



**CME Group**

A CME/Chicago Board of Trade/NYMEX Company

August 21, 2009

Mr. David Stawick  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, DC 20581

C.F.T.C.  
OFFICE OF THE SECRETARIAT  
2009 AUG 21 PM 4:43

**RE: Revised Effective Date for NYMEX Rule Changes in Connection with Harmonization of NYMEX & COMEX Trade Practice Rules with CME Rules  
NYMEX Submission No. 09-169**

Dear Mr. Stawick:

In Submission No. 09-160 from August 11, 2009, Chicago Mercantile Exchange Inc. ("CME"), The Board of Trade of the City of Chicago, Inc. ("CBOT") and New York Mercantile Exchange, Inc. ("NYMEX") (collectively, "the Exchanges") notified the Commodity Futures Trading Commission ("Commission") that the effective date for the adoption of the harmonized trade practice rules was being delayed. Pursuant to this Submission, NYMEX and the Commodity Exchange, Inc. ("COMEX") hereby notify the Commission that the new effective date for the adoption of the rule changes resulting from the harmonization of NYMEX and COMEX trade practice rules with those of CME will become effective on September 14, 2009.

The only changes to the previously self-certified amendments (via Submission No. 09.141 from July 28, 2009) are as follows:

- Rule 443 ("Position Limit Violations") – the language concerning evaluating compliance with position limits for positions which include options has been clarified. The revised language indicates that if, at the close of trading, a position that includes options exceeds position limits when evaluated using the delta factors as of that day's close of trading, but does not exceed the limit when evaluated using the previous day's delta factors, the position shall not constitute a violation of position limits. The change is stylistic and does not change the manner in which the provision has historically been applied.
- Rules 530 ("Priority of Customers' Orders") and 813 ("Settlement Price") – language has been added to both rules to include reference to "micro" contracts in addition to the existing language concerning "mini" contracts based on CME's listing of several E-micro currency contracts.
- Rule 533 ("Simultaneous Buy and Sell Orders for Different Beneficial Owners") – the rule has been modified to require members to report cross trades directly to Exchange price reporting staff. Price reporting staff at NYMEX identify cross trades systemically in the price reporting system and the Exchange's official record of time and sales. As such, the former language requiring members to complete a paper cross trade form is

unnecessary and the rule now reflects the correct requirement, consistent with existing practices.

- Rule 550 (“Post Close Session”) – the rule has been clarified to indicate that the post close session must be within 15 minutes after the close of Regular Trading Hours unless a later start time is approved by an Exchange official. The change is being made given that on occasion, certain pits need additional time before members have completed checking their trades and endorsing their closing range orders such that they are prepared to begin the session.

The entirety of the changes is included as an attachment to this letter, with more detailed information on significant changes set forth below. Unless specifically noted, references to NYMEX rules are applicable to COMEX.

#### NYMEX Chapter 4 Revisions & Adoption of Chapter 5

NYMEX will adopt several revisions to the rules in current Chapter 4 (“Enforcement of Rules”) and will adopt new Chapter 5 (“Trading Qualifications and Practices”). New Chapter 5 will replace existing NYMEX Chapter 6 (“Floor Rules”) and COMEX Chapter 104 (“COMEX Division Trading Rules”).

New Rules 404 (“Pit Committees”), 405 (“Floor Conduct Committee”), 409 (“Summary Proceedings before the Floor Conduct Committee”), 501 (“Employees of Members”), 513 (“Conduct, Apparel and Badges”), 514 (“Trading Infractions”) and an Access, Conduct and Appearance Code (“Code”) are being adopted in order to harmonize minor trading infraction and decorum-related trading floor rules with the rules in place at CME and CBOT. These new rules and the Code will replace existing Rules 405 (“Floor Committee”) and 446 (“Clerk Registration, Trading Badges, Access to the Trading Floor and Disciplinary Jurisdiction”) and the elimination of the existing Floor Committee which will be reconstituted as the Floor Conduct Committee. The new Floor Conduct Committee’s enforcement and sanctioning authority will be different than the current sanctioning authority of the Floor Committee, and will be based on the equivalent sanctioning authority of the CME and CBOT Floor Conduct Committee.

Current Rule 445 (“Giving and Receiving of Gratuities”) will be relocated to Rule 508 and Rules 448 (“Audit Trail Violations”) and 449 (“Floor Order Ticket Reviews – Summary Violations”) will be relocated to Rule 536.F.

Rule 501 (“Employees of Members”) will be harmonized with the corresponding CME and CBOT rule. As a result of its adoption, NYMEX will eliminate the registration of broker assistants and trader assistants, and COMEX will eliminate the registration of broker assistants. Broker assistants were allowed to enter customer orders into CME Globex on behalf of their member employer, and, if appropriately registered with the NFA, do so on a discretionary basis. Trader assistants were authorized to enter orders into CME Globex on behalf of the account of the member who employed them, including on a discretionary basis provided that a power of attorney was in place. CME and CBOT completely prohibit nonmember employees from exercising discretion with respect to order entry. Nonmember employees will continue to be permitted to enter nondiscretionary orders into Globex at the direction of employers. While NYMEX will not prohibit a nonmember employee with trading floor access to continue to maintain his or her industry registration as an Associated Person (“AP”), NYMEX will adopt the current CME/CBOT prohibition on such individuals from acting in an AP capacity at all times while registered as a nonmember employee with floor access privileges.

NYMEX will adopt harmonized Rule 502 ("Admission to Floor"). The adoption will modify the existing NYMEX policy prohibiting a guest from remaining on the floor for more than two hours and will increase the number of days a guest may be brought onto the floor by a member from two to three.

Rule 515 has been rewritten and will be harmonized across CME, NYMEX and COMEX. While the rule provides for the imposition of trading restrictions, none will be imposed in NYMEX or COMEX pit-traded products. Adoption of a harmonized Rule 515 across CME, NYMEX and COMEX will result in the elimination of existing NYMEX rules concerning the registration and identification of billing entities. Billing entity registration will be replaced by broker association registration except in a few circumstances where the billing entity is owned by a single individual and therefore does not meet the definition of a broker association. NYMEX allowed nonmembers on the trading floor to have an ownership interest in billing entities, which will be disallowed pursuant to NYMEX adopting new Rule 501. Nonmember employees having an ownership interest in a billing entity or broker association will be provided 90 days post the adoption of Rule 515 to either obtain a membership or divest themselves of such ownership interest.

Rule 524 ("Trading at Settlement ("TAS") and Matched Order ("MO") Transactions") sets forth the requirements for trading at settlement and matched orders which were formerly located in Chapters 6 and 104. The current group of products and contract months in which TAS and MO transactions may take place will not change.

NYMEX will adopt a version of Rule 527 ("Outtrades, Errors and Mishandling of Orders") closely aligned with CME and CBOT Rule 527 with modifications necessary based on the trade entry protocols in place in New York. Consistent with CME and CBOT, the rule has streamlined documentation requirements concerning a member taking the opposite of his customer order in certain allowable circumstances and more specific requirements with respect to establishing losses.

NYMEX will adopt a harmonized Rule 530 ("Priority of Customers' Orders") which will permit a member to trade for his own account in the same or related market while holding a DRT order provided that the customer has previously consented in writing and evidence of the consent is denoted on the order by including the with permission designation ("WP"). This was formerly not permitted.

NYMEX will adopt a completely harmonized Rule 531 ("Trading Against Customers' Orders Prohibited") which will permit a customer to waive the prohibition in the rule under certain circumstances. This waiver is not currently permitted under NYMEX rules and is applicable at COMEX only in back month Copper.

Several sections of Rule 536 ("Recordkeeping Requirements for Pit, Globex and Negotiated Trades") will be unique to the trade recordation and trade entry protocols which will be in place at NYMEX and will therefore be modified from the version currently in place at CME and CBOT.

NYMEX will adopt the Request for Quote ("RFQ") and Request for Cross ("RFC") model with respect to Globex option trades which result from pre-execution communications. This will replace the current requirement that the order entries be separated by a period of 15 seconds. Futures trades on Globex which result from pre-execution communications will continue to require a 5 second waiting period between the order entries. The change to the RFQ/RFC requirements harmonizes with existing pre-execution communication requirements for Globex

options trades in CME products and certain CBOT products which result from pre-execution communications.

#### Position Limit Rules

NYMEX will adopt Rules 443 ("Position Limit Violations"), 559 ("Position Limits and Exemptions"), 560 ("Position Accountability") and 561 ("Reports of Large Positions") which reflect the adoption of a best practices approach to position rules based on a review of existing rules at CME, CBOT, NYMEX & COMEX. Language has been added to Rule 560 which allows the Chief Regulatory Officer or his designee to order a position reduction in circumstances where a person holds or controls positions in excess of position accountability levels or in excess of position limits pursuant to an approved exemption if the Chief Regulatory Officer or his designee determines that such action is necessary to maintain an orderly market. Additionally, the Market Regulation Department may order a reduction of positions in circumstances where a party has failed to provide requested information relating to positions owned or controlled by the party.

#### NYMEX Chapter 6 ("Arbitration")

With the relocation of NYMEX trade practice rules to new Chapter 5, the rules in existing Chapter 6a ("Arbitration") will be relocated to new Chapter 6 ("Arbitration").

#### Chapter 7 ("Delivery Facilities and Delivery Procedures")

NYMEX will adopt new Rules 716 ("Duties of Clearing Members") and 770 ("Alternative Delivery Procedures"), which will be harmonized completely with CME and CBOT Rules 716 and 770. Rule 716 requires clearing members to assess an account owner's ability to make or take delivery prior to the last day of trading in physically delivered contracts. Absent satisfactory information, the firm is responsible for ensuring the orderly liquidation of such open positions. Rule 770 will be applicable to any physically delivered contract and will allow for a member or clearing member to request a delivery offset through the Clearing House if a delivery obligation is the result of an error or outrade discovered on or after the last day of trading. In these circumstances, the Clearing House will attempt to identify a party with an offsetting position willing to accommodate the liquidation of the position resulting from the error or outrade. If a party is identified, the delivery obligations of both parties will be extinguished via the position offset. The rule provides the Clearing House an additional safeguard as a means of avoiding a delivery default.

#### NYMEX Chapter 9 ("Clearing Members")

New NYMEX Rule 904 ("Funds in Trading Accounts Carried by Clearing Members") is a relocation of CME and CBOT Rule 525 which is also being moved to Rule 904.

#### NYMEX Chapter 9a ("Position Rules")

This chapter will be eliminated based on the harmonization of position rules in Rules 443, 559, 560 and 561.

NYMEX Chapter 11G ("Electronic Trading Rules for the Globex System")

This chapter will be eliminated. The rules will be relocated to Chapter 5 in order to harmonize with CME and CBOT rules.

COMEX Chapters 101 ("COMEX Division – Definitions") and 104 ("COMEX Division – Trading Rules")

These chapters will be eliminated. The rules will be relocated to Chapter 5 in order to harmonize with CME and CBOT rules. Based on the adoption of new Chapter 5, COMEX Chapter 101 is unnecessary.

NYMEX & COMEX Product Chapter Rules

Product chapter rules will be modified to 1) correct rule number references based on the harmonization of the trade practice rules and 2) eliminate the prohibition at NYMEX and COMEX of establishing an options position at cabinet. CME and CBOT permit options positions at cabinet to liquidate or establish a position.

NYMEX and COMEX certify that these amendments comply with the Commodity Exchange Act and regulations thereunder.

If you have any questions, please contact Nancy Minett, Director, Market Regulation, at 212.299.2940, Robert Sniegowski, Associate Director, Market Regulation at 312.341.5991 or me at 312.648.5422. Please reference NYMEX Submission No. 09-169 in any related correspondence.

Sincerely,

/s/ Stephen M. Szarmack  
Director and Associate General Counsel

# NYMEX and COMEX Rule Changes

## Chapter 3 Exchange Committees

### 300. COMMITTEES

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

No person shall serve on the Board of Directors or any Board level committee; the Clearing House Risk Committee; the Business Conduct Committee; the Probable Cause Committee; the Floor Conduct Committee; the Settlement Committee; the Delivery Committee; or the Arbitration Committee

- 1) who is found by a final decision or settlement agreement (or absent a finding in the settlement agreement if any acts charged included a disciplinary offense) to have committed a disciplinary offense, as defined in Section E. below; or

[The remainder of the rule is unchanged.]

## Chapter 4 Enforcement of Rules

[The modifications to the rules in existing NYMEX Chapter 4 are set forth below with additions underscored and deletions overstruck.]

### 401. THE CHIEF REGULATORY OFFICER

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

### 402. BUSINESS CONDUCT COMMITTEE

#### 402.A. Jurisdiction and General Provisions

[The first three paragraphs are unchanged.]

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

[The remainder of Section A. through Section C. is unchanged.]

#### 402.D. Actions against Non-Members

If the BCC or ~~Compliance~~Market Regulation Department has reason to believe or suspect that any non-member is conducting trading activities in violation of the Commodity Exchange Act or Exchange rules or in a manner that threatens the integrity or liquidity of any contract, the committee or ~~Compliance~~Market Regulation Department may request such non-member and require any Members to appear, produce documents and testify at a ~~Compliance~~Market Regulation Department interview or investigation, or hearing to be conducted by the BCC.

[The remainder of the rule is unchanged.]

### 403. CLEARING HOUSE RISK COMMITTEE

#### 403.A. Jurisdiction and General Provisions

[The first five paragraphs are unchanged.]

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

[The remainder of Section A. is unchanged.]

#### **403.B. Settlement Offers**

[The first paragraph is unchanged.]

If the Audit or ~~ComplianceMarket Regulation~~ Department does not oppose the respondent's offer of settlement, the respondent's written offer of settlement and the Audit or ~~ComplianceMarket Regulation~~ Department's supporting statement shall be submitted to the CHRC for consideration.

If the Audit or ~~ComplianceMarket Regulation~~ Department opposes an offer of settlement, the Respondent's written offer and the Audit or ~~ComplianceMarket Regulation~~ Department's written opposition shall be submitted to the CHRC. The CHRC's consideration of the offer of settlement shall be based upon the written offer and opposition filings, as well as the evidence presented to the CHRC in determining to issue the charges.

[The remainder of the rule is unchanged.]

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

The Pit Committee shall have the authority to: 1) participate in the determination of opening and closing ranges in accordance with Rule 546; 2) oversee and enforce changes in prices in accordance with Rule 528; 3) resolve pit space disputes; 4) remove unauthorized persons from the pit; 5) resolve, by immediate action, all grievances arising from price infractions pursuant to Rule 514 during pit trading; and 6) issue charges for alleged violations of Rule 514.

To the extent that Pit Committee members participate in the creation of settlement prices, they agree to assign and transfer to the Exchange any and all right, title and interest in and to the settlement prices, including, but not limited to, all copyrights in the settlement prices.

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

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

~~The Floor Committee shall be responsible for resolving pit space disputes and shall have jurisdiction to conduct summary proceedings for alleged violations of, and assess penalties in accordance with, this rule.~~

##### **405.A. Authority to Issue Letters of Warning and/or Summary Fines for Violations of Decorum or Attire Rules**

~~The Floor Committee, or its designees, may impose summarily, on any Member a Letter of Warning and/or fine of not more than five thousand dollars (\$5,000) for each violation of any rule relating to decorum or attire on the trading floor or on any part of the Exchange premises.~~

##### **405.B. Authority to Issue Letters of Warning and/or Summary Fines for Other Floor Offenses**

~~The Floor Committee, or its designees, may impose summarily, on any Member a Letter of Warning and/or a fine of not more than five thousand dollars (\$5,000) for:~~

- ~~1. Violating any rule relating to clerk registration, any rule regarding the untimely or inaccurate submission of trade data, reports, records or similar matters for clearing or for verifying each day's transactions;~~
- ~~2. a failure by qualified floor traders and/or their authorized representatives to attend any option's expirations; or~~
- ~~3. a failure by a Member to attend a mandatory training course offered by Exchange staff.~~

~~With respect to any NYMEX Member, a Letter of Warning and/or a fine of not more than five thousand dollars (\$5,000) may be summarily imposed for each violation of NYMEX Rules 6.37 or 6.06. With respect to any COMEX Member, a Letter of Warning and/or a fine of not more than five thousand dollars (\$5,000) may be summarily imposed for each violation of COMEX Rules 104.14; 104.25; 104.09; 104.05(a); or 104.70; or for any interference or attempt to interfere with an employee of the Exchange in the performance of his duties under COMEX Rules 104.04, 104.05 and 104.07. In the event that either: i) the official citing the~~

~~alleged infraction was involved in the incident in question; and/or ii) the facts of the alleged infraction are challenged by a disinterested third party, then the party charged shall be entitled to an adjudication in accordance with the provisions of Rule 405.D prior to the imposition of any fine. In no event shall the issuance of a Letter of Warning entitle a Member to a hearing. Letters of Warning may be appealed in accordance with the provisions set forth in Rule 405.E, below.~~

#### ~~405.C. Notice of Fine~~

~~The official imposing the fine shall issue a "Notice of Fine" in a form to be prescribed by the Exchange, which shall notify the respondent of the offense committed and the fine to be imposed. The form shall notify the respondent of the right to request a hearing whenever the provisions of Rule 405.A. or 405.B. are applicable. Failure to request a hearing, unless good cause is shown, shall be deemed a consent to the fine, which shall then be imposed in the amount set forth in the Notice of Fine, or in such amount as may be determined by the Floor Committee in the event that the Notice of Fine does not specify an amount.~~

~~A Member who claims that he is entitled to a hearing in accordance with the provisions of Rule 405.A. or 405.B. shall be entitled to file a written request for a hearing with the Compliance Department within seven (7) business days after mailing of such notice by the Compliance Department, subject to the following:~~

- ~~1. The Compliance Department shall review the request for a hearing and prepare a written statement which shall set forth the reason that the investigation was initiated, the relevant facts, the conclusions of the Compliance Department and, if the Compliance Department concludes that there is a reasonable basis to believe that a rule violation occurred, a recommendation of the Compliance Department to a Panel comprised of three members of the Floor Committee (the "Review Panel") whether the matter requires a hearing in accordance with Rule 405.A. and 405.B. The Review Panel shall determine if a hearing is required. The Compliance Department may also refer a matter to the Probable Cause Committee in accordance with Rule 406.~~
- ~~2. The respondent shall file an Answer within five (5) business days after receiving the written statement prepared by the Compliance Department referred to in the previous paragraph. Any charges not denied in the answer shall be deemed admitted and if no answer is filed within the time period specified in the rule, unless good cause is shown, all the charges will be deemed to have been admitted.~~
- ~~3. A party who files a request for a hearing shall be required to appear at the hearing unless a written withdrawal of the request for a hearing has been filed with the Compliance Department at least one week prior to the scheduled hearing date. The Panel (composed as set forth in paragraph (D) of this rule) may in its discretion enter a penalty for non-appearance in an amount not to exceed \$250 against a party who has not filed a withdrawal of his request for a hearing and who has not appeared at the scheduled time and place. Such penalty shall become effective ten (10) days after it has been issued unless the respondent shows good cause for the non-appearance prior to the effective date of the penalty.~~

#### ~~405.D. Floor Committee Hearings~~

~~A hearing required pursuant to Rule 405.A. or 405.B. shall be scheduled no earlier than ten (10) business days following the incident in question and shall be conducted before a Panel comprised of no fewer than three members of the Floor Committee, provided that none of the Panel members shall have served on the Review Panel for the incident in question. The Panel shall meet at such times as it deems appropriate. The personal appearance of the respondent and the Compliance Department shall be required. Where the respondent fails to appear at a requested hearing at the time and place scheduled, without good cause shown, in addition to the sanctions which may be imposed under Rule 405.C.3., he shall be deemed in default, and the proceeding shall be determined against the respondent upon consideration of the Notice of Fine, the allegations of which shall be deemed to have been admitted. The Panel may determine the procedures to be applied in any hearing before it; provided, however, that the following procedures shall apply in every case:~~

- ~~1. The prosecution shall be conducted by the Compliance Department;~~
- ~~2. The respondent shall be permitted to present witnesses or other evidence and may cross-examine witnesses;~~
- ~~3. Unless good cause is shown, the Compliance Department and the respondent shall be limited to a presentation not to exceed fifteen (15) minutes;~~
- ~~4. The formal rules of evidence shall not apply and the Panel shall have the authority to decide all procedural and evidentiary matters;~~
- ~~5. The Notice of Fine, any documentary evidence or other material presented to the Panel by either party shall constitute the record of the hearing;~~



~~6. The Compliance Department shall have the burden of proof; and~~

~~7. A finding of a Rules violation may be made on a preponderance of the evidence contained in the record of the proceeding.~~

~~In advance of the hearing, the respondent shall be entitled to examine all books, documents and other tangible evidence in possession or under the control of the Exchange that (i) are to be relied upon by the Compliance Department in prosecuting the matter; or (ii) which are relevant to the charges. Respondent shall be required to produce such discovery as the Compliance Department shall request which is relevant to the charges and respondent's defense. This does not include materials that are privileged or subject to any work product protections.~~

~~Any person within the jurisdiction of the Exchange who is called at any hearing shall appear at such hearing and give testimony or produce evidence. The Panel shall have the power to impose a penalty against any person who is within the jurisdiction of the Exchange and whose actions impede the progress of the hearing.~~

#### ~~**405.E. Floor Committee Decisions and Sanctions**~~

~~The Panel shall render a written decision within two (2) business days of the hearing date, receipt of notice that the respondent has waived his right to a hearing, or the entry of default, whichever is applicable. The written decision shall include: (i) the specific rule violation which the respondent was found to have committed; (ii) an order which may impose the penalty recommended in the Notice of Fine, increase or decrease the recommended amount; and (iii) notice that the decision constitutes a final decision of the Exchange which is appealable to the Commission.~~

~~Any Letter of Warning imposed in accordance with Rule 405.A. or 405.B. and/or any fine that does not require a hearing, may be appealed to the Floor Committee by filing a typewritten request with the Compliance Department within five (5) business days after mailing of such notice by the Compliance Department. In its sole discretion, the Floor Committee may affirm, reverse, or modify any penalty imposed pursuant to Rule 405.A. or 405.B., and its decision shall be final. A modification of any fine may include, among other things, an increase in any fine imposed.~~

~~Any fine imposed in accordance with Rule 405.A. or 405.B. shall be due and payable within ten (10) days after notice of such action is given to the Member. Where a determination has been made either by a Panel of the Floor Committee following a hearing or by the Floor Committee following an appeal, such action shall be final ten (10) days after notice is given to the Member and shall not be subject to appeal, and any fine imposed as a result of such determination shall be due and payable within ten (10) days after notice of the determination is given to the Member.~~

#### ~~**405.F. Referrals to the Probable Cause Committee**~~

~~The Floor Committee may refer any matter within its jurisdiction to the Probable Cause Committee under Rule 406 or to the Compliance Department for further action under this Chapter 4.~~

#### ~~**405.G. Maintenance of Health and Safety in Exchange Trading Rings**~~

~~No member may stand on the top step, second step (or as necessary lower steps) of a trading ring unless such member is presently authorized to occupy such step of the applicable trading ring by Exchange staff. For each trading ring, Exchange staff, in its sole discretion, shall initially determine the maximum number of actual members who can reasonably and safely occupy the top step, second step and as necessary any other step of that ring.~~

~~Based upon such safety calculations, Exchange staff then will determine those members who may stand on the applicable rings based solely upon the following criteria (reviewing, on a monthly basis, trading volume (including TAS transactions but not including any non-competitive transactions such as EFP or EFS) data for the immediately preceding three month period or such other period as may be set by Exchange staff): for the top step, total customer volume executed by a member except that no member firm and no billing entity may have more than three affiliated members on either of the two sides of a ring; for the second step, total trading volume executed by a floor member; and as necessary, for lower steps in the applicable ring, total trading volume executed by a member.~~

~~In relation to the top step, for any ring where the Exchange has implemented the provisions of this rule, no member thus will be authorized to stand on the top step if such member's trading is limited to trading solely for his own proprietary account.~~

~~While the calculation for top step volume will be made on the basis of customer volume executed by individual brokers, the Exchange will permit reasonable substitutions for a broker by a member or billing entity with whom the broker is affiliated, provided that either the broker or the member or billing entity has for purposes of this rule given notice to the Exchange of such affiliation.~~

~~Members shall have the right to request a further review or reconsideration by Exchange staff of any determination affecting them or their member or billing entity, and any such requests must be submitted in~~

~~the form and manner as provided by the Exchange, provided, however, that the filing of any such request for reconsideration will not excuse or justify any noncompliance with this rule. No member may stand on a step after being notified by the Floor Committee that the member is not authorized to stand on that step.~~

~~The Floor Committee may impose summarily on any member in violation of this rule a Letter of Warning and/or a fine of not less than \$1,000 dollars but not more than \$2,500 for each violation of this rule, and violation of Rule 405.G. for each new trading session shall constitute a separate violation, provided that, in the event of repeated violations by a member, the Floor Committee may determine to refer such member to the Probable Cause Committee for further action. Any fines issued pursuant to this rule may be appealed in the same manner and under the same procedures set forth in Rule 405.E.~~

#### ~~405.H. Floor Committee Rules~~

~~Action taken by the Floor Committee or its designee pursuant to this rule shall not be subject to the provisions of this Chapter respecting procedures for disciplinary proceedings, except for those provisions established in this Rule 405.~~

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

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

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

The Probable Cause Committee ("PCC") shall receive and review investigation reports from the ComplianceMarket Regulation Department. The PCC shall act through a Panel comprised of a chairman, three Exchange members or employees of member firms and three non-members. Of the Exchange members appointed to a Panel, a majority must be from the contract market where the case originated. A quorum of a Panel shall consist of a majority of the Panel, but must include at least the chairman, two members or employees of member firms and two non-members. The ComplianceMarket Regulation Department is not required to provide notice of its intent to appear before the PCC to request charges.

[The next two paragraphs are unchanged.]

A Panel shall endeavor to review an investigation report prepared by the ComplianceMarket Regulation Department within 30 days of receipt of a report the Panel deems to be complete. The Panel shall, by majority vote, take one of the following actions: If the Panel determines that disciplinary action is unwarranted it shall direct that no further action be taken or that a warning letter be issued. If the Panel determines that a reasonable basis exists for finding that a violation of an Exchange rule may have occurred which may warrant disciplinary action, it shall issue appropriate charges. The Panel shall direct the ComplianceMarket Regulation Department to give notice of the charges to the respondent in accordance with Rule 407.B. and to the appropriate BCC Panel chairman.

The ComplianceMarket Regulation Department may appeal to the Board any refusal by a Panel to issue those charges requested by the ComplianceMarket Regulation Department. If such an appeal is requested, the Board shall conduct a hearing on the matter in accordance with the procedures in Rule 411.

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

[The remainder of the rule is unchanged.]

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

The ComplianceMarket Regulation Department shall investigate alleged rule violations. Investigations and all information and documents obtained during the course of an investigation shall be treated as non-public and confidential and shall not be disclosed, except as necessary to further an Exchange investigation or as required by law. The ComplianceMarket Regulation Department is authorized to take recorded interviews of Members pursuant to an Exchange investigation.

The ComplianceMarket Regulation Department may take oral depositions of witnesses during an investigation. The Member under investigation shall be given at least five days written notice of the time of the deposition and place where the witness will be deposed, which may be at any location within the United States. The Member under investigation shall have the right to be present in person or by representative at

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

Upon conclusion of an investigation, the ComplianceMarket Regulation Department may issue a warning letter to the Member under investigation. Such letter shall not constitute either the finding of a rule violation or a penalty.

If the ComplianceMarket Regulation Department has reasonable cause to believe an offense has occurred which should be dealt with by a panel of the BCC ("BCC Panel"), it shall request a panel of the PCC ("PCC Panel") to convene to consider its recommendation for charges. The ComplianceMarket Regulation Department's presentation to the PCC Panel shall not constitute an ex parte communication as described in Rule 417.

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

The ComplianceMarket Regulation Department shall maintain a file once an investigation is initiated. The file shall include any materials in the possession of the ComplianceMarket Regulation Department that may be relevant to the conduct being investigated. In any matter in which a PCC Panel issues charges, the investigation file shall include an investigation report prepared by the ComplianceMarket Regulation Department. A member charged with a violation of the rules shall have the right to review the evidence in the investigation file relevant to the issued charges, provided, however, that protected attorney work product, attorney-client communications and investigative work product, including, but not limited to, the investigation report and any exception reports, are neither discoverable by a respondent in disciplinary proceedings nor subject to review by a respondent as part of the investigation file. Production of the investigation report to a PCC Panel shall not constitute a waiver of the protected and/or privileged nature of such report.

[The remainder of the rule is unchanged.]

### **408. CONDUCT OF HEARINGS**

[Section A. is unchanged.]

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

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

The Panel chairman may require a pre-hearing conference.

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

Pre-hearing motions must be submitted in writing to the BCC's counsel and a copy shall also be provided to the ComplianceMarket Regulation Department. Motions to dismiss any or all of the charges must be submitted at least 21 days in advance of the originally scheduled hearing date and a copy shall also be provided to the ComplianceMarket Regulation Department. Upon receipt, the ComplianceMarket Regulation Department shall have seven days to submit a written response to the BCC's counsel, and shall provide a copy to the respondent.

Any pre-hearing motions not specifically covered by these rules must be filed at least five business days in advance of the hearing date.

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

relevant to the charges. The ComplianceMarket Regulation Department may object, in whole or in part, to any such petition.

The issuance of charges shall not restrict the ComplianceMarket Regulation Department from further investigating the activity underlying the charges or investigating other potential violations by the respondent.

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

At least 10 days in advance of the hearing, the respondent shall submit to the ComplianceMarket Regulation Department copies of all documents and records upon which the respondent plans to rely at the hearing, and provide a list of, and make available for inspection by the ComplianceMarket Regulation Department, all books, records, names of witnesses and other tangible evidence upon which the respondent plans to rely at the hearing. The Panel may refuse to consider any books, records, documents or other tangible evidence which was not made available to, or witnesses whose names were not submitted to, the ComplianceMarket Regulation Department pursuant to this section.

#### 408.C. Settlement Offers

[The first two paragraphs of Section C. are unchanged.]

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

If the ComplianceMarket Regulation Department opposes the respondent's offer of settlement, then following the issuance of any charges by the PCC, the respondent may submit a written offer of settlement for consideration by the Panel no less than 14 days in advance of the originally scheduled hearing date. If a respondent submits an offer less than 14 days before a scheduled hearing, or after the hearing has commenced, the offer shall not be considered unless agreed to by the parties. In considering whether to accept the respondent's offer, the Panel shall examine the respondent's written offer of settlement and the ComplianceMarket Regulation Department's written opposition thereto.

[The remainder of Section C. is unchanged.]

#### 408.D. Hearings

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

[The remainder of the rule is unchanged.]

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

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

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

Charges against an individual shall be issued by filing the appropriate forms with the Market Regulation Department and by giving a copy to the respondent.

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

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

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

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

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

A summary proceeding before the Floor Conduct Committee shall take place as soon as practicable after the issuance of charges. The proceeding will not be recorded. The respondent shall be entitled to appear personally and answer the charges issued. Respondents and witnesses may not be represented by counsel at a summary proceeding. However, an employee without membership privileges who is a respondent may

be represented by a single representative of his employer. A panel shall decide by a majority vote whether the individual is guilty of the violation or offense charged. If the accused individual is found guilty, a panel may impose fines in accordance with Exchange rules. A witness who fails to appear at a summary proceeding after being directed to do so by the Chairman of the panel or by staff may be charged with a violation of Rule 432.

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

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

An individual found guilty of an offense who receives a fine greater than \$1,000 may, within 10 days of the decision, file a written appeal of the decision with the Market Regulation Department. A written appeal that fails to specify the grounds for the appeal and the specific error or impropriety of the original decision shall be dismissed by the Chief Regulatory Officer. The appeal shall be heard by a Panel of the BCC ("BCC Panel") whose decision shall be final. The appellant shall be entitled to be represented by counsel, appear personally before the BCC Panel and present evidence that he may have in support of his appeal. The BCC Panel shall not set aside, modify or amend the appealed decision unless it determines, by majority vote, that the decision was:

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

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

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

A Member found guilty of an offense or otherwise aggrieved by a final decision of the BCC, may, within 10 business days of being provided notice of any such decision, unless specifically prohibited, request an appeal to an Appellate Panel provided that the decision assesses a monetary sanction greater than \$10,000 and/or an access denial or suspension of any membership privileges for greater than five business days against the Member. Filing of a request for an appeal by a Member shall stay the decision appealed unless the ComplianceMarket Regulation Department objects to such a stay and the Chairman of the Board or the chairman of the BCC Panel from which the appeal is taken specifically directs that the decision is not stayed pending appeal.

[The next two paragraphs are unchanged.]

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

[The next five paragraphs are unchanged.]

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

In the case of an appeal by the ComplianceMarket Regulation Department of a decision by the BCC to grant a respondent's motion to dismiss any or all of the charges, the Appellate Panel shall either affirm or set aside the decision of the BCC with respect to each dismissed charge. If the decision is set aside with

respect to any dismissed charge, such charge shall be deemed to be reinstated and disciplinary proceedings with respect to all of the charges shall be conducted before a different panel of the BCC pursuant to the procedures in Rule 408. If the decision is affirmed with respect to any dismissed charge, the Panel shall direct that no further action be taken with respect to such dismissed charge and such decision shall be deemed a decision of the Board and shall be a final decision of the Exchange.

[The remainder of the rule is unchanged.]

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

[Section A. is unchanged.]

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

Promptly after an action is taken pursuant to Rule 413.A., the Member shall be informed of the action taken, the reasons for the action, and the effective date, time and the duration of the action taken. The Member shall be advised of his right to a hearing before a panel of the BCC ("Panel") by filing notice of intent with the ComplianceMarket Regulation Department within 10 business days of the Notice date.

[The remainder of the rule is unchanged.]

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

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

Unless on notice and opportunity for all parties to participate:

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

[Section B. is unchanged.]

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

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

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

It shall be an offense:

[The only change is in Section L.3. as set forth below.]

- L.3. to fail to produce any books or records requested by Exchange staff in connection with an investigation within 10 days after such request is made or such shorter period of time as determined by the ComplianceMarket Regulation Department in exigent circumstances or to fail to appear at a scheduled staff interview;

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

Each Member shall immediately notify the ComplianceMarket Regulation Department in writing upon becoming aware of any of the following events relating to such Member:

[The remainder of the rule is unchanged.]

#### **443. ~~RESERVED~~ POSITION LIMIT VIOLATIONS**

The Market Regulation Department and the BCC shall have the authority to enforce the position limit rules of the Exchange. For purposes of this rule, any positions in excess of those permitted under the rules of the Exchange shall be deemed position limit violations. Additionally, any person making a bid or offer that would, if accepted, cause such person to exceed the applicable position limits shall be in violation of this rule.

If a position exceeds position limits as a result of an option assignment, the person who owns or controls such position shall be allowed one business day to liquidate the excess position without being considered in violation of the limits. Additionally, if, at the close of trading, a position that includes options exceeds position limits when evaluated using the delta factors as of that day's close of trading, but does not exceed the limits when evaluated using the previous day's delta factors, then the position shall not constitute a position limit violation.

A clearing member shall not be in violation of this rule if it carries positions for its customers in excess of the applicable position limits for such reasonable period of time as the firm may require to discover and liquidate the excess positions. For the purposes of this rule, a reasonable period of time shall generally not exceed one business day.

A customer who exceeds the position limits as a result of maintaining positions at more than one clearing member shall be deemed to have waived confidentiality regarding his positions and the identity of the clearing members at which they are maintained. A clearing member carrying such positions shall not be in violation of this rule if, upon notification by the Market Regulation Department, it liquidates its pro-rata share of the position in excess of the limits or otherwise ensures the customer is in compliance with the limits within a reasonable period of time.

#### **443.A. First Violation**

The first occurrence of a position limit violation shall result in a warning letter issued by the Market Regulation Department to the party in violation of the limit, with a copy provided to the carrying clearing member(s). In circumstances where the carrying clearing member has also committed a position limit violation as set forth in this rule by carrying such positions, a warning letter will be issued to the clearing member(s).

#### **443.B. Second Violation, Sanctions and Appeals**

A second position limit violation by a nonmember customer within 24 months of the issuance of a warning letter shall result in the imposition of an automatic fine by the Market Regulation Department to the nonmember customer as set forth below. Such fines will be payable to the Exchange by the clearing member(s) carrying the nonmember customer's account(s).

A second position limit violation by a member or member firm within 24 months of the issuance of a warning letter shall result in the imposition of an automatic fine by the Market Regulation Department to the member or member firm as set forth below and the issuance of a cease and desist order.

The automatic fine for a position exceeding the applicable limit by up to 25% shall be \$5,000. The automatic fine for a position exceeding the applicable limit by more than 25% shall be \$15,000.

Parties may, within 10 business days of being provided notice of sanctions issued pursuant to this section, request an appeal to a Panel of the Business Conduct Committee ("BCC Panel").

Upon receiving a written request for appeal, the Chairman of the BCC Panel shall determine whether there is a reasonable basis to conclude that the appellant might be able to meet one of the standards identified below that would permit the BCC Panel to set aside, modify or amend the appealed decision. The BCC Chairman's determination shall be based solely upon the written request for appeal and any written response of the Market Regulation Department. The BCC Chairman's determination of whether to hold a hearing on an appeal shall be final. If the BCC Chairman grants the appellant's request for a hearing, the chairman shall allow the filing of briefs in connection with the appeal.

The BCC Panel hearing the appeal shall not set aside, modify or amend the appealed decision unless it determines by a majority vote that the decision was:

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

The BCC Panel shall issue a written decision which shall include a statement of findings with respect to the decision from which the appeal was taken and the Panel's determination that such initial decision is affirmed, set aside, modified or amended in whole or in part and, with respect to any initial decision that is not affirmed in whole, the BCC Panel's determination of the order or penalty to be imposed, if any, and the effective date. The decision of the BCC Panel shall be final and may not be appealed.

#### **443.C. Referral to the Probable Cause Committee**

Any third or subsequent position limit violation within 24 months of the issuance of a warning letter period shall be referred by the Market Regulation Department to the PCC for consideration of the issuance of charges. Additionally, notwithstanding Sections A. and B. of this rule, the Market Regulation Department, in its sole discretion, may refer any position limit violation it deems egregious to the PCC for consideration of the issuance of charges.

#### 444. SANCTIONS AND RESTITUTION ORDERS

Disciplinary fines and restitution orders issued by an Exchange disciplinary committee must be submitted to the ComplianceMarket Regulation Department no later than the date specified in the notice of decision. An individual who fails to make the required payment within the time prescribed will automatically forfeit the privileges of access to the trading floor, access to the Globex trading platform and preferred fee treatment until the payment has been received by the ComplianceMarket Regulation Department. An entity member that fails to make the required payment within the time prescribed will automatically forfeit preferred fee treatment for its proprietary trading until the payment has been received by the ComplianceMarket Regulation Department. Any member that fails to pay a disciplinary fine or restitution order within the prescribed time period may also be subject to sanctions pursuant to Rule 432.S.

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

#### ~~445. GIVING AND RECEIVING OF GRATUITIES~~

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

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

#### ~~446. CLERK REGISTRATION, TRADING BADGES, ACCESS TO THE TRADING FLOOR AND DISCIPLINARY JURISDICTION~~

##### ~~446.A. Registration~~

~~Members and Member Firms shall register clerks with the Membership Department on a form provided by the Exchange ("Application"), which must be executed by the employer of the clerk and the clerk, prior to the clerk being granted access to the Exchange trading floor.~~

~~Any changes in the information contained in the Application shall be reported by the member or Member Firm to the Membership Department, within five business days of such change.~~

##### ~~446.B. Bylaws and Rules of the Exchange~~

~~A clerk shall certify in the Application that he will abide by the Bylaws and Rules of the Exchange.~~

##### ~~446.C. Clerk Training Course Requirements~~

~~Upon notice from the Membership Department, a clerk must take either an examination or successfully complete a clerk training course, inclusive of an examination ("Course"), to be administered by the Exchange staff.~~

~~The following are exceptions to the previous paragraph:~~

- ~~1. A clerk who, anytime within the year immediately preceding registration as a clerk, served as a floor broker on the Exchange he is registering for, shall be exempt from these clerk training requirements;~~
- ~~2. A clerk who, anytime within the year immediately preceding registration as a clerk, worked as a floor broker on a commodity exchange other than the Exchange he is registering for, may, in lieu of attending the Course, take the next examination and computer training course offered by that Exchange;~~
- ~~3. A clerk who, immediately preceding registration as a clerk, worked three months or more as a clerk on the trading floor of a commodity exchange other than the Exchange he is registering for, may, in lieu of attending the Course, take the next examination and computer training course offered by that Exchange; or~~
- ~~4. For good cause shown, Exchange staff may waive any part, or all, of the Course or examination requirements for any clerk who, at any time within the last year, has worked three months or more on the trading floor of any other commodity exchange. Notwithstanding an exemption by Exchange staff, all clerks must attend computer training on the Exchange he is registering for.~~

~~If a clerk who is required to take an examination fails to pass such examination, he must, within one week of being notified that he failed the examination, retake the examination or attend the next Course.~~

~~If a clerk, fails to take either the next examination or the next Course, as directed by the Membership Department, he shall be excluded from the trading floor, and his clerk badge shall be revoked, until such time as he either passes the examination, or successfully completes the Course.~~

~~If a clerk, who is required to attend the next Course fails to complete the Course, he will be prohibited from taking the examination to be administered at the conclusion of the Course and will immediately be excluded~~



from the trading floor, and his clerk badge shall be revoked, until such time as he attends and successfully completes another Course.

If a clerk, who is required to attend the next Course fails to pass the examination administered at the conclusion of the Course and fails to take or pass a second examination, the clerk shall be excluded from the trading floor and his clerk badge shall be revoked, until such time as he successfully completes another Course.

Except as provided in subparagraphs 446.C.1-446.C.4, a clerk who registers with the Membership Department to work at both NYMEX and COMEX simultaneously will be required to successfully complete the Course for each Exchange.

#### **446.D. Clerk Badges**

Upon registration of a clerk, a temporary clerk badge will be issued by the Membership Department. Thereafter, upon successful completion of the Course as provided by this rule, the Membership Department will authorize the issuance of a permanent clerk badge, which will grant the clerk access to the trading floor. The clerk badge shall be worn so as to be easily identifiable by the Floor Committee or designated Exchange staff at all times the clerk is on the trading floor. Failure to wear such badge, or to wear the badge in a manner not easily identifiable, may result in the issuance of a fine by the Floor Committee or designated Exchange staff against the clerk and suspension from the trading floor until the fine is paid and the badge displayed. Notice of such fine shall also be given to the Member or Member Firm that employs the clerk. The Member or Member Firm that employs the clerk shall be responsible for the payment of such fine if the clerk defaults in its payment.

#### **446.E. Disciplinary Actions**

Any clerk who is not properly registered with the Exchange as provided by this rule shall be subject to disciplinary action in accordance with the provisions of this Chapter 4 and shall also be personally liable for a summary fine of \$100 per business day for each day of non-compliance with this rule. The fine will be assessed by the Floor Committee or designated Exchange staff and shall be issued to the clerk personally. Upon service of a summons for a fine, a clerk shall be immediately excluded from the trading floor until payment of the fine is made to the Exchange and registration completed. Three violations of this rule within one calendar year is sufficient cause for the Chief Regulatory Officer or his designee to summarily revoke the clerk's registration status.

No clerk may trade for himself or any person or entity in any contract traded on or cleared by the Exchange.

The Chief Regulatory Officer or his designee shall have the power and authority to inquire into and to investigate the employment and conduct of, and functions performed by all clerks employed by Members and Member Firms. The Chief Regulatory Officer or his designee shall also have the power to summarily deny or summarily revoke a clerk's registration for conduct detrimental to the Exchange, including but not limited to, not being on the payroll of the Member or Member Firm, or not functioning as a bona fide clerk.

#### **446.F. Clerk Termination or Revocation, Return of Badge**

A Member or Member Firm shall report the termination of employment of any clerk, and return the Clerk's Badge, to the Membership Department within one business day of such date of termination.

A Member or Member Firm shall return a Clerk's Badge to the Membership Department within one business day of the revocation of a clerk's registration as determined by the Chief Regulatory Officer or his designee as provided for in subparagraph (E)(5).

Failure to return such badge may result in the issuance of a summary fine against the Member or Member Firm in the amount of \$100 per business day for each day of non-compliance with this rule.

#### **446.G. Billing for Clerk Services**

Any bill for services rendered on the trading floor shall be issued in the name of, or as payable to, a Member or Member Firm. For the purposes of this rule, the terms "Member" and "Member Firm" shall include COMEX Members who have NYMEX trading privileges.

### **447. MEMBER AND MEMBER FIRM RESPONSIBILITY**

Notwithstanding any fine assessed pursuant to Rule 445, a Member or Member Firm whose clerk is not properly registered with the Exchange shall be liable for a summary fine of \$250 per business day for each day the clerk is not so registered. The fine shall be paid to the Exchange upon service of an assessment from the Floor Committee or the Compliance Department as agent. Three violations of this rule within one calendar year is sufficient cause for formal disciplinary action to be taken.

### **448. AUDIT TRAIL VIOLATIONS**

If the Compliance Department determines that a Member has failed to comply with any provision of NYMEX Rule 6.90 or that a COMEX Division Member has failed to comply with any of the provisions of COMEX Rules 104.80 or 104.81, it may summarily take the following actions:

1. A Letter of Warning may be issued for a first infraction, informing the Member that there was a rule violation;
2. A second infraction in a 12 month period may subject the Member to a \$100.00 summary fine;
3. A third infraction in an 18 month period may subject the Member to a \$500.00 summary fine;
4. A fourth infraction in a 24 month period will be sufficient basis for a Compliance Department referral to the Probable Cause Committee for consideration of charges.

This rule will not apply when the Compliance Department determines that a Member has committed a substantive violation of Exchange rules in addition to a trading card infraction.

#### ~~449. FLOOR ORDER TICKET REVIEWS SUMMARY VIOLATIONS~~

~~If the Compliance Department determines that a NYMEX clearing firm, member firm or floor brokerage operation has failed to comply with NYMEX Rule 6.18(A)(i) or (ii), or that a COMEX clearing firm, member firm or floor brokerage group has failed to comply with COMEX Rules 104.80 or 104.81 with respect to the preparation of floor order tickets, by achieving a compliance rate of 89% or lower, it may summarily implement disciplinary procedures as follows.~~

~~After an initial review, the Compliance Department may impose fines corresponding to the following rates of compliance:~~

~~89-80% \$100~~

~~79-70% \$250~~

~~69-60% \$500~~

~~59% and Below \$1,000~~

~~If after a second review an entity fails to achieve a passing compliance rate, the Compliance Department may impose a fine in the amount imposed in the initial review under the previous paragraph, plus an additional amount corresponding to their rate of compliance achieved in the second review, as follows:~~

~~89-80% \$100 + amount of fine from first offense~~

~~79-70% \$250 + amount of fine from first offense~~

~~69-60% \$500 + amount of fine from first offense~~

~~59% and Below \$1,000 + amount of fine from first offense~~

~~If after a third review an entity fails to achieve a passing compliance rate, the Compliance Department may impose a fine in the amount imposed in the initial review under the previous paragraph, plus an additional amount corresponding to their rate of compliance achieved in the third review, as follows:~~

~~89-80% \$100 + amount of fine from second offense~~

~~79-70% \$250 + amount of fine from second offense~~

~~69-60% \$500 + amount of fine from second offense~~

~~59% and Below \$1,000 + amount of fine from second offense~~

~~\*The Compliance Department may, in its discretion, refer to the Probable Cause Committee for consideration of charges any entity achieving a compliance rate of 69% and below after a third review. If after a fourth review an entity fails to achieve a passing compliance rate, the Compliance Department may refer the entity to the Probable Cause Committee for consideration of charges.~~

~~A fine imposed in accordance with this rule may be appealed to the Business Conduct Committee ("BCC") where the claim originated. To appeal a fine, a Member shall file a typewritten request with the Compliance Department within five (5) business days after receipt of the notice of such fine. The letter of appeal should set forth the reason for the requested appeal and attach any relevant documents. The BCC shall meet at such times as it deems appropriate, and shall reach its decision based upon the letter of appeal and any other documents furnished by the Member subject to the fine with the appeal letter or by the Compliance Department. The BCC in its sole discretion may permit or require personal appearances by the Member and/or the Compliance Department. The BCC shall affirm, modify or reverse the fine appealed and shall issue its Decision in writing within thirty (30) days of meeting to consider the appeal.~~

## **Chapter 5 Trading Qualifications and Practices**

[This is a new NYMEX Chapter marked to show how it differs from CME Chapter 5.]

**500. SCOPE OF CHAPTER**

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

**FLOOR PRIVILEGES**

**501. EMPLOYEES OF MEMBERS**

Members shall register with the Exchange all persons whom they wish to employ on the trading floor. Such employees may act as runners, communicators, and clerks and broker assistants. Such employees shall not be permitted to solicit customers or benefit from the production of orders, except as provided in Rule 140. Such employees shall not trade or have any interest in an account trading in any NYMEX or COMEX CME or CBOT futures or options contracts. Employees must wear a prescribed identification badge. Any member permitting trading by such employee shall be guilty of an offense against the Exchange. Remuneration to such employees shall be limited to salaries and normal bonuses. The member employer shall, upon request, provide a report to Exchange staff with respect to each such employee, setting forth the hours of employment, salary and bonus, and a copy of each employee's Internal Revenue Service W-2 Form or other documentation evidencing employment.

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

~~A member holding a broker assistant badge shall be required to notify his qualifying clearing member, as defined in Rule 903, of the name, address and immediate supervisor of the member or member firm by whom he is employed as a broker assistant. Upon a qualifying clearing member's revocation of trading authorization in accordance with Rule 903.E., the qualifying clearing member immediately shall give written notice to the member or member firm which employs a member as a broker assistant that the member's trading authorization has been revoked. A member holding a broker assistant badge shall be denied floor access privileges upon the revocation of trading authorization by his qualifying clearing member. The floor access privileges of a member who holds a broker assistant badge may be reinstated upon the filing of a release with the Shareholder Relations and Membership Services Department by the member's qualifying clearing member in accordance with Rule 903.D.~~

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

No person shall be registered as an employee pursuant to this rule if such person is determined by Exchange staff not to be of good moral character or if it is determined that such registration may be detrimental to the interest or welfare of the Exchange.

**502. ADMISSION TO FLOOR**

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

**503.-504. RETIRED MEMBERS**

~~Any member who has been a member for at least 25 years who sells or leases his membership may apply for a retired member badge which will entitle the retired member to access the trading floor. A retired member who leases his membership to another person may place orders for his own account~~

~~from on the trading floor pursuant to the customer order entry requirements set forth in Rule 536.A.1. A retired member who sells his membership is prohibited from placing orders for any account while on the trading floor. Retired members are prohibited from accessing the trading pits during trading hours.~~

**504. [RESERVED]**

**505. BOOTH AND FLOOR PRIVILEGES**

Booth space on the trading floor may be assigned only to members and member firms. Available booth space will be assigned by Exchange staff in accordance with the policies established by the Exchange and the decisions of Exchange staff regarding the assignment of booth space shall be final. Orders may be accepted at the booth space assigned to a member or member firm only by the member, employees of the member or member firm and members qualified by the member firm.

Notwithstanding any other rule, any member who is associated as a partner, shareholder, member, officer, manager, employee, or consultant with any entity or natural person that is or should be registered as an Introducing Broker, Futures Commission Merchant, Commodity Trading Advisor or Commodity Pool Operator as those terms are defined in Section 1a of the Commodity Exchange Act and/or 17 C.F.R. 1.3, may not solicit orders of others from the floor of the Exchange unless the entity or natural person for which or for whom the member is soliciting orders is also a member firm or member of the Exchange.

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

**506.A. Access and Supervision**

Members and member firms are eligible to lease headsets from the Exchange for use on the trading floor by filing an application with the Telecommunications Department ~~unless such usage is restricted in a particular pit by Exchange policy. Where headset usage is permitted, m~~Members and member firms may authorize their nonmember employees to utilize headsets subject to their supervision. For the purposes of this rule, a telephone in, or on the perimeter of, a trading pit shall be treated in the same manner as a headset.

Members and member firms are responsible for ensuring that their nonmember employees who utilize headsets comply with all requirements set forth in this rule and are responsible for the content of their nonmember employees' headset communications.

**506.B. Use of Headsets**

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

Headsets may be used to communicate between locations on the trading floor, and between the trading floor and off-floor locations. Headsets may be used to accept, place or relay orders provided that all applicable Exchange audit trail and recordkeeping requirements are met, ~~unless such usage is restricted in a particular pit by Exchange policy. In trading pits where headset contact with nonmember customers is permitted~~However, nonmember customers may not place orders directly to the pit, and floor brokers and their employees may not accept such orders, unless the customer's clearing firm, in its sole discretion, has specifically authorized the customer to place orders directly.

**507. ELECTRONIC DEVICES**

**507.A. General Provisions**

The use of any electronic device on the trading floor is prohibited unless such device and/or usage has been permitted by the Exchange. For purposes of this rule, the term "electronic device" shall mean any type of voice or data communications interface, including but not limited to a computer, headset, hand-held device, microphone or telephone. No Member (as defined in Rule 400) shall permit others to use any electronic device unless such use has been permitted by the Exchange. Members using a permitted electronic device on the trading floor for permissible business purposes must retain any required audit trail data in accordance with applicable Exchange rules and CFTC regulations.

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

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

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

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

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

**507.C. Electronic Surveillance**

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

**507.D. Personal Electronic Devices**

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

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

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

**508. GIVING AND RECEIVING OF GRATUITIES**

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

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

**509. [RESERVED]**

**TRADING QUALIFICATIONS AND REGULATIONS**

**510. REQUIREMENTS FOR MEMBERS AND THEIR EMPLOYEES ON THE TRADING FLOOR**

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

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

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

**511. QUALIFIED TRADERS AND BROKERS**

No member shall be permitted to execute a ~~pit-spot call~~ or allowable privately negotiated transaction on the Exchange unless he is qualified to do so by a clearing member.

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

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

A member who believes his qualifying clearing member is unreasonably withholding a release necessary to permit the member to be qualified by a different clearing member may request a hearing before a Panel of the Business Conduct Committee ("Panel") pursuant to the applicable provisions of Rule 408. The Panel may, in its sole discretion, remand a dispute concerning the validity of a signed

non-compete agreement between the parties to arbitration pursuant to Rule 600.A. Either party may petition the arbitration chairman for expedited handling of the matter pursuant to Rule 613.

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

**511.A. Floor Trading**

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

**511.B. Globex Trading**

Unless otherwise specified by a member's qualifying clearing member, a member suspended from entering orders through Globex shall not be disqualified from pit trading.

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

**512. [RESERVED]**

**513. CONDUCT, APPAREL AND BADGES**

**513.A. General**

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

**513.B. Sanctions**

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

**513.C. Hearings and Appeals**

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

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

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

#### **514. TRADING INFRACTIONS**

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

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

The following shall constitute trading infractions:

1. a bid or offer out of line with the market;
2. a bid or offer which tends to confuse the other traders;
3. a trade through the existing bid or offer;
4. failure to confirm a transaction;
5. failure of a buyer and seller to properly notify the pit reporter of transaction prices in accordance with Rule 528 and/or failure to ascertain that such prices are properly recorded;
6. use of profane, obscene or unbusinesslike language on the trading floor;
7. use of undue force while on, entering or leaving the trading floor;
8. conduct which tends to confuse, distract, abuse or intimidate any Exchange employee;
9. conduct of an unbusinesslike nature;
10. failure to defer to a member who has clearly turned the market;
11. failure to indicate a quantity on a bid or offer; and
12. disseminating false, misleading or inaccurate quotes.

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

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

The following non-binding schedule of fines may be used by Panels of the Floor Conduct Committee with respect to members or their employees found guilty by a Panel of non-egregious trading infractions:

First offense	a letter of warning and/or a fine not to exceed \$2,500
Second offense within a rolling one-year period	a fine of at least \$1,000, but not to exceed \$5,000
Third offense within a rolling one-year period	a fine of at least \$2,500, but not to exceed \$10,000

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

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

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

1. Floor Brokerage Activity - The execution or pre-execution handling of orders on the trading floor.
2. Broker Association - A broker association shall include the following associations between two or more members with trading floor access privileges, at least one of whom is engaged in floor brokerage activity:
  - a. Revenue Sharing Association: Associations between members who:
    - i. share profits or losses associated with their brokerage and/or error account activity; and/or

- ii. have an employer and employee relationship which relates to floor brokerage activity;
- b. Non-Revenue Sharing Association: Associations between members who:
  - i. regularly share a deck of orders; and/or
  - ii. share employee salary expenses.
- c. Any other group or combination deemed by the Exchange to be a broker association.
- 3. Principal of a Revenue Sharing Association – Each individual who has formal or de facto control over the affairs of, or has a ten percent or greater ownership interest in, a Revenue Sharing Association not owned by a clearing member firm.
- 4. Spokesperson of a Non-Revenue Sharing Association and Revenue Sharing Associations owned by a clearing member firm – An individual authorized to represent a Non-Revenue Sharing Association or Clearing Firm owned Revenue Sharing Association in connection with its registration obligations set forth in Section B.
- 5. Investor – An individual who has a direct beneficial interest in a Revenue Sharing Association but is not a principal as defined in A.3. above.

**515.B. Registration Requirements**

1. A member of a broker association shall not handle or execute an order unless that association has registered with the Exchange.
2. Members or Member Firms must have majority ownership interest in any broker association.
3. Principals involved in floor brokerage activity must have trading privileges in the membership division required for access to the products handled by the members of the association. Principals who are not involved in floor brokerage activity must own a membership in the membership division required for access to the products handled by the members of the association. Notwithstanding the above, principals not regularly involved in floor brokerage activity may hold a membership in any division in circumstances where the association is owned by a Member Firm and such Member Firm owns a membership in the membership division required for access to the products handled by the members of the association.
4. No registered broker association or member thereof shall permit a party to have any direct or indirect profit or ownership interest in a broker association unless such party is registered in the association in accordance with this rule.
5. Registration shall be accomplished by filing the appropriate registration forms with the Market Regulation Department.
6. It shall be the responsibility of the broker association and its principals or spokespersons to ensure that the association is properly registered. Any additions, deletions or other changes to the information already reported must be provided to the Market Regulation Department within two business days after the event giving rise to such changes.
7. The Exchange may request any additional information from a broker association as deemed appropriate.

**515.C. Prohibition on Sharing of Personal Trading Profits**

Registrants in a broker association may not share profits or losses associated with their personal trading activity by direct or indirect means, except for profits and losses related to brokerage errors.

**515.D. Supervision**

Each principal of a Revenue Sharing Association must diligently supervise the association's member registrants and non-member employees and may be held directly liable for violations of any rule of the Exchange by such registrants and employees. Regardless of whether the principal is held responsible for the act or acts constituting the violation, each principal is jointly liable for the payment of any fines assessed against another principal, registrant or employee of the association provided that the violation occurred while that person was functioning in his capacity with the association.

**515.E. Trading Restrictions**

The Exchange may impose limits on the percentage of personal trading and/or brokerage volume that members of a broker association may execute with one another. Violations of such restrictions will result in summary action according to the following schedule on a rolling 24 month period:

First Occurrence	Letter of Warning
Second Occurrence	\$1,000 fine
Third Occurrence	\$5,000 fine



Subsequent Occurrence \$10,000 fine

The Exchange may restrict a member of a Revenue Sharing Association from trading for any account such member owns, controls or in which such member has a financial interest opposite other members of the association executing orders. Violation of such restrictions will result in summary action according to the following schedule on a rolling 24 month period:

First Occurrence Letter of Warning

Second Occurrence \$500 fine

Third Occurrence \$1,000 fine

Subsequent Occurrence \$5,000 fine

Actions taken pursuant to this section are final and may not be appealed; however members will have 15 days following receipt of notification of the action to present evidence to the Market Regulation Department that administrative, clerical or other errors caused the apparent rule violation.

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

**516. ERROR ACCOUNTS**

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

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

**517.— 519. [RESERVED]**

**TRADING PRACTICES**

**520. TRADING CONFINED TO EXCHANGE FACILITIES**

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

**521. REQUIREMENTS FOR OPEN OUTCRY TRADES**

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

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

**522. ACCEPTANCE OF BIDS AND OFFERS**

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

**523. ~~ALL OR NONE TRANSACTIONS~~ [RESERVED]**

~~The Exchange shall determine the minimum thresholds for and the commodities in which All or None transactions shall be permitted. The following shall govern All or None trading:~~

~~1. A member may request an All or None bid and/or offer for a specified quantity at or in excess of the applicable minimum threshold. Such request shall be made in the pit designated for the trading of the particular transaction.~~

~~2. A member may respond by quoting an All or None bid or offer price. A bid or offer in response to an All or None request shall be made only when it is the best bid or offer in response to such request, but such price need not be in line with the bids and offers currently being quoted in the regular market.~~

~~3. A member shall not execute any order by means of an All or None transaction unless the order~~

~~includes specific instructions to execute an All-or-None transaction or the All-or-None bid or offer is the best price available to satisfy the terms of the order.~~

- ~~4. An All or None bid or offer may be accepted by one or more members provided that the entire quantity of the All or None order is executed at a single price and that each counterparty to the order accepts a quantity at or in excess of the designated minimum counterparty threshold. Each order executed opposite an All or None order must be for a quantity that meets or exceeds the minimum counterparty threshold. Separate orders may not be bunched to meet the minimum counterparty threshold.~~
- ~~5. All or None transactions shall not set off conditional orders (e.g., Stop Orders and MIT Orders) or otherwise affect orders in the regular market.~~
- ~~6. All or None transactions must be reported to a designated Exchange official who shall record and publish the quantity and prices separately from reports of transactions in the regular market. The brokers executing All or None transactions must maintain a record of said transaction in accordance with Rule 536.~~

**524. [RESERVED] TRADING AT SETTLEMENT ("TAS") AND MATCHED ORDER ("MO") TRANSACTIONS**

The Exchange shall determine the commodities, contract months and time periods during which TAS and MO transactions shall be permitted.

**524.A. Trading at Settlement ("TAS") Transactions**

The following shall govern TAS transactions:

1. TAS transactions executed in the pit must be made open and competitively pursuant to the requirements of Rule 521 during the hours designated for pit trading in the particular contract and must be identified as such on the member's trading records.
2. TAS transactions on Globex may take place at any time the applicable contracts are available for trading on Globex.
3. TAS-eligible commodities and contract months may be executed as block trades pursuant to the requirements of Rule 526 except that TAS block trades may not be executed on the last day of trading in an expiring contract.
4. TAS transactions may be executed at the current day's settlement price or at any valid price increment ten ticks higher or lower than the settlement price.

**524.B. Matched Order ("MO") Transactions**

The following shall govern MO transactions:

1. The price of the MO will be the settlement price for that contract.
2. Only Market on Close ("MOC") orders are eligible to trade as an MO. Members may execute an MOC order during an eligible MO time period as an MO unless specific instructions to the contrary are provided, and such instructions are denoted on the order. Failure to enter specific instructions when placing the MOC order will forfeit a customer's right to cancel the MOC, in whole or in part, if the order or any portion of the order has been previously executed. An MOC order executed as an MO must be reported to the customer as an MO upon execution. An order entered as an MO will be executed during the closing period as an MOC order if not previously executed as an MO or specifically designated to be executed only as an MO. An order specifically designated for execution only as an MO must be designated as such at the time the order is placed.
3. Members must identify an MOC order executed as an MO on their trading record.

**525. [RESERVED]**

**526. BLOCK TRADES**

The Exchange shall designate the products in which block trades shall be permitted and determine the minimum quantity thresholds for such transactions. The following shall govern block trades:

- A. A block trade must be for a quantity that is at or in excess of the applicable minimum threshold. Orders may not be aggregated in order to achieve the minimum transaction size, except by those entities described in Sections I. and J.
- B. Each party to a block trade must be an Eligible Contract Participant as that term is defined in Section 1a(12) of the Commodity Exchange Act.
- C. A member shall not execute any order by means of a block trade for a customer unless such customer has specified that the order be executed as a block trade.
- D. The price at which a block trade is executed must be fair and reasonable in light of (i) the size of

the block trade, (ii) the prices and sizes of other transactions in the same contract at the relevant time, (iii) the prices and sizes of transactions in other relevant markets, including without limitation the underlying cash market or related futures markets, at the relevant time, and (iv) the circumstances of the markets or the parties to the block trade.

- E. Block trades shall not set off conditional orders (e.g., Stop Orders and MIT Orders) or otherwise affect orders in the regular market.
- F. The seller must ensure that each block trade is reported to the Exchange within five minutes of the time of execution, ~~except that block trades in interest rate futures and options executed outside of Regular Trading Hours (7:00 a.m. – 4:00 p.m. Central Time, Monday – Friday on regular business days) and Housing and Weather futures and options must be reported within fifteen minutes of the time of execution.~~ The report must include the contract, contract month, price, quantity of the transaction, the respective clearing members, the time of execution, and, for options, strike price, put or call and expiration month. The Exchange shall promptly publish such information separately from the reports of transactions in the regular market.
- G. Block trades must be reported to the Clearing House in accordance with an approved reporting method.
- H. Clearing members and members involved in the execution of block trades must maintain a record of the transaction in accordance with Rule 536.
- I. A commodity trading advisor ("CTA") registered or exempt from registration under the Act, including, without limitation, any investment advisor registered or exempt from registration under the Investment Advisors Act of 1940, shall be the applicable entity for purposes of Sections A., B., C., and D., provided such advisors have total assets under management exceeding \$25 million and the block trade is suitable for the customers of such advisors.
- J. A foreign Person performing a similar role or function to a CTA or investment advisor as described in Section I, and subject as such to foreign regulation, shall be the applicable entity for purposes of Sections A., B., C., and D., provided such Persons have total assets under management exceeding \$25 million and the block trade is suitable for the customers of such Persons.

527.

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

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

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

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

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

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

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

To resolve an outtrade, the parties shall attempt to agree upon: (1) the reconciliation of any discrepancy in the terms of the trade, (2) which party will cover the trade and the method for covering the trade, if applicable, and (3) the apportionment of the financial results of the outtrade. In the event the parties are unable to agree on the apportionment of the financial results, the parties must nevertheless immediately reconcile the outtrade. Outtrades shall clear in accordance with the seller's recorded terms unless the parties to the outtrade agree to break the trade or agree to accept the trade in accordance with the buyer's recorded terms.

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

Outtrades shall be resolved in accordance with the procedures below:

1. Straight Out Customer Outtrades

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

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

## 2. Price Outtrades

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

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

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

## 3. Quantity Outtrades

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

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

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

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

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

- a. The trade may be busted. If a broker re-executes his order, any losses incurred by the customer as a result of the delay in execution must be adjusted by check. If the order is executed at a more favorable price, the customer is entitled to the better price.
- b. The members making the trade(s) may agree to clear either trade or both trades in accordance with the members' recorded trade data.
- c. A broker may assign the opposite side of his order to his error account, pursuant to Section 1. above, and he may agree to the clearing of the transaction according to the terms of the other member's recorded trade data.
- d. If both members involved in the outtrade are brokers, they may each assign the opposite side of their respective orders to their error accounts pursuant to Section 1. above.

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

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

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

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

##### **1. Unfilled or Underfilled Orders**

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

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

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

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

- a. Execution of the order in accordance with its terms, with an adjustment to the customer by check if the order is executed at a worse price as a result of the error or mishandling of the order.
- b. Execution of a spread or combination transaction to execute the order and liquidate the position arising from the initial erroneous execution of the order, whereby one leg of the spread or combination transaction represents the correct execution of the order and the other leg offsets the erroneous position in the broker's or firm's error account. The broker or firm must clearly identify such transactions by appropriate designation, clearly document in writing the circumstances surrounding the nature of the error and promptly provide such documentation to the Market Regulation Department upon request.

##### **3. Wrong Side of Market Executions**

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

**528.**

#### **PRICE REPORTING**

##### COMEX PRODUCTS

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

##### NYMEX PRODUCTS

A member who sells a contract on the trading floor shall report execution of such transaction to a designated Exchange employee within 1 minute of completion. Such reports shall indicate the price (or in the case of spreads, the differential), seller's name, quantity, commodity, delivery month, buyer's name and whether the transaction was executed as a cross-trade, and, in the case of options, the strike price and put or call designation.

##### NYMEX AND COMEX PRODUCTS

Whenever a member makes a trade with another member and such trade constitutes a price infraction, he shall 1) immediately break the trade; or 2) satisfy all bids or offers which were adversely affected; or

3) adjust the price of the trade to the price which existed when the price infraction occurred, provided that both parties agree to adjust the price and the terms of any affected orders are satisfied.

**529. WITHHOLDING ORDERS PROHIBITED**

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

**530. PRIORITY OF CUSTOMERS' ORDERS**

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

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

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

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

**531.A. General Prohibition**

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

**531.B. Exceptions**

The foregoing restriction shall not apply to the following:

1. Transactions executed in accordance with Rule 527 to resolve bona fide outrades or errors;
2. Transactions executed pursuant to Rule 538;
3. Block trades executed pursuant to Rule 526;
4. On the Globex platform, a person may knowingly trade against his customer order for his own account, an account in which he has a direct or indirect financial interest, an account over which he has discretionary trading authority, or a proprietary account of his employer, only if the customer order has been entered immediately upon receipt and has first been exposed on the Globex platform for a minimum of 5 seconds in the case of futures orders or for a minimum of 15 seconds in the case of options orders; and
5. Transactions where the customer has consented in writing no more than 12 months prior to the transaction to waive the application of Rule 531.A. Such transactions shall further be subject to the following requirements: (i) if the transaction was pit traded, the member complies with the requirements set forth in Rule 533; (ii) the member clearly identifies, by appropriate descriptive words, all such transactions, and (iii) if the transaction was pit traded, the member completes a form which shows the date, product traded, floor broker, price, quantity, and time of execution. Such form shall be presented to an Exchange official and made a matter of permanent record by the Exchange.

**532. DISCLOSING ORDERS PROHIBITED**

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

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

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

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

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

**534. WASH SALES PROHIBITED**

No person shall place for the same beneficial owner buy and sell orders for the same product and expiration month, and, for a put or call option, the same strike price, at or about the same time with the intent to avoid a bona fide market position exposed to market risk (transactions commonly known or referred to as wash sales). Buy and sell orders placed for the same beneficial owner in the same product and expiration month, and, for a put or call option, the same strike price, must be entered in good faith for the purpose of executing bona fide transactions that result in a change of ownership. Additionally, no person shall accept, execute or accommodate the execution of orders which are prohibited by this rule with knowledge of their character.

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

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

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

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

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

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

At the time of execution, it shall be the duty of every member to record each trade made for an account the member owns or controls on an approved electronic device or on pre-printed, sequentially pre-numbered trading cards in exact chronological order of execution. If recorded on trading cards, trades must be recorded on sequential lines of the card, and no lines may be skipped except that a member may use additional consecutive lines to record sufficient information concerning a particular trade type, including, but not limited to, spreads, exchange of futures or options for related positions and cabinet trades. Any lines that remain after the last execution recorded on the trading card must be marked through. No more than nine transactions may be recorded on each trading card. Every member must record showing the date, price, quantity, product, expiration month, opposite trader, time of execution to the nearest minute bracket symbol, opposite trader, opposite clearing member and, for options, put or

call and strike price on the trading card or into the approved electronic device. Floor brokers executing an order shall record their trading symbol, price, quantity, bracket, opposite trader and clearing member. Additionally, the trader must record a symbol which reflects whether the member was trading i) for his own account or an account controlled by such member, ii) for the proprietary account of his clearing member, iii) for another member present on the trading floor or for an account controlled by such other member, or iv) for any other account. Trades or order executions must either be recorded on an approved electronic device, or, if recorded on trading cards, written records, in non-erasable ink. Members using trading cards must use a new card at the start of each half-hour interval and at the start of the post settlement session.

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

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

The seller or his designated representative ("the seller") must enter the trade into the clearing system within 30 minutes of execution. The seller must enter the material terms of the trade, including the information required in the first paragraph of this subsection, including the time of execution. Within 60 minutes of execution, the buyer or his designated representative ("the buyer") must review the seller's entry of the trade and affirmatively note any disagreement with any of the terms of the trade and enter a time of execution to the nearest minute except in a circumstance in which the buyer does not know the trade. The seller must allocate the trade to the correct clearing firm(s) within 30 minutes of the execution of the trade unless the trade will clear at the seller's qualifying clearing member firm. The buyer must allocate the trade to the correct clearing firm(s) within 60 minutes of the execution of the trade unless the trade will clear at the buyer's qualifying clearing member firm, however the buyer may not allocate a trade until the seller has entered the trade into the clearing system.

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

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

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

Time Intervals	Bracket Code
Unknown to data entry operator	?
Opening range for each contract	\$
Closing range for each contract	%
Post Close Session	#
7:00:00 a.m. — 7:14:59 a.m.	A
7:15:00 a.m. — 7:29:59 a.m.	B
7:30:00 a.m. — 7:44:59 a.m.	C
7:45:00 a.m. — 7:59:59	D



Time Intervals	Bracket Code
a.m.	
<del>8:00:00 a.m. — 8:14:59</del>	<del>E</del>
<del>a.m.</del>	
<del>8:15:00 a.m. — 8:29:59</del>	<del>F</del>
<del>a.m.</del>	
<del>8:30:00 a.m. — 8:44:59</del>	<del>G</del>
<del>a.m.</del>	
<del>8:45:00 a.m. — 8:59:59</del>	<del>H</del>
<del>a.m.</del>	
<del>9:00:00 a.m. — 9:14:59</del>	<del>I</del>
<del>a.m.</del>	
<del>9:15:00 a.m. — 9:29:59</del>	<del>J</del>
<del>a.m.</del>	
<del>9:30:00 a.m. — 9:44:59</del>	<del>K</del>
<del>a.m.</del>	
<del>9:45:00 a.m. — 9:59:59</del>	<del>L</del>
<del>a.m.</del>	
<del>10:00:00 a.m. — 10:14:59</del>	<del>M</del>
<del>a.m.</del>	
<del>10:15:00 a.m. — 10:29:59</del>	<del>N</del>
<del>a.m.</del>	
<del>10:30:00 a.m. — 10:44:59</del>	<del>O</del>
<del>a.m.</del>	
<del>10:45:00 a.m. — 10:59:59</del>	<del>P</del>
<del>a.m.</del>	
<del>11:00:00 a.m. — 11:14:59</del>	<del>Q</del>
<del>a.m.</del>	
<del>11:15:00 a.m. — 11:29:59</del>	<del>R</del>
<del>a.m.</del>	
<del>11:30:00 a.m. — 11:44:59</del>	<del>S</del>
<del>a.m.</del>	
<del>11:45:00 a.m. — 11:59:59</del>	<del>T</del>
<del>a.m.</del>	
<del>12:00:00 p.m. — 12:14:59</del>	<del>V</del>
<del>p.m.</del>	
<del>12:15:00 p.m. — 12:29:59</del>	<del>W</del>
<del>p.m.</del>	
<del>12:30:00 p.m. — 12:44:59</del>	<del>X</del>
<del>p.m.</del>	
<del>12:45:00 p.m. — 12:59:59</del>	<del>Y</del>
<del>p.m.</del>	
<del>1:00:00 p.m. — 1:14:59</del>	<del>Z</del>
<del>p.m.</del>	
<del>1:15:00 p.m. — 1:29:59</del>	<del>2</del>
<del>p.m.</del>	
<del>1:30:00 p.m. — 1:44:59</del>	<del>3</del>
<del>p.m.</del>	
<del>1:45:00 p.m. — 1:59:59</del>	<del>4</del>
<del>p.m.</del>	
<del>2:00:00 p.m. — 2:14:59</del>	<del>5</del>
<del>p.m.</del>	
<del>2:15:00 p.m. — 2:29:59</del>	<del>6</del>

Time Intervals	Bracket Code
<del>p.m.</del>	
<del>2:30:00 p.m. — 2:44:59</del>	<del>7</del>
<del>p.m.</del>	
<del>2:45:00 p.m. — 2:59:59</del>	<del>8</del>
<del>p.m.</del>	
<del>3:00:00 p.m. — 3:15:00</del>	<del>9</del>
<del>p.m.</del>	

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

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

### 1. Customer Orders

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

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

### 2. Individual Member Orders

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

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

~~The trading card used to record the placement of the flashed or verbal order and any trading card or document used to record the execution of the order must be submitted together to the clearing member by the member placing the order or his representative.~~

- b. Every written order that is initiated by a member for his own account while on the trading floor must include an electronic timestamp reflecting the date and time such order was transmitted for execution and when such order was modified, returned, confirmed or cancelled.
- ~~c. A member or his employee standing in a trading pit receiving an order directly over a headset for pit execution from an off-floor member for his account must simultaneously make a written record of the order on a trading card or other document including the identification of the member calling in the order unless such order is immediately entered into an approved electronic device. The member executing the order must record the time of execution to the nearest minute for each execution made for the order on any trading card or other document used to record the trade(s) and must return this card or document to the initiating member's clearing member.~~

### 3. Proprietary Orders of Clearing Members and Certain Member Entities

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

Orders placed by an employee of a member firm for its proprietary account that are entered directly to

~~the pit via headset with another employee of the member firm do not require a written and timestamped order ticket provided that the order is executed by a member employee of the member firm and such member records the time of execution to the nearest minute for each execution made for the order on the trading card or other document used to record the trade(s).~~

#### ~~4. Trades Made by Members for Accounts Owned or Controlled by Such Member~~

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

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

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

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

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

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

#### **1. General Requirement**

Each Globex terminal operator entering orders into Globex shall input for each order: a) the user ID assigned him by the Exchange, a clearing member or other authorized entity and b) the price, quantity, product, expiration month, CTI code and account number (except as provided in Section C.), and, for options, put or call and strike price. The Globex terminal operator's user ID must be present on each order entered. For a Globex terminal operator with access pursuant to Rule 574, clearing members authorizing such access will be responsible for the Globex terminal operator's compliance with this rule. With respect to orders received by a Globex terminal operator which are capable of being immediately entered into Globex, no record other than that set forth above need be made. However, if a Globex terminal operator receives an order which cannot be immediately entered into Globex, the Globex terminal operator must prepare a written order and include the account designation, date, time of receipt and other information required pursuant to section A.1. above. The order must be entered into Globex when it becomes executable.

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

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

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

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

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

written notice, it shall be the duty of the client Clearing Firm or Corporate Equity Member to maintain an electronic audit trail pursuant to this rule.

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

Bunched orders must be allocated and recorded in accordance with CFTC Regulation 1.35(a-1)(5) and the NFA's Interpretative Notice related to Compliance Rule 2-10.

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

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

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

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

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

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

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

CTI 2: Electronic Trading and Open Outcry – Applies to orders entered or trades executed for the proprietary accounts of a member firm, including Rule 106.H., I., N., R. and S. firms.

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

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

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

**536.E. Negotiated Trades**

All orders executed in accordance with Rules 526, 537 and 538, unless otherwise exempted by rule, are subject to the recordation requirements pursuant to Section A.1.

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

**1. Audit Trail Violations CTR Monthly Enforcement Program**

Members failing to comply with any provision of this rule may result in the imposition of summary penalties by the Market Regulation Department. The CTR threshold levels for members with 100 or more transactions per month are as follows:

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

A letter of warning may shall be issued for a first infraction occurrence of exceeding any threshold. A second subsequent infraction occurrences within 12 months of exceeding a threshold shall may result in an automatic \$100 fines starting at \$250, and then increasing to \$500, \$1,000, \$2,500, and \$5,000 for each subsequent occurrence. A third infraction within 18 months may result in a \$500 fine. Fines issued pursuant to this section are final and may not be appealed. Fourth and subsequent violations within 24 months may result in referral to the Probable Cause Committee for the issuance of charges.

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

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

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

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

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

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

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

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

**2. Floor Order Ticket Reviews**

The Market Regulation Department will conduct reviews of clearing firms, member firms and floor brokerage operations to verify that order tickets are being prepared in compliance with the requirements of this rule. Compliance rates of 89% or lower may result in the following sanctions:

**Initial Review:**

89-80% \$100

79-70%	\$250
69-60%	\$500
59% and Below	\$1,000

Second Review:

89-80%	\$100 + amount of fine from first offense
79-70%	\$250 + amount of fine from first offense
69-60%	\$500 + amount of fine from first offense
59% and Below	\$1,000 + amount of fine from first offense

Third and Subsequent Reviews:

89-80%	\$100 + amount of fine from second offense
79-70%	\$250 + amount of fine from second offense
69-60%	\$500 + amount of fine from second offense
59% and Below	\$1,000 + amount of fine from second offense

Fines issued pursuant to this section are final and may not be appealed. Fourth and subsequent violations within 24 months may result in referral to the Probable Cause Committee for the issuance of charges.

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

**536.G. Telephone Recordings**

~~Members and member firms that must enter into a trading floor telephone subscriber agreement with the Exchange under which the subscriber agrees to pay the Exchange to record and archive all conversations conducted on their Exchange Floor telephone lines must maintain the resultant recordings which will be maintained for a minimum period of 10 business days following the day when such recordings are made.~~

~~Unless specifically exempted by the Market Regulation Department or designated Exchange staff, all headset communications must be voice recorded by the member or member firm authorized to use the headset and all such recordings must be maintained for a minimum of 10 business days following the day on which the recording is made.~~

~~Members and member firms are permitted to utilize their own recording devices, provided that the devices meet reasonable standards with respect to quality and reliability. Alternatively, members and member firms may utilize an Exchange administered voice recording system for a fee.~~

**536.H. Retention of Records**

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

**537. [RESERVED] SUBSTITUTION OF FUTURES FOR FORWARDS (SUB)**

~~A Substitution of futures contracts for over the counter (OTC) forward instruments shall be permitted by arrangement between eligible contract participants and comprised of two discrete transactions, where, the buyer and seller of the futures contract must be, respectively, the buyer and seller of the forward instrument. The forward instrument component shall involve the commodity underlying the futures contract (or a derivative, by product or related product of such commodity). The quantity covered by the forward instrument must be approximately equivalent to the quantity covered by the futures contract. The parties to the transaction shall maintain a record of the transaction together with all pertinent memoranda. The forward instrument component of a Sub transaction must comply with applicable CFTC forward regulatory requirements, if any. The Exchange shall determine eligible futures contracts and over the counter instruments.~~

**538. EXCHANGE FOR RELATED POSITIONS**

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

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

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

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

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

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

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

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

**538.B. Related Positions**

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

**538.C. Quantity**

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

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

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

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

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

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

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

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

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

**538.H. Documentation**

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

**538.I. Account Requirements**

The accounts involved in the execution of an EFRP transaction must be (a) independently controlled accounts with different beneficial ownership; or (b) independently controlled accounts of separate legal entities with the same beneficial ownership, provided that the account controllers operate in separate

business units; or (c) independently controlled accounts within the same legal entity, provided that the account controllers operate in separate business units; or (d) commonly controlled accounts of separate legal entities, provided that the separate legal entities have different beneficial ownership.

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

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

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

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

**539.A. General Prohibition**

No person shall prearrange or pre-negotiate any purchase or sale or noncompetitively execute any transaction, except in accordance with 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. 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, a pre-execution communication must be preceded by the submission of a Request for Quote ("RFQ").

Subsequent to such RFQ, a trade intended for execution for which there has been a pre-execution communication requires the entry of an additional RFQ; thereafter, a Request for Cross ("RFC") order which contains both the buy and the sell orders must be entered no less than fifteen (15) seconds and no more than thirty (30) seconds after the entry of the additional RFQ in order to proceed with the trade, except in equity options where the RFC must be entered no less than five (5) seconds and no more than thirty (30) seconds after the entry of the additional RFQ. The RFQs 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 additional 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.

**540. RESPONSIBILITY FOR CUSTOMER ORDERS**

**540.A. Standard of Responsibility**

A Member (as defined in Rule 400) shall exercise due diligence in the handling and execution of customer orders. Failure to act with due diligence shall constitute negligence. In the case of a dispute as to whether a Member has exercised due diligence, the appropriate arbitration or disciplinary committee is authorized to determine whether the Member was negligent and, if so, whether an adjustment is due to the customer. The committee may take into consideration the nature of the order and existing market conditions, including the existence of a "fast market" (a designation invoked to reflect rapid price changes and volatile market conditions in the pit), at the time the Member acted or failed to act. However, no market condition nullifies a Member's responsibility to exercise due diligence.



A Member is prohibited from directly or indirectly guaranteeing the execution of an order or any of its terms such as the quantity or price. A Member may only report an execution that has occurred as a result of open outcry, has been effected through the Globex platform, or has been executed as a permissible privately negotiated transaction. This rule shall not be construed to prevent a Member from assuming or sharing in the losses resulting from an error or the mishandling of an order.

**540.B. Liability for Negligence**

A Member may not adjust the price at which an order was executed or be held responsible for executing or failing to execute an order unless such Member was negligent or is settling a bona-fide dispute regarding negligence.

A member firm may not compel an adjustment from a Member in the absence of a bona-fide dispute regarding negligence.

Clearing members shall document all adjustments. Clearing members shall make and retain a record which contains the date the adjustment was received, the name of the Member making the adjustment, the account to which the adjustment was credited, the amount of the adjustment, the order number and the reason for the adjustment. Such records must be provided to the Market Regulation Department upon request.

**541. ~~[RESERVED]~~ TOP STEP TRADING RESTRICTIONS IN S&P 500 STOCK PRICE INDEX™ FUTURES**

~~A member must be registered with the Exchange in order to stand on the top step or top step area of the S&P 500 futures pit. While on the top step, such members must have a top step badge visibly displayed on their trading jacket. Once registered, a member shall not trade or place orders in S&P 500 futures during Regular Trading Hours ("RTH") for his own account, an account in which he has a direct or indirect financial interest, or an account which he controls, except that a member may trade or place an order to liquidate a position that resulted from an error in the execution of an order.~~

~~Notwithstanding the above, a top step registered member may, during an RTH session, deregister with the Exchange and thereafter trade or place orders for his own account, an account in which he has a direct or indirect financial interest, or an account which he controls provided that the member neither trades nor fills orders in S&P 500 futures from the time of deregistration through and including a full bracket period after the bracket period in which deregistration occurred. For the purposes of this rule, the last two regular brackets, the closing range bracket and the post close session bracket shall be considered a single bracket.~~

**542. SIMULTANEOUS SPREAD AND COMBINATION TRANSACTIONS**

A. All spread or combination transactions in which all sides are acquired simultaneously must be for the same account or accounts with the same ownership, except as provided by Rule 527. Each of the respective legs of the spread or combination transaction must be priced within the daily price limits for those contracts that have limits.

Spread or combination transactions shall not set off conditional orders in any contract except for an identical spread or combination conditional order. All simultaneous spread or combination transactions must be reported to a designated Exchange official who shall record and publish the differentials or combination prices in addition to the quantities of such trades. The brokers executing any spread or combination transaction must maintain a record of the transaction in accordance with Rule 536.

~~For the purposes of this rule, a whole integer price is an option price that is divisible by one tick without remainder (e.g., one tick, two ticks, three ticks, etc.). For the purposes of this rule, a non-integer tick price is an option price that is not divisible by one tick without remainder (i.e., one-half tick or cabinet, one and one-half ticks, and two and one-half ticks). In addition, the rule in an option's contract specifications defining that given option contract's minimum fluctuations also defines that option contract's whole integer and non-integer tick prices for the purposes of this rule.~~

~~Spread or combination transactions involving options on interest rate futures contracts trading at non-integer tick prices other than those transactions explicitly defined in this rule are not allowed.~~

B. Any spread or combination transaction involving cabinet options may trade, provided that the traded price of the combination is zero, or cabinet, or 1 tick, as defined by that product's minimum fluctuations.

~~For the purposes of this rule, a cabinet option is an option trading at a price of one-half tick (except for options on Three-Month Euroyen futures), and a one-tick option is an option trading at a price of one tick. In addition, the rule in an option's contract specifications defining that given option~~

~~contract's minimum fluctuations also defines that option contract's one-tick price and one-half tick price for the purposes of this rule. Also, the rule in an option's contract specifications defining that given option contract's underlying futures contract also defines that underlying futures contract for the purposes of this rule.~~

Spread or combination transactions involving cabinet options other than those transactions explicitly defined in this rule are not allowed.

- ~~C. Trading is allowed in simultaneous spread or combination transactions involving options on interest rate futures contracts subject to the conditions applying to other spread or combination transactions and also subject to the following additional conditions:~~
- ~~1. All recognized non-generic option spread and combination transactions can trade in half-ticks when at least one component option is priced below 5 ticks.~~
  - ~~2. All recognized non-generic option versus futures spread and combination transactions can trade in half-ticks when the underlying futures contract is half-tick eligible and the component options are assigned eligible prices.~~
  - ~~Recognized non-generic spread and combination transactions involving options whose minimum increments are less than one full tick are not subject to the above conditions.~~
- ~~D. Trading is allowed in simultaneous spread or combination transactions involving options on currency futures contracts trading at whole integer and non-integer tick prices, subject to the conditions applying to other spread or combination transactions and also subject to the following respective additional conditions:~~
- ~~1. Spread and combination transactions involving the simultaneous purchase and sale of options in which one or more of the options is trading at a non-integer tick price are allowed provided that the total number of options in the combination is four or less and that the net absolute price differential is five ticks or less.~~
  - ~~2. Spread and combination transactions involving the purchase of every leg or the sale of every leg of a two-legged or three-legged combination in which one or more of the options is trading at a non-integer tick price are allowed provided that each component option is assigned a price of five ticks or less and that the aggregate combination price is ten ticks or less.~~
  - ~~3. Conversion and reversal transactions involving the purchase and sale of options and futures are also allowed to trade at one-half tick provided that each component futures is assigned an integer price.~~
- E. [Reserved]
- F. On Globex, spread or combination transactions shall be made by inputting the spread differential or combination price into the Globex system.

For combinations traded on Globex in price terms, the Exchange will allocate the combination trade price among the individual options in the combination for clearing purposes.

**543. [RESERVED]**

**544. CLOSING DAY ORDERS**

During the last day of trading in an expiring futures contract, all allowable types of orders that reach the trading floor less than 15 minutes prior to the close of trading, except for market, closing, spread, limit and stop orders, will be accepted solely at the risk of the customer on a not-held basis. A broker shall not be responsible for cancellations unless the cancellation reaches the broker at least 15 minutes prior to the close on the last day of trading in an expiring futures contract.

**545. [RESERVED]**

**546. OPENING AND CLOSING RANGES DURING REGULAR TRADING HOURS**

Opening and closing ranges shall be established by Exchange staff in consultation with the Pit Committee.

In the event of a disputed opening or closing range or a trade during the opening or closing range that is conspicuously out of line with the market, the final determination of the opening or closing range shall be made by Exchange staff in consultation with the Pit Committee. A change in the opening range will be allowed only if the request for a change is made within 15 minutes of the posting of the range. A change in the closing range will be allowed only if the request for a change is made within 10 minutes of the posting of the range.

**547. DISCRETIONARY ORDERS**

Other than DRT orders, no Member (as defined in Rule 400) shall accept an order that gives more latitude than price and time in execution of the order, except in accordance with the provisions of Rule 956.

The above restriction shall not apply to those orders:

1. placed by another member for an account owned by such member;
2. placed by the member's immediate family which includes a spouse, parent, child, grandparent, grandchild, brother, sister, aunt, uncle, nephew, niece or in-law; and
3. placed for proprietary accounts of member firms.

**548. PRIORITY OF EXECUTION**

In pit trading, non-discretionary customer orders shall be executed in accordance with their price and time priority. A member shall not execute a discretionary order, including, without limitation, an order allowing the member discretion as to time and price, while in possession of an executable customer order. No person shall allocate executions in any manner other than an equitable manner.

Non-discretionary customer orders received by a Globex terminal operator shall be entered into Globex in the sequence received. Non-discretionary orders that cannot be immediately entered into Globex must be entered when the orders become executable in the sequence in which the orders were received.

**549. [RESERVED]**

**550. POST CLOSE SESSION**

As soon as practicable, trading may resume for a period of three minutes after the close of Regular Trading Hours for pit traded futures and designated options contracts. Such trading must begin within 15 minutes after the close of Regular Trading Hours unless a later start time is approved by an Exchange Official. The post close session for related products shall commence simultaneously.

During the post close session, members are obligated to bid or offer any orders that were received prior to or after the close which are executable in the post close session.

Outright futures and options trades during the post close session may occur at any price, provided such price is within the daily limits for contracts with daily price limits.

Spreads or combination transactions during the post close session may occur at any price, provided that both legs are priced within the daily price limits for contracts with price limits.

The prices at which trades occur during the post close session may establish a new high or low in the outright contract month or spread or combination.

Except as otherwise specifically set forth in this rule, the rules applicable to trading during Regular Trading Hours shall be applicable to trading during the post close session.

**551. [RESERVED]**

**552. [RESERVED] DUAL TRADING RESTRICTIONS**

**552.A. Definitions**

1. ~~Dual Trading: The term "dual trading" shall mean trading or placing an order for one's own account, an account in which one has a direct or indirect financial interest or an account which one controls, in any contract month in which such person previously executed, received or processed a customer order on the Exchange floor during the same Regular Trading Hours session.~~
2. ~~Customer: The term "customer" means the ultimate (end) customer or originator of the order, not the clearing member.~~
3. ~~Mature Liquid Contract: The term "mature liquid contract" means a contract month by position in relation to the front month contract at any given point in time that has had during the prior six calendar months an average daily pit traded volume of 10,000 or more contracts; provided, however, that the Board of Directors may exempt from or include in this definition specific contracts and hours of trading during which such contracts will be deemed not to be mature liquid contracts, taking into account any market conditions which, in the Board's opinion, would justify such action.~~

**552.B. Prohibition**

~~Dual trading shall be prohibited in any contract month which is deemed a mature liquid contract by~~

management subject to the exceptions in Section C. below.

#### **552.C. Exceptions**

1. ~~Customer Permission. A member may engage in dual trading in any contract month if each customer for whom such member executes or processes orders in that contract month grants prior written permission to such member.~~
2. ~~Member Customers. A member may engage in dual trading in any contract month if the customer for whom such member executes or processes orders in that contract month is a member of the Exchange.~~
3. ~~Errors.~~
  - a. ~~A member taking a position into his error account as a result of the erroneous execution of an order shall not be considered to be dual trading provided that such member creates an accurate record evidencing that the position was the result of an error.~~
  - b. ~~A member may engage in dual trading to offset a position resulting from the erroneous execution of a customer order provided that such member (1) creates an accurate, contemporaneous record evidencing that the transactions for such member's account were the result of the correction of the error and (2) records the time of each trade to the nearest minute on his trading card.~~
  - c. ~~A member may engage in dual trading to spread a position resulting from an order execution error against a contract in which the member is dual trading restricted. The member must create an accurate contemporaneous record evidencing that the original position was the result of an error and create a record to clearly identify any trades made for the purpose of spreading against the original position. When spreading an error position, any trading in a dual trading restricted component of the spread may only be for offset purposes. The member may not add to the position or reestablish a position in a dual trading restricted component once the position has been offset. The member must create an accurate, contemporaneous record identifying the offsetting transaction and must record the time of execution to the nearest minute for each such transaction.~~
4. ~~Spread Brokers. A member whose primary business is the execution of spread orders may engage in dual trading. Members executing options/futures spread or combination orders (in which the futures side is a dual trading restricted contract) at a differential or combination value, while in the options pit, will not be considered in violation of the dual trading restrictions if such members subsequently trade for their personal accounts in that dual trading restricted futures contract. This exemption only applies to members executing the aforementioned options/futures spreads or combinations. Members are still prohibited from trading for their personal accounts in dual trading restricted futures contracts after executing outright customer orders in such contracts.~~

#### **552.D. Side-by-Side Trading in Eurodollar Futures Contracts**

~~During Regular Trading Hours, the dual trading restrictions applicable to open outcry trading of Eurodollar futures contracts apply to the on floor trading of the same contract months on Globex pursuant to the following provisions:~~

1. ~~On floor Globex brokers and terminal operators who handle, process, or fill a customer order in a restricted Eurodollar futures contract month (either on Globex or in the pit) may not trade or place an order for their own account, an account in which they have a direct or indirect financial interest, or an account they control for the remainder of that session in that contract month either on Globex or in the pit.~~
2. ~~Pit brokers who handle, process, or fill a customer order in a restricted Eurodollar futures contract month (either in the pit or on Globex) may not trade or place an order for their own account, an account in which they have a direct or indirect financial interest, or an account they control for the remainder of that session in that contract month either in the pit or on Globex.~~

**553.**

#### **AVERAGE PRICE SYSTEM**

**[NOTE: The changes set forth below will be eliminated upon the completion of the migration to Front End Clearing. While the Exchange's APS will be available for COMEX products on August 17, it will not be available for NYMEX products until September 14. Given the short period of time between the migrations, the language will be inaccurate with respect to COMEX for approximately one month.]**

#### **553.A. Application of Average Prices**

~~The Exchange's Average Price System ("APS"), or a proprietary Average Price System ("APS") developed by a clearing member, allows a clearing member to confirm to customers an average price when multiple execution prices are received on an order or series of orders for futures, options or combination transactions. An order or series of orders executed during the same trading day at more than one price may be averaged pursuant to APS only if each order is for the same account or group of accounts and for the same product and expiration month for futures, or for the same product, expiration month, put/call and strike price for options.~~

**553.B. Requirements for APS Trades**

~~A clearing member may have the Exchange calculate average prices or a clearing member may calculate average prices internally for contracts executed on the Exchange. The requirements enumerated below must be met for APS transactions.~~

- ~~1. The customer must have requested average price reporting.~~
- ~~2. Each individual trade must be submitted and cleared by the Exchange at the executed price.~~
- ~~3. If a clearing member computes and confirms the average price to its customers, it must compute the weighted mathematical average price, as set forth in Section C.~~
- ~~4. If a clearing member calculates the average price, it must possess the records to support the calculations and allocations to customer accounts and must maintain these records pursuant to CFTC regulations.~~
- ~~5. A clearing member must ensure that its proprietary trades are not averaged with customer APS trades.~~

**553.C. Computation of Average Price**

~~Upon receipt of an execution or match at multiple prices for an APS order, the weighted mathematical average must be computed by: (a) multiplying the number of contracts purchased or sold at each execution price by that price, (b) adding the results together and (c) dividing by the total number of contracts. An average price for a series of orders will be computed based on the average prices of each order in that series. The actual average price or the average price rounded to the next price increment may be confirmed to customers. If a clearing member confirms the rounded average price, the clearing member must round the average price up to the next price increment for a buy order or down to the next price increment for a sell order. The residual created by the rounding process must be paid to the customer. APS may produce prices that do not conform to whole cent increments. In such cases, any amounts less than one cent may be retained by the clearing member.~~

**553.D. Disclosure**

~~Each clearing member that confirms an average price to a customer must indicate on the confirmation and monthly statement that the price represents an average price.~~

~~554. [RESERVED]~~

~~555. TOP STEP TRADING RESTRICTIONS~~

~~555.A. Definitions~~

- ~~1. Restricted Contract Month: The term "restricted contract month" means a mature liquid contract month subject to the dual trading provisions of Rule 552.~~
- ~~2. Contract Month Position: The term "contract month position" means the area of the pit designated by the Pit Committee for trading a specific contract month or months.~~
- ~~3. Personal Account: The term "personal account" means a member's own account, an account in which the member has a direct or indirect financial interest, or an account which the member controls.~~

~~555.B. Top Step Restrictions~~

~~The provisions of this Section B. are not applicable to those products and contract months subject to the restrictions in Rule 541.~~

~~While standing on the top step, a member shall not execute a trade or place an order for his personal account in any restricted contract months which are traded in the contract month position where such member stands.~~

~~After a member has conducted business on the top step, including, executing, receiving or processing an order, neither the member nor anyone else shall thereafter during the same RTH session execute a trade or place an order for such member's personal account in any restricted contract month eligible for trading in the contract month position where such member conducted business. However, a member~~

~~may trade or place orders in such restricted contract months prior to his standing on the top step, and such orders may be executed by another individual even after the member placing the orders has conducted business on the top step, provided the execution of such orders on behalf of such member is not otherwise prohibited by Rule 552.~~

~~A restricted contract month shall be deemed to be restricted, for the purposes of this rule only, through the last day of trading of such restricted contract month.~~

~~**555.C. Exceptions**~~

- ~~1. Errors: Taking a position resulting from the erroneous execution of a customer order and liquidating such position will not be a violation of the top step restrictions provided the member creates an accurate record evidencing that such transactions were the result of an error or the correction of an error.~~
- ~~2. Intermarket Spreads: A member may trade from the top step provided such transactions are made exclusively to facilitate intermarket spreads or combinations.~~
- ~~3. Trading with Discretion for the Proprietary Account of a Clearing Member: A member who fills orders from the top step for the proprietary account of a clearing member, where such trading requires sightlines to the pit for arbitrage, may also trade with discretion for such account provided that all such trades constitute part of an arbitrage transaction to another market and the member has received authorization to do so by the Market Regulation Department.~~
- ~~4. The Board of Directors may exempt any contract or contract months from the provision of this rule taking into account any market conditions which, in the Board's opinion, would justify such action.~~
- ~~5. The Floor Conduct Committee shall have the authority to:
  - ~~a. Exempt specific top step areas deemed unsuitable for order filling; and~~
  - ~~b. Grant individual exceptions where the application of the rule would work a hardship on the execution of customer orders, provided such exceptions are consistent with Rule 552.~~~~

~~**555.D. Violations**~~

~~A single violation of this rule may be deemed a trading infraction under Rule 514.A.9, subject to the jurisdiction and fining authority of the Floor Conduct Committee, except for those violations involving Rule 552. Multiple or egregious violations of this rule may be referred to the Probable Cause Committee by the Market Regulation Department.~~

**5546.- 558. [RESERVED]**

**559. POSITION LIMITS AND EXEMPTIONS**

The position limit levels applicable to those contracts with position limits are set forth in the Position Limit, Position Accountability and Reportable Level Table ("Table") in the Interpretations Section at the end of Chapter 5.

A person seeking an exemption from position limits must apply to the Market Regulation Department on forms provided by the Exchange. In order to obtain an exemption from position limits, a person must:

1. Provide a description of the exemption sought, including whether the exemption is for bona fide hedging positions as defined in CFTC Regulation §1.3(z)(1), risk management positions or arbitrage/spread positions;
2. Provide a complete and accurate explanation of the underlying exposure related to the exemption request;
3. Agree to promptly provide, upon request by the Market Regulation Department, information or documentation regarding the person's financial condition;
4. [Reserved]
5. Agree to comply with all terms, conditions or limitations imposed by the Market Regulation Department with respect to the exemption;
6. Agree that the Market Regulation Department may, for cause, modify or revoke the exemption at any time;
7. Agree to initiate and liquidate positions in an orderly manner;
8. Agree to comply with all Exchange rules; and
9. Agree to promptly submit a supplemental statement to the Market Regulation Department whenever there is a material change to the information provided in the most recent application.

A person intending to exceed position limits, including limits established pursuant to a previously approved exemption, must file the required application and receive approval from the Market Regulation

Department prior to exceeding such limits. However, a person who establishes an exemption-eligible position in excess of position limits and files the required application with the Market Regulation Department shall not be in violation of this rule provided the filing occurs within one (1) business day after assuming the position except in circumstances where the Market Regulation Department has expressly approved a later filing which may not exceed five (5) business days. In the event the positions in excess of the limits are not deemed to be exemption-eligible, the applicant and clearing firm will be in violation of speculative limits for the period of time in which the excess positions remained open.

The Market Regulation Department shall, on the basis of the application and any requested supplemental information, determine whether an exemption from position limits shall be granted. The Market Regulation Department may approve, deny, condition or limit any exemption request based on factors deemed by the Department to be relevant, including, but not limited to, the applicant's business needs and financial status, as well as whether the positions can be established and liquidated in an orderly manner given characteristics of the market for which the exemption is sought.

Nothing in this rule shall in any way limit (i) the authority of the Exchange to take emergency action; or (ii) the authority of the Market Regulation Department to review at any time the positions owned or controlled by any person and to direct that such position be reduced to the position limit provided for in the Table.

A person who has received written authorization from the Market Regulation Department to exceed position limits must annually file an updated application not later than one year following the approval date of the most recent application. Failure to file an updated application will result in expiration of the exemption.

**559.A. Bona Fide Hedging Positions**

The Market Regulation Department may grant exemptions from position limits for bona fide hedge positions as defined by CFTC Regulation §1.3(z)(1).

Approved bona fide hedgers may be exempted from emergency orders that reduce position limits or restrict trading.

**559.B. Risk Management Positions**

The Market Regulation Department may grant exemptions from the position limits for risk management positions. For the purposes of this rule, risk management positions are defined as futures and options positions which are held by or on behalf of an entity or an affiliate of an entity which typically buys, sells or holds positions in the underlying cash market, a related cash market, or a related over-the-counter market and for which the underlying market has a high degree of demonstrated liquidity relative to the size of the positions and where there exist opportunities for arbitrage which provide a close linkage between the futures or options market and the underlying market in question. Exemptions related to indexed positions in the over-the-counter market may include corresponding commodity index-based futures and options and/or individual commodity futures and options used as components in replicating an index.

**559.C. Arbitrage and Spread Positions**

The Market Regulation Department may grant exemptions from the position limits for arbitrage, intracommodity spread, intercommodity spread, and eligible option/option or option/futures spread positions.

**559.D. Aggregation of Positions**

1. Positions to be Aggregated - The position limits in the Table shall apply to all positions in accounts for which a person by power of attorney or otherwise directly or indirectly owns the positions or controls the trading of the positions. The position limits in the Table shall also apply to positions held by two or more persons acting pursuant to an expressed or implied agreement or understanding, the same as if the positions were held by, or the trading of the positions was done by, a single person.
2. Ownership of Accounts – Except as set forth in Section E. below, any person holding positions in more than one account, or holding accounts or positions in which the person by power of attorney or otherwise directly or indirectly has a 10% or greater ownership or equity interest, must aggregate all such accounts or positions unless such person is a limited partner, shareholder, member of a limited liability company, beneficiary of a trust or similar type of pool participant in a commodity pool. The foregoing exception for pool participants shall not apply if the person is a commodity pool operator, controls the commodity pool's trading decisions, or has an ownership or equity interest of 25% or more in a commodity pool whose operator is exempt from registration with the CFTC.

**559.E. Limited Exceptions to Aggregation for Independently Controlled Positions**

Positions carried for an eligible entity as defined in CFTC Regulation §150.1(d) in the separate account or accounts of independent account controllers as defined in CFTC Regulation §150.1(e) shall not be aggregated for position limit purposes ~~provided that the positions are not held in the spot month during such time that a spot month position limit is applicable.~~ If an independent account controller is affiliated with the eligible entity or another independent account controller, each of the affiliated entities must comply with the requirements set forth in CFTC Regulation §150.3(4)(i)(A-D).

Positions held by futures commission merchants or their separately organized affiliates in customer in discretionary accounts or in guided account programs shall not be aggregated for position limit purposes provided that the accounts are controlled by independent traders and meet the standards set forth in CFTC Regulation §150.4(d).

Any person claiming an exemption from position limits under this Section must, upon request by the Market Regulation Department, provide any information deemed necessary to support the exemption.

**559.F. Violations**

Violations of position limits and approved exemption limits are subject to the provisions of Rule 443.

**560. POSITION ACCOUNTABILITY**

The Market Regulation Department may, at any time, require a person who owns or controls positions in contracts traded on or cleared by the Exchange and which are subject to position limit or position accountability rules to provide information relating to such person's position. For purposes of this rule, all positions in accounts for which a person, by power of attorney or otherwise, directly or indirectly holds positions or controls trading shall be included with the positions held by such person. Additionally, positions held by two or more persons acting pursuant to an expressed or implied agreement or understanding shall be treated the same as if the positions were held by a single person.

Upon request by the Market Regulation Department, such person shall provide information relating to the positions owned or controlled by that person including, but not limited to, the nature and size of the position, the trading strategy employed with respect to the position, and hedging information, if applicable. If the person from whom such information is requested fails to provide the information as directed, the Market Regulation Department may order the reduction of such position.

A person who exceeds position accountability or position limit levels as a result of maintaining positions at more than one clearing firm shall be deemed to have waived confidentiality regarding his position and the identity of the clearing members at which the positions are maintained.

A person who holds or controls aggregate positions in excess of specified position accountability levels or in excess of position limits pursuant to an approved exemption shall be deemed to have consented, when so ordered by the Market Regulation Department, not to further increase the positions, to comply with any prospective limit which exceeds the size of the position owned or controlled, or to reduce any open position which exceeds position accountability or position limit levels. Any order to reduce an open position shall be issued by the Chief Regulatory Officer or his designee, if he determines in his sole discretion, that such action is necessary to maintain an orderly market.

A clearing member that carries positions for another person shall be responsible for taking reasonable and diligent actions to effect the timely compliance with any order issued pursuant to this rule upon notification of such order by the Market Regulation Department.

All positions must be initiated and liquidated in an orderly manner.

**561. REPORTS OF LARGE POSITIONS**

**561.A. General Provisions**

Clearing members, omnibus accounts and foreign brokers shall submit to the Exchange a daily report of all positions required to be reported as set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations Section at the end of Chapter 5. Positions at or above the reportable level in a particular expiration month of a futures contract or in all puts or in all calls of a particular option contract expiration month trigger reportable status. For a person in reportable status in a particular contract, all positions, regardless of size, in any futures contract month and in any put or call on that futures contract must be reported.

Additionally, the daily Large Trader submission to the Exchange must include for each reportable account 1) the EFRP volume bought and sold in the reportable instrument, by contract month, and for EOs by put and call strike and 2) the number of delivery notices issued and the number of deliveries stopped in the reportable instrument.

Failure by an omnibus account or foreign broker to submit required information may result in a hearing



by the Business Conduct Committee and result in limitations, conditions or denial of access of such omnibus account or foreign broker to any Exchange market. Notwithstanding the above, clearing members carrying such accounts remain responsible for obtaining and providing to the Exchange information regarding the ownership and control of positions in circumstances where an omnibus account or foreign broker has failed to provide the information to the Exchange.

All large trader reports shall be submitted in a form acceptable to the Market Regulation Department. The Exchange may require that more than one large trader report be submitted daily. The Business Conduct Committee or the Market Regulation Department may require reports from any clearing member, omnibus account or foreign broker on a lesser number of positions than reflected in the Position Limit, Position Accountability and Reportable Level Table.

Clearing members, omnibus accounts and foreign brokers must provide the Market Regulation Department with the required CFTC Form 102 ("Identification of Special Accounts") identifying the owner, any controlling parties and any additional required information for each reportable account. The form must be submitted to the Market Regulation Department no later than the business day following the date on which the account becomes reportable. Additionally, any material changes to the information previously provided to the Market Regulation Department will require the submission of a revised form within three business days of such changes becoming effective.

#### **561.B. Reportable Levels**

The reportable levels for all contracts are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations Section at the end of Chapter 5.

### **562.— 572. [RESERVED]**

## **GLOBEX ELECTRONIC TRADING SYSTEM RULES**

### **573. GLOBEX OPENING**

Each business day, Globex will open with a single price for each instrument unless otherwise designated by the Exchange.

Prior to the opening of each Globex Session, Globex will provide an indicative opening price or prices, based on the Globex equilibrium price algorithm described below, and on all pending orders that may be executed on the opening. During the 30-second period prior to the opening, no previously entered orders may be modified or cancelled, although new orders may be entered.

Globex will establish an equilibrium price that will be the opening price. The equilibrium price is the calculated price between sell pressure and buy pressure where the largest volume of trading can occur. The price will be determined in accordance with the following methodology:

1. Any bid at a given price may also be executed at a lower price.
2. Any offer at a given price may also be executed at a higher price.
3. The bid volume at any price is the quantity bid at that price plus the sum of the quantities bid at all higher prices.
4. The offer volume at any price is the quantity offered at that price plus the sum of the quantities offered at all lower prices.
5. Sell pressure occurs when the offer volume exceeds the bid volume at a particular price.
6. Buy pressure occurs when the bid volume exceeds the offer volume at a particular price.
7. The trade volume at any price is the smaller of the bid volume or the offer volume.
8. The price overlap is the range of prices where trades are possible.
9. The equilibrium is the price range within the price overlap where buy pressure changes to sell pressure.
10. The equilibrium price is one of the following:
  - (a) The price within the equilibrium that has the largest trade volume and the lowest unmatched volume at that price remaining after the opening.or
  - (b) If more than one price has the same trade volume and the same unmatched volume at that price, the equilibrium price is the one nearest the previous day's settlement price.
11. If there is no equilibrium (there is only buy pressure or sell pressure), there will be no opening price until a trade occurs unless there is a bid higher than, or an offer lower than, the previous day's settlement price.

12. After the provisional opening price is determined as set forth above for all orders excluding stop and stop limit orders, the calculations are repeated with any such orders that would be triggered at such price included until a new provisional opening price is determined. If such new price would trigger additional stop or stop limit orders, the process is repeated until no more orders are triggered.
13. Bids and offers will be selected for matching at the opening price based on price and time priority.

**574. GLOBEX ACCESS RESTRICTIONS**

All connections to the Globex system, including direct connections of non-clearing members or customers, must be guaranteed by a clearing member that assumes financial responsibility for all activity through the connection. With respect to transactions given up to other clearing members, such guarantee is effective only until such time that the other clearing member accepts the trade.

All individuals entering non-member customer orders in other than a clerical capacity must have appropriate industry registration. Non-member customer orders may be entered only from designated areas on the floor of the Exchange or from the premises of an entity registered to conduct customer business.

Clearing members shall assist the Exchange in any investigation into potential violations of the rules or the Act which occur through or with respect to a Globex connection guaranteed by the clearing member. Such assistance must be timely and may include, but not be limited to, requiring any non-member customer to produce documents, to answer questions from the Exchange, and/or to appear in connection with an investigation.

Clearing members shall suspend or terminate a non-member customer's Globex access if the Exchange determines that the actions of the non-member customer threaten the integrity or liquidity of any contract or violate any Exchange rule or the Act, or if the non-member customer fails to cooperate in an investigation.

If a clearing member has actual or constructive notice of a violation of Exchange rules in connection with the use of Globex by a non-member for which it has authorized a direct connection and the clearing member fails to take appropriate action, the clearing member may be found to have committed an act detrimental to the interest or welfare of the Exchange.

**575. [RESERVED]**

**576. IDENTIFICATION OF GLOBEX TERMINAL OPERATORS**

Each Globex terminal operator shall be identified to the Exchange, in the manner prescribed by the Exchange, and shall be subject to Exchange rules. If user IDs are required to be registered with the Exchange, it is the duty of the clearing member to ensure that registration is current and accurate at all times. Each individual must use a unique user ID to access Globex. In no event may a person enter an order or permit the entry of an order by an individual using a user ID other than the individual's own unique user ID.

**577. [RESERVED]**

**578. LIMITATION OF LIABILITY, NO WARRANTIES**

A. ~~EXCEPT AS PROVIDED BELOW, THE EXCHANGE AND CHICAGO MERCANTILE EXCHANGE INC. (CME), THE BOARD OF TRADE OF THE CITY OF CHICAGO, INC. ("CBOT"), THE NEW YORK MERCANTILE EXCHANGE INC. ("NYMEX"), THE KANSAS CITY BOARD OF TRADE ("KCBT"), THE MINNEAPOLIS GRAIN EXCHANGE ("MGEX") AND CME ALTERNATIVE MARKETPLACE INC., (INCLUDING EACH OF THEIR RESPECTIVE SUBSIDIARIES AND AFFILIATES), THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, CONSULTANTS, LICENSORS, MEMBERS, AND CLEARING MEMBERS, SHALL NOT BE LIABLE TO ANY PERSON FOR ANY LOSSES, DAMAGES, COSTS OR EXPENSES (INCLUDING, BUT NOT LIMITED TO, LOSS OF PROFITS, LOSS OF USE, AND DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES), ARISING FROM:~~

- (i) ANY FAILURE, MALFUNCTION, FAULT IN DELIVERY, DELAY, OMISSION, SUSPENSION, INACCURACY, INTERRUPTION, TERMINATION, OR ANY OTHER CAUSE, IN CONNECTION WITH THE FURNISHING, PERFORMANCE, OPERATION, MAINTENANCE, USE OF OR INABILITY TO USE ALL OR ANY PART OF ANY OF THE SYSTEMS AND SERVICES OF THE EXCHANGE, ~~CBOT OR CME ALTERNATIVE MARKETPLACE INC., OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS AND~~

SERVICES, INCLUDING WITHOUT LIMITATION ELECTRONIC ORDER ENTRY/DELIVERY, TRADING THROUGH ANY ELECTRONIC MEANS, ELECTRONIC COMMUNICATION OF MARKET DATA OR INFORMATION, WORKSTATIONS USED BY MEMBERS AND AUTHORIZED EMPLOYEES OF MEMBERS, PRICE REPORTING SYSTEMS AND ANY AND ALL TERMINALS, COMMUNICATIONS NETWORKS, CENTRAL COMPUTERS, SOFTWARE, HARDWARE, FIRMWARE AND PRINTERS RELATING THERETO; OR

- (ii) ANY FAILURE OR MALFUNCTION, FAULT IN DELIVERY, DELAY, OMISSION, SUSPENSION, INACCURACY, INTERRUPTION OR TERMINATION, OR ANY OTHER CAUSE, OF ANY SYSTEM OR SERVICE OF THE EXCHANGE, ~~CBOT OR CME ALTERNATIVE MARKETPLACE INC.~~, OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS OR SERVICES, CAUSED BY ANY THIRD PARTIES INCLUDING, BUT NOT LIMITED TO, INDEPENDENT SOFTWARE VENDORS AND NETWORK PROVIDERS; OR
- (iii) ANY ERRORS OR INACCURACIES IN INFORMATION PROVIDED BY THE EXCHANGE, ~~CBOT OR CME ALTERNATIVE MARKETPLACE INC. OR ANY OF THE EXCHANGE'S, CBOT OR CME'S ALTERNATIVE MARKETPLACE INC. SYSTEMS, SERVICES OR FACILITIES;~~ EXCEPT FOR INCORRECT ORDER STATUSING INFORMATION AS PROVIDED IN RULE 579 (~~GLOBEX CONTROL CENTER AND ORDER STATUSING~~); OR
- (iv) ANY UNAUTHORIZED ACCESS TO OR UNAUTHORIZED USE OF ANY OF THE EXCHANGE'S, CBOT OR CME'S ALTERNATIVE MARKETPLACE INC. SYSTEMS, SERVICES OR FACILITIES BY ANY PERSON.

THE FOREGOING LIMITATION OF LIABILITY SHALL APPLY WHETHER A CLAIM ARISES IN CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY, CONTRIBUTION OR OTHERWISE AND WHETHER THE CLAIM IS BROUGHT DIRECTLY OR AS A THIRD PARTY CLAIM.

THE FOREGOING LIMITATION OF LIABILITY SHALL BE SUBJECT TO THE COMMODITY EXCHANGE ACT AND REGULATIONS THEREUNDER. A PARTY WHO HAS BEEN FINALLY ADJUDICATED TO HAVE ENGAGED IN WILLFUL OR WANTON MISCONDUCT MAY NOT AVAIL ITSELF OF THE PROTECTIONS IN THIS RULE.

- B. THERE ARE NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS (INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE OR USE) PROVIDED BY THE EXCHANGE, ~~THE CBOT, NYMEX, KCBT, MGEX OR CME ALTERNATIVE MARKETPLACE INC.~~ (INCLUDING THEIR RESPECTIVE SUBSIDIARIES AND AFFILIATES), THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, CONSULTANTS, AND LICENSORS RELATING TO ANY SYSTEMS OR SERVICES OF THE EXCHANGE, ~~CBOT OR CME ALTERNATIVE MARKETPLACE INC.~~ OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS OR SERVICES, INCLUDING THE GLOBEX SYSTEM.
- C. ANY DISPUTE ARISING OUT OF THE USE OF SYSTEMS OR SERVICES OF THE EXCHANGE OR ~~CME ALTERNATIVE MARKETPLACE INC.~~ OR SERVICES, EQUIPMENT, OR FACILITIES USED TO SUPPORT SUCH SYSTEMS OR SERVICES IN WHICH THE EXCHANGE, OR ~~CME AUCTION MARKETS (INCLUDING EITHER OF THEIR RESPECTIVE SUBSIDIARIES AND AFFILIATES)~~, OR ANY OF THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, CONSULTANTS OR LICENSORS IS A PARTY SHALL BE ARBITRATED PURSUANT TO RULE 621 ("CERTAIN CLAIMS AGAINST THE EXCHANGE INVOLVING TRADING SYSTEMS OR SERVICES"). ANY ARBITRATION SHALL BE BROUGHT WITHIN THE PERIOD PRESCRIBED BY EXCHANGE RULES. ANY OTHER ACTIONS, SUITS OR PROCEEDINGS AGAINST ANY OF THE ABOVE MUST BE BROUGHT WITHIN TWO YEARS FROM THE TIME THAT A CAUSE OF ACTION HAS ACCRUED. THIS PARAGRAPH C SHALL IN NO WAY BE CONSTRUED TO LIMIT A PARTY'S OBLIGATION TO ARBITRATE ITS CLAIM OR TO CREATE A CAUSE OF ACTION AND SHALL NOT AUTHORIZE AN ACTION THAT WOULD OTHERWISE BE PROHIBITED BY ~~EXCHANGE~~CME RULES. IF FOR ANY REASON, A COURT OF COMPETENT JURISDICTION FINDS THAT SUCH DISPUTE IS NOT ARBITRABLE, SUCH DISPUTE MAY ONLY BE LITIGATED IN THE COUNTY OF COOK IN THE STATE OF ILLINOIS AND WILL BE GOVERNED BY THE LAWS OF THE STATE OF ILLINOIS WITHOUT REGARD TO ANY PROVISIONS OF ILLINOIS LAW THAT WOULD APPLY THE SUBSTANTIVE LAW OF A DIFFERENT JURISDICTION.
- D. ~~THE CME OR THE EXCHANGE, AND WITH RESPECT TO "AUCTIONS," CME ALTERNATIVE~~

~~MARKETPLACE INC., MAY, IN THEIR RESPECTIVE SOLE DISCRETION, ASSUME RESPONSIBILITY FOR DIRECT, OUT-OF-POCKET LOSSES DIRECTLY CAUSED BY THE NEGLIGENCE OF GLOBEX CONTROL CENTER OR OTHER EXCHANGE STAFF AND/OR ORDER STATUS ERRORS PROVIDED BY THE GLOBEX CONTROL CENTER OR AN EXCHANGE SYSTEM, SERVICE OR FACILITY. NOTWITHSTANDING THE ABOVE, i) THE EXCHANGE'S AND CME'S; ii) CBOT'S (EXCEPT WITH RESPECT TO ANY PRODUCTS TRADED ON e-cbot, WHICH WERE GOVERNED BY FORMER CBOT RULE 5B.19); AND iii) WITH RESPECT TO AUCTIONS, CME ALTERNATIVE MARKETPLACE INC.'S TOTAL COMBINED AGGREGATE OBLIGATIONS SHALL NOT EXCEED \$100,000 FOR ALL LOSSES FROM ALL CAUSES SUFFERED ON A SINGLE DAY; \$200,000 FOR ALL LOSSES SUFFERED FROM ALL CAUSES IN A SINGLE CALENDAR MONTH; AND \$2,400,000 FOR ALL LOSSES FROM ALL CAUSES SUFFERED IN A SINGLE CALENDAR YEAR. ANY DISPUTED CLAIM PURSUANT TO THIS PARAGRAPH D MUST BE ARBITRATED PURSUANT TO EXCHANGE RULES 621 ("CERTAIN CLAIMS AGAINST THE EXCHANGE INVOLVING TRADING SYSTEMS OR SERVICES").~~

- E. ~~IN NO EVENT SHALL THE EXCHANGE'S, CBOT'S, AND WITH RESPECT TO AUCTIONS, CME'S ALTERNATIVE MARKETPLACE INC.'S, TOTAL COMBINED AGGREGATE LIABILITY FOR ALL CLAIMS ARISING OUT OF ANY NEGLIGENCE, FAILURES, MALFUNCTIONS, FAULTS IN DELIVERY, DELAYS, OMISSIONS, SUSPENSIONS, INACCURACIES, INTERRUPTIONS, TERMINATIONS, ORDER STATUSING ERRORS OR ANY OTHER CAUSES, IN CONNECTION WITH THE FURNISHING, PERFORMANCE, OPERATION, MAINTENANCE, USE OF OR INABILITY TO USE ALL OR ANY PART OF ANY OF THE EXCHANGE'S, CBOT'S, OR CME'S ALTERNATIVE MARKETPLACE INC.'S SYSTEMS OR SERVICES, OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS AND SERVICES, OR THE NEGLIGENCE OF EXCHANGE OR CME/CBOT STAFF, EXCEED \$2,400,000 IN ANY GIVEN CALENDAR YEAR.~~

IF THE NUMBER OF ALLOWED CLAIMS ARISING OUT OF ANY FAILURES OR MALFUNCTIONS ON A SINGLE DAY OR SINGLE MONTH CANNOT BE FULLY SATISFIED BECAUSE OF THE ABOVE DOLLAR LIMITATIONS, ALL SUCH CLAIMS SHALL BE LIMITED TO A PRO RATA SHARE OF THE MAXIMUM AMOUNT FOR THE RESPECTIVE PERIOD.

A CLAIM AGAINST THE EXCHANGE, CBOT, OR ~~WITH RESPECT TO AUCTIONS, CME ALTERNATIVE MARKETPLACE INC., ARISING OUT OF ANY FAILURE OR MALFUNCTION SHALL ONLY BE ALLOWED IF SUCH CLAIM IS BROUGHT IN ACCORDANCE WITH THIS RULE.~~

## **579. GLOBEX CONTROL CENTER**

### **579.A. Customer Support**

The Globex Control Center ("GCC") provides Globex customer support and problem management only to members, clearing members and customers designated by clearing members. In addition, designated NYMEX, KCBT AND MGEX members and clearing members may also receive customer support and problem management from GCC with respect to contracts traded on Globex. In order to be eligible for GCC support, such persons must register with the GCC ("Registered Contacts"). The GCC provides customer support via a specified telephone number and during specified hours. GCC employees may not always be available to assist Registered Contacts. Persons other than Registered Contacts, including non-members with Globex access pursuant to Rule 574, must contact their clearing members to make support requests.

### **579.B GCC Communications**

As provided in Rule 578, the Exchange shall not be liable for any loss resulting from any inability to communicate with the GCC. The liability of the Exchange for the negligent acts of GCC staff shall be subject to the limitations and conditions of Rule 578. In no event, however, shall the Exchange be liable for the negligence of the GCC if the person claiming to have suffered a loss could have secured the support it sought from GCC through its own administrative terminal, its clearing member's terminal or an Independent Software Vendor's ("ISV") terminal. For purposes of this rule, a person is deemed able to take action through its own administrative terminal, a clearing member's terminal or an ISV's terminal unless such terminal was inoperative or such terminal service was interrupted at the time the GCC took action.

### **579.C Order Status**

A person who believes he has received an incorrect order status or does not receive an appropriate status shall immediately notify the GCC. Additionally, such person shall take any necessary and appropriate market action to mitigate any potential losses arising from the incorrect order status or lack

of appropriate order status immediately after the person knew or should have known that the order status information was incorrect or should have been received. Any liability of the Exchange for incorrect order status shall be subject to the limitations and conditions of Rule 578.

Notwithstanding the above, the Exchange shall not be liable for losses related to incorrect order status information if the Exchange provides prior notification that an Exchange system, service or facility may produce such incorrect information and also provides notification of a means to obtain correct order status information from such system, service or facility. In the event that the GCC and an Exchange system, service or facility provide conflicting information relating to an order status, a customer may only reasonably rely on the information received from the GCC. Any liability of the Exchange shall be subject to the liability caps and conditions of Rule 578.

#### **579.D. Cancellation of Orders at Prices Outside of the Applicable Globex Price Limits**

In certain circumstances, the price limits applicable to contracts traded on Globex may vary depending on the time of day. In this situation, it is possible for an order to be entered into the Globex system during one time period at a price that is outside of the price limit that applies during a subsequent time period. If this order remains in the system at the beginning of the subsequent time period, the system will freeze in the event a market order on the opposite side of the market is entered and there are no other resting orders against which it can be matched rather than allow the match to occur at a price outside of the applicable price limit. Accordingly, whenever the GCC becomes aware of a bid or offer in the Globex system for any contract that is outside of the applicable price limit, the GCC will cause such bid or offer to be cancelled and will promptly notify the affected Globex user of such cancellation.

#### **580.-586. GLOBEX TRADE ALGORITHMS[RESERVED]**

- ~~1. Market orders that are entered into the Globex system shall be converted into limit orders at a price at or above (in the case of a buy order) or at or below (in the case of a sell order) the last price shown on the Globex system. Any part of such order that is not filled at the limit price or better shall remain as a resting order at such limit price until filled or cancelled.~~
- ~~2. Stop limit orders are activated and placed into the order book when the order's specified stop price is traded, at which time the order may be executed at the best available price at or between the specified limit price and the specified stop price. Any part of such order that is not filled shall remain as a resting order at such limit price until filled or cancelled.~~
- ~~3. If the execution of a stop order would result in an execution price that is above (below) the last traded price plus (minus) X ticks, the market shall be placed in a "reserved state." During the reserved state, orders may be entered, modified or cancelled but orders may not be executed. The Globex system will disseminate an "Indicative Opening Price" (IOP) during the reserved state representing the price at which the market could trade if the reserved state were to conclude immediately. If, at the conclusion of the initial reserved state period, the IOP is within a range bounded by the last traded price plus or minus two times (2x) X ticks, then normal execution of trades shall resume. If the IOP is outside such range, the market shall remain in a reserved state for a subsequent period. A series of reserved state periods shall ensue until either (i) the IOP is within a range bounded by the last traded price plus (minus) the number of reserved state periods, plus one, times X ticks at the conclusion of such reserved state periods, at which point normal trading shall resume; or (ii) a total of twelve (12) reserved state periods are concluded, after which normal trading shall resume regardless of the opening price.  
~~— This process shall be applied to such markets as determined by the Exchange. The value X and the duration of a reserved state period shall be determined by the Exchange.~~~~
- ~~4. Unless otherwise specified by the Exchange, orders entered into the Globex system will be matched in accordance with an algorithm that gives first priority to orders at the best price and that gives priority among orders entered at the same price based on their time of entry into the system, with the first order entered receiving first priority, the second order entered receiving second priority, etc. (First In, First Out or "FIFO" Allocation Algorithm). The Exchange may use a different matching algorithm for particular contracts by giving written notice of such algorithm to members and firms using Globex at least ten days before use of such algorithm is implemented. See Interpretation of Rule 580 GLOBEX TRADE ALGORITHMS at the end of Chapter 5.~~
- ~~5. Request for quote ("RFQ") messages soliciting bids and/or offers for a contract or a combination of contracts traded pursuant to Rule 580 may be entered into the Globex system. Upon receiving the RFQ, the Exchange shall immediately disseminate the message as part of its market data dissemination. The Globex trade matching process will continue independent of the RFQ messaging activity.~~

## ~~581. GLOBEX LEAD MARKET MAKER~~

~~The Exchange shall establish a Globex Lead Market Maker Program to remain in effect for a period determined by Exchange staff. The Exchange shall establish the requirements and the number of participants eligible for the Lead Market Maker Program. Any individual or entity that is eligible for Globex terminals, pursuant to Exchange rules, is eligible to submit an application to Exchange staff to become a Globex Lead Market Maker. Exchange staff shall have the discretion to approve or deny an application based on the applicant's business reputation, financial resources and trading activity in relevant futures, options or related cash markets. Any individual or entity accepted into the program must comply with the conditions established by Exchange staff.~~

~~The Exchange may offer participants in the Lead Market Maker Program trading and financial incentives. Trading incentives may include the deployment of the Lead Market Maker Matching Algorithm in either of its formats as described in Rule 580 and Interpretations thereto.~~

## ~~582. GLOBEX SWITCH TRADE MATCHING ALGORITHM~~

~~The following Switch trade matching algorithm shall be applied to such markets as determined by the Exchange:~~

- ~~1. A Switch market is defined as a call market where:
  - a. A series of expirations for a specific contract, e.g. Three Month Eurodollar futures, are available for trading;
  - b. For each session, all the trades of the same expiration shall be consummated at the same price, at the same time;
  - c. The prices at which trades are executed are derived from an algorithm or formula based upon prevailing prices in related markets, e.g. interpolated yield curve based upon quarterly and serial Three month Eurodollar Futures and other related markets;
  - d. For each session and for each account, each contract bought shall be accompanied by a sale of a contract with a different expiration available for trading for the session, and each contract sold shall be accompanied by a purchase of a contract with a different expiration.~~
- ~~2. For the purpose of Rule 582, the Pricing Algorithm for a Switch market is defined as the algorithm or formula for determining the prices of each eligible contract for a Switch market trading session. Prior to operating a Switch market, the Exchange shall disclose the Pricing Algorithm and the method of determining the inputs to the Pricing Algorithm.~~
- ~~3. Orders shall be good only during the specific trading session for which they are entered. Unexecuted orders and any unfilled residuals of partially filled orders shall be cancelled following the conclusion of the trade matching process.  
  
— The Pricing Algorithm shall be used to identify a single contract price at which all executed orders for a particular contract expiration shall be filled. The Exchange shall disseminate the price of each contract expiration prior to the trade matching process by an interval X. Upon determination of prices for all contract expirations, valid orders are deemed to have bid and offer prices identical to the published prices as determined by the Pricing Algorithm. Order entry, modification and cancellation shall be allowed until the commencement of the trade matching process.  
  
— The interval X and the price determination algorithm for each Switch market shall be determined and published by the Exchange.~~
- ~~4. The trade matching process will employ the following mathematical algorithm to match orders to buy and orders to sell. The algorithm maximizes, for the entire set of eligible expirations, the total number of contracts traded, subject to the constraint that, for each account, the total number of contracts bought is equal to the total number of contracts sold. If there are multiple possible allocations of the long and short positions that maximize the total number of contracts traded, the allocation with the broadest distribution across accounts shall be utilized. See Interpretation of Rule 582 — GLOBEX SWITCH TRADE MATCHING ALGORITHM at the end of Chapter 5.~~

## ~~583. DOMESTIC CROSS-EXCHANGE TRADING~~

### ~~583.A. Cross-Exchange Trading by Members of Other Domestic Exchanges in Contracts Listed on Globex~~

~~Individual members and clearing members of another domestic exchange that is participating in cross-exchange trading through Globex are eligible to obtain cross exchange access, for proprietary and customer trading activity, to the contracts listed on Globex. The contracts may be listed on Globex either by the CME ("CME contracts") or by a domestic exchange other than CME ("Domestic Exchange~~

contracts"). Such members and clearing members must (1) be authorized by CME to enter orders in CME contracts or Domestic Exchange contracts, as applicable, through Globex, (2) make an arrangement with an appropriate clearing member to clear any trades in CME contracts, (3) make an arrangement with a clearing member of the domestic exchange to clear any trades in such Domestic Exchange's contracts, and (4) abide by the Globex trading rules, policies and procedures of CME when trading CME contracts and Domestic Exchange contracts through Globex.

When an individual member or clearing member of a domestic exchange is found to have violated CME's Globex trading rules, CME may deny or suspend the privilege of cross exchange trading of such individual member or clearing member.

**583.B. ~~Cross-Exchange Trading by Members of CME in Contracts Listed on Globex or Other Electronic Trading Systems by Participating Domestic Exchanges~~**

~~Individual members and clearing members of CME may obtain cross-exchange access, for proprietary and customer trading activity, to Domestic Exchange contracts listed on Globex or the contracts of a domestic exchange listed on such domestic exchange's electronic trading system. Such members and clearing members must (1) be authorized by the domestic exchange to enter orders in that exchange's contracts either through Globex or through such domestic exchange's electronic trading system, (2) make an arrangement with a clearing member of such domestic exchange to clear any trades in Domestic Exchange contracts listed on Globex or contracts listed by that domestic exchange on its electronic trading system, and (3) abide by the Globex trading rules, policies and procedures when trading Domestic Exchange contracts listed by that domestic exchange on Globex or the rules of the domestic exchange when trading contracts on such domestic exchange's electronic trading system.~~

**584. ~~CME GLOBEX OPTIONS VOLATILITY QUOTE TRADING~~**

~~For contracts deemed eligible by the exchange, CME Globex provides for quoting and trading of outright options and options strategies (e.g., options combinations such as straddles, strangles, verticals, and any other options strategies deemed approved by the exchange) in terms of volatility quotes in addition to premium quotes. Any outright option or option strategy so traded will be designated as a single instrument on the CME Globex system. Any outright option or options strategy may trade simultaneously as separate instruments on CME Globex using volatility quotes and premium quotes.~~

~~The options volatility quoting convention allows for bids and offers in terms of annualized implied volatility (e.g., 12.450% bid at 12.550% offer).~~

~~Volatility quoted option trades shall be matched at the option instrument level according to the first priority for best price and FIFO matching algorithm described in Rule 580 ~~GLOBEX TRADE ALGORITHMS~~ and its Interpretation, except for trades involving pre-execution communications which must comply with the requirements of Rule 539.C.4. and which shall be matched pursuant to Rule 585 and its Interpretation. Further, volatility quoted option bids shall be matched only with volatility quoted option offers (premium quoted options will not be matched with volatility quoted options). At the time of an options volatility match, CME Globex will utilize standard options pricing models to convert the options volatility trade into a premium quoted option for clearing, and where applicable, create accompanying risk reducing futures contracts as a delta neutral hedge for the matched position.~~

~~For more details concerning volatility options quotes and trading, see the individual options contract Price Increments rules in applicable product chapters and the "Interpretations & Special Notices Relating to Chapter 5" at the end of Chapter 5.~~

**585. ~~GLOBEX CALL MARKET TRADING ALGORITHM~~**

~~The following Globex Call Market Trading Algorithm shall be applied to such contract markets as determined by the Exchange, including, but not limited to, all options on futures. This rule supersedes, if applicable, other Exchange rules governing trading on Globex, including, but not limited to, Rule 580 and its interpretations.~~

~~1. For the purpose of Rule 585:~~

- ~~a. an eligible contract means a contract deemed eligible to trade pursuant to the algorithm stipulated hereunder; an eligible combination of contracts means a combination of eligible contracts deemed eligible to trade pursuant to the algorithm stipulated hereunder;~~
- ~~b. an eligible combination of futures and options contracts shall be defined by the quantity per combination of each option bought or sold by the combination buyer, and the net long or short futures positions per combination per contract month to be assumed by the combination buyer, with the futures prices for each month defined within the combination. The combination shall~~

be quoted in terms of net options premium, with the futures traded at the defined price, except for volatility quoted options in which case the combination shall be quoted in volatility terms, which implies the appropriate combination of options premium and futures prices as defined in Rule 584;

e. an eligible terminal means a device capable of transmitting to and receiving from Globex Requests For Quotes ("RFQ"), and sending order instructions in response to RFQs to Globex;

d. an RFQ means an electronic message soliciting bids and offers for a contract or a combination of contracts;

e. a trading session means a trading session in which Rule 585 applies. The hours of the trading session may be determined by the Exchange independent of the trading hours of the identical contracts not traded pursuant to this rule;

2. An RFQ for an individual eligible contract or an eligible combination of contracts may be entered into Globex through an eligible terminal. The RFQ shall be disseminated by Globex to all eligible terminals for the purpose of quote solicitation.
3. Following the dissemination of an RFQ, limit bids and limit offers for the specified contract or combination of contracts may be entered into Globex through an eligible terminal. In particular, the party initiating the RFQ may also enter orders. Globex shall not recognize any order other than limit orders.
4. Solicitation of bid(s) and/or offer(s) through private discussion for an eligible contract or an eligible combination of contracts must comply with the provisions of Rule 539.C.4.
5. Trade matching occurs whenever tradable pair(s) of bid and offer can be identified in the order book. Trade matching shall be executed in accordance with an algorithm that gives first priority to orders at the best price. In the event that multiple orders with the same price are eligible to execute against an opposing order, an allocation algorithm shall be employed to match the trade. See Interpretation of Rule 585 — Globex Call Market Trading Algorithm at the end of Chapter 5. Unexecuted and partially executed orders shall remain in the order book until the conclusion of the trading session unless instructions to cancel the orders have been received.
6. Trades of eligible combinations of contracts consummated pursuant to Rule 585 shall not trigger any conditional orders, e.g. stop orders, stop limit orders, MIT orders, etc., in the contract markets not trading pursuant to Rule 585.
7. The Exchange may establish Market Maker Programs specific to Globex Call Markets for specific sets of contracts. These programs may be deployed in conjunction with or independent of similar programs for identical contracts not traded pursuant to Rule 585 established pursuant to Rule 584.
8. In accordance with a Market Maker Program, designated Lead Market Makers may be required to regularly provide price indications for some contracts or combinations of contracts eligible for trading pursuant to Rule 585. These price indications are provided for informational purposes only and shall not be construed as actual bids or offers for the contracts. In response to any RFQs, Market Makers may enter bids or offers at any price, irrespective of what price indication the Market Maker may have provided prior to the RFQ.

## **586. GLOBEX FOREIGN EXCHANGE FACILITY**

The Exchange may establish a Globex Foreign Exchange Facility ("GFX") to make markets in currency futures contracts listed on the Exchange and to engage in hedging transactions in the interbank spot and forward foreign exchange markets. Employees of the GFX may use Globex terminals to enter orders in Exchange currency futures. Such employees must be identified to the Exchange as Globex terminal operators in accordance with Rule 576 and shall be subject to the rules of the Exchange that relate to Globex trading. All transactions in Exchange currency futures effected by the GFX shall be cleared through a clearing member, and the GFX shall be a customer of such clearing member.

## **587. PHANTOM ORDERS**

### **587.A. Definition**

A phantom order is an order: 1) that was not authorized by any person but was caused by a failure, malfunction or negligent operation of Globex or any other Exchange system, service or facility, or 2) whose terms (e.g., contract, contract month, quantity, price or direction) were changed without authorization of the person placing the order solely as a result of a failure, malfunction, or negligent operation of Globex or any other Exchange system, service or facility.

### **587.B. Permissible Responses**



If the Exchange has reason to believe that phantom orders have been or are being entered into and/or executed on any Exchange system, service or facility, the Exchange shall be empowered to take appropriate action with respect to any affected market, including without limitation, closing the market, deleting bids and offers, and/or suspending new bids and offers.

The Exchange shall promptly give notice that all Globex transactions that were directly or indirectly caused by the execution of phantom orders and were executed at prices outside of the no-bust range, as determined in accordance with Rule 588, shall be voided. The Exchange shall have no liability or responsibility to the parties to any transactions that are voided pursuant to this paragraph.

The Exchange shall also be empowered to void Globex transactions that were directly or indirectly caused by the execution of phantom orders and were executed at prices within the no-bust range or phantom orders that were executed in the pit if the Exchange concludes that such transactions impair the integrity of the market. The Exchange's liability for voiding transactions within the no-bust range or voiding transactions executed in the pit is limited as provided in paragraph C.

**587.C. Limitation of Liability**

Any liability of the Exchange for transactions voided by the Exchange that are within the no-bust range shall be subject to the limitations and conditions of Rule 578.

If phantom order transactions executed on the Globex system, by open outcry in the pit, or by means of any other Exchange system, service or facility, are not voided, the person who traded opposite a phantom order shall have no recourse against the Exchange. The gain or loss on the liquidation of positions resulting from execution of such phantom orders shall be the Exchange's responsibility. The Exchange shall promptly direct the member or clearing member carrying such positions to liquidate them in a commercially reasonable manner. Such member or firm shall liquidate within 30 minutes of such notification or within 30 minutes of the time it knew or should have known that it had been assigned transactions resulting from phantom orders, whichever is sooner. The Exchange's liability to such person shall be limited to the prices at which the positions could have been liquidated during the relevant time period.

**588. TRADE CANCELLATIONS AND PRICE ADJUSTMENTS**

**588.A. Globex Control Center Trade Cancellation Authority**

The following policy shall be applied to balance the adverse effects on market integrity of executing trades and publishing trade information inconsistent with prevailing market conditions while preserving legitimate expectations that executed transactions will not be cancelled. The Exchange's trade cancellation policy authorizes the Globex Control Center ("GCC") to adjust trade prices or cancel (bust) trades when such action is necessary to mitigate market disrupting events caused by the improper or erroneous use of the electronic trading system or by system defects. Notwithstanding any other provisions of this rule, the GCC may adjust trade prices or cancel any trade if the GCC determines that allowing the trade to stand as executed may have a material, adverse effect on the integrity of the market. The decision of the GCC shall be final.

**588.B. Review of Trades**

The GCC may review a trade based on its analysis of market conditions or a request for review by a user of the electronic trading system. A request for review must be made within eight minutes of the execution of the trade. The GCC shall promptly determine whether the trade will be subject to review, and upon deciding to review a trade, the GCC will promptly issue an alert indicating that the trade is under review.

In the case of illiquid contracts, the GCC may initiate a review up to one hour after the execution of the trade, and has the authority, but not the obligation, to review trades reported more than one hour following execution if it determines that the trade price was egregiously out of line with fair value.

**588.C. Trade Price Adjustment and Cancellation Process**

The GCC will first determine whether the trade price is within the No Bust Range for futures or within the Bid/Ask Reasonability Allowance for options, as described in Section K. The Bid/Ask Reasonability Allowance for an option is the maximum width of the bid/ask range which will be considered reasonable for use in applying the parameters necessary to establish the no bust range for the option. During fast market conditions, upon the release of significant news, or in other circumstances in which the GCC determines it is appropriate, the GCC may, without prior notice, temporarily double the published No Bust Range or Bid/Ask Reasonability Allowance.

In applying the No Bust Range, the GCC shall determine the actual or implied market price for that contract immediately before the trade under review. The GCC may consider any relevant information, including, but not limited to, the existing market conditions, the volatility of the market, the prices of

related instruments in other markets, the last trade price on the electronic trading system, a better bid or offer price, a more recent price in a different contract month, the price of the same or related contract established in open outcry trading, theoretical value of an option based on the most recent implied volatility, responses to RFQs, and any other factors that the GCC deems relevant.

1. Trade Price Inside the No Bust Range

If the GCC determines that the price of the trade was inside the No Bust Range, the GCC will promptly issue an alert indicating that the trade shall stand.

2. Trade Price Outside the No Bust Range

a. Implied-Eligible Futures Contracts

If the GCC determines that a trade price is outside the applicable No Bust Range for an implied-eligible contract, the trade price shall be adjusted to a price that equals the actual or implied market price for that contract at the time of the questioned trade, plus or minus the standard or doubled No Bust Range, as applicable. In the event there are multiple parties, prices and/or contracts involved in the transactions at issue, the GCC has the authority, but not the obligation, to bust rather than price adjust such transactions. The GCC will promptly issue an alert indicating that the prices of the trades outside the No Bust Range have been adjusted to the No Bust Range limit or have been busted.

b. All Other Futures Contracts

If the GCC determines that the trade price is outside the No Bust Range for a non-implied-eligible futures contract, the GCC shall bust the trade. The GCC will promptly issue an alert indicating that trades outside the No Bust Range have been busted.

c. Option Contracts

If the GCC determines that a trade price is outside the applicable No Bust Range for an option contract, the trade price shall be adjusted. In the case of a buy error, the price will be adjusted to the determined ask price plus the applicable no bust parameter. In the case of a sell error, the price will be adjusted to the determined bid price minus the applicable no bust parameter. In the event there are multiple parties, prices and/or contracts involved in the transactions at issue, the GCC has the authority, but not the obligation, to bust rather than price adjust such transactions. The GCC will promptly issue an alert indicating that the prices of the trades outside the No Bust Range have been adjusted to the No Bust Range limit or have been busted.

d. Notwithstanding the above, trades consummated pursuant to Rule 585 that are determined by the GCC to be outside the No Bust Range will stand, and a reciprocal trade negating the original trade will be consummated by means of a "type 8 transfer."

3. Liability for Losses Resulting from a Price Adjustment or Trade Bust

A party responsible for entering an order that results in a trade price adjustment shall not be liable for losses incurred by persons whose trade prices were adjusted, except as provided in 3.a., 3.b. and 3.c. below.

a. Implied Eligible Contracts – Price Adjusted Stop Orders

A party responsible for an order(s) that results in a trade price adjustment shall be liable for actual losses incurred by persons whose stop orders were elected as a result of the order(s). The compensable loss on each futures contract executed as part of a stop order shall be the difference between the adjusted price, as determined by the GCC, and the price in the market at the time the person knew or should have known that his stop order was erroneously elected.

b. Implied Eligible Contracts – Price Adjusted Spread Trades

A party responsible for an order that results in a trade price adjustment shall not be liable to persons whose spread orders were executed and adjusted unless the adjusted execution price of the spread is less favorable than the market equilibrium price for the relevant spread. The liability of the party responsible for an order that results in a price adjustment shall be limited to the difference between the adjusted price and the equilibrium market price, but shall not exceed the relevant No Bust Range.

c. Option Contracts – Price Adjusted Trades

A party responsible for an order that results in a trade price adjustment shall not be liable to persons whose option orders were executed and adjusted unless the adjusted execution price of the option is less favorable than the market equilibrium price for the relevant option. The liability of the party responsible for an order that results in a price adjustment shall be limited to

the difference between the adjusted price and the market equilibrium price, but shall not exceed the relevant No Bust Range.

d. **Busted Trades**

A party responsible for an order that results in a trade bust may be liable for the reasonable out-of-pocket losses incurred by persons whose trades were busted or persons whose stop orders were elected and not busted. Issues of liability in such cases will be determined based upon all relevant facts and circumstances, including the conduct of the respective parties.

**588.D. Claim Process**

A claim for a loss pursuant to Sections C.3.a., b. and c. must be submitted to the Exchange, on an Exchange claim form, within five business days of the event giving rise to the claim. The Exchange shall reject any claim that is not permitted by Sections C.3.a., b. or c. and such decision shall be final. All claims, which are not rejected by the Exchange, shall be forwarded to the party responsible for the order(s) that resulted in a trade bust or a price adjustment and to the clearing member through which the trade was placed. Such party, or the clearing member on behalf of the party, shall, within ten business days of receipt of the claim, admit or deny responsibility in whole or in part. The liability for losses for a single incident shall be limited to \$500,000.

To the extent that liability is admitted, payment shall be made within ten business days. If liability is admitted but the total claims exceed \$500,000, the claims shall be reduced pro rata so that the total payment does not exceed \$500,000. To the extent that liability is denied, the claims shall be submitted to arbitration in accordance with Rule 622.

A claim for a loss pursuant to Section C.3.d. must be pursued under the applicable arbitration rules of Chapter 6.

**588.E. Trade Cancellation or Offset Procedures**

Upon a determination by the GCC that a trade shall be busted or that trade prices shall be adjusted, that decision will be implemented. The busted trade price and any price quotes that have been adjusted will be reflected as cancelled in the Exchange's official record of time and sales. Time and sales will reflect the trades at the adjusted price.

If the trade is not busted, the parties to the transaction cannot reverse the transaction by using a "type 8 transfer" except as provided in Section C.2.d. and Section F. Additionally, if the trade is not busted, the parties may not reverse the trade by entering into a prearranged offsetting transaction unless such transactions are permitted and effected in accordance with Rule 539.C.

**588.F. "Type 8 Transfers"**

Positions that result from a trade determined by the GCC to be outside the No Bust Range that cannot be busted because the trade was not reported within eight minutes of the execution of the trade may be transferred between the parties using a "type 8 transfer" upon agreement of the parties. The transfer 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 GCC to be inside the No Bust Range may not be reversed using a "type 8 transfer."

**588.G. Arbitration of Disputes Regarding "Type 8 Transfers"**

If a party does not agree to transfer a position pursuant to Section F., any other party to the trade may file an arbitration claim against the member or clearing member representing the other side of the trade. Written notice of such claim must be provided to the Exchange within five business days of the execution of the trade. Failure to file the claim within five business days shall be deemed a waiver of all claims. The arbitration claim will be dismissed by the Exchange if the owner of the account on the other side of the trade is not deemed a Member as defined in Rule 400 or a person otherwise subject to the Exchange's jurisdiction. If not dismissed, the arbitration claim will be conducted in accordance with Rule 622.

In deciding the claim, the Arbitration Committee may consider, among other factors, the reasonableness of the actions taken by each party and what action the party on the other side of the error trade took before being notified that the trade was being questioned.

**588.H. Voluntary Adjustment of Trade Price**

When a trade outside of the No Bust Range is busted in accordance with this rule, the parties to the trade may agree voluntarily to reestablish the trade but to adjust its price and make a cash adjustment provided that all of the following conditions are met:

1. The GCC approves the adjustment.
2. The quantity of the position being reestablished is the same as the quantity of the trade that was

busted.

3. In the case of a trade below the actual or implied market price, the adjusted price must be the lowest price that traded at or about the time of the trade without being busted. In the case of a trade above the actual or implied market price, the adjusted price must be the highest price that traded at or about the time of the trade without being busted.
4. The parties to the adjusted trade must report it to the clearing system using a "type 8 transfer" with a "G" transfer code not later than the close of business on the business day after the trade occurred.

**588.I. Busting Trades After System Freeze**

In the event that the matching engine freezes with live orders in the queue waiting to be matched, such orders may be matched when the system is unfrozen before the GCC can halt the matching engine. The GCC is authorized to bust trades resulting from such matches if the price of such trades is outside of the No Bust Range at the time that a confirmation of the trades was sent.

**588.J. Schedule of Administrative Fees**

When GCC busts a trade, the party responsible for entering the order into the electronic trading system that gave rise to the trade bust/adjustment shall pay an administrative fee to the Exchange in the amount of \$500 for each such occurrence. If a non-member customer responsible for entering an order that results in a trade bust fails to pay the fee in accordance with this section, the clearing member carrying the customer's account shall be responsible for payment of the fee.

**588.K. No Bust Ranges**

<u>Futures Contract</u>	<u>No Bust Range</u>
Eurodollar, E-mini Eurodollar and LIBOR	2.5 basis points
U.S. T-Bond	30/32nds
10 Yr. T-Note	30/32nds
5 Yr. T-Note	15/32nds
3 Yr. T-Note	15/32nds
2 Yr. T-Note	15/32nds
30-Day Fed Funds	5 basis points
3-Month Overnight Index Swaps	5 basis points
Interest Rate Swaps (30 Yr., 10 Yr., 7 Yr., and 5 Yr.)	30/32nds
E-mini Eurodollar Bundle	2.5 basis points
Euroyen	2.5 basis points
T-Bills	5 basis points
CME Lehman Brothers U.S. Aggregate Index	2.00 index points
Eurozone HICP Futures	25 basis points
Currency Futures	40 ticks
S&P 500 and E-mini S&P 500 (\$ and €)	6.00 index points
DJIA (\$5, \$10, \$25)	60 index points
S&P Citigroup Growth	4.00 index points
S&P Citigroup Value	4.00 index points
S&P Midcap 400 and E-mini S&P Midcap 400	4.00 index points
S&P Smallcap 600 and E-mini S&P Smallcap 600	4.00 index points
E-Mini S&P Asia 50	12.00 index points
E-Mini MSCI EAFE	12.00 index points
E-Mini MSCI Emerging Markets	12.00 index points
S&P 500 Depository Receipts	0.60 index points
iShares Russell 2000	0.40 index points
Nasdaq-100 and E-mini Nasdaq-100	12.00 index points
E-mini Nasdaq Composite	12.00 index points
E-mini Nasdaq Biotechnology	12.00 index points
Nasdaq-100 Index Tracking Stock	0.30 index points
Nikkei 225 (\$ and ¥)	60.00 index points
FTSE / Xinhua China 25	100 index points
S&P 500 Technology SPCTR	3.00 index points
S&P 500 Financial SPCTR	3.00 index points
Kansas City Value Line	40 index points
Housing Futures	2.00 index points
Dow Jones US Real Estate Index	4 points
TRAKRS Futures	25 cents
Goldman Sachs Commodity Index	5.00 index points
CME Weather	25.00 index points
Weekly Average Temperature Index	1 degree
CME Snowfall	50 ticks or 5 inches

<u>Futures Contract</u>	<u>No Bust Range</u>
Carvill Hurricane Index	0.50 index points
Carvill Hurricane Index Seasonal	0.50 index points
Carvill Hurricane Index Seasonal Maximum	0.50 index points
Credit Index Event Futures	10 basis points
Non-Farm Payroll	None
Corn & Mini-sized Corn	10 cents per bushel
Wheat & Mini-sized Wheat	10 cents per bushel
Soybeans & Mini-sized Soybeans	10 cents per bushel
Oats	10 cents per bushel
Rough Rice	20 cents per hundredweight
Soybean Meal	\$8.00 per ton
Soybean Oil	.80 cents per pound
Lean Hogs	\$0.0100 per pound
Live Cattle	\$0.0100 per pound
Feeder Cattle	\$0.0100 per pound
Pork Bellies	\$0.0100 per pound
Dow AIG-ER Commodity Index	4 Points
Milk	\$0.30 per cwt.
Dry Milk	\$0.00750
Butter (Cash-Settled)	\$0.0075 per pound
Dry Whey	\$0.00750
Wood Pulp	\$15.00 per ton
Random Length Lumber	\$4.00 or less
Ethanol	4 cents per gallon
Kansas City Hard Red Winter Wheat	10 cents per bushel
Minneapolis Hard Red Spring Wheat	10 cents per bushel
Minneapolis National Corn Index	10 cents per bushel
Minneapolis National Soybean Index	10 cents per bushel
Minneapolis Hard Red Spring Wheat Index	10 cents per bushel
Minneapolis Hard Red Winter Wheat Index	10 cents per bushel
Minneapolis Soft Red Winter Wheat Index	10 cents per bushel
NYMEX Crude Oil and NYMEX miNY Crude Oil	\$1.00
DME OMAN Crude Oil	\$1.00
NYMEX Brent	\$1.00
NYMEX Crude Oil MACI Index	2.00 Index points
NYMEX Crude Oil Backwardation Contango Index	2.00 index points
NYMEX REBCO	\$1.00
NYMEX Heating Oil and NYMEX miNY Heating Oil	\$0.025
NYMEX Gulf Coast ULSD	\$0.025
NYMEX New York ULSD	\$0.025
NYMEX Gulf Coast Gasoline	\$0.025
NYMEX European Gasoil	\$2.00 per metric ton
NYMEX Singapore 380 Fuel Oil	\$2.00
NYMEX RBOB Gasoline and NYMEX miNY RBOB Gasoline	\$0.025
NYMEX Natural Gas and NYMEX miNY Natural Gas	\$0.10
NYMEX Natural Gas Henry Hub Swap	\$0.10
NYMEX Natural Gas Basis Swaps	\$0.25
NYMEX Electricity	\$2.00
Central Appalachian Coal Futures	\$0.60 per ton or less
NYMEX Propane	\$0.01
NYMEX Ethanol	\$0.008
NYMEX Uranium	\$2.50
NYMEX Ardour Global Index	12.5 index points
Carbon EUA Emission Euro	€ .40 per metric ton or less
Carbon CER Euro	€ .40 per metric ton or less
NYMEX SO2 Emissions	\$4.00 per allowance or less
NYMEX SO2 Emissions 25 Allowance	\$1.00 per allowance or less
NYMEX Seasonal NOX	\$2.00 per ton or less
NYMEX Annual NOX	\$2.00 per ton or less
NYMEX RGGI CO2 Emissions	\$0.50 per ton or less
COMEX Gold and miNY Gold	\$10.00
COMEX Asian Gold	\$0.40
COMEX Silver and miNY Silver	\$0.20
NYMEX Platinum	\$10.00
NYMEX Asian Platinum	\$0.40
NYMEX Palladium	\$5.00
NYMEX Asian Palladium	\$0.40

<u>Futures Contract</u>	<u>No Bust Range</u>
COMEX Copper and miNY Copper	\$0.04
COMEX Aluminum	\$0.01
NYMEX Hot Rolled Steel	\$1000 or less
NYMEX Cocoa	\$40.00
NYMEX Coffee	\$0.01
NYMEX Cotton	\$0.008
NYMEX Sugar 11	\$0.0035
NYMEX CAT Risk	50.00 index points

<u>Futures Combinations</u>	
Eurodollar Combinations & E-mini Eurodollar Bundles	2.5 basis points
Non-Eurodollar, Non-Implied Eligible, Intra-Commodity Futures Spreads	5 ticks
Implied Eligible Inter- and Intra-Commodity Futures Spreads	Same as the no bust range of the individual legs
Inter-Commodity Futures Spreads	The wider of the no bust ranges of the two individual legs

<u>Option Contract</u>	<u>Bid/Ask Reasonability</u>	<u>No Bust Range</u>
Eurodollars, Euroyen	2 basis points	2 minimum ticks
U.S. Treasuries (2-, 5- and 10 Year Notes and Bond)	4/64ths	20% of premium up to 2/64ths with minimum of 1 tick
30-Day Fed Funds	4 basis points	20% of premium up to 2 basis points with a minimum of 1 tick
Interest Rate Swaps (5-, 7-, 10- and 30-Yr)	10/64ths	20% of premium up to 5/64ths with a minimum of 1 tick
3-Month Overnight Index Swaps	3 basis points	2 minimum ticks
Equities (excluding DJIA)	2.00 index points	20% of premium up to 1.00 index point with a minimum of 1 tick
DJIA	20 points	20% of premium up to 10 points with a minimum of 1 tick
FX	20 ticks	20% of premium up to 10 ticks with a minimum of 1 tick
Agricultural (excluding Grains, Oil & Meal)	\$0.01	20% of premium up to \$0.005 with a minimum of 1 tick
Grains	\$0.02	20% of premium up to \$0.01 with a minimum of 1 tick
Soybean Oil	\$0.001	20% of premium up to \$0.0005 with a minimum of 1 tick
Soybean Meal	\$1.00	20% of premium up to \$0.50 with a minimum of 1 tick
Non-Farm Payroll	None	None
Ethanol	\$0.05	20% of premium up to \$0.025 with a minimum of 1 tick
MGEX Options	\$0.01	20% of premium up to \$0.005 with a minimum of 1 tick
KCBT Options	\$0.01	20% of premium up to \$0.005 with a minimum of 1 tick
NYMEX Crude Oil, Cracks	\$0.25	20% of premium up to \$0.50 with a minimum of 1 tick
NYMEX Heating Oil	\$0.015	20% of premium up to \$0.0075 with a minimum of 1 tick
NYMEX RBOB	\$0.015	20% of premium up to \$0.0075 with a minimum of 1 tick
NYMEX Natural Gas	\$0.10	20% of premium up to \$0.05 with a minimum of 1 tick

<u>Option Contract</u>	<u>Bid/Ask Reasonability</u>	<u>No Bust Range</u>
COMEX Gold	\$4.00	20% of premium up to \$2.00 with a minimum of 1 tick
COMEX Silver	\$0.10	20% of premium up to \$0.05 with a minimum of 1 tick
COMEX Copper	\$0.02	20% of premium up to \$0.01 with a minimum of 1 tick

(End Chapter 5)

## INTERPRETATIONS & SPECIAL NOTICES RELATING TO CHAPTER 5

### ACCESS, CONDUCT AND APPEARANCE CODE

It is imperative that persons who utilize the Exchange Trading Floors ("trading floor") maintain a proper and businesslike atmosphere on the trading floor. This is not only for the benefit of the thousands of visitors (ranging from U.S. government officials to foreign dignitaries to the general public) who come to the Exchange each year, but also to maintain and enhance the reputation and dignity of the Exchange as an international marketplace.

Accordingly, the Exchange has established rules governing access to and conduct on the trading floor as well as standards of appearance. These rules and standards apply to members and their employees, member firm employees, Exchange employees and visitors.

#### I. Access

- A. To gain access to the trading floor, every member, member's employee, member firm employee, and Exchange employee must use only his own personal access card to gain access to the trading floor. Exchange trading floor employees, other Exchange employees routinely on the trading floor and members must display their personal access card or their Exchange issued identification badge. Non-member employees of members and member firms must display their personal access cards on the upper front of their jackets with the picture side facing outward. Broker assistants must also wear a badge provided by the Exchange that identifies them as broker assistants.
- B. Members are required to register and accompany their visitors and are responsible for their actions while they are on the trading floor. Visitors must wear appropriate attire that is clean and presentable and are not allowed in any pit during trading hours. Visitors' overcoats, packages, umbrellas or briefcases are not permitted on the trading floor.
- C. Members may not request trading floor access privileges for the same visitor on more than three days of the same calendar month without the permission of designated Exchange staff of the Security Department.
- D. Visitors are prohibited from soliciting employment or from acting as employees of members, member firms or the Exchange on the trading floor.
- E. No one under the age of 16 will be admitted to the trading floor during trading hours.

#### II. Conduct

Commonly accepted standards of propriety and decorum apply to everyone on the trading floor. The following behavior, speech or actions are expressly prohibited on the trading floor.

- A. Possessing any weapon (including, but not limited to, firearms, knives, stun guns or pepper spray);
- B. Carrying or consuming food or drink. Individually-wrapped (non-chocolate) hard candy and gum, however, are permissible.
- C. Reckless throwing of trading cards or any other material;
- D. Excessive speed in moving around the trading floor;
- E. Use of emergency exits without proper justification;
- F. Smoking or use of tobacco products, including chewing tobacco;
- G. Use of members-only facilities by non-members;

- H. Failure to give member priority to quotation machines, news tickers, monitors and other facilities where such member priority is so designated;
- I. Engaging in any activity that is disruptive to trading;
- J. The sale or solicitation of goods or services without consent of the Exchange;
- K. Having outer coats or umbrellas on the trading floor;
- L. Use of cameras or video equipment, unless authorized by the Exchange. Flash photography, however, is never permitted.

In addition, the following activities are prohibited anywhere on Exchange premises:

- M. Any behavior, speech or actions that are detrimental to the interests and good name of the Exchange (this includes any conduct which is a violation of any local, state or federal law);
- N. Profanity, vulgarity (including wearing buttons with crude or offensive slogans or pictures) or any speech or action that tends to intimidate, degrade or endanger others;
- O. Defacing or otherwise damaging: 1) an Exchange-issued badge or jacket; 2) Exchange facilities or property; or 3) any facility or property regardless of ownership;
- P. Possessing a firearm or other weapon;
- Q. Discarding refuse on escalators or in elevators or in hallways or lobbies; and
- R. Harassment related to race/color, sex/gender, sexual orientation, age, religion, veteran status, national origin and disability/medical condition is expressly prohibited.

### III. Appearance

- A. All apparel should be neat, clean, presentable and in keeping with the businesslike atmosphere of the trading floor.
- B. Jackets: Where required, every member, member's employee, member firm employee and Exchange trading floor employee must wear a jacket provided by the Exchange or their employer, or, in the case of members, a jacket of their own choosing. All jackets must conform to Exchange standards. Guests may not wear trading jackets on the trading floor during trading hours.
- C. Shirts: All men must wear shirts with a collar suitable for a necktie or bow tie. Shirts must be buttoned to at least the second button from the collar. Golf-type shirts are permitted. Shirrtails must be tucked in. Turtleneck sweaters are not allowed for men. Crewneck sweaters are allowed if a conventional collar suitable for a necktie or bow tie is visible. Sweatshirts, tie-dye shirts and T-shirts are prohibited.
- D. Shoes: Shoes must be clean, safe and not torn or frayed. The following footwear is specifically prohibited: All shoes without backs, canvas slippers, moccasins, rubber boots, rubber overshoes, , clogs, bedroom slippers, and shoes with platforms over 2 inches. All shoes must be tied with laces or appropriately fastened.
- E. Pants: The following pants are specifically prohibited: blue jeans, shorts and sweat pants. Tight-fitting stretch pants are allowed only when worn with blouse or shirt at mid-thigh or lower.
- F. Skirts and dresses: Skirts and dresses must reach mid-thigh or lower.
- G. Headwear: All headgear or head coverings are prohibited, except for religious or medical reasons.
- H. Miscellaneous: The following are specifically prohibited: sunglasses, ornaments, pendants or similar items that are distracting or unbusinesslike. Clothing or accessories that draw unusual attention will be deemed unbusinesslike and not permitted on the trading floor.

### IV. Drug and Alcohol Abuse

In order to maintain a safe, healthful, and productive working environment, the Exchange has established the following policy prohibiting drug and alcohol use on Exchange premises.

The following activities are prohibited and may result in disciplinary action, including immediate and permanent bar of access to Exchange premises:

- A. Possession of open containers or use of alcohol, except as expressly authorized by the Exchange.
- B. Being under the influence of alcohol on Exchange premises.
- C. Use, sale, purchase, transfer, or possession of any illegal drug on Exchange premises.
- D. Failure on the part of non-members to submit to a reasonable search by authorized Exchange personnel of lunch boxes, bags, parcels, packages, purses, briefcases, pockets or coats, etc.



Members and Member firms are responsible for their employees' strict adherence to these requirements.

## QUOTATION CHANGES

### I. GENERAL PROCEDURES

- A. Corrections requested up to 15 minutes from the time the bid, offer or trade occurred or reportedly occurred: Changes must be authorized by a member of the Pit Committee or an Exchange Official.
- B. Corrections requested more than 15 minutes from the time the bid, offer or trade occurred or reportedly occurred: Changes must be authorized by:
  - 1. 15-30 Minutes: A member of the Pit Committee and one Exchange Official.
  - 2. Over 30 Minutes: A member of the Pit Committee, a member of the Floor Conduct Committee and a Senior Exchange Official.
- C. Unanimous Approval Required: Unanimous approval among the individuals participating in the quote change consideration is required to effectuate the requested change. In the absence of unanimity, the proposed quote adjustment shall not be made.
- D. A request for a quote change which results in a new high or low for the day must be made within 5 minutes (futures) or 10 minutes (options) of the time the bid, offer or trade occurred or reportedly occurred.

A request for a quote change which affects an established opening range must be made within 15 minutes after the posting of the range, or, in the case of a request for a quote change which affects an established closing range, within 10 minutes of the posting of the closing range. Such requests shall be considered by a member of the Pit Committee, a member of the Floor Conduct Committee and a Senior Exchange Official. Failure to make such a timely request will bar consideration of the quote change.

The time limitations described in this Section D will not apply in the case of options strikes or futures contracts deemed by a Senior Exchange Official to be inactive or illiquid or in the case of a fast market designation. These requests may be considered by a member of the Pit Committee, a Floor Conduct Committee member and a Senior Exchange Official at any time during the same day's trading session.

- E. A decision to adjust a quote must be made within 15 minutes after a quote change request has been made. However, in the event a fast market has been declared while the quote adjustment is under consideration, the period for consideration may continue for 15 minutes after the end of the fast market.

To the extent practicable, quote change adjustments shall be announced to the pit.

- F. Reconsideration: Once a request for a particular quote change has been resolved, or if no decision is reached within the allotted time pursuant to paragraph 5 above, a subsequent request for reconsideration involving the original quote or adjustment may be considered if a Senior Exchange Official deems that new relevant information pertaining to the original request is now available. Such request for reconsideration must be considered by the same individuals who ruled on, or failed to reach a timely resolution of, the original request. In the event one or more of the individuals who participated in the consideration of the original quote change request is unavailable to consider the request for reconsideration, a Senior Exchange Official shall designate a substitute. However, this reconsideration process may not be utilized for a correction involving a quote change which results in a new high or low for the day, with the exception of option strikes or futures contracts deemed by a Senior Exchange Official to be inactive or illiquid, or in declared fast markets.

- G. Requests for Next Day Corrections

If a quote has been inadvertently omitted from the price reporting system and such omission is not discovered until after the trading session, trades may be allowed to clear at the omitted price ~~at any time prior to the opening of the affected market the next day,~~ provided that all of the following requirements are satisfied:

- 1. The parties to the trade can reasonably show that they properly reported the trade price and had a reasonable basis for believing that the trade price would be posted;
- 2. The parties to the trade produce documentation of: a) the contemporaneous recordation of the trade; b) the confirmation of the trade to the customer of the member firm representing the order; and c) the submission of the trade to the Exchange Clearing House and its failure to clear the trade due to a price edit;
- 3. The change is authorized by a Senior Exchange Official; and

4. The change is documented pursuant to Section II.B below.

## II. DOCUMENTATION NEEDED FOR QUOTATION CHANGES

- A. In the case of quote changes requested pursuant to Section I.A., a record shall be made of all committee members or Exchange employees approving the quote change and the change will be recorded on Time and Sales.
- B. In the case of quote changes requested pursuant to Section I.B.1., a hard copy record of the quote change shall be made by Exchange staff. The individuals approving the change shall promptly sign the record. The record shall be time-stamped upon request and again upon approval and shall include the reason for the change, and, in the case of a quote change requested pursuant to Section I.B.2., the reason for the delay. For all approved quotation changes other than next day corrections pursuant to Section I.G above, the quotation change will be recorded on Time and Sales.

## III. CONFLICTS OF INTEREST

No individual may authorize any quotation change, insertion or cancellation if such individual has a personal or financial interest in such change, insertion or cancellation.

## IV. AUTHORITY OF SENIOR EXCHANGE OFFICIALS WITH RESPECT TO QUOTATION CHANGES

Senior Exchange Officials may review and authorize any request for a quotation change in circumstances where the individuals specified in Sections I and II are otherwise not available or where the change is not encompassed by Section I or II. Notwithstanding the procedures set forth in Sections I and II, Senior Exchange Officials are empowered to authorize or deny any requested change only in circumstances where such action is necessary to ensure the integrity or promote the orderly functioning of the market. Such decisions by Senior Exchange Officials shall be documented and signed by the Senior Exchange Official and except for next day corrections pursuant to Section I.G above, the quotation change will be recorded on Time and Sales.

## INTERPRETATION OF RULE 580.— GLOBEX TRADE ALGORITHMS

### Pro-Rata Allocation Algorithm

~~The Exchange has determined to use a Pro Rata Allocation Algorithm to match orders in Eurodollar futures, Euroyen futures and One-Month LIBOR futures contracts entered in the Globex Electronic Trading System. Unless specifically referenced in this Interpretation, all other futures and options contracts, including Eurodollar options, will continue to use the default matching algorithm based on price and time priority. Eurodollar futures contracts were chosen to use the Pro Rata Allocation Algorithm because they usually trade in a narrow price range, and each price level is represented by size. The Pro Rata Allocation Algorithm operates as follows:~~

- ~~• After the opening, Time Priority is assigned to the first order at a price that betters the market when the order is received (the "TOP order"). Only one buy order and one sell order can have Time Priority at any given time. Orders with Time Priority (TOP orders) are matched first regardless of size.~~
- ~~• An order will lose Time Priority when an order at a better price is entered. Example: An order to buy 50 contracts is entered at 105. This order is the first order in at this price level. Another order comes in and betters the market, buy 25 contracts at 106. The order at the 106 level has Time Priority now and is the TOP order. The market sells off and the bid for 25 contracts at 106 is hit. The bid for 50 contracts at 105 does not regain its Time Priority and will be allocated according to size along with all the other 105 bids.~~
- ~~• After the Time Priority or TOP order is filled, the Pro Rata Allocation Algorithm is applied to the remainder of the resting orders at that price level. The Algorithm will attempt to match quantities to orders in proportion to the size of each order. Example: There are orders to buy 10 and 20 contracts at the same price, and neither order has Time Priority. A sell order for 15 contracts at that price is entered. The Algorithm will match the sell order against the buy orders so that 50% of each buy order is matched. The minimum quantity the Pro Rata Allocation Algorithm will allocate is two contracts.~~
- ~~• If the "Initial Allocation" results in a fraction, the Algorithm will "Round Down" or drop the fractional amount. Any contracts still to be allocated after the "Initial Allocation" has run will be allocated on a first in, first out basis.~~

### Implied Order Algorithm

~~The Exchange has determined to use an Implied Order Algorithm to create orders for selected individual contracts, calendar spreads, and butterfly spreads in Eurodollar futures, Euroyen futures and~~

~~One-Month LIBOR futures contracts, and in selected individual contracts and calendar spreads in agricultural futures contracts, and calendar spreads in CME Eurozone HICP futures contracts, and calendar and inter-commodity spreads in CME Housing futures contracts entered in the Globex Electronic Trading System.~~

~~Eurodollar Futures, Euroyen Futures and One-Month LIBOR Futures Contracts: For the purpose of this rule interpretation, buying one butterfly spread (butterfly) means simultaneously buying and selling contracts with three different expirations in the following proportion: buying one contract with the most nearby of the three expirations, selling two contracts with the second of the three expirations and buying one contract with the most deferred of the three expirations. Unless specifically referenced in this Interpretation, all other futures and options contracts, will continue to use the Pro Rata Allocation Algorithm. This Implied Order Algorithm for Eurodollar futures, Euroyen futures and One-Month LIBOR futures contracts operates as follows:~~

- ~~• A "1st-Generation Implied In" order for a calendar spread may be derived on the Globex system from actual orders in the individual contracts or legs of the calendar spread. E.g., a buy order for 15 contracts at 95.05 in a nearby Eurodollar futures contract and a sell order for 10 contracts at 95.00 in a deferred Eurodollar futures contract creates a 1st-Generation Implied In order to buy 10 calendar spreads at 0.05.~~
- ~~• A "1st-Generation Implied Out" order for an individual contract may be derived on the Globex system from (1) actual orders in a calendar spread that includes that individual contract; and (2) actual orders in the other individual contract that comprises the calendar spread. E.g., a buy order for 5 contracts at 95.15 in a nearby Eurodollar futures contract and a sell order for 10 calendar spreads, that include that nearby contract and a deferred contract, at 0.05 creates an Implied Out order to buy 5 contracts in the deferred leg of calendar spread at 95.10.~~
- ~~• A "2nd-Generation Implied In" order for a calendar spread may be derived on the Globex system from (1) actual orders in one individual contract of the calendar spread; and (2) 1st-Generation Implied Out orders in the other individual contract that comprises the calendar spread.~~
- ~~• A "2nd-Generation Implied Out" order for an individual contract may be derived on the Globex system from (1) actual orders in a calendar spread that includes that individual contract; and (2) 1st-Generation Implied Out orders in the other individual contract that comprises the calendar spread.~~
- ~~• Implied In orders for calendar spreads and Implied Out orders for an individual contract based on orders for calendar spread and another individual contract shall be for a quantity representing the smaller of the two orders from which the Implied order is derived.~~
- ~~• The Globex system will create 2nd-Generation Implied In and Out orders, for matching purposes only, if there are insufficient quantities of actual and 1st-Generation Implied In and Out orders to satisfy arriving orders. This may result in a match with 2nd-Generation Implied orders at more favorable prices than had previously been available. Second-Generation Implied orders will not be disseminated to the marketplace.~~
- ~~• A "1st-Generation Implied In" order for a butterfly spread may be derived on the Globex system from (1) actual orders in the three individual contracts or legs of the butterfly spread, e.g. a buy order for 10 contracts at 95.15 in the first of the three contract months, a sell order for 20 contracts at 95.00 in the second of the three contract months, and a buy order for 10 contracts at 94.95 in the last of the three contract months create a 1st-Generation Implied In order to buy 10 butterfly spreads at 0.10; (2) actual orders in two calendar spreads, e.g., a buy order for 10 calendar spreads between the first two of the three contract months at 0.15 and a sell order for 10 calendar spreads between the last two of the three contract months at 0.05 create a 1st-Generation Implied In order to buy 10 butterfly spreads at 0.10; or (3) actual orders in two individual contracts and a calendar spread, e.g. a buy order for 10 contracts at 95.15 in the first of the three contract months, a sell order for 10 contracts at 95.00 in the second of the three contract months and an actual sell order for 10 calendar spreads between the last two of the three contract months at 0.05 create a 1st-Generation Implied In order for 10 butterfly spreads at 0.10.~~
- ~~• A "1st-Generation Implied Out" order for an individual contract from a butterfly spread may be created from an actual order for a butterfly spread with (1) an actual order for a calendar spread and an actual order for an individual contract, e.g. a buy order for 10 butterfly spreads at 0.10, a buy order for 10 calendar spreads between the last two of the three contract months at 0.05, and a buy order for 10 contracts in the second of the three contract months at 95.00 create a 1st-Generation Implied Out buy order for 10 contracts in the nearby month at 95.15; or (2) actual orders for two of the three individual contract months, e.g. a buy order for 10 butterfly spreads at 0.10, a buy order for 20 contracts in the second of the three contract months at 95.00 and a sell order for 10 contract in the last of the three contract months at 94.95 create 1st-Generation Implied~~

Out buy order for 10 contracts in the nearby month at 95.15.— A "1st Generation Implied Out" order for a calendar spread from a butterfly spread may be created from an actual order for a butterfly spread with (1) an actual order for a calendar spread, e.g. a buy order for 10 butterfly spreads at 0.10, a buy order for 10 calendar spreads between the last two of the three contract months at 0.05 create a 1st Generation Implied Out buy order for 10 calendar spreads between the first two of the three contract months at 0.15; or (2) actual orders for two of the three individual contract months, e.g. a buy order for 10 butterfly spreads at 0.10, a buy order for 10 contracts in the second of the three contract months at 95.00 and a sell order for 10 contract in the last of the three contract months at 94.95 create 1st Generation Implied Out buy order for 10 calendar spreads between the first two of the three contract months at 0.15.

- ~~Note that an Implied Out order for the second of the three contract months from a butterfly spread is for two contracts. These two contracts may have different implied prices, e.g. a buy order for 1 butterfly spread at 0.15, a sell order for 1 contract in the first of the three contract months at 95.15 and a sell order for 1 contract in the last of the three contract months at 94.95 creates implied orders in the second of the three contract months to sell 1 contract at 95.00 and 1 contract at 94.95. Regardless of whether the implied prices for the two contracts are identical, the trade can only occur if both contracts can be matched opposing orders. In the event an opposing order exists for one of the two contracts in the second leg of butterfly spread, an Implied Out order for the remainder may be created.~~
- ~~A "2nd Generation Implied In" order for a butterfly spread may be derived on the Globex system from a combination of actual orders in the individual contracts and 1st Generation Implied Out orders from calendar spreads for the remaining leg(s) in the butterfly spread.~~
- ~~A "2nd Generation Implied out" order for an individual contract from a butterfly spread may be derived on the Globex system from an actual order for a butterfly spread and a combination of actual and implied orders in the individual contracts and/or calendar spreads.~~
- ~~The Globex system will disseminate 1st Generation Implied In orders for butterfly spreads and 1st Generation Implied Out orders for the first and the last of the three contract months from a butterfly spread order. 1st Generation Implied Out orders for the second of the three contract months from a butterfly spread order are not disseminated due to the fact that such orders can only be filled if both contracts for each spread can be matched to opposing orders. 2nd Generation Implied orders are created for matching purpose only and are also not disseminated.~~
- ~~Implied In and Implied Out orders created by the Implied Order Algorithm shall be processed per the Pro Rata Allocation Algorithm described above, except that~~
  1. ~~Implied orders shall not be granted Time Priority or considered the TOP order;~~
  2. ~~In the event that contracts remain to be allocated after the Initial Allocation, as described in the Pro Rata Allocation Algorithm above, and two or more orders have identical quantities and are the largest orders, allocations shall be made to Implied orders only after allocation to actual orders is complete. Allocations to Implied orders shall be made on the basis of maturity of the contract(s) where nearby contracts receive priority over deferred contracts.~~
- ~~Market orders, that are entered into the Globex System where the Implied Order Algorithm is effective, shall be converted into limit orders and filled at the best available price from actual orders or 1st Generation Implied orders. If the quantity of the market order exceeds the quantity of opposite actual and 1st Generation Implied orders, Globex will create, and allocate the remaining contracts to, 2nd Generation Implied orders. Allocations to Implied orders shall be made on the basis of maturity of the contract(s) where nearby contracts receive priority over deferred orders. Any part of such market order that is not filled at the limit price or better shall remain as a resting order at such limit price until filled or cancelled.~~
- ~~Stop limit orders, that are entered into the Globex System where the Implied Order Algorithm is effective, are activated and placed into the order book when the order's specified stop price is traded, at which time the order may be executed at the specified limit price or better. Such stop limit orders are initially allocated to actual and 1st Generation Implied orders. If the quantity of the stop limit order exceeds the quantity of opposite actual and 1st Generation Implied orders, Globex will create, and allocate the remaining contracts to, 2nd Generation Implied orders. Allocations to Implied orders shall be made on the basis of maturity of the contract(s) where nearby contracts receive priority over deferred contracts. Any part of such stop limit order that is not filled at the limit price or better shall remain as a resting order at such limit price until filled or cancelled.~~

Agricultural Futures Contracts: Unless specifically referenced in this Interpretation, all other futures and options contracts will continue to use the Pro Rata Allocation Algorithm. This Implied Order Algorithm for Agricultural futures contracts operates as follows:

- ~~A "1st Generation Implied In" order for a calendar spread may be derived on the Globex system from actual orders in the individual contracts or legs of the calendar spread. E.g., a buy order for 15 contracts at 85.05 in a nearby Live Cattle futures contract and a sell order for 10 contracts at 85.00 in a deferred Live Cattle futures contract creates a 1st Generation Implied In order to buy 10 calendar spreads at 0.05.~~
- ~~A "1st Generation Implied Out" order for an individual contract may be derived on the Globex system from (1) actual orders in a calendar spread that includes that individual contract; and (2) actual orders in the other individual contract that comprises the calendar spread. E.g., a buy order for 5 contracts at 85.15 in a nearby Live Cattle futures contract and a sell order for 10 calendar spreads, that include that nearby contract and a deferred contract, at 0.05 creates an Implied Out order to buy 5 contracts in the deferred leg of calendar spread at 85.10.~~
- ~~A "2nd Generation Implied In" order for a calendar spread may be derived on the Globex system from (1) actual orders in one individual contract of the calendar spread; and (2) 1st Generation Implied Out orders in the other individual contract that comprises the calendar spread.~~
- ~~A "2nd Generation Implied Out" order for an individual contract may be derived on the Globex system from (1) actual orders in a calendar spread that includes that individual contract; and (2) 1st Generation Implied Out orders in the other individual contract that comprises the calendar spread.~~
- ~~Implied In orders for calendar spreads and Implied Out orders for an individual contract based on orders for calendar spread and another individual contract shall be for a quantity representing the smaller of the two orders from which the Implied order is derived.~~
- ~~All implied orders will be derived by the Globex system subject to the applicable daily price limits for that particular product and contract month.~~
- ~~The Globex system will create 2nd Generation Implied In and Out orders, for matching purposes only, if there are insufficient quantities of actual and 1st Generation Implied In and Out orders to satisfy arriving orders. This may result in a match with 2nd Generation Implied orders at more favorable prices than had previously been available. Second Generation Implied orders will not be disseminated to the marketplace.~~
- ~~Implied In and Implied Out orders created by the Implied Order Algorithm shall be processed per the LMM Allocation Algorithm (Option B) described below, except that~~
  1. ~~Implied orders shall not be granted Time Priority or considered the TOP order;~~
  2. ~~In the event that contracts remain to be allocated after the Initial Allocation, as described in the Pro Rata Allocation Algorithm above, and two or more orders have identical quantities and are the largest orders, allocations shall be made to Implied orders only after allocation to actual orders is complete. Allocations to Implied orders shall be made on the basis of maturity of the contract(s) where nearby contracts receive priority over deferred contracts.~~
- ~~Market orders, that are entered into the Globex System where the Implied Order Algorithm is effective, shall be converted into limit orders and filled at the best available price from actual orders or 1st Generation Implied orders. If the quantity of the market order exceeds the quantity of opposite actual and 1st Generation Implied orders, Globex will create, and allocate the remaining contracts to, 2nd Generation Implied orders. Allocations to Implied orders shall be made on the basis of maturity of the contract(s) where nearby contracts receive priority over deferred contracts. Any part of such market order that is not filled at the limit price or better shall remain as a resting order at such limit price until filled or cancelled.~~
- ~~Stop limit orders, that are entered into the Globex System where the Implied Order Algorithm is effective, are activated and placed into the order book when the order's specified stop price is traded, at which time the order may be executed at the specified limit price or better. Such stop limit orders are initially allocated to actual and 1st Generation Implied orders. If the quantity of the stop limit order exceeds the quantity of opposite actual and 1st Generation Implied orders, Globex will create, and allocate the remaining contracts to, 2nd Generation Implied orders. Allocations to Implied orders shall be made on the basis of maturity of the contract(s) where nearby contracts receive priority over deferred contracts. Any part of such stop limit order that is not filled at the limit price or better shall remain as a resting order at such limit price until filled or cancelled.~~

Housing and Eurozone HICP Futures Contracts: Unless specifically referenced in this Interpretation, all other futures and options contracts will continue to use the Pro Rata Allocation Algorithm. This Implied Order Algorithm for housing and HICP futures contracts operates as follows:

- ~~A "1st Generation Implied In" order for a calendar spread may be derived on the Globex system from actual orders in the individual contracts or legs of the calendar spread. E.g., a buy order for 15 contracts at 85.05 in a nearby housing futures contract and a sell order for 10 contracts at 85.00~~

in a deferred housing futures contract creates a 1st Generation Implied In order to buy 10 calendar spreads at 0.05.

- A "1st Generation Implied Out" order for an individual contract may be derived on the Globex system from (1) actual orders in a calendar spread that includes that individual contract; and (2) actual orders in the other individual contract that comprises the calendar spread. E.g., a buy order for 5 contracts at 85.15 in a nearby housing futures contract and a sell order for 10 calendar spreads, that include that nearby contract and a deferred contract, at 0.05 creates an Implied Out order to buy 5 contracts in the deferred leg of calendar spread at 85.10.
- A "2nd Generation Implied In" order for a calendar spread may be derived on the Globex system from (1) actual orders in one individual contract of the calendar spread; and (2) 1st Generation Implied Out orders in the other individual contract that comprises the calendar spread.
- A "2nd Generation Implied Out" order for an individual contract may be derived on the Globex system from (1) actual orders in a calendar spread that includes that individual contract; and (2) 1st Generation Implied Out orders in the other individual contract that comprises the calendar spread.
- Implied In orders for calendar spreads and Implied Out orders for an individual contract based on orders for calendar spread and another individual contract shall be for a quantity representing the smaller of the two orders from which the Implied order is derived.
- The Globex system will create 2nd Generation Implied In and Out orders, for matching purposes only, if there are insufficient quantities of actual and 1st Generation Implied In and Out orders to satisfy arriving orders. This may result in a match with 2nd Generation Implied orders at more favorable prices than had previously been available. Second Generation Implied orders will not be disseminated to the marketplace.
- Implied In and Implied Out orders created by the Implied Order Algorithm shall be processed per the LMM Allocation Algorithm (Option B) described below, except that
  1. Implied orders shall not be granted Time Priority or considered the TOP order;
  2. In the event that contracts remain to be allocated after the Initial Allocation, as described in the Pro Rata Allocation Algorithm above, and two or more orders have identical quantities and are the largest orders, allocations shall be made to Implied orders only after allocation to actual orders is complete. Allocations to Implied orders shall be made on the basis of maturity of the contract(s) where nearby contracts receive priority over deferred contracts.
- Market orders, that are entered into the Globex System where the Implied Order Algorithm is effective, shall be converted into limit orders and filled at the best available price from actual orders or 1st Generation Implied orders. If the quantity of the market order exceeds the quantity of opposite actual and 1st Generation Implied orders, Globex will create, and allocate the remaining contracts to, 2nd Generation Implied orders. Allocations to Implied orders shall be made on the basis of maturity of the contract(s) where nearby contracts receive priority over deferred contracts. Any part of such market order that is not filled at the limit price or better shall remain as a resting order at such limit price until filled or cancelled.
- Stop limit orders, that are entered into the Globex System where the Implied Order Algorithm is effective, are activated and placed into the order book when the order's specified stop price is traded, at which time the order may be executed at the specified limit price or better. Such stop limit orders are initially allocated to actual and 1st Generation Implied orders. If the quantity of the stop limit order exceeds the quantity of opposite actual and 1st Generation Implied orders, Globex will create, and allocate the remaining contracts to, 2nd Generation Implied orders. Allocations to Implied orders shall be made on the basis of maturity of the contract(s) where nearby contracts receive priority over deferred contracts. Any part of such stop limit order that is not filled at the limit price or better shall remain as a resting order at such limit price until filled or cancelled.

#### Lead Market Maker (LMM) Allocation Algorithms

The Exchange may designate, per the provisions of Rule 581, Globex Lead Market Maker Program, multiple Lead Market Makers (LMMs) in specified futures and option markets traded on the Globex Electronic Trading System. The Exchange has determined to use either LMM Allocation Algorithm (Option A) or LMM Allocation Algorithm (Option B) as described below to match orders in specified markets. No markets are currently subject to LMM Allocation Algorithm (Option A). Weather futures, agricultural futures, futures on Standard and Poor's Depository Receipts ("SPDR"), NASDAQ-100 Tracking Stock ("QQQQ"), Russell 2000 iShares ("IWM"), and Housing futures shall be subject to LMM Allocation Algorithm (Option B). All other futures and options contracts, unless specifically referenced in this Interpretation, will continue to use the normal matching algorithm based on price and time priority.

1. The LMM Allocation Algorithm (Option A) operates as follows:

- After the opening, Time Priority is assigned to the first order at a price that betters the market when the order is received. Only one buy order and one sell order can have Time Priority at any given time. Orders with Time Priority are matched first regardless of whether it was entered by an LMM or non-LMM.
  - An order will lose Time Priority when an order at a better price is entered. Example: An order to buy 50 contracts is entered at 105. This order is the first order in at this price level. Another order comes in and betters the market, buy 25 contracts at 106. The order at the 106 level has Time Priority now. The market sells off and the bid of 25 contracts at 106 is hit. The bid for 50 contracts at 105 does not regain its Time Priority and will be allocated according to the LMM Allocation Algorithm along with all the other 105 bids.
  - After the Time Priority order is filled, the LMM Allocation Algorithm is applied to the remainder of the resting orders at that price level. The LMM Algorithm will attempt to allocate a specified minimum proportion of the trade to the LMM provided that the LMM's bid or offer matches the best available bid or offer. Any contracts still to be allocated after the "LMM Allocation" are allocated based upon the time of order entry.
  - If the allocation to the LMM results in a fraction, the LMM Algorithm will "Round Down" to the nearest integral contract multiple.
  - In the event that the Exchange designates a single LMM in a specified market, the LMM's allocated proportion shall be 40%. In the event that the Exchange designates two (2) LMMs in a specified market, each LMM shall be allocated 20%. In the event that the Exchange designates three (3) LMMs in a specified market, each LMM shall be allocated 15%.
2. The LMM Allocation Algorithm (Option B) operates in a manner similar to Option A as described above, except that LMMs will be allocated a specified minimum proportion of the trade provided that the LMM's bid or offer matches the best available bid or offer regardless of whether the LMM had achieved Time Priority.

#### Best Price Priority Allocation Algorithm

The Exchange has determined to use a Best Price Priority Allocation Algorithm to match orders in foreign exchange (currency and currency cross rate and E-mini) futures calendar spreads (intra-currency futures spreads) entered in the Globex Electronic Trading System. Unless specifically referenced in this Interpretation, all other futures and options contracts, including currency options, will continue to use the normal matching algorithm based on price and time priority. Foreign exchange futures calendar spread contracts were chosen to use a Best Price Priority Allocation Algorithm because they, like Eurodollar futures contracts, usually trade in a narrow price range, and price levels are represented by size, particularly during the rollover period. The Best Price Priority Allocation Algorithm operates as follows:

- After the opening, Price Priority is assigned to all orders at the price that betters the market when orders are received. All buy orders and all sell orders at the best price have Price Priority at any given time. Orders with Price Priority at the best price are matched according to an Allocation Algorithm in proportion to all orders bid or offered at that best price as follows. Example: Suppose the best bid of a June/September calendar spread is 14 and a total of 1,210 contracts are bid at that price by four different orders as follows: 1,000 contracts by Order 1; 100 contracts by Order 2; 100 contracts by Order 3; and 10 contracts by Order 4, then when a sell order hits the 14 bid by selling 500 contracts, the Globex system will allocate 414 contracts  $(1,000/1,210 * 500$  plus 1 remainder) to Order
- 1; 41 contracts each  $(100/1,210 * 500)$  to Orders 2 and 3; and 4 contracts  $(10/1,210 * 500)$  to Order 4.
- All orders at the best price will lose Price Priority when an order (or orders) at a better price is (are) entered. Example: An order to buy 50 contracts is entered at 12. This order is the first order in at this price level. Another order comes in and betters the market, buy 25 contracts at 13. The buy order at the 13 level has Price Priority now. The market sells off and the bid for 25 contracts at 13 is hit. The bid for 50 contracts at 12 regains its Price Priority because it is now the best price and this order will be allocated according to size along with all the other 12 bids.
- If the "Initial Allocation" results in a fraction, the Algorithm will "Round Down" or drop the fractional amount. Any contracts still to be allocated after the "Initial Allocation" has run are added to the largest order. If two or more orders have identical quantities and are the largest orders, the Algorithm will perform an "Electronic Coin Flip" and assign the remainder to the order that wins.

Use of the Best Price Priority Allocation Algorithm for foreign exchange futures calendar spreads will be effective on Sunday, May 19, 2002, for the Globex trade date of Monday, May 20, 2002.

### User Defined Futures & Options Spreads on CME Globex

For combination trades of options and futures contracts on Globex, the following additional matching mechanisms apply. For each such combination, the quantity of each option contract shall be an integer, while the quantity of futures position can be a fraction. Hereafter, the quantity of each futures contract per combination shall be referred to as the "delta" with respect to the futures expiration. Each delta shall be no smaller than 0.01 and no larger than (i) 1.00, if there is only one option in the combination, or (ii) 40.00, if there are two or more distinct option contracts in the combination. For each futures contract, the price at which the futures transaction shall be consummated shall be defined within the combination, and is subject to the futures price increment conventions defined by the respective Exchange Rules. Two combinations with identical futures and options quantities and buy/sell, long/short configurations are distinct if the futures prices are not identical, and shall be treated as different combinations.

Order matching shall proceed in accordance with the same trade allocation rule as described previously in this interpretation to Rule 580, with the following provisions for assigning the futures positions. For each futures contract specified in the combination,

1. the total number of futures positions to be assigned shall be the number of combinations traded multiplied by the respective delta. This number of futures position shall be assigned to the incoming order.
2. each of the resting limit orders, against which the incoming order are matched to, shall be assigned a futures position of the allocated numbers of combinations times the delta, rounding down to the nearest integer, e.g. if an order is allocated 15 combinations, and the delta is 0.45, 6 futures contracts shall be allocated.
3. the total number of futures position assigned to the resting limit orders following the preceding step will be equal to or fewer than the total number of futures positions to be assigned to the incoming order. The difference, if any, shall be assigned one futures contract per resting order in the following priority until the difference is reduced to zero: the resting order with the highest magnitude of rounding down in step 2 shall be first to receive an additional futures position, followed by the order with the second highest magnitude of rounding down in step 2, etc. If two orders have the same magnitude of rounding down, the oldest order shall receive the additional futures position.

For example, a trade of 60 contracts with a delta of 0.45 is matched between an incoming order and 4 resting limit orders with quantities of 20, 15, 15, 10. Total number of futures position to be assigned is  $60 \times 0.45 = 27$  contracts. The four resting orders shall receive the following assignment of futures position:

Resting Order	Matched Quantity	Quantity-X delta	Initial Futures Allocation	Magnitude of Rounding	Additional Allocation	Total Futures Allocation
1	20	9.00	9	0.00	0	9
2	15	6.75	6	0.75	1	7
3	15	6.75	6	0.75	1	7
4	10	4.50	4	0.50	0	4
Incoming Order	60	27.00				27

### **INTERPRETATION OF RULE 582-GLOBEX SWITCH TRADE MATCHING ALGORITHM**

Bids or offers may be entered for all available contract expirations on behalf of an account during each trading session. If both bids and offers for the same contract expiration are entered on behalf of an account, the trade matching algorithm will net the offsetting bids and offers and recognize the net order.

Orders can be entered into Globex during the pre-open period. A notification of receipt of such order shall be sent by Globex indicating that the order has been accepted. Globex will disregard any price associated with the order and substitute the price as determined for the specific expiration. Since all the outstanding orders for the same expiration carry the same price at the conclusion of order entry period, all trades for the same expiration will be consummated at the same price.

While the outcome of the trade matching process is a calendar spread, it is not necessary to enter matching buy and sell orders.

The following example demonstrates the outcome of the trade matching process. For illustrative purposes, assume that there are 4 separate accounts and 10 available contract expirations. The following table shows the outstanding orders for each account for each contract expiration. A positive



number in the following table represents a bid and a negative number represents an offer. For example, for account 1, there is a bid for 98 contracts for expiration 1, a bid for 68 contracts for expiration 2, ..., an offer of 125 contracts for expiration 5, ..., and no outstanding order for expiration 10.

Table: Summary of outstanding bids and offers

Expiration	Account 1	Account 2	Account 3	Account 4
1	98	-118	6	-38
2	68	65	-6	-74
3	60	39	-83	39
4	18	36	69	-46
5	-125	-83	98	28
6	68	-124	-13	-111
7	123	21	-61	-101
8	49	-13	77	-71
9	122	-61	145	-63
10	0	10	144	-28

The trade matching algorithm will determine the distribution of contracts bought and sold such that the total number of contracts matched is maximized, and, for each account, the total number of contracts bought equals to the total number of contracts sold. The following table shows an admissible allocation that maximizes the objective. For example, Account 1 bought 64, 6, 13, 40 and 2 contracts of expiration 1, 3, 6, 7 and 9 respectively, and sold 125 contracts of expiration 5.

Table: Summary of contracts bought and sold

Expiration	Account 1	Account 2	Account 3	Account 4
1	64	-70	6	0
2	0	26	-6	-20
3	6	39	-83	38
4	0	36	0	-36
5	-125	-1	98	28
6	13	0	-13	0
7	40	21	-61	0
8	0	0	0	0
9	2	-61	59	0
10	0	10	0	-10

If there are multiple admissible distributions of positions yielding the same total number of contracts matched, the algorithm will choose among the admissible distribution the one with the least total sum of squares of positions to achieve widest distribution of positions. For example, the sum of squares of the positions for account 1 is  $64^2 + 6^2 + 125^2 + 13^2 + 40^2 + 2^2$ . The total sum of squares of positions shall be the sum of squares of the positions for all accounts under the distribution.

The algorithm shall not recognize any time priority for purposes of filling orders.

#### **INTERPRETATION OF RULE 584.—CME GLOBEX OPTIONS VOLATILITY QUOTE TRADING**

**CME GLOBEX OPTIONS VOLATILITY TRADING MATCH.** Once a trade occurs in an outright option or combination quoted in volatility terms, this matched transaction will be assigned: (1) a price in premium terms for each option in the trade and (2) a delta neutral hedge quantity assignment of futures contracts, if applicable, according to the following procedures:

The exchange will determine the option price in premium terms by inserting the following variables into the appropriate standard option pricing model:

- (a) matched implied volatility;
- (b) underlying futures price from CME Globex (see details below);
- (c) time to expiration in years (equals number of calendar days from option's trade date to option's expiration date divided by 365 days);
- (d) option strike price;
- (e) current interest rate (see details below);
- (f) whether a put or a call option;
- (g) option style, either European or American to determine the appropriate standard option pricing model as detailed in Appendix A.

The resulting premium price will be rounded to the appropriate minimum tick interval of the option according to the individual options Price Increments rules. Where, the interest rate used will be the rate implied by the prior day's settlement price of the nearest to expiration CME Group serial or quarterly Three-Month Eurodollar futures contract month (100.00 — 3-Month Eurodollar futures price — interest rate).

Where, the underlying futures price used will be based on the following tiered hierarchy:

Tier 1: Most recent midpoint of the nearest to expiration March quarterly cycle ("front month") futures contract bid and ask spread on CME Globex is used as the basis for determining the underlying futures prices for all listed contract months.

If the calculated midpoint is not on-a-tick, CME Globex will round to either the bid side or ask side whichever has the smallest quantity of contracts bid or offered.

If the volatility quoted option being matched has an underlying futures contract other than the front month futures contract, then CME Globex will adjust the calculated price for the front month futures contract by the appropriate previous day's settlement price spread differential to imply an appropriate underlying futures price.

Normally, under Tier 1, the underlying futures price is based on the front month future bid/ask spread. However, during the expiration week of the front month future, CME Globex compares the bid/ask spreads of the front month future and the next quarterly contract month and uses the instrument with the tightest bid/ask spread for the volatility to premium price conversion. However, if the next quarterly contract month bid/ask spread is used (tighter bid/ask spread), then CME Globex will imply the underlying futures price for the front month future from the next quarterly contract month midpoint, adjusted by the appropriate spread differential from the respective previous day's settlement prices.

Tier 2: Previous settlement price (when no most recent bid/ask midpoint in the nearest to expiration March quarterly cycle futures contract is available).

When the outright option includes futures in a delta neutral ratio to the options, the delta will be calculated for European-style options from the standard Black option pricing model, and for the American-style options from the standard Whaley option pricing model. See Appendix A for details of these standard options pricing models.

The quantity (" $Q_{fut}$ ") of futures contracts to be allocated in the delta neutral hedge equals the product of the net delta in the options combination (" $\Delta$ ") as determined by the applicable options pricing model, and the quantity of trades (" $Q_{opt}$ ") triggered by the incoming options order. This resulting product is rounded to the nearest integer to determine the quantity of futures contracts allocated.

$$Q_{fut} = \Delta * Q_{opt}$$

In the event an incoming options order trading in volatility terms is matched by CME Globex to more than one resting order, the resulting allocation of futures contracts shall be as follows:

The incoming order is matched via the best price and FIFO matching algorithm to two or more resting orders. The quantity of each such allocation of futures contracts equals the quantity of that portion of the matched options trade times the net delta, rounded down to the nearest integer. The sum total of the futures contracts allocated to the resting options orders after this allocation may be less than the allocation of futures contracts originally defined for the incoming options order. This difference shall be allocated one futures contract at a time to the resting order portion that is the most under allocated (i.e., highest remainder given the product of the net delta and option order quantity), based on the extent of rounding down in the calculation above. If there is a tie in the amounts by which two or more resting orders are the most under allocated, then the residual futures contract shall be allocated to the oldest resting order (first order entered) that is matched to the incoming options order.

If the incoming options order is for a quantity larger than can be matched with resting orders at the same options volatility price, then the remaining quantity of the incoming options order becomes a resting limit order for the unmatched, remaining quantity at the same volatility price.

The price of futures contracts allocated by CME Globex shall be as determined in step 1 above. The following section provides a numerical example of CME Globex allocations of futures contracts, given a volatility-quoted option match. Match of Multiple Counterparties and Futures Contract Hedge Assignments  
The following example is for a European-style option:

— Assume the Ask side order enters the market and sweeps the Bid side quantity in resting orders.

1.7000 Call / Currency Option			
BID		ASK	
QTY	Volatility	Volatility	QTY
40	1220	1220	100 (incoming order)
30	1220		
20	1220		
10	1220		

— The Black option pricing model outputs a computed net delta of 0.51.

a. The Bid side breakdown for assigned futures contracts is as follows:

Bid Side QTY	Delta	Delta x QTY	Rounding Down	Residual	Total Assigned Futures Contracts
40	0.51	20.4	20	1*	21
30	0.51	15.3	15	0	15
20	0.51	10.2	10	0	10
10	0.51	5.1	5	0	5
Subtotals			50	1	51
100 matched to incoming order	0.51	Totals 51	51	Na	51

\* Remainder amount rounded down for this order = 0.40, which is the highest amount of all orders. Therefore, this order is the most under allocated and is allocated the residual futures contract.

### Appendix A: Option Pricing Models

For the purposes of providing conversions of volatility to premium option prices and options deltas under Rule 584, CME Globex will use the following option pricing models for European- and American-style options.

Black Option Pricing Model for European Style Options

CME Assumptions

Applicable interest rate will be based on the nearest to expiration Eurodollar Time Deposit (ED) future contract month

Price of the underlying futures contract from CME Globex as determined by the methodology detailed in this Interpretation

Time to expiration in years is  $\frac{\# \text{ of days}}{365}$

Abbreviations used in the formula

C = call premium

P = put premium

U = price of the underlying contract (future)

E = expiration (strike) price

$t$  = time to expiration in years  
 $v$  = annual volatility expressed as a decimal  
 $r$  = interest rate assumption expressed in decimal  
 $e$  = base of the natural logarithm  
 $\ln$  = natural logarithm  
 $N$  = normal standard distribution  
 $h$  = calculated variable (see formula below)

Equations\*

$$C = Ue^{-rt} N(h) - Ee^{-rt} N(h - v\sqrt{t})$$

$$P = -Ue^{-rt} N(-h) + Ee^{-rt} N(v\sqrt{t} - h)$$

$$h = \frac{\ln\left(\frac{U}{E}\right) + \frac{v^2}{2}t}{v\sqrt{t}}$$

Where

$$\text{Call delta} = e^{-rt} N(h)$$

$$\text{Put delta} = -e^{-rt} N(-h)$$

\*Natenberg, S. (1994). *Option Volatility and Pricing*. New York: McGraw-Hill

Whaley Option Pricing Model for American-Style Options

The following model is based on the Barone-Adesi-Whaley model as described in the *Journal of Finance*, Vol. 42 No. 2, pages 301-320. The model uses analytic approximation techniques to solve for the price of the American-style option. The model estimates a value for  $S^*$  which is the underlying price above which the option should be exercised. The value of  $S^*$  is then used to determine the value of the option. For call options, the model estimates  $S^*$  by satisfying the following equation:

$$\{LHS - RHS\} / K < 0.00001 \quad (\text{Please see notes 1-4 at the end of this section.})$$

Where

$$LHS = S^* - K$$

$$RHS = c(S, T) + [(1 - e^{-(b-r)T}) N(d_1(S^*))] (S^* / q_2)$$

$$d_1 = [\ln(S^* / K) + (b + \sigma^2 / 2)T] / \sigma \sqrt{T}$$

$$d_2 = d_1 - \sigma \sqrt{T}$$

$$q_2 = \{ (N - 1) + \sqrt{(N - 1)^2 + 4M/k} \} / 2$$

$$M = 2 * r / \sigma^2$$

$$N = 2 * b / \sigma^2$$

$$k = 1 - e^{-rT}$$

$N(\cdot)$  is the cumulative univariate normal distribution.

$n(\cdot)$  is the univariate normal density function.

$\sigma$  = volatility (e.g. 10% per annum = 0.10)

$T$  = time until expiration in years (e.g. 90 days = 0.247)

$r$  = interest rate (e.g. 8% per annum = 0.08)

$b$  = cost of carry, assumed to be zero for the purposes of this calculation

$K$  = strike price

$S$  = underlying price

After each iteration, the estimate of  $S^*$  is adjusted by:

$$S_{i+1}^* = [K + \text{RHS} - b_i S_i^*] / (1 - b_i)$$

where

$$b_i = e^{(b-r)T} N[d_1(S_i^*)] (1 - 1/q_2) + [1 - e^{(b-r)T} n[d_1(S_i^*)] / \sigma \sqrt{T}] / q_2$$

Once the correct value of  $S^*$  is found, the value of the call and the call's delta are found by solving:

$$C(S, T) = c(S, T) + A_2 (S / S^*)^q$$

Where

$$A_2 = (S^* / q_2) (1 - e^{(b-r)T} N[d_1(S^*)])$$

$$A = A_0 + A_2 q_2 (S / S^*)^q / S$$

$c(S, T)$  = the price of a European style call option.

$A_0$  = the delta of the European style call option.

For put options, the model estimates  $S^*$  by satisfying:

$$(\text{LHS} - \text{RHS}) / K < 0.00001$$

where

$$\text{LHS} = K - S^*$$

$$\text{RHS} = p(S, T) - [(1 - e^{(b-r)T} * (N[-d_1(S^*)])) * (S^* / q_1)]$$

$$d_1 = [\ln(S^* / K) + (b + \sigma^2 / 2)T] / \sigma \sqrt{T}$$

$$d_2 = d_1 - \sigma \sqrt{T}$$

$$q_1 = [-(N-1) - \sqrt{(N-1)^2 + 4M/k}] / 2$$

$$M = 2 * r / \sigma^2$$

$$N = 2 * b / \sigma^2$$

$$k = 1 - e^{-rT}$$

$N(\cdot)$  is the cumulative univariate normal distribution.

$n(\cdot)$  is the univariate normal density function.

$\sigma$  = volatility (e.g. 10% per annum = 0.10)

$T$  = time until expiration in years (e.g. 90 days = 0.247)  $r$  = interest rate (e.g. 8% per annum = 0.08)

$b$  = cost of carry, assumed to be zero for the purposes of this calculation

$K$  = strike price

$S$  = underlying price

After each iteration, the estimate of  $S^*$  is adjusted by:

$$S_{i+1}^* = [K - RHS + b_i S_i^*] / (1 + b_i)$$

where

$$b_i = e^{(b-r)T} N[d_+(S_i^*)] (1 - 1/q_+) - [1 + e^{(b-r)T} n[d_+(S_i^*)] / \sigma \sqrt{T}] / q_+$$

Once the correct value of  $S^*$  is found, the value of the put and the put's delta are found by solving:

$$P(S, T) = p(S, T) + A_+(S / S^*)_+^q$$

where

$$A_+ = -(S^* / q_+) (1 - e^{(b-r)T} N[d_+(S^*)])$$

$$\Delta = \Delta_e + A_+ * q_+ * (S / S^*)_+^{q-1} / S$$

$p(S, T)$  = the price of a European style put option.

$\Delta_e$  = the delta of the European style put option.

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Note 1. CME Group's Falcon engine goes slightly further in its precision to 0.000001 (one more decimal place).

Note 2. CME Group's Falcon engine also has a maximum number of iterations that it will perform on the equation discussed in Note 1 to fall within the tolerance level. If after 10,000 iterations the Falcon engine calculation is not within a tolerance of 0.000001, it will fall back to the European model instead.

Note 3. CME Group's Falcon engine does not implement any notion of a carrying cost or foreign interest rate. The  $b$  variable is always equal to zero in the equations. If for some reason the Falcon engine does start to use  $b$ , it is worth noting that if  $b$  is ever greater than or equal to the interest rate  $r$ , the Falcon engine automatically falls back to the European model.

Note 4. CME Group's Falcon engine uses the Black Option Pricing Model (see Appendix A) in place of the Merton Model referred to in the abstract of Giovanni Barone-Adesi and Robert E. Whaley's article in the June 1987 *Journal of Finance* (Volume XLII, No. 2).

#### **INTERPRETATION OF RULE 585 — GLOBEX CALL MARKET TRADING ALGORITHM**

~~Trade Allocation Algorithm pertinent to Globex Call Markets~~

~~The Exchange may designate the trade allocation algorithms applicable to a designated set of contracts trading pursuant to Rule 585 — Globex Call Market Trading Algorithm, including without limitation any of the algorithms set forth in Rule 580 — Globex Trade Algorithms.~~

~~Pursuant to the provisions of Rule 581 — Globex Lead Market Maker Program and Rule 585, the Exchange may designate multiple Lead Market Makers (LMMs) for a Globex Call Market for a designated set of contracts. Each LMM shall be assigned an allocation proportion for the purpose of trade matching. Trade allocation in a Call Market with LMMs operates as follows:~~

- ~~1. If one or more LMM's bids or offers match the best available bid or offer, against which an opposing executable order exist, the LMM's orders shall be eligible for allocation along with the orders at the best bid or offer.~~
- ~~2. For each LMM with orders eligible for allocation, the total allocation for the LMM shall be the smaller of its allocation proportion times the size of the opposing order, rounded down to the nearest integral contract multiple, or the aggregate order size at the same price level from the LMM. If the order with time priority has a quantity of a minimum of fifty (50), it will be designated as the TOP order. If there is a TOP order, it shall also receive an allocation of the smaller of 25% times the original quantity of the opposing order, rounded down to the nearest integer, or the size of the TOP order.~~
- ~~3. Following the allocation of trades to the LMM(s) and the TOP order, if it exists, the remainder of the trade shall be allocated to all remaining bids or offers at the best price on a pro rata basis. The pro rata allocation for each order shall be rounded down to the nearest integral contract multiple, with the residual quantity allocated to the largest order. If two or more orders have identical quantities and are the largest orders, the residuals shall be equally allocated between the largest orders, subject to rounding down to the nearest integral contract multiple. Any remaining unallocated contracts shall be allocated on the basis of time priority.~~

~~The Exchange retains the right to grant specific allocation proportion(s) to the LMM(s). The aggregate allocation proportion of all LMM(s), however, shall not exceed 50%. If no LMM has been designated, trade allocation shall be executed on pro rata basis, resembling step 3 of trade allocation with LMMs.~~

~~New combinations of futures and option contracts, as defined in Rule 585.1.b, can be defined by any market participants on demand. For each such combination, the quantity of each option contract shall be an integer, while the quantity of futures position can be a fraction. Hereafter, the quantity of each futures contract per combination shall be referred to as the "delta" with respect to the futures expiration. Each delta shall be no smaller than 0.01 and no larger than (i) 1.00, if there is only one option in the combination, or (ii) 40.00, if there are two or more distinct option contracts in the combination. For each futures contract, the price at which the futures transaction shall be consummated shall be defined within the combination, and is subject to the futures price increment conventions defined by the respective Exchange Rules. Two combinations with identical futures and options quantities and buy/sell, long/short configurations are distinct if the futures prices are not identical, and shall be treated as different combinations.~~

~~Order matching shall proceed in accordance with the same trade allocation rule as described previously in this interpretation to Rule 585, with the following provisions for assigning the futures positions. For each futures contract specified in the combination,~~

- ~~1. the total number of futures positions to be assigned shall be the number of combinations traded multiplied by the respective delta. This number of futures position shall be assigned to the incoming order;~~
- ~~2. each of the resting limit orders, against which the incoming order are matched to, shall be~~

assigned a futures position of the allocated numbers of combinations times the delta, rounding down to the nearest integer; e.g. if an order is allocated 15 combinations, and the delta is 0.45, 6 futures contracts shall be allocated.

3. the total number of futures position assigned to the resting limit orders following the preceding step will be equal to or fewer than the total number of futures positions to be assigned to the incoming order. The difference, if any, shall be assigned one futures contract per resting order in the following priority until the difference is reduced to zero: the resting order with the highest magnitude of rounding down in step 2 shall be first to receive an additional futures position, followed by the order with the second highest magnitude of rounding down in step 2, etc. If two orders have the same magnitude of rounding down, the oldest order shall receive the additional futures position.

For example, a trade of 60 contracts with a delta of 0.45 is matched between an incoming order and 4 resting limit orders with quantities of 20, 15, 15, 10. Total number of futures position to be assigned is  $60 \times 0.45 = 27$  contracts. The four resting orders shall receive the following

Resting Order	Matched Quantity	Quantity X delta	Initial Futures Allocation	Magnitude of Rounding	Additional Allocation	Total Futures Allocation
1	20	9.00	9	0.00	0	9
2	15	6.75	6	0.75	1	7
3	15	6.75	6	0.75	1	7
4	10	4.50	4	0.50	0	4
Incoming Order	60	27.00				27

assignment of futures position:

In the case of a Request for Cross (RFC) entered pursuant to Rule 539.C.4., matching will depend upon whether the RFC price at the time of entry, relative to other orders in the market, improves both the current bid and offer prices, matches the bid or offer price, or is outside of the bid or offer price.

RFC Price Improves Current Bid and Offer Prices in the Market

If the RFC price represents strict improvement on both the current bid and offer prices at the time of the entry of the RFC, 100% of the buy and sell orders represented in the RFC shall be matched against each other at the RFC price immediately upon submission of the RFC.

RFC Price Matches or is Outside the Current Bid or Offer Price in the Market

All Products Excluding Equity Options

If the RFC price matches or is outside the bid or offer price in the market at the time the RFC order is entered, 1) the applicable side of the RFC order will immediately match against orders in the market at a price better than or equal to the RFC price in accordance with the allocation algorithm described above, 2) immediately thereafter, 60% of the smaller quantity remaining on one side of the RFC order will be matched against the opposite side of the RFC order at the RFC price, 3) any remaining unmatched portion of the RFC bid and offer will then be available for matching against other incoming orders for an additional five (5) seconds, 4) any match-eligible quantity remaining on the RFC order will then be matched at the RFC price, and 5) any remaining unmatched balance on one side of the RFC will either be cancelled or will remain in the order book depending on the order instructions entered via the RFC.

Equity Options

If the RFC price matches or is outside the bid or offer price in the market at the time the RFC order is

entered, 1) the applicable side of the RFC order will immediately match against orders in the market at a price better than or equal to the RFC price in accordance with the allocation algorithm described above, 2) immediately thereafter, 100% of the smaller quantity remaining on one side of the RFC order will be matched against the opposite side of the RFC order at



the RFC price, and 3) any remaining unmatched balance on one side of the RFC will either be cancelled or will remain in the order book depending on the order instructions entered via the RFC.

## **POSITION LIMIT, POSITION ACCOUNTABILITY AND REPORTABLE LEVEL TABLE**

**[Existing Appendix A from former NYMEX Chapter 9A is being relocated in this section and renamed as set forth above. The following header notes will appear before the Table.]**

### Header Notes

1. Position Limits and Any One Month/All Month/Expiration Month Position Accountability Levels shall be calculated on a net futures-equivalent basis. Furthermore, the Exchange may require compliance with position accountability levels on a futures-only basis to the base contracts into which other contracts aggregate.

For purposes of calculating futures-equivalent positions, the following shall apply:

- a NYMEX Light Sweet Crude Oil miNY Futures Contract shall be deemed equivalent to .50 of a Crude Oil Financial Contract;
- a NYMEX Natural Gas miNY Futures Contract shall be deemed equivalent to .25 of a Henry Hub Financial Last Day Futures Contract;
- a NYMEX miNY Gasoline Futures Contract shall be deemed equivalent to .50 of a New York Harbor Gasoline Blendstock RBOB Futures Contract;
- a NYMEX miNY Heating Oil Futures Contract shall be deemed equivalent to .50 of a Heating Oil Financial Futures Contract;
- a COMEX miNY Gold Futures Contract shall be deemed equivalent to .50 of a Gold future;
- a COMEX miNY Silver Futures Contract shall be deemed equivalent to a .50 Silver future; and
- a COMEX miNY Copper Futures Contract shall be deemed equivalent to a .50 Copper Future.
- An ON-Peak contract month shall be deemed 340 hours for:
  - ISO New England;
  - Midwest Independent Transmission System Operator, Inc. (MISO); and
  - PJM Interconnection, LLC
- An OFF-Peak contract month shall be deemed 390 Hours for:
  - ISO New England;
  - Midwest Independent Transmission System Operator, Inc. (MISO);
  - New York Independent Systems Operator (NYISO); and
  - PJM Interconnection, LLC.

2. Contract Month Diminishing Balances

There are specific futures contracts whose front month volume in any given contract month diminishes as the contract month progresses towards month end.

3. Option Contract Gross Option Quadrant Position Accountability Levels

Accountability levels for options are per quadrant (long call, long put, short call, short put) on a gross basis.

4. The expiration position limits for energy contracts are effective on the last three trading days of the futures contract.

5. The expiration month position limits for the Electricity and Uranium contracts are effective as of the opening of trading on the first business day when a contract month becomes the first nearby month (or spot month) and continue on an intra-day basis thereafter until the termination of trading in the expiring contract.

6. The current delivery month position limits for physically-delivered metals contracts are effective as of the close of business on the business day prior to the first notice day for any delivery month. No person shall maintain any position which, when combined with the number of contracts for which a delivery notice has been tendered or accepted during the delivery month, exceeds the maximum permissible

current delivery month position limit for such contract. The current delivery month position limits for COMEX London Metals Futures contracts shall be effective as of the open of business on the first business day of the expiring contract month.

7. The current delivery month position limits for soft commodities shall be in effect as of the open of trading on the last three trading days of the expiring contracts.
8. The Expiration Position Accountability Levels for energy and metals contracts are effective on the open of trading of the last three trading days of the Penultimate and Last Day cash-settled futures contracts.

## ~~Chapter 6 – Floor Rules~~

[Current NYMEX Chapter 6 is being completely eliminated based on NYMEX adopting new NYMEX Chapter 5.]

## Chapter 6a – Arbitration

[The modifications to the rules in existing NYMEX Chapter 6a are set forth below with additions underscored and deletions overstruck. NYMEX Chapter 6a will become NYMEX Chapter 6.]

### 601. CUSTOMER CLAIMS AGAINST MEMBER

[Sections A. and B. are unchanged.]

#### 601.C. Initiation of Arbitration

In the event that a complaint is received by the Exchange from a customer, it shall be referred to the ComplianceMarket Regulation Department, which shall inform the customer of alternative dispute settlement forums and, when appropriate, forward to the customer a Consent Form for arbitration at the Exchange. Such form shall inform the customer, by attachment of all pertinent rules, of the customer's rights and liabilities, including costs associated with arbitration, and the option of selecting an arbitration panel consisting of Exchange members or a Mixed Panel to decide the claim and any counterclaims, cross-claims or third-party claims.

A customer who submits a claim for arbitration in accordance with these rules consents thereby to the jurisdiction of the arbitrators and agrees to the arbitration of any counterclaims, cross-claims or third-party claims by any respondent which arise out of the transaction that is the subject of the customer's claim. The claim shall comply with the requirements of Rule 602, and in the case of a request for punitive damages, the claim shall set forth the facts the customer intends to present in support of the claim that the misconduct was willful and wanton.

The customer shall file a completed Consent Form and deposit the arbitration fee with the ComplianceMarket Regulation Department. Notice shall then be given to the member against whom the claim is asserted, who shall respond to the claim in accordance with Rule 603.

[The remainder of the rule is unchanged.]

### 602. INITIATING AN ARBITRATION CLAIM

A claimant may initiate a claim by submitting a written description of the dispute, a completed Arbitration Cover Sheet and depositing the appropriate arbitration fee with the ComplianceMarket Regulation Department within the period of eligibility for arbitration claims. The written claim shall include a clear description of the facts and circumstances involved in the dispute, including the transaction(s) or agreement(s) complained of, the names of the persons and firms alleged to be responsible for any loss to the claimant, the dates of all acts or omissions relevant to the claim, a detailed calculation of the amount claimed and any other information necessary to fully describe the dispute.

The ComplianceMarket Regulation Department shall reject for filing any claim that does not fully describe the dispute, is clearly filed after the period of eligibility has expired or is clearly not arbitrable at the Exchange. Such a claim will be promptly returned to the filing party with a notice describing the deficiency. A claimant seeking to correct the deficiency and file an amended claim may do so within 30 days of receiving notice describing the deficiency despite any expiration of the period of eligibility prescribed by Rule 609 during that 30-day period. The acceptance for filing by the ComplianceMarket Regulation Department shall not preclude a challenge to the arbitrability of the claim nor create a presumption that the claim is arbitrable.

**608. WITHDRAWAL OF CLAIMS**

A. A party may voluntarily withdraw its claim, counterclaim, cross-claim or third-party claim without prejudice at any time before an answer thereto has been filed by notifying the ComplianceMarket Regulation Department in writing of such withdrawal.

[The remainder of the rule is unchanged.]

**610. PARALLEL PROCEEDINGS**

No claim will be accepted for arbitration at the Exchange if the ComplianceMarket Regulation Department receives notice that another arbitration, reparations action or civil court proceeding based on the same act, transaction or omission as the arbitration claim is pending at the time of filing.

No claim, counterclaim, cross-claim or third party-claim will be accepted for arbitration against a respondent if the ComplianceMarket Regulation Department has received notice that a stay exists due to the pendency of any bankruptcy proceeding against that respondent. If such a stay arises after a claim is accepted for arbitration or if the ComplianceMarket Regulation Department subsequently learns that such a stay is pending, the claim shall be dismissed without prejudice as to each respondent who is the subject of the stay. Nothing in this rule shall prevent a claim in arbitration from proceeding against any remaining respondent.

**611. REQUESTS FOR DOCUMENTS, INFORMATION OR TESTIMONY**

A. The initial schedule for document requests by parties and responses will be set by the ComplianceMarket Regulation Department. The chairman may require any member, or any person employed by or associated with a member to produce relevant documents in his possession or control at any time after a claim has been filed.

[The remainder of the rule is unchanged.]

**614. ARBITRATION PANEL**

**614.A. Appointment of Arbitration Panel**

The ComplianceMarket Regulation Department shall select a panel of arbitrators from the Exchange's Arbitration Committee to hear and decide a dispute. The panel shall consist of five arbitrators and one chairman.

**614.B. Requests to Remove an Arbitrator**

[1. and 2. are unchanged.]

3. If an arbitrator is excused prior to the date of the first scheduled hearing, the ComplianceMarket Regulation Department shall select another Arbitration Committee member to replace the excused arbitrator at the hearing. Parties may make any appropriate request for the removal of the replacement arbitrator under this rule.

[The remainder of the rule is unchanged.]

**615. HEARING PROCEDURES**

**615.A. Chairman**

The panel chairman shall preside over the proceeding and shall make such determinations on relevancy and procedure as will promote a fair and expeditious adjudication of any claim. The chairman may administer oaths or affirmations by witnesses. Upon request of the panel chairman, the ComplianceMarket Regulation Department shall submit any documents to the panel and parties in the Exchange's possession that are relevant and readily available.

[The remainder of the rule is unchanged.]

**616. AWARDS**

**616.A. Decision by Panel**

After a hearing, or, on customer claims that do not exceed \$5,000 upon consideration of the pleadings and other relevant information, the arbitration panel shall issue a written decision signed by the panel chairman and at least a majority of the panel. The panel may decide any matter in controversy and issue any order the panel deems necessary to fully resolve the dispute. The ComplianceMarket Regulation Department shall promptly serve copies on all parties. A monetary award made by the panel may include the following:

[The remainder of the rule is unchanged.]

**618. SATISFACTION OF AWARD**

[The first paragraph is unchanged.]

A party making payment must submit proof of payment to the ComplianceMarket Regulation Department no later than the business day following payment. An individual member who fails to provide proof of payment within the time prescribed will forfeit the privileges of access to the trading floor, access to the Globex trading platform and preferred fee treatment until proof of payment has been provided. An entity member that fails to provide proof of payment within the time prescribed will forfeit preferred fee treatment for its proprietary trading. Any member that fails to pay an arbitration award within the time prescribed may be subject to sanctions pursuant to Rule 432.R.

**619. APPEAL**

Any decision rendered in a dispute among members resulting in a non-cash award or involving a claim, counterclaim, cross-claim or third-party claim that sought a recovery over \$10,000 may be appealed to a hearing committee of the Board. All other decisions rendered by an arbitration panel are final and may not be appealed. In order to appeal a decision, a party must, within three business days of receipt of the notice of decision, file with the ComplianceMarket Regulation Department a written notice stating the grounds for the appeal based upon the standards set forth in Rule 620 and deposit the applicable fee established by the Exchange. Within 15 days of receipt of the notice of decision, the appellant must deposit with the ComplianceMarket Regulation Department a cashier's or certified check payable to CME Group in the amount of any monetary award against such appellant.

Failure to timely comply with these requirements for appeal, when applicable, shall constitute a waiver of any right to appeal and render the arbitrators' decision final and binding. Within 15 days after filing a notice of appeal, the appellant shall file with the ComplianceMarket Regulation Department any argument and any documents or information that the appellant intends to use in support of the appeal. The appellee shall have 15 days thereafter to file whatever documents or information he intends to rely upon in opposition to the appeal. An extension beyond the 15-day filing period may be granted by the ComplianceMarket Regulation Department upon a showing of good cause. In the case of a non-cash award, the filing of the notice of appeal shall not stay the decision appealed from unless the panel from which the appeal is taken or the Chief Regulatory Officer specifically directs that the decision be stayed.

[The remainder of the rule is unchanged.]

**621. CERTAIN CLAIMS AGAINST THE EXCHANGE INVOLVING TRADING SYSTEMS OR SERVICES**

[The introduction and numbers 1. and 2. are unchanged.]

3. Phantom Orders, as defined in Rule 44G-587.

Nothing in Rules 621 or 622 shall be construed to create a claim against the Exchange, to limit a defense available to the Exchange, or to obviate or modify any limitation of Exchange liability imposed by any other rule.

[Section A. is unchanged.]

**621.B. Initial Liability Claim and Demand for Arbitration**

The initial claim of loss, including a detailed description of any loss suffered, must be made to the Exchange within ten business days of the date of the incident that caused the loss. The Exchange shall have 30 business days to pay or deny the claim in whole or in part. If the Exchange denies the claim in whole or in part, the claimant must file a written demand for arbitration with the ComplianceMarket Regulation Department within ten business days after the Exchange has notified the claimant of such denial. A claimant's failure to pursue its claim within these time limits shall bar any recovery on such claim.

[The remainder of the rule is unchanged.]

**622. CLAIMS RELATING TO TRADE CANCELLATIONS OR PRICE ADJUSTMENTS**

**622.A. General**

All claims relating to certain price adjustments or trade busts pursuant to Rule 44G-588.C.3.a., b. and c. shall be arbitrated in accordance with the specific requirements of this Rule 622 and, to the extent not inconsistent with such requirements, the rules of this Chapter. All claims pursuant to Rule 44G-588.C.3.d. shall be arbitrated in accordance with the rules of this Chapter.

**622.B. Initiation of Claim**

Any claim for loss under Rule 44G-588.C.3.a., b. or c. must first be submitted to the Exchange as described in Rule 44G-588.D. Following a denial of liability by a party responsible for a trade bust or price adjustment and by the clearing firm through which the trade was placed as described in Rule 44G-588.D., the dispute shall be referred to arbitration. The Exchange shall administer the arbitration and provide notice to all parties.

The party alleged to have made the trade that caused the trade bust or price adjustment and the clearing firm through which that trade was placed both may be respondents in such arbitration. Any party responsible for a trade bust or price adjustment who is not otherwise subject to arbitration under these rules may voluntarily submit to such arbitration by filing a submission agreement with the Exchange within 21 days of that party's receipt of notice of the referral to arbitration. In the absence of the voluntary submission to arbitration by such party, the arbitration shall proceed solely against the clearing firm through which the trade was placed, and that firm shall be liable for any damages awarded by the panel.

**622.C. Selection of Arbitration Panel**

All claims under Rule 44G-588.C.3.a., b. and c. shall be heard by a Mixed Panel as defined in Rule 601.A.3.

[The remainder of the rule is unchanged.]

**625. SUBMISSIONS TO OR COMMUNICATIONS WITH THE PANEL**

Any submission for consideration by a chairman or panel must be submitted to the ComplianceMarket Regulation Department with copies simultaneously served on each other party or designated representative of a party.

[The remainder of the rule is unchanged.]

**627. ARBITRATION COMMITTEE**

[The only change appears in Section E. below.]

E. promptly give notice to the ComplianceMarket Regulation Department of any ex parte communication directed to such Arbitration Committee member which is prohibited by Rule 625.

## Chapter 7b Delivery Facilities and Procedures

[The new rules being added to existing NYMEX Chapter 7b are set forth below with additions underscored.]

**716. DUTIES OF CLEARING MEMBERS**

Prior to the last day of trading in a physically delivered contract, each clearing member shall be responsible for assessing the account owner's ability to make or take delivery for each account on its books with open positions in the expiring contract. Absent satisfactory information from the account owner, the clearing member is responsible for ensuring that the open positions are liquidated in an orderly manner prior to the expiration of trading.

**770. DELIVERY OFFSET PROCEDURES**

A member or clearing member who, as the result of an error in the execution of an order or an outtrade discovered on or after the last day of trading, has a position in a contract which has expired and who is obligated either to make or take physical delivery in that contract, may, with the consent of the account owners or controllers, request to offset such position against an opposite position of a member or clearing member whether or not such position exists as a result of an error or outtrade, provided, however, that the parties to any such error or outtrade shall exercise the utmost diligence to resolve the error or outtrade.

The Clearing House shall accept such request, up to the full quantity of the initial request, upon receiving offset acceptance from an account(s) with different beneficial ownership. The Clearing House shall randomly assign available offsetting positions to each member or clearing member submitting a request, thereby extinguishing each party's obligation to make or take physical delivery, provided, however, that in the event the Clearing House is unable to assign offsetting positions due to an insufficient number of available offsetting positions, delivery shall take place as required under

Exchange rules. All positions offset pursuant to this rule shall be liquidated at the final settlement price of the contract.

A clearing member desiring to offset such positions must notify the Clearing House by reporting its final open interest and submitting a request in accordance with the schedule established by the Exchange.

The assignment of offsetting positions shall release clearing members and the Exchange from their respective obligations under the contracts.

## **Chapter 8 Clearing House and Performance Bonds**

[The changes to existing NYMEX Chapter 8 are set forth below with additions underscored and deletions overstruck.]

### **813. SETTLEMENT PRICE**

Settlement prices shall be determined each business day for each product pursuant to one or more of the procedures set forth below. The settlement price shall be a price consistent with the minimum tick increment for the product; if the calculated settlement price is not a standard tick increment, the calculated settlement price will be rounded either to the nearest tick or to the tick closer to the previous day's settlement price. The procedure used to determine the settlement price of a product will depend on the product group, level of activity and liquidity during the defined closing time period, and the trading venue(s) used to derive the settlement.

[1.-5. are unchanged.]

6. For all products that are settled with the delivery of, or by reference to, the same underlying instrument but which are offered in alternative contract sizes (mini or micro) trade as both full-sized and mini-sized contracts, a single settlement price will be applicable to ~~both the full-sized and mini-sized~~ all such contracts, with necessary adjustments made to round to the nearest tradable price increment eligible in ~~all such~~ both contracts.

[The remainder of the rule is unchanged.]

## **Chapter 9 Clearing Members**

[The changes to existing NYMEX Chapter 9 are set forth below with additions underscored and deletions overstruck.]

### **904. FUNDS IN TRADING ACCOUNTS CARRIED BY CLEARING MEMBERS**

If a Member (as defined in Rule 400) trades in excess of written limits prescribed by his qualifying or guaranteeing clearing member or a clearing member through which such Member is authorized by his qualifying clearing member to trade pursuant to Rule 511 without sufficient funds in his account to margin the position, or if the Member is alleged to have engaged in reckless and unbusinesslike dealing inconsistent with just and equitable principles of trade, and such trades are profitable, the disposition of any and all funds in the applicable trading account(s) may be suspended by the carrying clearing member. The claim of a carrying clearing member to such profits shall be submitted to arbitration pursuant to the provisions of Chapter 6. The Member may request a hearing to be held as soon as practicable before a Chairman of the Arbitration Committee to determine the amount of any profits that should remain subject to a continued suspension pending an arbitration hearing on the full merits of the claim.

### **992. PARTICIPATION BY NYMEX FLOOR MEMBERS IN SPECIAL PROGRAM FOR OVER-THE-COUNTER TRADING WITH FCM GUARANTEE**

(A) The over-the-counter (OTC) contracts, agreements or transactions must be executed pursuant to Section 2(h)(1) of the Commodity Exchange Act (Act), which in effect provides among other things that such transactions shall be subject to CFTC anti-fraud and anti-manipulation authority and also may not be entered into on a trading facility. This program generally allows a NYMEX Floor Member to enter into trading in certain OTC contracts on the basis of a FCM guarantee without needing to satisfy the total

assets requirements otherwise necessary under the Act for such trading. In order to maintain eligibility for this program, a NYMEX Floor Member must continue to satisfy all of the conditions contained in this rule.

(B) This program is available only to NYMEX Floor Members in good standing who are properly registered with the CFTC as a floor trader and/or as a floor broker. With respect to floor brokers, this program is available only for trading executed by the floor broker for his proprietary account. In addition, each NYMEX Floor Member must notify the Exchange Market Regulation ~~Compliance~~ Department prior to any participation in this program.

[The remainder of the rule is unchanged.]

## ~~Chapter 9a – Position Rules~~

[Current NYMEX Chapter 9a is being completely eliminated based on NYMEX adopting Rules 443, 559, 560 and 561.]

## ~~Chapter 11G – Electronic Trading Rules for the Globex System~~

[Current NYMEX Chapter 11G is being completely eliminated based on NYMEX adopting new NYMEX Chapter 5.]

## ~~Chapter 101 – COMEX Division – Definitions~~ ~~Chapter 104 – COMEX Division – Trading Rules~~

[Current COMEX Chapters 101 and 104 are being completely eliminated based on NYMEX adopting new NYMEX Chapter 5.]

### **NYMEX & COMEX Product Chapter Revisions**

The following changes will be made to the NYMEX & COMEX Product Chapters based on the harmonization of the trade practice rules.

Based on the adoption of new NYMEX Rule 716, the following Rules or Sections of Rules are being eliminated. Where a Section is being eliminated, it is being replaced with the word Reserved.

Section (1) is being eliminated from the following rules:

150.08A, 151.08A, 180.10, 191.08A, 192.08, 675.08A,

Section (B) is being eliminated from Rule 206.11

The following Rules are being eliminated:

181.10, 220.19, 230.09, 260.12, 400.11, 599.09, 600.09, 601.09, 782.08, 783.08, 860.08, 861.08, 862.08, 863.08, 864.08, 865.08, 866.08, 867.08, 868.08, 870.08, 873.08

NYMEX & COMEX will eliminate the requirement that options trades at cabinet be done for liquidation purposes only, harmonizing to the CME & CBOT allowance for such trades to either establish or liquidate positions. The following rules will have the language concerning cabinet trades being done for liquidation purposes only completely eliminated:

115.04, 116.04, 117.05, 124.03, 310.06, 311.06, 312.06, 320.06, 321.03, 333.07, 335.06, 341.03, 350.06, 360.06, 370.06, 375.06, 376.06, 377.06, 378.06, 379.06, 380.06, 381.06, 382.06, 383.06, 384.06, 385.04,

386.03, 387.06, 388.06, 390.06, 391.06, 392.06, 394.06, 397.06, 398.06, 399.06, 493A.06, 495A.06, 496A.06, 517a.04, 518a.04, 519a.04, 520a.04, 521a.04, 524a.04, 525a.04, 550.04, 551.04, 552.04, 560.04, 581a.06, 585A.06, 586A.06, 588a.06, 624a.04, 660A.06, 747.06, 748.06, 869.06, 871.06, 872.06, 933.06

All product chapter references to Rule 6.21 are being replaced with references to Rule 538.