

Special Executive Report



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S-4159a

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I. BOARD APPROVES RULE REPLACING ERROR TRADE POLICY

At its Regular Meeting on Monday, October 25, 2004, the Board of Directors approved the deletion of the existing Error Trade Policy and approved the replacement of that policy with the GLOBEX® Trade Cancellations Rule (Rule 588). **The new rule will become effective on Friday, October 29, 2004.**

In order to 1) better accommodate the addition of CME's implied spreading functionality that has recently been implemented for the trading of certain CME Eurodollar spreads, 2) reduce the probability of naked leg risk for spread traders, and 3) hold error trade makers responsible for inappropriately elected stop orders, the current Error Trade Policy was eliminated and replaced with Rule 588 (GLOBEX Trade Cancellations) by the Board.

Generally, under the new rule, trade prices that occur within the no-bust range, as determined by the GLOBEX Control Center ("GCC"), will not be busted or adjusted. The only exception to this rule is if the GCC determines that not busting or adjusting a trade within the no-bust range will have a material, adverse effect on the market.

With respect to CME Eurodollar contracts, the GCC shall adjust trade prices outside of the no-bust range to a price that equals the actual or implied market price at the time the trade in question occurs plus or minus 2.5 or 5.0 basis points (see example below). The GCC will generally use the 2.5 basis points adjustment under normal market conditions or a 5.0 basis points adjustment in the event that a fast market or other significant market event is occurring. This procedure will replace the existing process that requires trades occurring outside of the no-bust range to be automatically busted.

A party responsible for an order that results in a trade price adjustment involving a CME Eurodollar stop order shall be liable for the difference between the adjusted price and the price in the market at the time the party with the stop loss order knew or should have known that his stop order was erroneously elected.

Claims for reimbursement under the revised policy shall be forwarded to the party responsible for the order that results in a trade bust or price adjustment and to the clearing firm through which the trade was placed. The liability for losses for a single incident shall be limited to \$500,000. The clearing firm will ultimately be responsible for any successful claim for damages in the event that the party placing the order in question fails to satisfy the claim. A contested claim that is otherwise valid under the policy will be submitted to arbitration at the Exchange.

The existing Error Trade Policy will be deleted and replaced with Rule 588. In addition, a revision to the arbitration procedures (Rule 618) will also be required as a result of the new rule. Additions to the rules are underlined and deletions are lined out.

If you have any questions regarding the new trade cancellations rule, please contact Mr. Maz Chadid, Managing Director, Operations Division at (312) 930-8246, Mr. Mark LaPedes, Director, Globex Control Center at (312) 715-6151 or Mr. James Moran, Director, Market Regulation Department at (312) 930-8520. If you have any questions regarding the new arbitration procedure, please contact Mr. Michael Conti, Associate Director, Market Regulation Department at (312) 930-4553.

Example:

- Assume the following price levels were prevailing immediately prior to an error:

	LAST
EDU5	9750
EDZ5	9720
EDU5-EDZ5 Spread	30

- Assume EDU5 spikes 25 points to 9775 due to an error, while EDZ5 remains unchanged and the following trades occur:

EDU5	EDZ5	EDU5-EDZ5
9750	9720	30
9750.5	9720	30.5
9751	9720	31
9751.5	9720	31.5
9752.5	9720	32.5
9755	9720	35
9760	9720	40
9765	9720	45
9775	9720	55

- The proposed new policy will adjust all prices in the EDU5 to 9752.5 (applying the 2.5 no-bust-range)
- EDU5-EDZ5 spread prices above 32.5 will therefore be adjusted to 32.5 without leaving anyone with a “naked” leg
- Stops elected in EDU5 and filled above the no-bust-range will be adjusted to 9752.5. Let’s also assume the following:
 - The total number of adversely impacted stops is 300 lots
 - All those impacted take market action to reestablish their positions
 - All those impacted file claims against the error maker
- The total liability of the error maker in this example would be \$18,750 (300 X 2.5 X \$25)

588. GLOBEX TRADE CANCELLATIONS

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. CME's trade cancellation policy authorizes the GLOBEX Control Center ("GCC") to mitigate market disrupting events caused by the improper or erroneous use of the GLOBEX system or by system defects by adjusting trade prices or canceling ("busting") trades. Notwithstanding any other provisions of this rule, the GCC may also adjust trade prices or cancel any trade if the GCC determines that failure to adjust the price or cancel the trade 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 GLOBEX user. A request for review must be made within eight minutes of the trade occurring. The GCC shall promptly determine whether the trade will be subject to review. In the case of illiquid contracts, the GCC may initiate a review up to one hour after the trade occurred. Promptly after deciding to review a trade, the GCC will issue an alert indicating that the trade is under review.

588.C. Trade Price Adjustment and Cancellation Process

The GCC will first determine whether the trade price is within the No Bust Range for the contract pursuant to Section K. During fast market conditions, upon the release of significant news events, or in other circumstances in which the GCC determines it is appropriate, the GCC may temporarily double the published No Bust Range without prior notice. 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 GLOBEX, 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 current (most recent) implied volatility, 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. Eurodollar Futures Contracts

If the GCC determines that a trade price is outside the applicable No Bust Range, 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 may be applicable. 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.

For example, if the standard No Bust Range for Eurodollars is 2.5 points above and below the market price and the doubled No Bust Range was in effect at the time of the transactions, all trade prices outside the doubled No Bust Range shall be adjusted to the applicable No Bust Range limit, i.e., 5 points above or below the market price.

b. Eurodollar Futures Contracts – Non-Implied Combination Trades

Non-implied combination Eurodollar trades, such as packs and bundles, which are priced outside of the No Bust Range, may be busted. If the GCC determines that the trade price is outside the No Bust Range, the GCC shall bust such combination trades. The GCC will promptly issue an alert indicating that trades outside the No Bust Range have been busted.

c. All Other Futures and Option Contracts

If the GCC determines that the trade price is outside the No Bust Range, the GCC shall bust the trade. The GCC will promptly issue an alert indicating that trades outside the No Bust Range have been busted.

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

a. Eurodollar Futures Contracts – 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. Eurodollar Futures Contracts – 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 spread 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. Eurodollar Futures Contracts – Other Transactions

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. and 3.b. above.

d. All Other Futures and Options Contracts

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. All claims in connection with such losses must be pursued under the applicable rules of Chapter 6.

588.D. Claim Process

A claim for a loss pursuant to Sections C.3.a. and b. must be submitted to the Exchange, on an Exchange claim form, within five business days of the price adjustment or the election of the stop. The Exchange shall reject any claim that is not permitted by Section C. 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 results in a trade bust or a price adjustment and to the clearing firm through which the trade was placed. Such party, or the clearing firm 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 618.

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 F. below. Additionally, if the trade is not busted, the parties may not reverse the trade by entering into a pre-arranged offsetting transaction unless the reversal is 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 trade occurring 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 trade occurring. 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 the provisions of Chapter 6 of CME rules.

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 GLOBEX that gave rise to the trade bust shall pay an administrative fee to the Exchange in accordance with the following schedule. The fee is \$250 for each of the first five occasions in a calendar year where a party's order entry results in a trade bust, \$500 for each of the next three occasions within the same calendar year where a party's order entry results in a trade bust,

and \$1,000 for each subsequent occasion within the same calendar year where a party's order entry results in a trade bust.

If a non-member customer, who is responsible for entering an order into GLOBEX that results in a trade bust, fails to pay the fee in accordance with this section, the clearing firm carrying the customer's account shall be responsible for payment of the fee.

588.K. GLOBEX No Bust Ranges

Futures Contract No Bust Range

Eurodollar 2.5 basis points or less

Libor5 basis points or less

T-Bills 5 basis points or less

Fed Fund "Turn" 50 basis points or less

Agency Notes 16 ticks or less

Swaps 5 basis points or less

TIIE and CETES 30 ticks or less

CPI Futures 5 basis points or less

Currency Futures (except British pound) 20 ticks or less

British Pound Futures 30 ticks or less

S&P 500 and E-mini S&P 500 6.00 index points or less

S&P/BARRA Growth 4.00 index points or less

S&P/BARRA Value 4.00 index points or less

S&P MidCap 400 and E-mini S&P MidCap 400 3.00 index points or less

S&P SmallCap 600 3.00 index points or less

Russell 2000 and E-mini Russell 2000 3.00 index points or less

Russell 1000 3.00 index points or less

Nasdaq-100 and E-mini Nasdaq-100 20.00 index points or less

Nikkei 225 (\$ and ¥) 60.00 index points or less

S&P TOPIX 150 3.00 index points or less

S&P 500 Technology SPCTR 3.00 index points or less

S&P 500 Financial SPCTR 3.00 index points or less

TRAKRS Futures 10 cents or less

Goldman Sachs Commodity Index 2.50 index points or less

CME Weather 25.00 index points or less

Lean Hogs \$0.0097 per pound or less

Live Cattle \$0.0097 per pound or less

Feeder Cattle \$0.0097 per pound or less

Pork Bellies \$0.0097 per pound or less

NYMEX Light Sweet Crude Oil e-miNY 6 ticks or less

NYMEX Natural Gas e-miNY 16 ticks or less

Urea \$3 per ton or less

DAP \$3 per ton or less

UAN \$3 per ton or less

Option Contract Prices

Interest Rate Options

<u>Below 6 ticks</u>	<u>1 tick</u>
<u>6 through 15 ticks</u>	<u>2 ticks or less</u>
<u>16 through 30 ticks</u>	<u>3 ticks or less</u>
<u>31 through 50 ticks</u>	<u>4 ticks or less</u>
<u>51 ticks and above</u>	<u>5 ticks or less</u>

Equity Index Options

Any premium level 20% of premium (up to 3.00 index points with a minimum of 1 tick) or less

Currency Options

Any premium level 20% of premium (up to 10 ticks, with a minimum of 1 tick) or less

All Other Options

<u>Below 6</u>	<u>eligible for busting</u>
<u>6 through 10</u>	<u>3 ticks or less</u>
<u>11 through 20</u>	<u>4 ticks or less</u>
<u>21 through 50</u>	<u>5 ticks or less</u>
<u>51 through 100</u>	<u>7 ticks or less</u>
<u>101 and above</u>	<u>10 ticks or less</u>

Combination Trades

<u>All Eurodollar Combinations</u>	<u>2.5 basis points or less</u>
<u>Intra-Commodity (non-ED) Futures Spreads</u>	<u>5 ticks or less</u>
<u>Inter-Commodity (non-ED) Futures Spreads</u>	<u>the wider of the no bust ranges of the two individual legs</u>

618. CLAIMS REGARDING TRADE CANCELLATIONS OR PRICE ADJUSTMENTS

618.A. General

All claims pursuant to Rule 588.C.3.a. and b. shall be arbitrated in accordance with the specific requirements of Rule 618 and, to the extent not inconsistent with such requirements, the provisions of Chapter 6.

All claims pursuant to Rule 588.C.3.d. shall be arbitrated in accordance with the provisions of Chapter 6. The party alleged to have made the trade that caused the trade bust and the clearing firm through which that trade was placed both may be respondents in such arbitration. If the party alleged to have made the trade that caused the trade bust is not a member subject to arbitration jurisdiction under Chapter 6 and has not voluntarily submitted to arbitration under these rules, the claim may proceed solely against the relevant clearing firm, and that firm shall be liable for any damages awarded by the panel.

618.B. Initiation of Claim

Following any denial of liability by a party responsible for a trade bust or price adjustment and the clearing firm through which the trade was placed as described in Rule 588.D., the dispute shall be referred to arbitration. The Exchange shall administer the arbitration and provide notice to all parties. 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 an approved submission agreement to the Exchange within 20 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.

618.C. Selection and Qualification of Arbitration Panel

The arbitration panel shall consist of three arbitrators appointed by the Exchange, including two members from the Arbitration Committee and one non-member who is not associated with any member of a contract market, or an employee thereof, and is not otherwise associated with a contract market. The Exchange shall designate one of the arbitrators as chairman of the panel.

618.D. Related Claims

All claims arbitrable under this rule that arise out of a trade bust or price adjustment caused by the same incident shall be consolidated in a single arbitration.

618.E. Award

Within thirty days of completion of the hearing, the panel shall issue a written decision signed by a majority of the arbitrators. The total award for a single incident shall not exceed \$500,000. Except as provided below, the claims shall be limited to out-of-pocket losses. If the claimants' allowable losses exceed \$500,000, the amount awarded to each claimant shall be reduced pro rata so that the total award does not exceed \$500,000. Any award shall be made jointly and severally against the respondents. In the event the panel finds the respondent(s) liable for the full amount of the claim (or the capped amount of \$500,000), the panel shall also award the claimants their costs and attorneys fees incurred in connection with arbitrating the claim. Punitive damage, loss of profits, loss of use, and indirect, incidental or consequential damages shall not be awarded. The decision of a majority of the panel shall be final and may not be appealed. A party may move, within five business days of the award, that the award be corrected or modified to remedy any miscalculation or misdescription or where the award is otherwise imperfect in a matter of form not affecting the merits of the award.

CME GLOBEX ERROR TRADE POLICY

(Special Executive Report S-2590, December 7, 1992. Revised September 1993; June 1994; November 1995; March 1996; April 1996; May 1996; April 1997; September 1997; April 1998; August 1998; December 1998; March 1999; June 1999; October 1999; April 2000; July 2000; November 2000; November 2001; May 2002; July 2002; September 2002, October 2002, November 2002, January 2003, April 2003, July 2003, September 2003, October 2003, January 2004, June 2004, July 2004, August 2004, September 2004)

A. Policy for Futures Contracts Traded Outside Pit Trading Hours ^[11167]

Part A of the GLOBEX Error Trade Policy applies to futures contracts that are traded on GLOBEX outside pit trading hours. Pit trading hours are those when the contract in question or a comparable contract is traded by open outcry on the CME's trading floor. For example, the pit trading hours for Eurodollar futures are from 7:20 a.m. to 2:00 p.m. (Chicago time).

1. Invoking Error Trade Policy

Any request by market users to invoke the error trade policy must be made to the GLOBEX Control Center ("GCC") as soon as possible and not later than 8 minutes after the trade occurred. Additionally, an employee of the GCC can bring a potential error trade to the GCC's attention. However, the GCC can provide assistance only to firm employees, individual members and clearing member employees who are appropriately registered as Contacts with the GCC. Individuals not so registered including, but not limited to, non-members with GLOBEX access pursuant to Rule 574.C, must contact their clearing member firms to request the error trade policy be invoked. In all cases, if a potential error trade is not brought to the GCC's attention within 8 minutes after the trade occurred, the trade will stand. (See Part D below.)

When a potential error trade is brought to the GCC's attention, it will determine whether the trade price is in the No Bust Range for the particular contract as set forth in the attached GLOBEX Error Trade Tick Range List. In measuring the No Bust Range, the GCC shall determine what the true market price for that contract was immediately before the error trade occurred. In making that determination, the GCC may consider all relevant information, including the last trade price on GLOBEX, a better bid or offer price, a more recent price in a different contract month, the price of the same or a related contract established in open outcry trading, and the prices of related contracts trading in other markets (e.g., cash FX and SIMEX Eurodollars).

2. Trade Price Inside No Bust Range

If the GCC determines that the price of the potential error trade was inside the No Bust Range, then the trade will stand, and no further action will be taken. The trade cannot be busted by agreement of the parties.

3. Trade Price Outside No Bust Range

~~If the GCC determines that the price of the potential error trade was outside the No Bust Range, then it will send an alert to all keystations and to the quote vendor network indicating that the trade may be an error. The GCC will also attempt to contact all parties to the transaction.~~

~~If all parties to the trade agree to bust the trade, and no third party notifies the GCC within 10 minutes from the time the error trade alert message was sent that he or she objects to the trade being busted, then the trade will be busted.~~

~~If a party to the trade cannot be contacted or does not agree to bust the trade, or a third party objects to the trade being busted, the GCC will determine if the trade should be busted. Exchange staff will review the circumstances surrounding the transaction to determine whether the trade should be busted. The factors that may be considered by the panel include: the market conditions immediately before and after the trade occurred; the volatility of the market; the prices of related instruments in other markets; whether one or more parties to the trade believe the trade was made at a valid price; and any other factors that the panel deems relevant. The panel shall make its decision as promptly as practicable. The decision of the panel is final.~~

~~If the trade is busted, either by agreement of the parties or by Exchange staff, the GCC will cancel the trade and will automatically inform the clearing system that the busted trade is to be removed. The error trade price and any invalid price quotes due to an error trade that is busted will be removed from the Exchange's official record of time and sales.~~

~~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 Part D below. The parties to the transaction may not "trade-out" of the error trade by entering into a pre-arranged offsetting transaction; provided, however, that a transaction effected in accordance with the Exchange's Interpretation entitled "Pre-Execution Discussions Regarding GLOBEX® Trades" is permissible.~~

~~4. Contingency Orders Elected by Error Trade~~

~~If an error trade is busted, either by agreement of parties or Exchange staff, the GCC will also (a) bust all trades that were triggered as a result of contingency orders being elected by the error trade and (b) cancel all bids and offers that were immediately entered into the system as a result of contingency orders being elected by the error trade. The GCC will notify the clearing firms responsible for the busted trades and the bids or offers that were cancelled so that the original orders can be re-entered into the system.~~

~~5. Notice of Final Action~~

~~As soon as a decision regarding a questioned trade has been made, the GCC will send a notice to all keystations and to the quote vendor network indicating whether the trade is busted or stands.~~

~~B. Policy for Futures Contracts Traded During Pit Trading Hours~~

~~The policy for futures contracts traded during pit trading hours is the same as the policy for futures contracts traded outside pit trading hours as set forth in Part A above with the following exceptions:~~

~~1. Error trades in futures contracts executed during pit trading hours cannot be busted by agreement of the parties without Exchange staff action.~~

~~2. Exchange staff should normally make its decision as to whether a questioned trade should be busted within 15 minutes from the time that the error trade alert message was disseminated by the GCC, although additional time may be needed in exceptional circumstances.~~

~~C. Policy for Options and Combination Trades~~

~~The policy for options and combination trades is the same as the policy for futures contracts traded outside pit trading hours as set forth in Part A above with the following exceptions:~~

~~If all parties to the trade agree to bust the trade, and no third party notifies the GCC within 10 minutes from the time the error trade alert message was sent that he or she objects to the trade being busted, then the trade will be busted. This applies to trade prices inside and outside the No Bust Range and to trades executed during and outside pit trading hours.~~

~~Notwithstanding the provisions for busting trades in this Error Trade Policy, error trades consummated pursuant to Rule 585—GLOBEX Call Market Trading Algorithm stands. A reciprocal trade negating the error shall be consummated by means of a "type 8 position transfer".~~

~~D. Policy When Error Trade Not Brought to GCC's Attention Within Time Limit~~

~~This Part D applies only to error trades that cannot be busted under Parts A through C above because the error trade was not brought to the GCC's attention within the applicable time limit after the trade occurred. This Part D cannot be used if the price of the error trade is within the No Bust Range for the particular contract as of the time that the trade occurred.~~

~~1. Both Parties Agree to Transfer Position~~

~~If both parties to the error trade agree, they can transfer the position resulting from the error trade to each other by using a "type 8 transfer." The transfer must use the original trade price and quantity. The parties may also, but are not required to, include a cash adjustment to compensate the other side of the error trade. The parties to such a transfer must report it to the Division of Market Regulation on a form approved by the Exchange.~~

~~2. Arbitration of Disputes~~

~~In the event that the other side of the error trade does not agree to transfer the position, then the party causing the error trade may file an arbitration claim against the member or clearing member representing the other side. Written notice of such claim must be given to the Exchange not later than the close of business on the business day after the error trade occurred. The arbitration claim will be dismissed if the owner of the account on the other side of the error trade is not a member, clearing member, ETH permit holder, or entity otherwise subject to the Exchange's jurisdiction. If not dismissed, the arbitration will be conducted in accordance with CME Rule 600. In deciding the claim, the Arbitration Committee will consider, among other factors, the reasonableness of the actions taken by each party and what action (e.g., laying off the position in another market) the party on the other side of the error trade took before being notified that the trade was being questioned. The maximum amount that can be recovered in such arbitration is the difference between the error trade price and the true market~~

~~price for the contract immediately before the error trade occurred, as determined with reference to the factors listed in Part A above.~~

~~E. Voluntary Adjustment of Trade Price~~

~~When an error trade outside of the No Bust Range is busted in accordance with this Policy, the parties to such trade may agree voluntarily to keep the trade but to adjust its price. This procedure may be used only if all of the following conditions are met:~~

- ~~1. Only the parties who were parties to an error trade that was busted may use this procedure.~~
- ~~2. The quantity of the position being transferred must be the same as the quantity of the error trade that was busted.~~
- ~~3. In the case of an error trade below the true market price, the adjusted price must be the lowest price that traded at or about the time of the error trade without being busted. In the case of an error trade above the true market price, the adjusted price must be the highest price that traded at or about the time of the error 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 error trade occurred. The parties must also report it to the Division of Market Regulation on a form approved by the Exchange.~~

~~F. Schedule of Administrative Fees~~

~~When an error trade is taken to Exchange staff and busted pursuant to Parts A through C above, the party making the error trade shall pay an administrative fee to the Exchange in accordance with the following schedule. The fee is \$250 for each of the first five occasions that a member or firm made an error trade that was busted by committee action during a calendar year, \$500 for each of the next three occasions during such year, and \$1,000 for each occasion thereafter during such year.~~

~~When a party making an error trade is able to have the resulting position transferred pursuant to Part D.1 above, or brings an arbitration claim pursuant to Part D.2 above, such party shall pay an administrative fee to the Exchange in accordance with the following schedule. The fee is \$500 for the first occasion during a calendar year when such action is taken, \$1,000 for the second occasion, and \$2,000 for the third and each subsequent occasion during such year.~~

~~G. Busting Trades After System Freeze~~

~~In certain types of GLOBEX system failures, it is possible that the matching engine will freeze with live orders in the queue waiting to be matched. When the system is unfrozen, the pending orders can be matched before the GCC can halt the matching engine. The GCC is authorized to bust trades resulting from matches in these circumstances if, and only if, the price of such trades is outside of the No Bust Range at the time that a confirmation of the trades was sent.~~

~~GLOBEX Error Trade Tick Range List~~

Futures Contract	No Bust Range
Eurodollar	5 basis points or less

Liber	5 basis points or less
T-Bills	5 basis points or less
Fed Fund "Turn	50 basis points or less
Agency Notes	16 ticks or less
Swaps	5 basis points or less
TIIE and CETES	30 ticks or less
CPI Futures	5 basis points or less
Currency Futures (except British pound)	20 ticks or less
British Pound Futures	30 ticks or less
S&P 500 and E-mini S&P 500	6.00 index points or less
S&P/BARRA Growth	4.00 index points or less
S&P/BARRA Value	4.00 index points or less
S&P MidCap 400 and E-mini S&P MidCap 400	3.00 index points or less
S&P SmallCap 600	3.00 index points or less
Russell 2000 and E-mini Russell 2000	3.00 index points or less
Russell 1000,	3.00 index points or less
Nasdaq-100 and E-mini Nasdaq-100	20.00 index points or less
Nikkei 225 (\$ and ¥)	60.00 index points or less
S&P TOPIX 150	3.00 index points or less
S&P 500 Technology SPCTR	3.00 index points or less
S&P 500 Financial SPCTR	3.00 index points or less
TRAKRS Futures	10 cents or less
Goldman Sachs Commodity Index	2.50 index points or less
CME Weather	25.00 index points or less
Lean Hogs	\$0.0097 per pound or less
Live Cattle	\$0.0097 per pound or less
Feeder Cattle	\$0.0097 per pound or less
Pork Bellies	\$0.0097 per pound or less
NYMEX Light Sweet Crude Oil e-miNY	6 ticks or less
NYMEX Natural Gas e-miNY	6 ticks or less
Urea	\$3 per ton or less
DAP	\$3 per ton or less
UAN	\$3 per ton or less

Option Contract Prices

Interest Rate Options Only

Below 6 ticks	1 tick
6 through 15 ticks	2 ticks or less
16 through 30 ticks	3 ticks or less
31 through 50 ticks	4 ticks or less
51 ticks and above	5 ticks or less

Equity Index Options Only

Any premium level 20% of premium (up to 3.00 index points, with a minimum of 1 tick) or less

Currency Options Only

Any premium level	20% of premium (up to 10
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____ ticks, with a minimum of 1 tick) or
less

All other Options

Below 6	eligible for busting
6 through 1	3 ticks or less
11 through 20	4 ticks or less
21 through 50	5 ticks or less
51 through 100	7 ticks or less
101 and above	10 ticks or less

Combination Trades

All Eurodollar Combination	5 basis points or less
Intra-Commodity (non-ED) Futures Spreads	5 ticks or less
Inter-Commodity (non-ED) Futures Spreads	the wider of the no-bust ranges of the two individual legs