

OneChicago BETS¹

2008 08 11 PM 1:33

Introduction

CFC OF THE SECRETARIAT

On July 20, 2007, One Chicago, LLC (“One Chicago”) introduced a new electronic system, the OneChicago Block & EFP Trading System (“OneChicago BETS”), which permits authorized traders to trade and report block and block roll trades and provides a matching and reporting system for Exchange of Futures for Physical (“EFP”) transactions. OneChicago BETS is designed to electronically capture the off-exchange block and EFP market and provide a reporting facility for those trades and transactions not conducted on OneChicago BETS (known as “Bi-lateral trades”). The OneChicago rules have been amended so that blocks and EFPs conducted on OneChicago BETS maintain their off-exchange status. Blocks and EFPs conducted on OneChicago BETS will be subject to all OneChicago rules, policies and procedures applicable to blocks and EFPs except as set forth below.

System Information

OneChicago BETS utilizes licensed software designed by Trayport Limited² (“Trayport”), which was adapted to capture the unique needs of OneChicago’s off-exchange block and EFP markets. OneChicago operates the system, while Trayport maintains and supports the system as needed by OneChicago. The system is housed on off-site servers that have been approved as SAS 70 compliant.

OneChicago BETS is fully integrated with CBOE*direct*. Thus, all executed and Bi-lateral trades and transactions are reported to the clearing corporation and price reporting mechanism through CBOE*direct*.

Access

Only those traders that are authorized to conduct block trades and/or EFPs on OneChicago (“Authorized Traders”) are granted access to OneChicago BETS.³ Authorized Traders may access OneChicago BETS through a Graphical User Interface (“GUI”) or an Application Programming Interface (“API”). Those accessing OneChicago BETS through a GUI have access to all functionalities, whereas those accessing through an API have access to all functionalities, except the ability to confirm bi-lateral trades and negotiate the base price and other inputs for EFPs. Only Authorized

¹ Revised August 8, 2008. Information contained in this document updates certain specifications, as set forth herein, in place since initial launch of OneChicago BETS on July 20, 2007. The Exchange may, from time to time, change these specifications as permitted by OneChicago Rules.

² Trayport Limited is a privately held, London-based software company with offices in New York. It specializes in developing software to facilitate online trading and supports emerging trading communities. It is known for its expertise in real-time electronic trading systems.

³ See “OneChicago Block Trade Reporting Procedures” and “OneChicago EFP Transactions: Guidelines and Reporting Procedures”.

Traders who have access to OneChicago BETS will be able to see bid/ask quotes and other information available on OneChicago BETS.

By utilizing OneChicago BETS *Workbook*, Authorized Traders can maintain their own internal order book, submit orders for trading, view all other orders and quotes submitted for trading in OneChicago BETS, display general market information, such as trade confirmation messages, delete or remove orders or quotes, filter the information being displayed and confirm trades when necessary. Authorized Traders will also have access to two types of Chat Room, one of which will be used by OneChicago to send out important market information to all logged in users and the other to allow Authorized Traders to communicate to all, some or one of the other traders on OneChicago BETS. There is an exception for API users who can only submit and not read messages.

Block Trades

OneChicago BETS permits Authorized Traders to submit orders for trade matching by the system or to report Bi-Lateral Trades. All applicable OneChicago rules, including rule 417 requirement that each party to a block trade on OneChicago BETS qualify as an "eligible contract participant" ("ECPs") apply to block trades conducted on OneChicago BETS.

Automatic Price Matching

As an electronic system, OneChicago BETS' automatic price matching has a matching algorithm and a set of permissible order types. Orders submitted to OneChicago BETS are matched according to price-time priority. While any of the order types permitted under the OneChicago rules are permitted on OneChicago BETS, upon start up only the following types of orders are permitted: limit; market; fill or kill; day; good-'til-canceled; and good-'til-date. OneChicago BETS also limits permissible quantity size of an order to 100, in order to assure that the minimum block trade requirements are met. Any order quantities larger than 100 must be in increments of 100, e.g., 200, 300, 400, etc.

Reporting - Bi-Lateral Trades

Authorized Traders may report block trades that were executed off of OneChicago BETS. Trades reported in this manner must meet the minimum block trade size requirement in the Block Trade Policy, but they are not restricted to quantities of 100. So, for example, if the minimum block trade size for a contract is 100, an Authorized Trader may report a Bi-Lateral Trade of 102 contracts or any other quantity 100 or greater.

Block Rolls

A Block Roll is a block transaction where a trader rolls a position out to another contract month, which is also known as a calendar spread. The two legs of the spread combined must meet the minimum block trade size for that contract. Each trader entering into a Block Roll must meet the block requirement that they are ECPs.

The orders for Block Rolls are submitted as spreads with differential pricing, which represent the differential between the prices of the individual contract legs. The Exchange reports Block Rolls to the clearinghouse and public as two transactions, the back month which is reported as the reference price as set by OneChicago and the front month which is reported as the reference price minus the quoted spread (or differential).

Automatic Price Matching

Automatic price matching operates with many of the same parameters as block trades. Block Roll orders are matched according to price-time priority. Like block trades, all quantities larger than the minimum size must be in increments equal to the minimum block trade size for that contract. Although for Block Rolls the quantity for the total transaction must meet the minimum size requirements. As for block trades, any of the order types permitted under the OneChicago rules, however upon start up the following types of orders are permitted for Block Rolls: limit; market; fill or kill; day; good-'til-canceled; and good-'til-date.

Reporting – Bi-Lateral Trades

Authorized Traders may report Block Rolls that were executed off of OneChicago BETS as Bi-Lateral Trades. Block Rolls reported in this manner must meet the minimum block trade size requirement in the Block Trade Policy. So, for example, if the minimum block trade size for a contract is 100, an Authorized Trader could report a Bi-Lateral Block Roll Trade of 51 contracts for the front month and 51 contracts for the back month of the spread.

EFP

EFP transactions on OneChicago BETS are subject to all applicable OneChicago rules including 416 and the "OneChicago Block Trade Reporting Procedures".

Automatic Matching

EFPs on OneChicago BETS are quoted in differentials. The futures price is calculated by adding the quoted differential to the base price negotiated by the parties. EFP orders placed on OneChicago BETS will be matched according to price-time priority. OneChicago BETS will accept the following types of orders for EFP

transactions: limit; market; fill or kill; day; good-'til-canceled; and good-'til-date. There are no minimum contract size requirements.

Once trades are matched, OneChicago BETS reveals the name of the contra party to the trade so that the Authorized Traders may negotiate their base price. Once the two parties have successfully negotiated their base and entered it into OneChicago BETS, the system will calculate the price of the futures contract by adding the differential to the base price.

Reporting – Bi-Lateral Trades

EFP transactions entered into off of the OneChicago BETS may be reported by entering them as Bi-Lateral Trades. No minimum size restrictions will apply to Bi-Lateral Trades.