

**SUBMISSION COVER SHEET**

**IMPORTANT:** Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 14-401 (4 of 4)

Organization: Commodity Exchange, Inc. ("COMEX")

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): September 19, 2014 Filing Description: Addition of Two (2) NYMEX Products to the List of Agency Cross Eligible Products and Issuance of Market Regulation Advisory Notice RA1406-5

**SPECIFY FILING TYPE**

Please note only ONE choice allowed per Submission.

**Organization Rules and Rule Amendments**

- Certification § 40.6(a)
- Approval § 40.5(a)
- Notification § 40.6(d)
- Advance Notice of SIDCO Rule Change § 40.10(a)
- SIDCO Emergency Rule Change § 40.10(h)

Rule Numbers: Rule 539

**New Product**

Please note only ONE product per Submission.

- Certification § 40.2(a)
- Certification Security Futures § 41.23(a)
- Certification Swap Class § 40.2(d)
- Approval § 40.3(a)
- Approval Security Futures § 41.23(b)
- Novel Derivative Product Notification § 40.12(a)
- Swap Submission § 39.5

**Official Product Name:**

**Product Terms and Conditions (product related Rules and Rule Amendments)**

- Certification § 40.6(a)
- Certification Made Available to Trade Determination § 40.6(a)
- Certification Security Futures § 41.24(a)
- Delisting (No Open Interest) § 40.6(a)
- Approval § 40.5(a)
- Approval Made Available to Trade Determination § 40.5(a)
- Approval Security Futures § 41.24(c)
- Approval Amendments to enumerated agricultural products § 40.4(a), § 40.5(a)
- "Non-Material Agricultural Rule Change" § 40.4(b)(5)
- Notification § 40.6(d)

Official Name(s) of Product(s) Affected:

Rule Numbers:

September 19, 2014

**VIA ELECTRONIC PORTAL**Christopher J. Kirkpatrick  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, D.C. 20581**RE: CFTC Regulation 40.6(a) Certification. Addition of Two (2) NYMEX Products to the List of Agency Cross Eligible Products and Issuance of Market Regulation Advisory Notice RA1406-5.  
COMEX Submission No. 14-401 (4 of 4)**

Dear Mr. Kirkpatrick:

New York Mercantile Exchange, Inc. ("NYMEX") hereby notifies the Commodity Futures Trading Commission ("CFTC" or "Commission") that it is self-certifying the addition of the following two products to the list of products eligible for Agency Cross, effective on Monday, October 6, 2014.

<b>NYMEX Product Title</b>
Mont Belvieu LDH Propane (OPIS) Average Price Options (4H)
Conway Propane (OPIS) Average Price Options (CPR)

As a result of adding the two products to the list of products eligible for Agency Cross, NYMEX and Chicago Mercantile Exchange Inc. ("CME"), The Board of Trade of the City of Chicago, Inc. ("CBOT") and Commodity Exchange, Inc. ("COMEX") (collectively, the "Exchanges") are notifying the Commission that they are self-certifying the issuance of Market Regulation Advisory Notice RA1406-5 ("RA1406-5") concerning Rule 539 ("Prearranged, Pre-Negotiated and Noncompetitive Trades Prohibited"). RA1406-5 will be disseminated to the marketplace on Monday, September 22, 2014.

These two (2) NYMEX products are being added to the list of products eligible for Agency Cross based on the market interest to use the Agency Cross functionality in the similar Mont Belvieu LDH Propane (OPIS) Futures product.

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 "Act"). During the review, we have identified that the addition of the two products to the list of products eligible for Agency Cross and the issuance of RA1406-5 may have some bearing on the following Core Principles:

**Compliance with Rules:** The Market Regulation Advisory Notice being issued provides additional guidance to the marketplace on the regulatory requirements attendant to pre-execution communications. This guidance is intended to assist market participants in remaining in compliance with Rule 539 and is therefore in compliance with this Core Principle.

**Availability of General Information:** As required by this Core Principle, the Exchanges are publicly issuing RA1406-5 to ensure that market participants have updated guidance and information

attendant to pre-execution communications. The Advisory Notice will also be available on the CME Group website.

CME, CBOT, NYMEX, and COMEX certify that the addition of two (2) NYMEX products to the list of products eligible for Agency Cross complies with the Act and regulations thereunder. Additionally, the Exchanges certify that the issuance of RA1406-5 complies with the Act and regulations thereunder. There were no substantive opposing views to this proposal. RA1406-5 appears as Exhibit A.

The Exchange certifies that this submission has been concurrently posted on the Exchange's website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

If you have any questions regarding this submission, please contact me at 212-299-2200 or via e-mail at [Christopher.Bowen@cmegroup.com](mailto:Christopher.Bowen@cmegroup.com).

Sincerely,

/s/ Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachment: Exhibit A – RA1406-5

## Exhibit A

### MARKET REGULATION ADVISORY NOTICE

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<b>Exchange</b>	<b>CME, CBOT, NYMEX &amp; COMEX</b>
<b>Subject</b>	<b>Pre-Execution Communications</b>
<b>Rule References</b>	<b>Rule 539</b>
<b>Advisory Date</b>	<b>September 22, 2014</b>
<b>Advisory Number</b>	<b>CME Group RA1406-5</b>
<b>Effective Date</b>	<b>October 6, 2014</b>

This Advisory Notice supersedes Market Regulation Advisory Notice RA 1404-5 from August 8, 2014. It is being issued to notify the marketplace that, pending all relevant CFTC regulatory review periods, the following two (2) NYMEX products will be eligible for the Agency Cross functionality pursuant to Rule 539 and corresponding guidance.

NYMEX Product Title
Mont Belvieu LDH Propane (OPIS) Average Price Options (4H)
Conway Propane (OPIS) Average Price Options (CPR)

No other changes to this Advisory Notice have been made.

A complete list of products eligible for the Agency Cross functionality is available on the CME Group website via the following link:

<http://www.cmegroup.com/trading/energy/agency-cross-eligible-products-for-energy-and-metals.html>

The text of Rule 539 begins on page 9 of this Advisory Notice.

#### **Pre-Execution Communications – Overview**

Pre-execution communications are communications between market participants for the purpose of discerning interest in the execution of a transaction prior to the exposure of the order to the market. Any communication that involves discussion of the size, side of market or price of an order, or a potentially forthcoming order, constitutes a pre-execution communication.

**As a reminder, CBOT, NYMEX and COMEX rules expressly prohibit pre-execution communications in connection with pit transactions executed on the trading floor. CME rules expressly prohibit such communications except with respect to transactions executed in accordance with CME Rule 549.**

#### **General Requirements for Allowable Pre-Execution Communications on CME Globex**

In products where pre-execution communications are allowed, such communications may occur only when the party for whose benefit the trade is being executed has previously consented to such communications.

Parties who have been involved in an allowable pre-execution communication may not disclose the details of that communication to other parties, nor may a party place any order to take advantage of the information conveyed in such communications except to facilitate the trade in accordance with the rule.

All transactions arising from permitted pre-execution communications must be executed in accordance with the requirements set forth in Rule 539.C.

### **Pre-Execution Communications in Futures on CME Globex**

Pre-execution communications are permitted in all CME, NYMEX and COMEX futures products traded on CME Globex, and in all CBOT interest rate, equity index, ethanol, commodity index and real estate index futures products traded on CME Globex. Pre-execution communications remain prohibited in all CBOT grain and oilseed futures products traded on CME Globex.

#### **CME and CBOT Entry Requirements into CME Globex**

Transactions in CME and CBOT futures products resulting from permissible pre-execution communications must be entered into CME Globex via a Globex Cross. A Globex Cross for futures requires that the order of the party who initiated the pre-execution communication be the first order entered into CME Globex. At least five (5) seconds must elapse after the entry of the first order before the opposing order can be entered. No RFQ is required.

#### **NYMEX and COMEX Entry Requirements into CME Globex**

Transactions in all NYMEX and COMEX futures products may be entered into CME Globex via a Globex Cross as described immediately above.

Alternatively, for those NYMEX and COMEX futures products set forth in the attached list (<http://www.cmegroup.com/trading/energy/agency-cross-eligible-products-for-energy-and-metals.html>), a broker may enter an Agency Cross via CME Direct, which requires the entry of an RFQ followed by a waiting a period of five (5) seconds followed by the entry of a Cross Sequence, which is the entry of a day-limit order followed immediately by the entry of a day-fill-and-kill order. The order of the party initiating the pre-execution communication must be entered as the day-limit order, which is accomplished by the broker selecting the non-initiating party as the 'Aggressor' on the order ticket. Failure to enter the buy and sell orders within 30 seconds after the entry of the RFQ will require a new Agency Cross to be initiated in order to proceed with the trade.

### **Pre-Execution Communications in Options on Futures on CME Globex**

Pre-execution communications are permitted at all times in all CME, NYMEX and COMEX options on futures products traded on Globex. Pre-execution communications are permitted at all times in CBOT interest rate, ethanol and equity index options on futures products traded on CME Globex. Pre-execution communications are also permitted in CBOT grain and oilseed options on futures during the hours of 7:00:00 p.m. Central Time ("CT") through 7:45:00 a.m. CT each business day. Pre-execution communications in CBOT grain and oilseed options on futures remain prohibited outside those hours.

#### **CME and CBOT Entry Requirements into CME Globex**

Transactions in CME and CBOT options on futures products resulting from permissible pre-execution communications, including options spreads and combinations and options/futures spreads, must be entered into CME Globex via a Globex Cross. A Globex Cross for options on futures require the entry of an RFC order, which is an order that includes both the buy and sell orders arising from the pre-execution communication. Prior to the entry of the RFC, an RFQ must be entered into CME Globex for the relevant option or options strategy. In CME and CBOT equity options, the RFC order must be entered no less than five (5) seconds and no more than 30 seconds after the entry of the RFQ. In all other eligible options, the RFC order must be entered no less than 15 seconds and no more than 30 seconds after the

entry of the RFQ.

Failure to enter the RFC order within the applicable time parameters will require a new RFQ to be entered prior to the entry of the RFC order. In all cases, the entry of the RFC order must comply with the applicable time parameters set forth in Rule 539.C.

#### NYMEX and COMEX Entry Requirements into CME Globex

Transactions in all NYMEX and COMEX options products may be entered into CME Globex via a Globex Cross. A Globex Cross for options on futures, including options spreads and combinations and options/futures spreads, requires the entry of an RFQ into CME Globex for the relevant option or option strategy. Subsequent to the entry of the RFQ, an RFC must be entered into CME Globex no less than five (5) seconds and no more than 30 seconds after the entry of the RFQ. Failure to enter the RFC order within this time parameter will require a new RFQ to be entered prior to the entry of the RFC order.

Alternatively, for those NYMEX and COMEX options products set forth in the attached list (<http://www.cmegroup.com/trading/energy/agency-cross-eligible-products-for-energy-and-metals.html>), a broker may enter an Agency Cross via CME Direct, which requires the entry of an RFQ followed by a waiting a period of five (5) seconds followed by the entry of a Cross Sequence, which is the entry of a day-limit order followed immediately by the entry of a day-fill-and-kill order. The order of the party initiating the pre-execution communication must be entered as the day-limit order, which is accomplished by the broker selecting the non-initiating party as the 'Aggressor' on the order ticket. Failure to enter the buy and sell orders within 30 seconds after the entry of the RFQ will require a new Agency Cross to be initiated in order to proceed with the trade. Brokers will need to have access to CME Direct in order to enter the CS into CME Globex. Click [here](#) for additional information on accessing CME Direct.

#### **RFQ/RFC Functionality**

Numerous Independent Software Vendors ("ISVs") support RFQ and RFC functionality. For market participants using the Exchange-provided CME EOS Trader application, functionality built into the application will prevent the entry of the RFC outside of the prescribed time requirements. For example, in Standard & Poor's 500 Stock Price Index options, the system will preclude the entry of the RFC until at least 5 seconds after the entry of the associated RFQ and will also prevent the entry of the RFC if more than 30 seconds have elapsed following the entry of the RFQ. This functionality was added to facilitate compliance with the relevant entry time requirements.

#### **Agency Cross Functionality**

Agency Cross functionality will initially be available solely on CME Direct until such time as other ISVs replicate the process.

#### **Detailed Order Entry Requirements for Eligible Option Products Entered via a Globex Cross (RFQ/RFC)**

1. Prior to the entry of orders arising from permissible pre-execution communications, the market participant **must** submit an RFQ.
2. Subsequent to submitting the RFQ, the orders to be executed pursuant to such communications **must** be initiated by the entry of an RFC order, an order which includes both the buy and sell orders arising from the pre-execution communications.
  - a. In CME and CBOT equity options and all NYMEX and COMEX options, the RFC order **must** be entered no less than five (5) seconds and no more than 30 seconds after issuing the RFQ.
  - b. In all other eligible options, the RFC order **must** be entered no less than 15 seconds and

no more than 30 seconds after issuing the RFQ.

3. If an RFC order is not entered within 30 seconds after the RFQ, any subsequent trade to be executed pursuant to pre-execution communications must be preceded by the entry of a new RFQ and, thereafter, the RFC order must be entered in accordance with the time parameters set forth above.

#### *Globex Cross RFC Matching Algorithm*

1. *If the RFC price improves both the best bid and best offer in the order book or if there is no bid/offer in the order book, 100% of the RFC quantity will match at the RFC price immediately upon submission of the RFC.*
2. *If the RFC price matches or is outside the best bid or offer in the market, the applicable side of the RFC order will immediately match against the orders in the book at a price better than or equal to the RFC price. Immediately thereafter, 100% of the smaller quantity remaining on one side of the RFC will match against the order on the opposite side of the RFC at the RFC price. Any unmatched balance on one side of the RFC will remain in the order book unless it is cancelled by the user.*

#### **Agency Cross Matching**

While the Agency Cross functionality on CME Direct allows the broker to populate the opposing buy and sell orders in a single ticket, those orders will result in two discrete CME Globex order entries, which will be handled according to the particular algorithm applicable to the product.

The order of the party initiating the pre-execution communication must be the order entered as a day-limit order after which the second order must be entered as a day-fill-and-kill order, which is accomplished by the broker selecting the non-initiating party as the 'Aggressor' on the order ticket. The orders are sent to the order book with the day-fill-and-kill order being entered immediately after the day-limit order has been entered.

The day-limit order will immediately match against any orders in the order book on the opposite side of the market that are at a price better than or equal to the limit price on the day-limit order, up to the full quantity on the day-limit order. Any unmatched balance on the day-limit order will thereafter immediately match opposite the day-fill-and-kill order, and any remaining unmatched balance on the day-fill-and-kill order will be immediately cancelled.

If the price of the day-limit order improves the best bid and the offer in the order book, or if there is no bid or offer in the order book, the day-limit order will match opposite the day-fill-and-kill order in its entirety, unless any new orders are entered at a price equal to or better than the intended cross price before the day-limit order and/or the day-fill and kill order reach CME Globex. If a new order is entered at a price equal to or better than the intended cross price before the day-limit or the day-fill-and-kill order reaches CME Globex, either of the two orders intended to be crossed will first transact against existing orders in the order book.

#### **Questions and Answers Regarding Globex Cross**

1. Is a client's consent to pre-execution communications necessary? **Yes.**
2. May the parties involved in pre-execution communications disclose the details of those communications to other parties? **No.**
3. If a party has participated in a pre-execution communication where non-public information has been disclosed about an order or a potential order and the party does not agree to take the other side of the trade, may the party subsequently enter an order into the market to take advantage of the non-public information? **No.**

4. Are there any options listed on CME Globex in which pre-execution communications are not permitted? **Yes. In CBOT grain and oilseed options, pre-execution communications are permitted only between the hours of 7:00:00 p.m. and 7:45:00 a.m. each business day and remain prohibited outside those hours**
5. Is an RFQ required to be submitted prior to engaging in pre-execution communications? **No.**
6. After a pre-execution communication has taken place, must an RFQ be submitted prior to entering a Request for Cross (“RFC”) in order to proceed with the transaction? **Yes.**
7. In CME and CBOT equity options and all NYMEX and COMEX options, must the RFC be entered no less than five (5) seconds and no more than 30 seconds after issuing the RFQ? **Yes.**
8. In all other eligible options, must the RFC be entered no less than 15 seconds and no more than 30 seconds after issuing the RFQ? **Yes.**
9. Is the price or quantity of the orders on the RFC displayed to the marketplace prior to the execution of the RFC? **No. Market participants will observe an RFQ prior to the submission of the buy and sell orders corresponding to the RFC; however the RFQ will not reflect a price or quantity.**
10. Is there any information in the RFQ that identifies that a RFC may be forthcoming? **No. The RFQ is displayed in the same manner as any other RFQ.**
11. If the RFC is not entered within the required time parameters after issuing the RFQ, is a new RFQ required to be issued and active for the required time parameter prior to entering the RFC? **Yes.**
12. May an RFC be entered outside the time parameters set forth in 7 and 8 above after entry of the required RFQ? **No.**
13. Are there any alternative methods of complying with Rule 539.C. other than through the entry of an RFQ followed by the entry of an RFC as described above? **With respect to CME and CBOT options products, no. With respect to certain NYMEX and COMEX options products, yes, via the entry of a CS.**

**Questions and Answers Regarding Agency Cross  
(Applicable Only to Certain Eligible NYMEX/COMEX Options Products)**

1. Is a client’s consent to pre-execution communications necessary? **Yes.**
2. May the parties involved in pre-execution communications disclose the details of those communications to other parties? **No.**
3. If a party has participated in a pre-execution communication where non-public information has been disclosed about an order or a potential order and the party does not agree to take the other side of the trade, may the party subsequently enter an order into the market to take advantage of the non-public information? **No.**
4. Are there any NYMEX and COMEX options listed on CME Globex in which pre-execution communications are not permitted? **No.**
5. Is an RFQ required to be submitted prior to engaging in pre-execution communications? **No.**
6. After a pre-execution communication has taken place, must an RFQ be submitted prior to entering the two orders into CME Globex via a CS? **Yes.**

7. Must the order of the party initiating the pre-execution communication be entered first as a day-limit order? **Yes.**
8. Must the other order be entered after the day-limit order as a day-fill-and-kill order? **Yes.**
9. Must the entire CS be entered no less than 5 seconds and no more than 30 seconds after issuing the RFQ? **Yes.**
10. Is there any information in the RFQ that identifies that a CS may be forthcoming? **No. The RFQ is displayed in the same manner as any other RFQ.**
11. If the CS is not entered and completed within the required time parameters after issuing the RFQ, is a new RFQ required to be issued and active for the required time period prior to entering the CS? **Yes.**
12. May the CS be entered outside the time parameters set forth in 9 above after entry of the required RFQ? **No.**

**Questions and Answers Regarding Pre-Execution Communication Requirements  
in Eligible Futures Products Executed on CME Globex**

1. Is a client's consent to pre-execution communications necessary? **Yes.**
2. May the parties involved in pre-execution communications disclose the details of those communications to other parties? **No.**
3. If a party has participated in a pre-execution communication where non-public information has been disclosed about an order or a potential order and the party does not agree to take the other side of the trade, may the party subsequently enter an order into the market to take advantage of the non-public information? **No.**
4. Are there any CME, CBOT, NYMEX or COMEX futures listed on CME Globex in which pre-execution communications are not permitted? **Yes, pre-execution communications are not permitted in CBOT grain and oilseed futures products.**
5. Is an RFQ required to be issued prior to engaging in pre-execution communications involving futures? **No.**
6. If pre-execution communications have occurred in an eligible futures contract, must the order of the initiator of the pre-execution communication be entered prior to the entry of the opposing order? **Yes.**
7. Must a minimum of 5 seconds elapse after the entry of the first order before the entry of the second order? **In CME and CBOT futures, yes. In NYMEX and COMEX futures, only if the orders are being entered as a Globex Cross. In NYMEX and COMEX futures, if the orders are entered via a CS, the first order must be entered as a day-limit order followed by the second order being entered as a day-fill-and-kill order.**
8. Can an RFC be used to cross futures orders? **No.**

**Questions and Answers Regarding Products for which  
Pre-Execution Communications are Prohibited**

1. In which products are pre-execution communications prohibited? **Pre-executions communications are prohibited in CBOT grain and oilseed futures at all times and in grain and oilseed options on futures from 7:45 a.m. CT to 7:00 p.m. CT each business day.**

2. If a customer has an interest in a particular transaction in these products and requests a market, how can the salesperson obtain a market for the customer? **In the open outcry venue, a market would be requested from the trading pit. In the electronic venue, the salesperson identifies the bid/offer and depth of market posted on CME Globex. If the posted bid/offer is deemed too wide or insufficiently deep, it is recommended that a Request for Quote (“RFQ”) be submitted. This action will typically generate additional interest and, in the case of products supported by a market-maker program, market makers are obliged to respond to a specified percentage of RFQs.**
  
3. What if an RFQ is submitted and there is no response or an inadequate response in terms of the tightness or depth of the market? **In this circumstance, another RFQ should be submitted. With an active RFQ, it is also permissible to contact potential counterparties (i.e. market makers), alert them to the RFQ and ask them to submit a market or to tighten/deepen the existing market. An RFQ is considered active for 60 seconds following submission. To ensure that such communications do not become prohibited pre-execution communications, only the information disclosed via the RFQ may be disclosed in such communications.**
  
4. Is it permissible to contact other market participants to obtain general market color without violating the prohibition on pre-execution communications? **Communications to obtain general market color are permissible provided there is no express or obviously implied arrangement to execute a specified trade and no non-public information is communicated regarding an order.**
  
5. If an order has been submitted on CME Globex, are there any restrictions on communicating with potential counterparties? **With a resting order exposed on CME Globex, it is permissible to contact potential counterparties to solicit interest in trading against the order. In any such communications, no non-public information (i.e. information not represented in the terms of the order exposed to the market) may be disclosed. For example, if the represented offer is for 250 contracts, it would be a violation of the rules to disclose that there are an additional 500 contracts to sell because that information has not been disclosed to the market.**

**Crossing of Simultaneous Buy and Sell Orders  
That Do Not Involve Pre-Execution Communications  
and Trading Against Customer Orders on CME Globex**

What are the requirements for handling simultaneous buy and sell orders for different beneficial owners that did not involve pre-execution communications?

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 and that each of the orders is entered immediately upon receipt.

In accordance with Rule 533 (“Simultaneous Buy and Sell Orders for Different Beneficial Owners”), 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 CME Globex for a minimum of 5 seconds in the case of futures orders and a minimum of 15 seconds in the case of orders involving options.

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 CME Globex for a minimum of 5 seconds for futures orders and a minimum of 15 seconds for orders involving options.

Assuming there have been no pre-execution communications, is it permissible for a firm to knowingly trade for its proprietary account against a customer order entered by the firm?

Yes, provided that in accordance with Rule 531 ("Trading Against Customers' Orders Prohibited") the customer order has been entered immediately upon receipt and has first been exposed on CME Globex for a minimum of 5 seconds for futures orders and a minimum of 15 seconds for orders involving options.

Questions regarding this advisory may be directed to one of the following individuals in the Market Regulation Department:

Erin Coffey, Senior Rules & Regulatory Outreach Specialist, 312.341.3286

Jonathan Farrimond, Lead Rules & Regulatory Outreach Specialist, 44.20.3379.3966

Robert Sniegowski, Senior Director, Rules & Regulatory Outreach, 312.341.5991

For media inquiries concerning this Advisory Notice, please contact CME Group Corporate Communications at 312.930.3434 or [news@cmegroup.com](mailto:news@cmegroup.com).

## CME Rule 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 Sections B. and C. below.

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

The foregoing restriction shall not apply to block trades pursuant to Rule 526, Exchange for Related Positions transactions pursuant to Rule 538 and LOX Orders pursuant to Rule 549.

#### **539.C. Pre-Execution Communications Regarding Globex Trades**

Parties may engage in pre-execution communications with regard to transactions executed on the Globex platform where one party (the first party) wishes to be assured that a contra party (the second party) will take the opposite side of the order under the following circumstances:

1. A party may not engage in pre-execution communications with other market participants on behalf of another party unless the party for whose benefit the trade is being made has previously consented to permit such communications.
2. Parties to pre-execution communications shall not (i) disclose to a non-party the details of such communications or (ii) enter an order to take advantage of information conveyed during such communications except in accordance with this rule.
3. In the case of futures orders, the first party's order must be entered into the Globex platform first and the second party's order may not be entered into the Globex platform until a period of 5 seconds has elapsed from the time of entry of the first order.
4. In the case of options orders, subsequent to the pre-execution communication, a Request for Quote ("RFQ") for the particular option or option spread or combination must be entered into Globex. Thereafter, in equity options, a Request for Cross ("RFC") order which contains both the buy and the sell orders must be entered into Globex no less than five (5) seconds and no more than thirty (30) seconds after the entry of the RFQ in order to proceed with the trade. In all other options, the RFC order must be entered no less than fifteen (15) seconds and no more than thirty (30) seconds after the entry of the RFQ in order to proceed with the trade. The RFQ and the RFC order must be entered within the same trading session. Failure to enter the RFC order within 30 seconds after the entry of the RFQ will require a new RFQ to be entered prior to the entry of the RFC order, which must be entered in accordance with the time parameters described above in order to proceed with the trade.

## CBOT Rule 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 Sections B. and C. below.

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

The foregoing restriction shall not apply to block trades pursuant to Rule 526 or Exchange for Related Positions transactions pursuant to Rule 538.

#### **539.C. Pre-Execution Communications Regarding Globex Trades**

Parties may engage in pre-execution communications with regard to transactions executed on the Globex platform in the following futures and options products where one party wishes to be assured that a contra party will take the opposite side of the order: Interest Rate futures and options, Equity Index futures and options, Ethanol futures and options, Commodity Index futures, Real Estate Index futures and, during those hours designated by the Exchange, grain and oilseed options.

Pre-execution communications in those products may occur under the following circumstances:

1. A party may not engage in pre-execution communications with other market participants on behalf of another party unless the party for whose benefit the trade is being made has previously consented to permit such communications.
2. Parties to pre-execution communications shall not (i) disclose to a non-party the details of such communications or (ii) enter an order to take advantage of information conveyed during such communications except in accordance with this rule.
3. In the case of futures orders, the first party's order must be entered into the Globex platform first and the second party's order may not be entered into the Globex platform until a period of 5 seconds has elapsed from the time of entry of the first order.
4. In the case of options orders, subsequent to the pre-execution communication, a Request for Quote ("RFQ") for the particular option or option spread or combination must be entered into Globex. Thereafter, in equity options, a Request for Cross ("RFC") order which contains both the buy and the sell orders must be entered into Globex no less than five (5) seconds and no more than thirty (30) seconds after the entry of the RFQ in order to proceed with the trade. In all other options, the RFC order must be entered no less than fifteen (15) seconds and no more than thirty (30) seconds after the entry of the RFQ in order to proceed with the trade. The RFQ and the RFC order must be entered within the same trading session. Failure to enter the RFC order within 30 seconds after the entry of the RFQ will require a new RFQ to be entered prior to the entry of the RFC order, which must be entered in accordance with the time parameters described above in order to proceed with the trade.

## **NYMEX and COMEX Rule 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 Sections B. and C. below.

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

The foregoing restriction shall not apply to block trades pursuant to Rule 526 or Exchange for Related Positions transactions pursuant to Rule 538.

#### **539.C. Pre-Execution Communications Regarding Globex Trades**

Parties may engage in pre-execution communications with regard to transactions executed on the Globex platform where one party (the first party) wishes to be assured that a contra party (the second party) will take the opposite side of the order under the following circumstances:

1. A party may not engage in pre-execution communications with other market participants on behalf of another party unless the party for whose benefit the trade is being made has previously consented to permit such communications.
2. Parties to pre-execution communications shall not (i) disclose to a non-party the details of such communications or (ii) enter an order to take advantage of information conveyed during such communications except in accordance with this rule.
3. Entry Methods for Futures Orders (including futures-only spread and combination trades)
  - a. Globex Cross: The first party's order is entered into the Globex platform first and the second party's order may not be entered into the Globex platform until a period of 5 seconds has elapsed from the time of entry of the first order.
  - b. Agency Cross: Alternatively, in certain eligible products, a Cross Sequence ("CS") may be used by a broker to enter the buy and the sell orders into Globex. Following the pre-execution communication, a Request for Quote ("RFQ") for the particular futures or futures spread or combination is entered into Globex. Thereafter, a Cross Sequence, which is defined as the entry of a day-limit order followed immediately by the entry of a day-fill-and-kill order, must be entered in Globex no less than five (5) seconds and no more than thirty (30) seconds after the entry of the RFQ in order to proceed with the trade. The first party's order must be entered first as a day-limit order, followed immediately by the entry of the second order as a day-fill-and-kill order. The CS must occur within the same trading session. Failure to enter the buy and sell orders within 30 seconds after the entry of the RFQ will require a new CS to be initiated in order to proceed with the trade.
4. Entry Methods for Options Orders (including all spreads and combinations containing an option)
  - a. Globex Cross: Following the pre-execution communication, an RFQ for the particular option or option spread or combination is entered into Globex. Thereafter, a Request for Cross ("RFC") order which contains both the buy and the sell orders must be entered into Globex no less than five (5) seconds and no more than thirty (30) seconds after the entry of the RFQ in order to proceed with the trade. The RFQ and the RFC order must be entered within the same trading session. Failure to enter the RFC order within 30 seconds after the entry of the RFQ will require a new RFQ to be entered prior to the entry of the RFC order, which must be entered in accordance with the time parameters described above in order to proceed with the trade.
  - b. Agency Cross: Alternatively, in certain eligible products, a Cross Sequence ("CS") may be used by a broker to enter the buy and the sell orders into Globex. Following the pre-execution communication, a Request for Quote ("RFQ") for the particular options or options spread or combination is entered into Globex. Thereafter, a Cross Sequence, which is defined as the entry of a day-limit order followed immediately by the entry of a day-fill-and-kill order, must be entered in Globex no less than five (5) seconds and no more than thirty (30) seconds after the entry of the RFQ in order to proceed with the trade. The first party's order must be entered first as a day-limit

order, followed immediately by the entry of the second order as a day-fill-and-kill order. The CS must occur within the same trading session. Failure to enter the buy and sell orders within 30 seconds after the entry of the RFQ will require a new CS to be initiated in order to proceed with the trade.