatory organization as the parties may agree in accordance with the procedures of Part 11 of the Rules.

(C) In the event that the error causing the loss was made by, or is the responsibility of, the Facility, the Facility in its sole discretion may take such steps as it deems necessary and appropriate to recompense the party or parties for their out-of-pocket loss.

(d) —

(~~e~~)(g) **Trade Price Adjustment and Cancellation Process—Other Erroneous Trades.** The Designee will first determine whether the trade price is within the “No Review Range.” During fast market conditions, upon the release of significant news, or in other circumstances in which the Designee determines it is appropriate, and upon consultation with the Chief Compliance Officer, may without prior notice, temporarily increase the published No Review Range, up to an amount that is double the published range.

\* \* \* \* \*

(~~f~~)(h) **No Review Range.** \* \* \* \* \*:

(~~g~~)(i) **Liability for Losses Resulting from a Price Adjustment or Cancelled Trade.**

(i) \* \* \* \* \*

(~~h~~)(j) **Claim Process.**



\* \* \* \* \*

(+) (k) **Trade Cancellation or Offset Procedures.**

\* \* \* \* \*

(+) (l) **Adjustment ~~Transfer~~ Trades.** Positions that result from a trade determined by the Designee to be outside the No Review Range that cannot be cancelled shall be adjusted at the direction of the Facility, by entry of the Facility into new or off-setting trades as appropriate on behalf of the parties to the cancelled or adjusted trade or ordering such parties to enter into new or off-setting trades as directed by the Facility. ~~because the trade was not reported within twenty minutes of the execution of the trade may be transferred between the parties using a transfer trade upon agreement of the parties (a "Transfer Trade").~~ The adjusting trades ~~Transfer Trade~~ must use the original trade price and quantity. Any party may, but is not required to, include a cash adjustment to another party to the trade. Trades determined by the Designee to be inside the No Review Range may not be reversed in this manner ~~using a Transfer Trade.~~

(k) (m) **Arbitration of Disputes Regarding Adjustment ~~Transfer~~ Trade.**

\* \* \* \* \*

(+) (n) **Voluntary Adjustment of Trade Price.**

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**PART 6 TRADING VIA ELECTRONIC ORDER BOOK.**

**602. Trade Execution via Electronic Order Book.**

(a) (i) *Executable Orders.* Orders for Bids and Offers entered during Trading Hours shall be displayed by the Electronic Order Book in the priority of best price and earliest time entered. A trade is executed when a Participant electronically directs the Electronic Order Book to hit a Bid or lift an Offer that is not indicative. All Orders for Required Transactions are firm, i.e., executable, Orders.

(ii) \* \* \* \* \*

**603. Orders.**

(a) In General.

(i) \* \* \*

(C) or by an Execution Specialist acting in his or her discretion pursuant to Rule 702(a)(vii) or at the direction of a Participant or a Sponsored Participant.

(ii) \* \* \*

(iii) Eeach Order entered into the Electronic Trading System must be in the form and contain the information the Facility requires, including, but not limited to, Order type, size, side, price (if applicable), and the applicable Commission Customer Type Indicator (CTI) Code. Any Order not complying with Facility requirements shall not be accepted.

(iv) aAll Orders entered into the Electronic Trading System shall remain open in the Electronic Trading System until executed, withdrawn, cancelled or deleted. Such open Orders constitute the Electronic Order Book. Orders entered into the Electronic Trading System may be changed by the Participant, Authorized Customer, Authorized Trader or Execution Specialist entering the Order, but any change in the price or increase in quantity shall be treated as a new Order for the purpose of time priority.

(v) eOnce the Facility receives notice from a Clearing Organization that a Clearing Participant has insufficient collateral or credit limit to clear the transaction, any Order or quote in the Electronic Trading System's Electronic Order Book for that Clearing Participant or for a Trading Participant guaranteed by that Clearing Participant and using that Clearing Organization is no longer in compliance with Facility requirements and shall be cancelled by the Facility.

(vi) Aall Orders open at the end of the Business Day are cancelled.

~~(vi)~~(vii) The Participant or Authorized Customer will be responsible for each Order that it enters on the Facility for itself or a Customer or which is entered on behalf of itself or a Customer. All Orders that have been entered on the Facility are subject to acceptance by other Participants, Sponsored Participants or Customers.

**(b) Type of Orders and Order Attributes.**

(i) \* \* \*

(C) Fill and Kill ("FAK") Orders. A FAK order is a request to buy or sell on the System at a specific price that, if matched by a contra order, will initiate a trade and may be matched immediately in its entirety or partially. If the size of the FAK order exceeds the amount initially executed the order will be worked in the System to the extent other contra orders become available until that transaction is concluded. If there is no contra order at the same

price when the FAK is entered into the System the FAK order is withdrawn. This order type is deployed in both the order book and auction events.

(D) Time in Force ("TIF") Orders. A TIF Order is a Limit Order- that remains open for a period of time selected by the Participant, Sponsored Participant or Execution Specialist (at the request of the Participant or Sponsored Participant) when the Order is first entered. Unless the time is extended during the period when ~~which~~ the order is firm, ~~At the end of that period,~~ the Order is automatically cancelled at the end of that period. Any subsequent Bid or Offer, even at the same price, will be treated as a new Order.

~~(D)~~ the Good until Bettered and Limit Order types may also be used with the following order attributes:

## **PART 7. TRADING VIA VOICE FUNCTIONALITY.**

### **703. Voice Trading Facility.**

(a) (i) \* \* \* \* \*

(v) **Voice Work-up.** In order to encourage the provision of liquidity to the Voice Trading Facility, any Participant in a trade may request a work-up of the trade and request to enter into additional transactions at the same price. If at that time there are no resting Bids or Offers at that price, the original counterparty(s) to the party requesting the work-up shall be given priority to enter into additional transactions at that price. If the original counterparty(s) decline(s) to enter into additional transactions, and the party requesting the work-up extends the work-up request, the request to enter into additional transactions at that price will be extended to all market Participants. Separate transactions entered into during the work-up process will not be confirmed or reported as a single aggregate transaction. The work-up shall end when, to the extent possible, all Bids and Offers at that price have been filled. Any unfilled Bid or Offer at that price at the conclusion of the work-up shall be treated as a resting Bid or Offer.

(vi) **Voice Orders for Required Transactions.** Notwithstanding anything to the contrary in these Rules, each Voice Order for a -Required Transaction communicated by a Participant or Sponsored Participant (which includes their respective Authorized Trader(s)) to an Execution Specialist shall be subject to the following conditions:

(A) The Order shall be considered to be firm from the time the Order is first communicated to the Execution Specialist for a period of 60 seconds (or such longer period as communicated to the Execution Specialist). *Provided however*, the Order shall no longer be considered to be firm during the remainder of that period, after:

(1) The Participant's or Sponsored Participant's Order is filled;

(2) The Participant or Sponsored Participant communicates to the Execution Specialist that the Order is cancelled and such communication is received by the Execution Specialist prior to the Order having been filled, *provided however*, if the Order has been filled in part, only that part of the Order remaining unfilled shall be cancelled;

(3) The Participant or Sponsored Participant is filled in the same Swap for the same size but at a difference price as the original Order;

(4) A new Order at a better price in the same Swap is entered onto the Facility by the same or a different Participant or Sponsored Participant; or

(5) A Material Market Event occurs. A Material Market Event shall be determined in the sole discretion of the Facility and shall include, but not be limited to:

(i) Economic news releases by the U.S. Department of Labor Bureau of Labor Statistics;

(ii) Other recurring -material economic news releases;

(iii) Announcements of the Board of Governors of the U.S. Federal Reserve System;

(iv) A natural or man-made disaster or a Force Majeure.

(v)(vii) **Hybrid Trading of Required Transactions.** The Execution Specialist, in his or her discretion, may enter any Voice Order communicated to the Execution Specialist into the Electronic Order Book Trading Session under Rule 602(a)(i) whenever there shall appear to be sufficient liquidity in the Electronic Order Book to fill the Order. Such Order shall be entered into the Electronic Order Book as a Time in Force ("TIF") Order where it shall remain a firm Order for a period of 60 seconds.

(e) Order Types.

(i) \* \* \*

(iii) *Fill and Kill ("FAK") Orders.* A FAK order is a request to buy or sell on the System at a specific price that, if matched by a contra order, will initiate a trade and may be matched immediately in its entirety or partially. If the size of the FAK order exceeds the amount initially executed the order will be worked in the System to the extent other contra orders become available until that transaction is concluded. If there is no contra order at the same price when the FAK is entered into the System the FAK order is withdrawn. This order type is deployed in both the order book and auction events.

(ii) *Time in Force ("TIF") Orders.* A TIF Order is a Limit Order that remains open for a period of time selected by the Participant, Sponsored Participant or Execution Specialist (at the request of the Participant or Sponsored Participant) when the Order is first entered. Unless the time is extended during the period when the order is firm, the Order is automatically cancelled at the end of that period. Any subsequent Bid or Offer, even at the same price, will be treated as a new Order.

(iii)(v) the Good until Bettered and Limit Order types may also be used with the following Order attributes:

(A) \* \* \*

(B) \* \* \*

(iv)(vi) All Voice Orders shall remain open for such period as provided in Rule 703(a)(i) and (a)(vi), until executed, modified or withdrawn by the Participant, Authorized Customer, Authorized Trader or Execution Specialist entering the Order. All Orders cease to be active at the close of the Business Day.

**704. Confirmation of Voice Transactions and Objections.**

(a) \* \* \* \* \*

(c) **Objections.**

Objections to the contents of transaction confirmations must be submitted to the Facility, in writing, promptly upon receipt, but no later than the close of that Business Day. Notwithstanding any other provision of these Rules, in the event that a Participant objects under this section to the contents of the confirmation of a transaction that has taken place through Voice Functionality under Part 7 of these Rules, the Board, through its designee the Chief Executive Officer (or the

Chief Executive Officer's ~~Officer's~~ delegate) (the "Designee"), is authorized in his or her discretion to adjust trade prices or cancel a trade when such action is necessary to correct a clear clerical error on the part of the Execution Specialist in facilitating trading via Voice Functionality. Any trade price adjustment or trade cancellation shall be made subject to the standards of this rule. Any determination made under this rule to adjust any trade price or cancel any trade shall be announced to the market by a message from the Control Desk or such other method as the Facility shall provide and such adjustment shall be reported by the Facility to the SDR.