



Special Executive Report

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S-4219

March 7, 2005

BOARD APPROVES MODIFICATIONS TO CHAPTER 5 ("FLOOR PRIVILEGES – TRADING QUALIFICATIONS AND PRACTICES"), DEFINITIONS AND RELATED RULES, EFFECTIVE APRIL 1, 2005

At its Regular Meeting on Wednesday, March 2, 2005, the Board of Directors ("Board") approved a set of revisions to the CME[®] Rulebook in Chapter 5 ("Floor Privileges – Trading Qualifications and Practices"), the Definitions Section and two rules in Chapter 9 ("Clearing Members") forwarded by the Market Regulation Oversight Committee based on recommendations by CME staff. The revisions, which become effective on April 1, 2005, resulted from a project by select staff from the Market Regulation and Legal Departments, and included input and assistance from several other areas within CME. The project was undertaken to 1) update trade practice rules to reflect the significant changes in the business environment, 2) streamline, consolidate and eliminate rules where appropriate, 3) incorporate existing rule interpretations from the Interpretations and Special Notices section at the end of Chapter 5 into the rules in order to increase the readability of the rules, and 4) improve language to increase the clarity of the rules.

Members and clearing members are encouraged to familiarize themselves with these updated rules. An overview of the most significant changes to Chapter 5 begins on this page and continues on pages two and three. The complete text of the revisions follows, with additions underscored and deletions overstruck.

- The language of the trade practice rules, where appropriate, has been clarified to indicate that a violation of the rules by any person is prohibited, as opposed to the previous language focusing solely on members and clearing members. The changes make it clear that all market participants are expected to follow the same standards and practices when trading CME markets.
- **Rule 500 ("Scope of Chapter") & Major/Minor Rule Violation Clarification** – The characterization of rule violations as major or minor offenses throughout Chapter 5 has been reviewed and changed where appropriate. New Rule 500 states that unless otherwise specified, a violation of rule in Chapter 5 shall be a minor offense.
- **Rule 507 ("Electronic Devices")** – Amended Rule 507 has been significantly streamlined. The rule now indicates that the use of any electronic device is prohibited unless such device has been approved by the Exchange.
- **Rule 511 ("Qualified Traders and Brokers") & Rule 924 ("Responsibility for Qualified Traders")** – Rule 511 has been amended to focus on individual members and Rule 924 has been amended to focus on clearing members' responsibilities with respect to qualified members. Unnecessary redundancies and some inconsistencies between the two rules have been eliminated and the change clarifies that floor traders must be qualified by a clearing member to act on the trading floor. Additionally, the

changes clarify that members who do not have floor access but trade electronically do not need qualification, however their activity must be guaranteed by each clearing member for business transacted through that clearing member.

- **Rule 513 (“Conduct, Apparel, Badges”)** – A provision has been added to impose an automatic \$1,000 fine for a fourth violation of Rule 513 based on a violation of the Conduct, Dress and Appearance policy.
- **Rule 514 (“Trading Infractions”)** – Minimum and maximum fines by the Pit or Pit Supervision Committee for second and third offenses have been raised. The maximum fine for an egregious offense of various trading infractions has been doubled to \$20,000.
- **Rule 526 (“Block Trades”)** – The rule has been modified to allow certain additional entities exempt from Commodity Trading Advisor registration to participate in block trades in order to be consistent with what certain other exchanges and the CFTC permit.
- **Rule 532 (“Disclosing Orders Prohibited”)** – Language has been added to the rule clarifying that an order for pit execution is not considered public and as such may not be disclosed or acted upon until it has been bid or offered by open outcry. The change codifies what was previously addressed in a rule interpretation.
- **Rule 534 (“Simultaneous Buy and Sell Orders for the Same Beneficial Owner Prohibited”)** – The rule previously prohibited the acceptance of simultaneous buy and sell orders. The rule has been expanded to prohibit the placement of such orders. The change addresses the realities of electronic trading where very few orders are received as opposed to being entered by the party originating the orders. In addition, the rule language clarifies that the prohibition applies to orders for the same beneficial owner.
- **Rule 536 (“Recordkeeping Requirements for Pit, GLOBEX, and Negotiated Trades”)** – The rule has been completely rewritten in order to address audit trail and/or recordkeeping requirements for CME[®] Globex[®] and negotiated trades. The revised rule sets out the different requirements for each class of trade into separate sections and codifies audit trail retention requirements for electronic trades. Based on practical concerns raised by several clearing firms, minimum acceptable compliance percentages for some audit trail requirements have been increased.
- **Rule 539 (“Prearranged, Pre-Negotiated and Noncompetitive Trades Prohibited”)** – The rule has been amended to include language clarifying that “noncompetitive” trades, other than EFP, EBF and block trades, are prohibited equally with prearranged trades. Additionally, with respect to CME Globex trades that result from pre-execution discussions, the rule now clarifies that the party initiating the pre-execution discussion must have its order entered first. The change seeks to ensure that the order for the party initiating the trading interest is exposed to the market for the requisite time period to ensure competitive execution.
- **Rule 543 (“Speculative Position Limits and Exemptions”)** – The rule has been substantially revised in order to make it consistent with current practice concerning the qualifications for various exemptions from speculative position limits.
- **Rule 556 (“Open Outcry Lead Market Maker (LMM) Program”)** – This rule has been deleted as no such programs have been adopted under the rule.
- **Rule 557 (“Restrictions on GLOBEX Trading Stock Index Futures from Booths in the Equity Quadrant”), Rules 558-560, & New Rule 571 (“Maximum Quantities for GLOBEX Orders”)** – The primary change eliminates product specific maximum order entry quantity restrictions from the rulebook in order to facilitate adjusting such quantities without need for rule amendments. Outdated legacy provisions of Rule 557 were eliminated, and the rule now focuses solely on restrictions on CME Globex activity from a firm’s booth in the equity quadrant. The prohibition on EFP transactions in certain E-mini equity contracts from Rule 557 was transferred to Rule 538 which addresses EFPs. Rules 558-560 dealing with restrictions on CME Globex E-mini currency, GSCI, and Interest Rate futures were

eliminated as it was determined they were no longer necessary or warranted. The key concepts in existing Rule 571 ("Records of Transactions During GLOBEX Trading") were updated and moved to the recordkeeping rule (Rule 536) and newly drafted Rule 571 describes the procedures for handling CME Globex orders in excess of the maximum order quantities permitted by the system.

- **Rule 574 ("GLOBEX Access Restrictions")** – The rule was streamlined and now clarifies that all connections to the CME Globex system must be guaranteed by a clearing member that assumes financial responsibility for all activity through the connection.
- **Rule 576 ("Identification of GLOBEX Terminal Operators")** – The rule language was modified to reinforce the unique user ID requirement and specifically to prohibit a member or clearing member from entering or permitting another to enter an order with another person's user ID in order to help ensure audit trail integrity.
- **Rule 579 ("GLOBEX Control Center")** – The rule now clarifies the obligation of a user to notify the GCC with respect to suspected order status errors in order to limit losses.
- **Rule 587 ("Phantom Orders")** – The rule eliminates the specific reference to a committee of three managing directors being empowered to take action in phantom order situations and provides a more generic reference to Exchange staff. While input from several managing directors is considered in these situations, it was determined that the previous provision was unnecessarily limiting.

Text of the Revisions

DEFINITIONS

[Definitions of ACT through ARBITRAGE ACCOUNT unchanged.]

BLOCK TRADE

A privately negotiated futures or option transaction executed apart from the public auction market. A block ~~trade~~transaction may be executed either on or off the Exchange trading floor. These trades are governed by Rule 526 - ~~BLOCK TRANSACTION~~DES.

[Definitions of BOARD through BULLETIN BOARD unchanged.]

BUSINESS DAY ~~OR TRADING DAY~~

Any day on which the Exchange is open for trading or deliveries.

[Definitions of BY-LAWS through CLEARING MEMBER unchanged.]

CLERK

A member ~~or clearing member~~'s bona fide employee who has been registered by the Exchange to work on the trading floor.

[Definitions of CLOSING BELL through FACILITATION ORDER unchanged.]

FLOOR BROKER

A member who executes orders in pit- or board-traded contracts on the floor of the Exchange for the account of ~~any other person~~one or more clearing members and who is registered as a floor broker with~~licensed by~~ the Commodity Futures Trading Commission.

[Definition of FLOOR TRADER through GLOBEX® or GLOBEX®2 unchanged.]

GLOBEX TERMINAL OPERATOR

A GLOBEX terminal operator is a person who ~~is authorized to physically enter~~ s any order ~~s through a~~ into the GLOBEX trading platform connection.

[Definition of GLOBEX TRADING HOURS through TRADING DAY unchanged.]

TRADING SESSION

A trading session will mean either the ~~pit trading~~ RTH S session (the hours designated for open outcry trading for ~~the same or comparable~~ products) and/or the ETH ~~GLOBEX s~~ GLOBEX s session (the hours on a particular trading day before and after the RTH Session when a product can be traded on the GLOBEX ~~S~~ s system). ~~The Board may authorize certain products to be traded on the GLOBEX System during both the ETH Session and the RTH Session.~~

[Definition of VOLATILITY QUOTE through End of Definitions unchanged.]

CHAPTER 5 FLOOR PRIVILEGES— TRADING QUALIFICATIONS AND PRACTICES

FLOOR PRIVILEGES

500. ~~ADMISSION TO FLOOR~~ SCOPE OF CHAPTER

This chapter prescribes rules concerning: floor access privileges, qualifications for trading privileges, and trading practices. Unless otherwise specified, any violation of the rules in this chapter shall be a minor offense. ~~Only members, employees of the Exchange, registered employees of members and authorized visitors shall be permitted on the floor of the Exchange.~~

FLOOR PRIVILEGES

501. EMPLOYEES OF MEMBERS

Members shall register with the Exchange ~~staff~~ all persons whom they wish to employ on the trading floors. Such employees may act as ~~whose duties shall be limited to~~ runners, communicators and clerks. Such employees and who shall not be permitted to solicit customers or benefit from the production of orders, except as provided in Rule 140 and Rule 152. Such employees shall not ~~are prohibited from~~ trading or having any interest in an account trading in any futures or options contracts on the Exchange ~~for their own account or the account of any other person, including a member.~~ Employees ~~registered pursuant to this rule~~ must wear a prescribed identification badge for which any annual fee must be paid. Any member permitting trading by such employee may be guilty of a major offense. Remuneration to such employees shall be limited to salaries and normal bonuses. The member employer shall ~~file~~ upon request provide a report ~~to~~ with 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.

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 ~~pursuant to Exchange rules~~. 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 their member's employees ~~at the time that a when the~~ Market Regulation Department interview ~~s of such employee is to be conducted or, if where~~ no such interview occurs, ~~at such time as when~~ charges are issued against ~~one of their~~ employees 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 such registration is determined to be detrimental to the interest or welfare of the Exchange.

Violation of this rule may be a major offense.

502. VISITORSADMISSION 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. However, upon request of a member of the Exchange, visitors cards carrying the privilege of the floor may be issued by Exchange staff, good for a period not exceeding five consecutive business days. Exchange staff shall not issue more than one visitors card every three months to the same person. Members are responsible for the conduct and actions of visitors for whom they have obtained floor access while such visitors are on the floor or otherwise on Exchange premises.

503. FLOOR FACILITIES[RESERVED]

~~Desks and other equipment may be made available to members and firms on a basis determined, and from time to time reviewed, by the Board. Such desks and equipment shall remain the property of the Exchange.~~

504. [RESERVED]

505. BOOTH AND FLOOR PRIVILEGES

Booth space on the trading floor may be assigned only to clearing members. Orders may be accepted at a clearing member's booth only by its employees, and by the members it qualifies (except that a member's order may be accepted by the member's employee).

Notwithstanding the foregoing, a member, who is employed by or associated with a non-clearing entity that is engaged in the business of soliciting or accepting orders for the purchase or sale of Exchange contracts, may not use the facilities in any trading floor booth in order to facilitate the business of that non-clearing entity. This limitation shall not apply to a Rule 106.I. firm conducting business for itself, its customers or its related parties.

The following grid displays the type of orders being handled at a firm's booth on the trading floor and who may handle them.

TYPE OF	(1) ORDERS	(2) ORDERS	(3) ORDERS	(4) ORDERS	(5) ORDERS	(6) ORDERS	(7) ORDERS	(8) ORDERS
MEMBER/	FOR THE	FOR THE	FOR THE	FOR	FOR A	FOR AN	FOR THE	FOR THE
EMPLOYEE	CLEARING	CUSTOMERS	CLEARING	THE NON-	106.H.	INDIVIDUAL	CUSTOMERS	PROPRIETARY
AND	MEMBER'S	OF A NON-	MEMBER'S	CLEARING	FIRM	MEMBER'S	OF A RULE	ACCOUNT
PLACE OF	(BOOTH	CLEARING	PRO-	ENTITY'S	ACCOUNT	ACCOUNT	106.I.	OF A RULE
FACILITATION	OWNER)	ENTITY	PRIETARY	PRO-			RELATED	106.I.
	CUSTOMERS		ACCOUNT	PRIETARY			PARTY	RELATED
	EXCLUDING			ACCOUNT				PARTY

ORDERS FOR CUSTOMERS OF A NON- CLEARING ENTITY								
A.CLEARING FIRM EMPLOYEE MEMBER AT EMPLOYER'S OR QUALIFYING FIRM'S BOOTH	YES	YES	YES	YES	YES	YES	YES	YES
B.CLEARING FIRM EMPLOYEE CLERK AT THE EMPLOYER'S BOOTH	YES	YES	YES	YES	YES	YES	YES	YES
C.INDIVIDUAL MEMBER AT THE QUALIFYING FIRM'S BOOTH	YES	YES	YES	YES	YES	---	YES	YES
D.INDIVIDUAL MEMBER'S CLERK	NO	NO	NO	NO	NO	YES	NO	NO
E.NON-CLEARING ENTITY EMPLOYEE MEMBER AT THE QUALIFYING FIRM'S BOOTH	YES	NO	YES (UNLESS E2 APPLIES)	NO	YES	YES	YES	YES
F.106.H. MEMBER	NO	NO	NO	NO	YES	NO	NO	NO
G.106.H. MEMBER'S CLERK	NO	NO	NO	NO	YES	NO	NO	NO
H.106.I. MEMBER	YES	YES	YES	YES	YES	YES	YES	YES
I.106.I. MEMBER'S CLERK	YES	YES	YES	YES	YES	YES	YES	YES

506. ~~CASH TREASURY FACILITY~~[RESERVED]

~~Interdealer brokers for U.S. Treasury securities who have been approved by the Exchange may place employees and use booth space on the trading floor to enable authorized Exchange members to obtain access to the cash market. Such interdealer broker employees shall not, while on the trading floor, trade or enter orders in any futures or options contract traded on the Exchange.~~

507. ~~ELECTRONIC DEVICES~~

507.A. ~~Definitions~~

~~For purposes of this Rule 507, the following definitions shall apply:~~

- ~~"Electronic Device" shall mean any electronic device including, without limitation, any computer, headset, pager, microphone, telephone, two-way radio or other type of voice or data communications interface, whether or not such electronic device requires and external source of electrical power for proper operation.~~

2. ~~"Electronic Information" shall mean the data made available to each member or clearing member by virtue of such member's or clearing member's access to any Regulated Electronic Device, including, without limitation, (i) the identity of other persons transacting business on, with or through the Exchange or an Exchange Affiliate, and the price and quantity of pending or filled orders and interests on, with or through the Exchange or an Exchange Affiliate by, on behalf of or at the direction of such persons, and (ii) with respect to any Regulation Electronic Device supplied by the Exchange to such member or clearing member, any database, software, programs, protocols, displays and manuals relating thereto, including the selection, arrangement, and sequencing of the contents thereof.~~
3. ~~"Exchange Affiliate" shall mean a corporation in which the Exchange holds more than a 50% equity interest, a partnership in which the Exchange is a general partner, or a limited liability company or limited liability partnership in which the Exchange is a controlling member or controlling partner.~~
4. ~~"Regulated Electronic Device" shall mean any Electronic Device supplied to a specific member or clearing member by the Exchange that belongs to a class or category of Electronic Devices for which the Exchange has established terms and conditions of use.~~
5. ~~"Regulated Floor Device" shall mean any Regulated Electronic Device that has been authorized by the Exchange for use at locations on the Exchange trading floor and its environs.~~
6. ~~"Regulated Remote Device" shall mean any Regulated Electronic Device that has been authorized by the Exchange for use at locations other than, or in addition to, the Exchange trading floor and its environs.~~

507.B. ~~General Provisions~~

~~The use by members and clearing members of Regulated Electronic Devices shall be subject to this Rule 507. No Regulated Electronic Device may be used by any person except in accordance with the provisions of this Rule 507 and such terms and conditions of use as may be established and reviewed from time to time by the Board, by any committee duly appointed by the Board or Exchange staff empowered to so establish and review such terms and conditions of use. The manner in which the terms and conditions of use applicable to any class or category of Regulated Electronic Device shall be communicated to any member and/or clearing member by the Exchange shall be as determined by the Board and/or the applicable committee or Exchange staff responsible therefor. Each member and clearing member shall use any such Regulated Electronic Device at all times in a manner consistent with the terms and conditions applicable thereto and the provisions of this Rule 507. No member or clearing member shall use or permit others to use any Regulated Electronic Device on the Exchange trading floor unless such Regulated Electronic Device has been previously approved as a Regulated Floor Device pursuant to and in accordance with this Rule 507. No member or clearing member shall use or permit others to use any Regulated Electronic Device at any location other than the Exchange trading floor and its environs in connection with the transmission to the Exchange or the reception from the Exchange of electronic messages relating to the purchase and/or sale of futures contracts or other financial instruments unless such Regulated Electronic Device has been previously approved as a Regulated Remote Device pursuant to and in accordance with this Rule 507. Except as expressly authorized by the Board, the Exchange shall not be deemed a part to or principal in, directly or indirectly, any trade or transaction in any financial instrument submitted, executed or entered into through the use of any Regulated Electronic Device if such financial instrument is not subject to CFTC~~

~~Regulations and the Commission has not designated the Exchange to be a contract market with respect to such financial instrument in accordance with CFTC Regulations.~~

507.C. ~~Fees and/or Other Charges~~

~~Included among the terms and conditions that may be established and reviewed for any Regulated Electronic Device in accordance with Subsection B. above is the right to assess fees and/or other charges to any member or clearing member who or that has been authorized by the Exchange to use such Regulated Electronic Device, to increase the amount of any such fees and/or other charges, and to determine the amount of prior notice, if any, that must be given concerning the imposition or increase of any such fees and/or other charges. If a member or clearing member does not wish to pay any such fees and/or other charges or any increase relating thereto, such member or clearing member may elect to return such Regulated Electronic Device to the Exchange in the manner and within the time frame specified by the Board and/or the applicable committee or Exchange staff responsible therefor. Except as set forth above, each such member or clearing member shall pay any such fees and/or other charges when due, together with any applicable sales, use, value added, property, withholding or other taxes relating thereto.~~

507.D. ~~Terms and Conditions of Use~~

~~Before using a Regulated Electronic Device to enter any transaction, a member or clearing member shall first satisfy the then existing terms and conditions of use relevant to use by such member or clearing member of such Regulated Electronic Device.~~

~~Such member or clearing member shall continue to comply with all such terms and conditions at all times while such member or clearing member is in possession of or otherwise responsible for such Regulated Electronic Device, and such member or clearing member shall submit to the Exchange evidence of such continuing compliance in the manner and at such times as may be prescribed by the Board and/or applicable committee or Exchange staff responsible therefor.~~

~~A member or clearing member who or that satisfies the above referenced terms and conditions of use and receives authorization to use a Regulated Electronic Device pursuant to or in accordance with this Rule 507 shall be subject to the following additional terms and conditions:~~

- ~~1. The member or clearing member shall take reasonable care of such Regulated Electronic Device, and shall properly secure and safeguard such Regulated Electronic Device at all times so as to prevent such Regulated Electronic Device from being damaged, lost or stolen. Such member or clearing member shall be fully responsible for any damage to the Regulated Electronic Device, normal wear and tear excepted, until such Regulated Electronic Device is returned to the Exchange in accordance with the procedures for return thereof prescribed by the Exchange.~~
- ~~2. The member or clearing member shall take all necessary and appropriate precautions to ensure that only persons authorized by the member or clearing member shall have access to, and/or use of, such Regulated Electronic Device during the period of time when such member or clearing member is in possession of or is otherwise responsible for such Regulated Electronic Device.~~
- ~~3. The member or clearing member shall be financially responsible for any purchase and/or sale of any financial instrument executed, entered into or otherwise effected in connection with or~~

~~arising out of the use by any person of such Regulated Electronic Device during the period of time when such member or clearing member is in possession of or is otherwise responsible for such Regulated Electronic Device. Without limiting the generality of the foregoing, such financial responsibility shall expressly include obligations owed to any Exchange Affiliate. If any such obligation involves a claim by an Exchange Affiliate against a member, such obligation shall constitute a claim against such member by the Exchange for purposes of Rule 110.a. Furthermore, for purposes of Rule 110.b., such member shall be deemed to have pledged his or her membership and Class B Share at the Exchange as collateral to the clearing member that qualifies such member to secure such member's obligations in connection with the use of such Regulated Electronic Device.~~

- ~~4. Upon termination for any reason of a member's or clearing member's right to use a Regulated Electronic Device, such member or clearing member shall return such Regulated Electronic Device to the Exchange in working condition in accordance with the applicable terms and conditions regarding return of such Regulated Electronic Device established by the Board and/or the relevant committee or Exchange staff responsible therefor. The member or clearing member shall pay to the Exchange the replacement cost plus applicable handling charges, if any, as determined by the Board and/or the relevant committee or Exchange staff responsible therefor, of any Regulated Electronic Device that is lost, stolen, damaged or destroyed while the member or clearing member is in possession of or is otherwise responsible for such Regulated Electronic Device.~~
- ~~5. The Board and/or the relevant committee or Exchange staff responsible therefor may, in its sole discretion, impose restrictions on the use of any Regulated Electronic Device by any member or clearing member. The Board and/or the relevant committee or Exchange staff responsible therefor may limit, suspend or terminate any member's or clearing member's right to use any Regulated Electronic Device at any time, without prior notice and without any liability of the Exchange or any Exchange Affiliate as a consequence thereof to such member or clearing member or any other person, if such termination or suspension is occasioned by, without limitation: (i) the limitation, suspension or termination of the trading privileges or credit limits of such member or clearing member (or the qualifying clearing member of the former) with respect to any futures contract or other financial instrument; or (ii) the directive or order of the Board or of a court or regulatory body having jurisdiction.~~
- ~~6. Electronic Information that is disclosed to or otherwise obtained by a member or clearing member while accessing a Regulated Electronic Device shall be deemed to constitute a trade secret of the Exchange (or its licensors), as to which copyright and patent rights of the Exchange may also exist. The member or clearing member shall keep all such Electronic Information confidential, and shall utilize such Electronic Information solely for such member's or clearing member's own trading activities and the trading activities of persons for whom the member or clearing member is authorized to act. All copies and expressions of such trade secrets, works, processes, and methods are the exclusive property of the Exchange, and shall be returned to the Exchange upon termination of such member's or clearing member's right to use the Regulated Electronic Device for any reason whatsoever. Each member or clearing member shall take or cause to be taken all reasonable precautions to maintain the secrecy and confidentiality of such Electronic Information. Except as otherwise permitted elsewhere in the Rules, the member or clearing member shall not disclose, and shall use reasonable efforts not to permit the disclosure of, any part of such Electronic Information to any other person.~~

7. ~~Except as authorized by the Board and/or the applicable committee or Exchange staff responsible for establishing the terms and conditions of use of any Regulated Electronic Device, a member or clearing member shall not make, and shall not permit others to make, any alterations, additions, subtractions, upgrades or improvements to, or affix or attach any foreign object to, in or on, any Regulated Electronic Device. The Board and/or the applicable committee or Exchange staff responsible for establishing the terms and conditions of use of any Regulated Electronic Device may delegate responsibility for approving a request for any such alteration, addition, subtraction, upgrade, improvement, affixation or attachment with respect to such Regulated Electronic Device to Exchange staff, and may establish guidelines whereby Exchange staff shall determine whether to provide general notice to all members and clearing members in the event that permission for any such alteration, addition, subtraction, upgrade, improvement, affixation or attachment to a Regulated Electronic Device is granted to any individual member or clearing member.~~
8. ~~Computer software programs and technical documentation of third parties incorporated into any Regulated Electronic Device are provided by the Exchange to members and/or clearing members under license with RESTRICTED RIGHTS.~~
9. ~~The Exchange shall have a continuing right to audit the use of any Regulated Electronic Device by any member or clearing member. The right to perform any such audit shall be deemed a permanent term and condition of use of any such Regulated Electronic Device by any such member or clearing member.~~

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 authorized 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, telephone, or two-way radio. No Member (as defined in Rule 400) shall permit others to use any electronic device unless such use has been authorized by the Exchange. In using an electronic device, such Member shall retain any audit trail data in accordance with applicable CME 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 authorized electronic device by any Member. The Exchange may limit, suspend or terminate any Member's right to use any authorized 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 authorized electronic device by any Member.

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

Violation of this rule may be a major offense.

(Next Rule 510)

508. GIVING AND RECEIVING OF GRATUITIES

A member, clearing member ~~firm~~, broker association, trading group or an employee of such may not directly or indirectly give 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 firm policies that allow for gifts in excess of \$100, and the requirements of this rule apply to both the providers and the recipients of such gifts and gratuities. Violation of this rule may be a major offense.

509. [RESERVED]

TRADING QUALIFICATIONS AND REGULATIONS

510. REQUIREMENTS FOR ~~FLOOR BROKERS, TRADERS, FLOORMEMBERS AND THEIR EMPLOYEES OF MEMBERS AND OUT-TRADE CLERKS~~ ON THE TRADING FLOOR

~~510.A.~~ Floor Brokers and Floor Traders

All members ~~and their employees on the trading floor seeking approval to act as a floor broker or floor trader shall~~ satisfy complete such ~~all~~ orientation programs requirements ~~by of~~ the Exchange and ~~comply with the requirements of Rule 514.~~ All members seeking to act as a floor broker, ~~on~~ floor trader, ~~or in any other capacity requiring registration pursuant to the Commodity Exchange Act must be registered in accordance with applicable CFTC Regulations.~~ the Exchange must be registered as a floor broker with the CFTC or have a temporary license to act as a floor broker, and such registration or temporary license must not be suspended, terminated, revoked or withdrawn. All members seeking to act as a floor trader on the Exchange must (1) be registered as a floor trader or floor broker with the CFTC, (2) have a temporary license as a floor trader or floor broker, or (3) be subject to the no-action position set forth in CFTC Regulation 1.66, and such registration, temporary license, or no-action position must not be suspended, terminated, revoked or withdrawn.

Any member ~~who is a floor broker or floor trader~~ 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 ~~who 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.~~ are floor brokers and floor traders shall: (1) review every three years registration information maintained on file with the National Futures Association, make corrections to such information if necessary in accordance with CFTC Regulation 3.11(d), and promptly file a copy of any such corrections with the Membership Department; (2) promptly file with the Membership Department a copy of any Form 3-R required to be filed under CFTC Regulation 3.31; and (3) withdraw their floor broker or floor trader registration using Form 8-W in accordance with CFTC Regulation 3.33 when they cease to act as a floor broker or floor trader and promptly file a copy of any Form 8-W with the Membership Department.

510.B. ~~Floor Employees of Members~~

~~Any non-member who is employed on the trading floor by a member shall complete such new employee orientation programs as are required by the Exchange.~~

511. ~~REGULATION OF APPROVED~~QUALIFIED TRADERS AND BROKERS

No member shall be permitted to execute a pit, board, spot call, block, EFP or EBF transaction on the Exchange unless he is qualified to do so by a clearing member.

A member shall place all trades, including 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 only place trades through his qualifying clearing member. Any clearing member that has 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 shall not execute a contract using Exchange facilities unless he is then qualified to act by a clearing member.~~ If a member trades in excess of limits prescribed by his qualifying clearing member, without sufficient funds in his account to ~~have immediately margined~~ the position, and such trades are profitable, the qualifying clearing member shall be entitled to retain the profits derived from such excess trades. The claim of a qualifying clearing member to such profits shall be submitted to arbitration under Chapter 6. ~~subject to a determination by the Arbitration Committee respecting the appropriateness of the member's conduct.~~

~~At any time, a member shall be qualified by no more than one clearing member.~~

~~A member may not transfer his qualification unless he has obtained a written release from the clearing member last qualifying him. A release shall not be withheld unless a member has failed to pay any indebtedness to a clearing member arising out of a pledge of a membership and a Class B Share as collateral security on any such indebtedness, or due to a deficit arising out of futures transactions on the Exchange. Any other disputes between the parties shall be resolved through the arbitration procedures set forth in Chapter 6.~~

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 appeal to the Board if he believes that such release is being unreasonably withheld request a hearing before a hearing panel of the Board of Directors ("Panel") pursuant to the procedures in Rule 410. The ~~Board or Board Hearing Committee~~ Panel considering an appeal pursuant to Rule 511 may, in its sole discretion, ~~may~~ remand a dispute concerning the validity of a signed non-compete agreement between the parties to an expedited arbitration hearing pursuant to Rule 602.E.

The ~~Panel~~ Board or Board Hearing Committee considering an appeal pursuant to Rule 511 may assess attorneys' fees and the administrative costs of the proceeding against one or both of the parties if it determines upon a determination that a claim or defense ~~of a party~~ was frivolous or filed in bad faith.

~~To qualify traders, a clearing member must have established systems in place for trade submission, clearing, and settlement/banking with the Clearing House.~~

~~A member shall place all trades on the books of his qualifying clearing member unless a written authorization to the contrary from said clearing member has been filed with the Membership Department. Regardless of said authorization, a member in a deficit position with any clearing member shall only place trades through his qualifying clearing member. Any clearing member which has a member's account in a deficit position shall promptly notify the clearing member qualifying said member.~~

~~All trades initiated by a member with trading floor access for his own 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.~~

511.A. FloorRegular Trading Hours

A clearing member may, without prior notice, revoke ~~a member's~~ authorization to trade ~~during Regular Trading Hours~~ 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 ~~forfeit his membership privilege to~~ appear upon the floor of the Exchange ~~during Regular Trading Hours~~ until he has been requalified ~~and such qualification is on file with the Membership Department~~. A member who has been disqualified shall promptly return his membership badge to the Shareholder Relations and Membership Services Department. ~~A member who has been disqualified will automatically have his GLOBEX terminal deactivated.~~

511.B. GLOBEX Trading Hours

~~A clearing member that authorizes a GLOBEX terminal to another person or entity may, with or without prior notice to such person or entity, terminate that person's or entity's ability to place orders through GLOBEX. In the event the person has obtained a user identification assigned by the GLOBEX Control Center, the Clearing Member must provide written notice to the GLOBEX Control Center to terminate access. The deactivation of a user identification by the GLOBEX Control Center will result in the cancellation of all orders entered with that user identification.~~ Unless otherwise specified by at the member's qualifying clearing member, a member suspended from entering orders through GLOBEX shall not ~~automatically~~ be disqualified from pit or board trading during Regular Trading Hours.

In the case of a member who has GLOBEX access guaranteed ~~been qualified for trading~~ by a clearing member other than his qualifying ~~the~~ clearing member ~~providing the GLOBEX terminal~~, 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 terminal. The clearing member providing the access to GLOBEX terminal will be responsible for ensuring that the member does ~~is~~ not ~~able to~~ place orders through GLOBEX.

~~A clearing member that guarantees the trades of an individual member or clearing member of another exchange who has been granted cross-exchange trading privileges may, with or without prior notice to such other member, terminate the user identification of that member, or any individual employed by that member, by providing written notice to the GLOBEX Control Center. The deactivation of a user identification by the GLOBEX Control Center while a GLOBEX Session is in progress will result in the cancellation of all orders in the system entered during that session with that user identification.~~

(Next Rule 513)

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 suitably attired in accordance with Exchange policy ~~the current CME dress code~~, and shall wear jackets bearing identification badges issued by the Exchange. Members and their Eemployees not professionally attired in accordance with Exchange policy who violate the Exchange's dress code may be barredprevented from entering or may be removed from the trading floors. Refreshments and smoking are forbidden on the trading floors at all times.

~~Members and their employees shall refrain from excessive speed in moving about the trading floors, shall not abuse others on Exchange premises and shall abide by the Exchange standard of conduct, dress and appearance. Refreshments and smoking are forbidden on the trading floors at all times.~~

513.B. Authority to Deny Access

~~Members and their employees may be denied access to or be immediately removed from the trading floors on Exchange premises by Exchange staff upon a reasonable belief that such immediate action is necessary to protect the best interest of the Exchange, subject to a prompt hearing before the Business Conduct Committee. If, after hearing, the Business Conduct Committee determines that a member or an employee of a member should be denied access to the trading floor, such member or employee may appeal the decision to the Board pursuant to the procedures set forth in Rule 417.~~

513.CB. Charging and Fining AuthoritySanctions

1. Designated Exchange ~~employeesofficials~~ may impose ~~the following fines per offense on~~ members or their employees for violations of the Exchange policy concerning access, conduct, and appearance. Fines imposed ~~pursuantunder this to~~ Rule 513.CB.1. are final and may not be appealedable.
- ~~(i) All Clothing violations (with the exception of shoes described below) carry a \$50.00 automatic fine with no appeal rights.~~
- ~~(ii) Any violation involving shoes with a sole height greater than 2 inches carry a \$250.00 automatic fine with no appeal rights.~~
- ~~(iii) Any violation concerning the consumption of food or drink carry a \$250.00 automatic fine with no appeal rights. (Bottled water with proper medical permission in CME approved containers will be permitted.)~~
2. ~~TheA~~ fourth violation of the Exchange policy concerning access, conduct, and appearance ~~Rule 513.C.1.~~ within a rolling 18-month period will be subject to a \$1,000 fine. ~~be referred to the Pit Supervision Committee, which may impose a fine not to exceed \$5,000.00. Designated~~

~~Exchange staff shall have authority to impose a fine not to exceed \$5,000.00 per offense on members or their employees who violate paragraph 513.A. of this rule or the Access, Conduct and Appearance Code of the Exchange.~~

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 Pit Supervision Committee. The panel may impose a fine not to exceed \$5,000 per violation.~~
4. ~~Notwithstanding any other provision in this Rule, the Managing Director of Regulatory Affairs ("MDRA") 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.CD. Hearings and Appeals

An individual fined pursuant to ~~paragraph Rule 513.B-C.2., 3. or 4. of this rule~~ may, within 10 days of the decision, file a written appeal ~~of the decision to~~ with the ~~Division of Market Regulation Department~~. ~~A~~The written appeal ~~that fails to~~ shall specify the grounds for the appeal and the specific error or impropriety of the original decision ~~shall be dismissed~~. ~~The appeal shall be reviewed by the Chairman of the Business Conduct Committee who shall determine if the appeal raises a prima facie showing of an error or impropriety based upon the grounds set forth below. If a prima facie showing is not made, the appeal shall be dismissed and considered final. If a prima facie showing is made, the appeal shall be heard by the Business Conduct Committee a Panel of the Business Conduct Committee ("BCC Panel") whose decision shall be final. The individual appealing the~~ shall be entitled to be represented by counsel, appear personally before the ~~Committee~~BCC Panel and present evidence ~~that~~ he may have in support of his appeal. The ~~Business Conduct Committee~~BCC Panel shall not set aside, modify or amend the ~~appealed~~ decision ~~appealed from~~ 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 in the imposition of the penalty; or~~
- 2). ~~in excess of the panel's or Exchange staff's authority, or jurisdiction or limitations; or,~~
- 3). ~~without observance of required procedures.~~

513.E. [Reserved]

513.F. Major Offenses

~~An alleged offense which, in the opinion of the Division of Market Regulation, is of major importance or might warrant a penalty in excess of the schedule of fines contained herein, may be referred by the Division of Market Regulation to the Business Conduct Committee for hearing.~~

514. TRADING INFRACTIONS

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 price infraction;
4. failure to confirm a transaction;
5. failure of buyer and seller to announce a change in the last sale price and or failure to ascertain that it is properly recorded;
6. use of profane, obscene or unbusinesslike language on the floor;
7. use of undue force while in, entering or leaving the pit;
8. conduct which tends to confuse, distract, abuse or intimidate any Exchange employee; ~~or~~
9. conduct of an unbusinesslike nature ~~;~~ and
10. failure to defer to a member who has clearly turned the market;
11. failure to indicate a quantity on a bid or offer; ~~or~~ and
12. disseminating false, misleading or inaccurate quotes.

~~A trading infraction is of an egregious nature if it is flagrant or particularly offensive, objectionable or improper.~~

514.B. Pit Committee Fining Authority

The following schedule of fines shall apply to members or their employees found guilty by a panel of the Pit Committee of trading infractions:

First offense	_____ <u>a letter of warning and/or</u> a fine not to exceed \$2,500
Second offense within <u>a rolling</u> one - year <u>period</u>	a fine of at least \$ 51,000 , but not to exceed \$ 45,000
Third offense within <u>a rolling</u> one - year <u>period</u>	a fine of at least \$ 1,02,500 , but not to exceed \$ 510,000

514.C. Pit Supervision Committee Fining Authority

Members or their employees found guilty by a panel of the Pit Supervision Committee of committing trading infractions prohibited by Rule 514.A.6., 7., 8., or 9. which are of an egregious nature may be fined up to \$~~4~~20,000 for such infractions.

514.D. Multiple Infractions

If an individual is found guilty of three violations of Rule 514.A. trading infractions and/or egregious trading infractions within a rolling one-year period, or any three, for violations of Rule 514.A.6., 7., 8., and/or 9., within a rolling five-year period, any subsequent chargealleged violation under Part A. of this ~~R~~rule within such period shall be reviewed by the ~~Division of~~ Market Regulation Department for a to determination ~~as to~~ whether to forward the ~~chargealleged violation to should be adjudicated by a~~ Ppanel of the Pit Supervision Committee for adjudication or to investigated and referred ~~the matter~~ to the Probable Cause Committee for review.

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 tradingaccess privileges, of whom at least one is engaged in floor brokerage activity:
 - a. Clearing Member "For Profit" Association: A clearing member and its salaried or commissioned member employees engaged in floor brokerage activity;
 - b. Non-Clearing "For Profit" Employer/Employee Association: An employer and each employee engaged in floor brokerage activity;
 - c. Other Non-Clearing "For Profit" Association: Other non-clearing members who share and/or allocate fees, revenues, expenses, profits or losses arising out of floor brokerage activity.

For the purposes of ~~sections~~ d. and e. below, Independent Broker Affiliations are defined as two or more members (of whom at least one is engaged in floor brokerage activity) who regularly share a deck (customer orders) and/ or employee salary expenses; for example, a floor broker and a local broker who holds a deck on regular, even if limited, basis; or two or more floor brokers sharing an employee; Additionally, two or more members who share the profits and/or losses resulting from order execution errors caused by a member or non-member clerk, but who do not share and/or allocate other fees, revenues, expenses, profits or losses arising out of floor brokerage activity, shall be deemed Independent Broker Affiliations for purposes of registration under this rule.

- d. Small Independent Broker Affiliation: A group of two to four members meeting the criteria in the definition above;
- e. Large Independent Broker Affiliation: A group of five or more members meeting the criteria in the definition above.

- f. Trading Group Associations: An association of at least one member engaged in floor brokerage activity and any other member(s) sharing, directly or indirectly, revenue resulting from trading their own account(s).

Additionally, a ~~T~~trading ~~G~~group ~~A~~association shall be deemed a member of and subject to the intra-association trading restrictions (set forth in Section E) of each broker association to which a member of that ~~T~~trading ~~G~~group ~~A~~association belongs;

- g. Any other group or combination deemed by the Board of Directors to be a broker association.
3. "For Profit" Broker Association—Broker associations defined by A.2.a., A.2.b. and A.2.c. above shall be considered "~~F~~for ~~p~~Profit" ~~A~~associations. ~~A~~Every "~~F~~for ~~p~~Profit" ~~broker~~ ~~A~~association ~~registered pursuant to A.2.b. and A.2.c. (except for clearing member associations)~~ must designate a principal to represent the association in connection with its registration obligations set forth in Section B.
4. Principal of a "For Profit" Broker Association—Each individual who has -(i) formal and/or de facto control over the affairs of a "~~F~~for ~~p~~Profit" ~~A~~association; or, (ii) a ten percent or more ownership interest in a "~~F~~for ~~p~~Profit" ~~A~~association. Each principal must ~~own~~~~be~~ an ~~IOM, IMM, or CME equity member~~ ~~ship of the Exchange~~. Each principal assumes the registration, supervision and financial responsibilities set forth in ~~S~~sections B., C., ~~and D. and F.~~
5. Spokesperson of an ~~Independent Broker~~ ~~Affiliated~~, Trading Group or Clearing Member Association ~~—~~ An individual authorized to represent an ~~Independent Broker~~ ~~Affiliated~~, ~~T~~trading ~~G~~group or ~~C~~clearing ~~M~~member ~~A~~association in connection with its registration obligations set forth in Section B.
6. Investor ~~—~~ An individual who has a direct beneficial interest in a "~~F~~for ~~p~~Profit" ~~B~~broker ~~A~~association but is not a principal as defined in A.4. above.
7. Associate of a Broker Association ~~—~~ Any Exchange member who is employed by or engaged in floor brokerage activity on behalf of a "~~F~~for ~~p~~Profit" ~~B~~broker ~~A~~association and who is not a principal, or investor of ~~such~~~~the~~ broker association or any Exchange member who is engaged in floor brokerage activity on behalf of an ~~Independent Broker~~ ~~Affiliated~~ ~~broker association~~ and who is not a spokesperson of ~~the~~~~such~~ broker association.

515.B. Registration Requirements

1. A ~~member~~~~floor broker who is a member~~ of a broker association shall not ~~handle~~ ~~receive~~ or execute an ~~n~~ ~~customer~~ order ~~(defined as CTI type 2, 3 and 4 trades)~~ unless that association has registered with the Exchange.
2. Information Required ~~--~~ Registration shall be accomplished by filing ~~the~~ ~~appropriate~~ registration forms with the ~~Shareholder Relations and~~ Membership ~~Services~~ Department ~~and which~~ shall include the following information ~~(except that a clearing member association shall register by submitting a list of all member employees engaged in the execution or pre-execution handling of orders for that clearing member and by providing the name of a spokesperson):~~
- a. Name of broker association;

- b. Classification of each broker association member as a principal, spokesperson, associate, ~~and~~/or investor;
 - c. Names and account numbers of all principals, spokespersons, associates, and investors in the association;
 - d. Identification, by account number, of each ~~t~~Itrading ~~g~~Group ~~a~~Association in which a principal, spokesperson or associate of the broker association has a financial interest;
 - e. Legal form of association;
 - f. Category registered under pursuant to ~~sub~~Section A.2. above;
 - g. Name of the principal or spokesperson authorized to represent the association in connection with its registration obligations.
3. Requirement of Keeping Registration Current - ~~-~~It shall be the responsibility of the broker association and its principals or spokespersons to insure that the association is properly registered. Any additions, deletions, or other changes to the information already reported must be provided to the Shareholder Relations and Membership Services Department within two business days after the event giving rise to such changes.
4. The Exchange may request any additional ~~data~~information from a broker association as deemed appropriate.
- ~~5. Exemption From Registration: Exchange staff may grant exemptions from registration to members who can demonstrate that particular relationships or circumstances do not increase the opportunity for the mistreatment of orders.~~

515.C. Supervision

Each principal must supervise his associates and employees diligently to prevent unsound business practices and uphold all Exchange rules.

Any principal of a "~~f~~Eor ~~p~~Profit" ~~B~~broker ~~A~~association, who directly or indirectly controls any person who has violated any rule of the Exchange in connection with his duties or responsibilities to the association may be held liable for such violation to the same extent as such controlled person. Regardless of whether the principal was held responsible for the act or acts constituting the violation, each principal of a "~~f~~Eor ~~p~~Profit" broker association is jointly liable for the payment of any fines assessed against another principal, associate or employee of ~~his~~the association provided the violation occurred while that person was acting or performing his duties on behalf of the association.

515.D. Financial Responsibility

Each principal of a "~~f~~Eor ~~p~~Profit" ~~B~~broker ~~A~~association, jointly agrees to guarantee and assume complete financial responsibility for all trades executed by members of his association, including errors, out-trades or omissions in connection with that member's duties or responsibilities to the association.

515.E. Intra-Association Trading

The Board shall establish limits on the percentage of personal trading during Regular Trading Hours between a member of a broker association and other members of broker associations with which he is affiliated.

The Board shall establish limits on the percentage of ~~customer~~ orders (~~defined as CTI type 2, 3 and 4 trades~~) that a member of a broker association may fill opposite other members of broker associations with which he is affiliated. Such limits shall apply to trading during Regular Trading Hours.

A member of a "~~F~~for ~~P~~profit" ~~B~~roker ~~A~~ssociation may not trade for his personal account with other members of the same broker association executing ~~customer~~ orders in markets to which the percentage trading restrictions apply.

Additionally, different "~~F~~for ~~P~~profit" ~~B~~roker ~~A~~ssociations, which are linked by having one or more principals in common across all of the linked associations ("calculation group"), shall be deemed a single association for the purpose of this section

The limits established by the Board shall take account of liquidity and such other conditions, from contract to contract, and shall only apply to the most active month or months of any contract. Compliance shall be measured separately for each full calendar month.

Exchange staff may grant exceptions to the intra-association trading restrictions in circumstances where a broker association can demonstrate that compliance with the limits may reduce liquidity or impede the creation of new business in the affected market.

~~Exchange staff shall implement the fine schedule set forth in the Interpretations and Special Notices Section of this chapter with respect to violations of this Rule 515.E.~~

515.F. Fine Schedules & Violations ~~Of This Rule~~

~~Violation of this rule may be a major rule violation. Repeated violations of this rule by members of a broker association may result in revocation of the principals' right to act as floor brokers.~~

Violations of the percentage restrictions on personal trading and the execution of orders in contracts subject to the trading restrictions in Section E. shall be subject to automatic sanctions in accordance with the following schedule:

<u>First offense</u>	<u>warning letter</u>
<u>Second offense within 24 months</u>	<u>\$1,000</u>
<u>Third offense within 24 months</u>	<u>\$5,000</u>
<u>Any subsequent offense within 24 months</u>	<u>\$10,000</u>

Violations by a member of a "For Profit" Broker Association trading for his personal account opposite another member of the same association or calculation group executing an order in contracts subject to the trading restrictions in Section E. shall be subject to automatic sanctions in accordance with the following schedule:

<u>First offense</u>	<u>warning letter</u>
<u>Second offense within 24 months</u>	<u>\$500</u>

<u>Third offense within 24 months</u>	<u>\$1,000</u>
<u>Any subsequent offense within 24 months</u>	<u>\$5,000</u>

Sanctions issued pursuant this section are final and may not be appealed, however members will have 15 days after receipt of a notice of violation to present evidence to the Market Regulation Department that administrative, clerical or other errors caused the apparent rule violation.

Notwithstanding the fine schedules, the Market Regulation Department may, at any time, refer matters that it deems egregious to the Probable Cause Committee for review.

Violation of this rule may be a major offense.

516.— 519. [RESERVED]

TRADING PRACTICES

520. TRADING CONFINED TO EXCHANGE FACILITIES

All trading ~~in Exchange products for future delivery in commodities traded on the Exchange must be confined to transactions made occur on or through the Exchange facilities; and those transactions on the floor must be confined to the designated trading area during Regular Trading Hours; provided, however, that no member shall be prohibited from trading on other duly organized exchanges. Any member violating this rule shall be guilty of in accordance with Exchange rules. Violation of this rule may be~~ a major offense.

521. PIT TRADING

All pit transactions, including spread and combination transactions, shall be made by open outcry in the established pit for that transaction.

A. A bid ~~shall~~may be made only when it is the best bid available in the pit. A bid is made by stating the price first and quantity next (such as "38.50 on 2," ~~etc.~~) and by holding a hand outstretched with the palm towards the bidder indicating the quantity by the number of fingers shown.

An offer ~~shall~~may be made only when it is the best available offer in the pit. An offer is made by stating quantity first and price next (such as "2 at 38.50") and by holding a hand outstretched with the palm away from the offeror indicating quantity by the number of fingers shown. When offering or bidding on a quantity of more than five, it shall be sufficient to use one hand. ~~It shall be is~~ improper to make a bid or an offer without indicating a quantity.

When a trader desires to buy the going offer in the pit, he shall by outcry state "buy it" or "buy them" or "buy" followed by the quantity desired, ~~as the case may be.~~ When selling, the trader shall similarly, by outcry, state "sell it" or "sell them" or "sell" followed by the quantity desired.

B. All-Or-None Transactions: The Board, a ~~C~~committee appointed by the Board, or Exchange staff ~~appointed by the Board~~ shall, from time to time, 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:

- A1. 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 designated by the Board. Such request shall be made in the appropriate trading area.
- 2B. 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.
- 3C. 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.
- 4D. An All-Or-None bid or offer may only be accepted for the total amount bid or offered ~~or bid~~.
- 5E. All-Or-None transactions shall not set off conditional orders (e.g., Stop Orders, and MIT Orders, ~~etc.~~) or otherwise affect orders in the regular market.
- 6F. 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.

C. Confirmation of Trades: 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 in order to enable both parties to comply with trading card and order pick-up requirements and within the area where the trade was made.

522. BOARD TRADING

When ~~commodities~~ Exchange products are board-traded, all bids and offerings ~~and bids~~ shall be posted in price numerically as to price and on a time priority ~~basis~~ as determined by the designated Exchange official.

It shall be the duty of members who have posted bids or offers on the blackboards to verify the accuracy of the recorded bid or offer, ~~and to check the sales panel after the close of the market.~~ Withdrawal of a posted bid or offer shall be complete when the request for withdrawal is acknowledged by the designated Exchange official.

To purchase a posted offer or sell a posted bid, the member must notify and be acknowledged by the designated Exchange official. In the event that two or more members attempt to buy the same offer or sell the same bid, the designated Exchange official shall determine who was first and, as such, is entitled to the trade.

It shall be the duty of each trader who executes a trade on the board to notify the opposite trader of the trade and to identify his respective clearing member within a reasonable time.

~~In addition to the pit trading and board trading as herein defined, the Board of Directors may prescribe such other methods as it deems appropriate.~~

523. ACCEPTANCE OF BIDS AND OFFERS ~~AND BIDS DURING REGULAR TRADING HOURS~~

~~In pit trading, board trading, and electronic trading, Any offer or bid or offer~~ may be withdrawn at any time before acceptance, but while outstanding; all or any part of any ~~offer or bid or offer~~ is subject to immediate acceptance by any trader. ~~In board transactions, the designated Exchange official shall determine the amount and the opposite trader if more than one acceptance is called. No offer or bid or offer~~ shall be specified for acceptance by a particular trader. The price at which an order is executed shall be binding. ~~Withdrawal of a posted bid or offer shall be complete when the request for withdrawal is acknowledged by the designated Exchange official.~~

~~When offers or bids are made in more than one unit, any buyer may purchase, or seller accept, one or more of such units.~~

~~Violation of this rule may be a major offense.~~

~~524. RESPONSIBILITY FOR TRADES~~

~~When a floor broker makes a trade on the futures call as agent for a member of the Clearing House other than the member for whom he is qualified to trade, he shall advise the opposite broker of the name of the clearing member for whom he was acting as floor broker and upon whose clearing memoranda the transaction is to be cleared. The clearing member for whom he is qualified to trade shall be liable as principal upon such trade until it has been accepted by the Clearing House for the account of the clearing member for whom the floor broker acted.~~

~~525. CONFIRMATION OF TRADES~~

- ~~A. It shall be the duty of both traders of a pit transaction 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 in order to enable both parties to comply with trading card and order pick-up requirements and within the area where the trade was consummated.~~
- ~~B. It shall be the duty of the trader who executes a trade on the blackboard, within a reasonable time, to notify the opposite trader of the trade and to identify the respective clearing members. (During the trading session, more than 20 minutes shall be deemed unreasonable.)~~
- ~~C. Exchange staff may direct a trader not to exceed a specified percentage of out-trades in relation to the total number of trades executed by such trader. Failure to comply with any such directive may constitute a violation of this rule.~~

~~(Next Rule 527)~~

524.-525. [RESERVED]

526. BLOCK ~~TRANSACTION~~ES

Notwithstanding Rule 520. ~~—TRADING CONFINED TO EXCHANGE FACILITIES—~~, the Board or a ~~C~~committee appointed by the Board shall, from time to time, determine the minimum thresholds for, and the Exchange product~~commodities~~ in which, ~~B~~block ~~T~~ransaction~~es~~ (privately negotiated transactions) shall be permitted. The following shall govern ~~B~~block ~~T~~ransaction~~es~~:

- A. A ~~member may execute a B~~block ~~T~~tradensaction ~~must be~~ for a specified quantity that is at or in excess of the applicable minimum threshold ~~designated by the Board~~.
- B. Each party to a ~~B~~block ~~T~~tradensaction 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 ~~B~~block ~~T~~tradensaction for a customer unless such customer has specified that the order ~~meets the applicable minimum threshold and includes specific instructions to be~~ executed as a Bblock ~~T~~tradensaction.
- D. The price at which a ~~B~~block ~~T~~tradensaction is executed must be "fair and reasonable" in light of (i) the size of ~~thesuch B~~block ~~T~~tradensaction, (ii) the prices and sizes of other transactions in the same contract at the relevant time, (iii) ~~and~~ the prices and sizes of transactions in other relevant markets, including without limitation the underlying cash and futures markets, at the relevant time, and (iv) the circumstances of the market or the parties to ~~thesuch B~~block ~~T~~tradensaction.
- E. Block ~~t~~Tradensactions shall not set off conditional orders (e.g., Stop Orders, and MIT Orders, ~~etc.~~) or otherwise affect orders in the regular market.
- F. The seller must ensure that each Bblock ~~T~~tradensactions ~~must be is~~ reported to thea ~~designated~~ Exchange ~~official~~ within five minutes of the time of execution; except that ~~b~~Block tradensactions in Eurodollar 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, ~~and~~ 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 ~~immediately~~ promptly publish such information separately from the reports of transactions in the regular market.
- G. Clearing ~~firmsmembers~~ must report ~~B~~block ~~T~~transacti~~onde~~s to the Exchange Clearing House, ~~including the time of execution~~, in accordance with the Clearing House Manual of Operations.
- H. Clearing members and members ~~Brokersinvolved in the~~ executingon of Bblock ~~T~~tradensactions must maintain a record of ~~saidthe~~ transaction, in accordance with Rule 536. ~~RECORDS FOR ORDERS AND PERSONAL TRANSACTIONS DURING REGULAR TRADING HOURS.~~
- I. ~~In the application of paragraphs A., B., and C. of this Rule to a~~ A commodity trading advisor ("CTA") registered (or exempt from registration) under the Commodity Exchange Act, including without limitation any investment advisor registered (or exempt from registration) under the Investment Advisors Act of 1940as such with the Securities and Exchange Commission that is exempt from regulation under the Commodity Exchange Act or Commission Regulations thereunder, with total assets under management exceeding \$25 million, ~~the CTA~~, and not the CTA's customers, shall be the applicable entity for purposes of ~~said paragraphs~~ Sections A., B., ~~and C., and D.~~
- J. ~~In the application of paragraphs A., B., and C. of this Rule to a~~ A foreign Person performing a similar role or function to a CTA or investment advisor as described in Section ~~paragraph~~ I, and subject as such to foreign regulation, with total assets under management exceeding \$~~50~~25 million, ~~the CTA~~, and not the CTA'sforeign Person's customers, shall be the applicable entity for purposes of ~~said paragraphs~~ Sections A., B., ~~and C., and D.~~

527. OUT-TRADE RESOLUTION POLICY

527.A. Out-Trades Discovered During a Regular Trading Hours Trading Session

It shall be the duty of the trader discovering an out-trade during the Regular Trading Hours sSession (whether through checking of sales panels or otherwise) to immediately notify the opposite trader. Thereafter, if the matter cannot be resolved between them, they shall immediately establish the loss.

527.B. Out-Trades Discovered After a Regular Trading Hours Trading Session

Whenever possible, out-trades created during, but discovered after a Regular Trading Hours session shall be resolved between the parties to the out-trade as provided in this Rrule, prior to the opening of trading of the next Regular Trading Hours session. If the out-trade may result in a loss, the parties shall attempt to agree upon: (1) apportionment of responsibility between them; -(2) the method for establishing the loss (*i.e.*, at the opening of the next Regular Trading Hours session, or via GLOBEX, SIMEX, an EFP or EBF transaction under Rule 538) or a block tradensaction under Rule 526); and -(3) which one of them will establish the loss. In the event the parties are unable to agree on the apportionment of or method for establishing the loss, the parties must nevertheless agree on which one of them will establish the loss.

In the absence of an agreement on the method for establishing the loss, the opening range of the next Regular Trading Hours session shall fix the limit of liability as a result of the out-trade. Regardless of the ultimate determination of responsibility for the loss, a party who unreasonably refuses to use GLOBEX, SIMEX, EFP, EBF or block transaction to establish the loss may be liable to the other party for the difference between the price at which the loss could have been established at the time the parties were unable to agree on using an alternate market, and the opening range.

527.C. Out-Trades Between Members Trading for Their Own Account or for House Accounts Over Which They Exercise Discretion

An out-trade between two members trading for their own account or for house accounts over which they exercise discretion may be resolved by breaking the trade or by clearing the trade using either party's trade data.

527.D. Out-Trades Involving Customer Orders

1. Out-Trade Resolution-

An out-trade involving an order may be resolved by agreement of the parties to break the trade or to clear the trade using either party's trade data. The foregoing does not relieve the broker of responsibility for the proper execution of the order.

2. Uncleared Customer Transactions-

a. Discovered Less Than Ten Minutes After Execution or During the Same Bracket Period

If a floor broker discovers that all or some portion of a transaction that has been confirmed to a customer cannot be cleared, the broker shall do one of the following:

- i. Re-execute the order in the market and adjust the customer to the confirmed price if the re-execution price is worse; or
 - ii. Assign the opposite side of the portion that cannot be cleared to his ~~or her~~ error account and assign a fill to the customer at the confirmed price. The floor broker shall not liquidate the assigned position until at least ten minutes have elapsed after execution of the order giving rise to the out-trade and ~~in any event~~ the bracket period in which the out-trade arose has ended.
- b. Discovered More Than Ten Minutes After Execution

If a floor broker discovers that all or some portion of a transaction that has been confirmed to a customer cannot be cleared and ten minutes or more have elapsed since such transaction and the bracket period in which the execution of the order giving rise to the out-trade has ended, the opposite side of the portion that cannot be cleared shall be assigned to the floor broker's error account, and the customer shall be assigned a fill at the confirmed price. The floor broker may then liquidate the assigned position ~~if at least ten minutes have elapsed after execution of the order giving rise to the out-trade and, in any event, the bracket period in which the out-trade arose has ended.~~
- c. Discovered Less Than Ten Minutes Before the Close of Trading

Notwithstanding the above, if a floor broker discovers that all or some portion of a transaction that has been confirmed to a customer cannot be cleared and the execution time is ten minutes or less before the close of Regular Trading Hours, the floor broker shall do one of the following:

 - i. Re-execute the order in the market (either in Regular Trading Hours or the ~~P~~post ~~S~~Settlement ~~S~~Session) and adjust the customer to the confirmed price if the re-execution price is worse; or
 - ii. Assigned the opposite side of the portion that cannot be cleared to his ~~or her~~ error account and assign a fill to the customer at the confirmed price. Except for a liquidation during a ~~P~~post ~~S~~Settlement ~~S~~Session, the floor broker shall not liquidate the assigned position until at least ten minutes have elapsed after execution of the order giving rise to the out-trade.

527.E. Assignment Procedures

1. Clearing Member Representing Customer Order

With respect to any portion of a customer transaction that cannot be cleared, if the executing floor broker does not provide the clearing member representing the customer order with the trade information necessary to clear the trade, assignment of the opposite side of this portion shall occur and the clearing member shall submit the trade for the next reconciliation process following notification that the trade cannot be cleared, showing the floor broker and his or her qualifying clearing member as the opposite broker and opposite house, respectively.

2. Executing Floor Broker

A floor broker assigned the opposite side of a trade shall:

- a. Clearly identify all such transactions by appropriate designation;
- b. Submit such trade information to his ~~or her~~ qualifying clearing member necessary to enable the clearing member to submit the trade for the next intra-day reconciliation;
- c. Identify all error accounts used for this purpose to the ~~Division of~~ Market Regulation Department;
- d. Obtain from a representative of the clearing ~~member~~firm official acknowledgment of the assignment of the trade, evidenced by the representative's signature on the trading card used to record the assigned trade;
- e. Document the circumstances surrounding any such error account transaction, including written documentation of the notice required in Subsection d. above, and promptly provide such documentation to the Exchange upon request;
- f. Identify the subsequent liquidation of an assigned trade on the floor broker's trading card or other document; and
- g. In the case of an intra-day out-trade, complete an Out-Trade Resolution Form, which shall be provided to an Exchange official within a reasonable time of the assignment, but in no circumstances later than the day of assignment. The Exchange official shall distribute copies of this ~~F~~orm to the clearing ~~firm~~member representing the customer order, the floor broker's qualifying firm, and the recorded opposite broker, if any, to the original trade. Providing the ~~F~~orm to the opposite broker does not relieve the floor broker of any responsibility to confirm the opposite side of the transaction.

3. Qualifying Clearing Member

A clearing member which qualifies a floor broker, who has been assigned the opposite side of an out-trade, but who has failed to submit such trade information necessary to clear the trade, shall submit such trade information to the Clearing House on behalf of the floor broker for or prior to the final reconciliation process.

Violations of this rule for the purpose of taking advantage of customer orders shall be a major ~~rule-violation~~offense. Other violations of this rule may be a major ~~rule-violation~~offense.

528. CHANGE IN LAST SALE PRICE

The buyer and seller in a pit transaction must report immediately to the designated Exchange official~~pit observer~~ any change in the last sales price or last quotation, ~~and The buyer and seller are required~~it shall be their duty to make certain~~ensure~~ that such change in quotation is properly posted. In order to effectuate such a price change, at least three members qualified to ~~traders~~ shall be present in the pit. ~~Whenever~~ a member makes a trade with another member which constitutes a price infraction, he ~~or she~~ 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. For this third alternative, both sides must agree to the adjusted price, which must satisfy the terms of any order(s) involved in the trade. Enforcement of this rule shall be the responsibility of the Pit Committee. Frequent participation in trades that involve price infractions may ~~constitute~~be a major offense.

529. WITHHOLDING ORDERS PROHIBITED

A ~~m~~Member (as defined in Rule 400), or any person entering orders on the GLOBEX platform terminal operator 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~~his benefit or for the convenience of another member or person~~. Violation of this rule ~~may be~~shall constitute a major offense.

530. PRIORITY OF CUSTOMERS' ORDERS

~~530.A. During Regular Trading Hours~~

A member shall not buy a futures contract, buy a call option or sell a put option for his own account or for an account in which he has a ~~proprietary~~direct or indirect financial interest, when he ~~has in hand~~is in possession of any executable orders to buy a futures contract, buy a call option or sell a put option for ~~another~~s at the market or at the same price.

A member shall not sell a futures contract, sell a call option or buy a put option for his own account or for an account in which he has a ~~proprietary~~direct or indirect financial interest, when he ~~has in hand~~is in possession of any executable orders to sell a futures contract, sell a call option or buy a put option for ~~another~~s at the market or at the same price.

A member shall not ~~trade with discretion or knowingly~~ execute a discretionary order, including, without limitation, an order allowing the member discretion as to time and price, ~~for an immediate family member, another member or a proprietary account of a member firm~~, when he ~~has in hand~~is in possession of any executable customer ~~market~~ orders on the same side of the market~~open as to time and price~~.

A member may trade for his own account, without violating this rule, while holding ~~a DRT~~customer orders ~~open as to time and price~~ provided the customer has previously consented in writing and evidence of such general consent is indicated on the order with the "WP" (with permission) designation. ~~(See "DRT" in Definition of Orders.)~~ In the case of a floor broker holding an orders open as to time and price for ~~the~~an account described in Rule 547~~of another member, an immediate family member of the floor broker or a proprietary account of a member firm~~, the "WP" designation on such orders shall constitute sufficient prior written consent.

~~530.B. During GLOBEX Trading Hours~~

~~A GLOBEX terminal operator must~~ No person shall enter all customeran orders ~~that the~~into the GLOBEX ~~platform~~system is capable of accepting before entering an order for his own account, an account in which he has a ~~proprietary~~direct or indirect financial interest or an account over which he ~~has~~order for a discretionary account, including, without limitation, an order allowing ~~him~~ discretion as to time and price, ~~for an immediate family member, a CME member, a GLOBEX terminal operator, or a proprietary account of a member firm~~, when such person is in possession of any order for another person that the GLOBEX platform is capable of accepting except as provided in Rule 539.C., ~~PRE-EXECUTION DISCUSSIONS REGARDING GLOBEX TRADES~~.

Violation of this ~~R~~rule 530 shall ~~constitute~~be a major offense.

531. TRADING AGAINST CUSTOMERS' ORDERS PROHIBITED

531.A. General Prohibition

A ~~person in possession of member having in hand~~ a customer order shall not knowingly enter into a transaction ~~on behalf of or~~ that ~~customer order directly or indirectly opposite himself or any other person with whom, or entity in which, the person has a direct or indirect financial interest: (i) the member; (ii) an entity of which the member is a partner or officer; (iii) or any officer or partner of an entity of which the member is an officer or partner; or (iv) any person trading for an account in which the member has a financial interest, assumes the opposite side.~~

531.B. Exceptions

The foregoing restriction shall not apply to the following transactions ~~enumerated as follows~~:

1. Transactions executed in accordance with Rule 527 to resolve bona fide out-trades,
2. ~~Cash for futures transactions, t~~ Transactions executed pursuant to Rule 538,
3. ~~Transactions executed pursuant to Rule 556,~~
4. Block trades executed pursuant to Rule 526, or
54. Transactions where the customer has ~~previously~~ consented in writing no more than 12 months prior to the transaction to waive the application of Rule 531.A. ~~(such consent shall have been given within 12 months of the transaction and shall not have been revoked prior thereto).~~ Such transactions shall further be subject to the following requirements: (i) ~~the confirmation of the transaction shall clearly denote its character;~~ (ii) if the transaction was pit-traded, the member shall have first bid and offered, for a reasonable time, by open outcry; (iii) if the transaction was ~~blackboard~~-traded, the member shall have first posted the bid and offer for a reasonable period of time and shall not trade against the customer unless he accepts all equal or higher bids or all equal or lower offers, whichever the case may be; (iv) if the transaction was executed on GLOBEX-traded, such transactions shall ~~further~~ conform to the requirements of Rule 539.C.; (v) the member shall clearly identify, by appropriate descriptive words, all such transactions, including the time of execution, on his trading card or other record made at the time of the execution; and (vi) if the transaction was pit-traded or ~~blackboard~~-traded, the member shall present the record of the transaction to an Exchange official for verification and initialing. A record of each such transaction shall be made by the Exchange official on a form which shall show the commodity, date, price, quantity, expiration delivery month and floor broker, and for options, strike price, put or call and expiration month. Such form shall be made a matter of permanent record by the Exchange.

Violation of this ~~R~~rule ~~531~~ shall ~~constitute~~be a major offense.

532. DISCLOSING ORDERS PROHIBITED

~~No person~~A member or GLOBEX terminal operator shall ~~not~~ disclose another person's order to buy or sell, except ~~that he may disclose it to an designated Exchange official officer of the contract market or of the CFTC without violating this rule.~~ 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.

Violation of this rule ~~shall~~may be a major offense.

533. SIMULTANEOUS BUYING AND SELLING ORDERS FOR DIFFERENT BENEFICIAL OWNERS PRINCIPALS EXECUTED BY ONE MEMBER TRADER

A member ~~of the Exchange, who is in possession of~~ shall have in hand at the same time both buying and selling orders ~~from or~~ different customers beneficial owners for the same commodity product and delivery expiration month, and, for a put or call option, ~~with~~ the same strike price ~~and expiration month~~ or call option with the same strike price and expiration month, may execute such orders for and directly between such beneficial owners principals pursuant to Rule 556 or provided:

1. In pit trading, a member executing such orders shall first bid and offer ~~openly and competitively~~ by open outcry three times at the same price, stating number of contracts, and, thereafter, if neither the bid nor the offer is accepted ~~within a reasonable time~~, the orders may ~~then~~ be matched, in the presence ~~of~~, and with the approval, of, an designated Exchange official.
2. In blackboard trading, a member executing such orders shall first post such bid (offer) on the board and prior to selling (buying) opposite the buy (sell) order shall satisfy any equal or higher bids (equal or lower offers) and then post such remaining offers (bids) on the board for a reasonable time prior to crossing the orders. Such transactions must be done, pursuant to such buying order, shall post a bid on the board and incident to the execution of such selling order, shall accept such bid and all other bids posted at prices equal to or higher than the bids posted by him; or pursuant to such selling order, shall post such offer on the board and incident to the execution of such buying order, shall accept such offer and all other offers posted at prices equal to or lower than the offer posted by him in the presence ~~of~~, and with the approval of, an 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, shall note thereon the exact time of execution and shall present such record to the designated Exchange official for verification and initialing. Each such transaction shall be entered by the designated Exchange official on a cross-trade form which shall show the product commodity, date, price, quantity, expiration delivery month, broker, and, for options, strike price and, put or call ~~and expiration month~~. These transactions shall be made a matter of permanent record by the Exchange.

Violation of this rule may be a major offense.

534. SIMULTANEOUS BUYING AND SELLING ORDERS FOR THE SAME BENEFICIAL OWNER PRINCIPALS PROHIBITED

No ~~person~~ member or GLOBEX terminal operator shall accept from, or place for, the same beneficial owner a "simultaneous buying and selling" orders ~~from a customer~~ for the same product contract and delivery expiration month, ~~of the same commodity and~~ or for a put or call option, ~~with~~ the same strike price ~~and expiration month~~ or call option with the same strike price and expiration month. Violation of this rule shall ~~constitute~~be a major offense.

535. RESPONSIBILITY OF FLOOR TRADERS AND FLOOR BROKERS

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

~~Each~~Every floor trader and floor broker or his designated representative must be available on the trading floor to resolve out-trades 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 ~~staff~~officials). ~~Traders and brokers may appoint a representative for this purpose. If neither the trader or broker nor such~~his designated representative, ~~who is authorized to resolve out-trades, is not present at the time specified above during such period,~~ the clearing member through which or for which the trader or broker has traded shall be authorized to resolve any out-trade in the manner it deems appropriate, but such resolution shall not be ~~relevant to the determination~~veon of the liability of any party to the out-trade.

~~If a~~A floor trader or floor broker who fails to comply with ~~the terms of this rule,~~ may be assessed a fine ~~will be assessed in the amount of \$1,000 for the first violation, \$2,000 for a second violation within 30 days of the first violation and or \$3,000 for a third and each subsequent violation within 30 days of the first violation. sequentially, for violations occurring within a 30-day period.~~ Fines imposed pursuant to this ~~schedule~~Rule 535 are final and may not be appealedable.

~~536. RECORDS FOR ORDERS AND PERSONAL TRANSACTIONS DURING REGULAR TRADING HOURS~~

~~536.A. General~~

~~At the time of execution, it shall be the duty of every trader and broker to record each trade he makes during the day showing his own pre-printed name or symbol, the name of the member firm clearing the trade, the date, price, quantity, commodity, contract month, bracket symbol, including opening and closing bracket symbol, the opposite broker and opposite clearing member, and, for options, the strike price, "put" or "call" and expiration month. Brokers and traders must also designate whether a trade is a spread transaction. All transactions shall be recorded with non-erasable ink.~~

~~A member may correct any errors by crossing out erroneous trade information without obliterating or otherwise making illegible any of the originally recorded information. With regard to trading cards only, a member may correct erroneous information by rewriting the trading card; provided, however, that the member must submit a copy of the trading card, or in the absence of copies, the original trading card, that is subsequently rewritten, in accordance with Exchange rules, and provided further, that the member is accountable for any trading card that subsequently is rewritten pursuant to this Rule.~~

~~The maximum number of trades that may be recorded on a trading card shall be six. In addition, every trader shall use a new trading card at the start of each time bracket.~~

~~In accordance with the card and order pick-up schedule established by the Exchange, the record of all transactions shall be submitted to the respective clearing members for which or through which the trader or broker has made trades during the session. With respect to paper orders delivered into the pit, pick-up is required in compliance with the schedule when: 1) the order is completely executed; 2)~~

~~the broker has determined that he or she is unable to fill any remaining quantity; or 3) the unexecuted remainder is cancelled.~~

~~Trading Cards used to record arbitrage or flashed transactions are not required to have pre-printed symbols on them, but must be visually distinct from that member's pre-printed trading cards used to record personal trades.~~

~~Clearing firms are required to collect and time-stamp trading cards and orders in accordance with the schedule established by the Exchange. Such personal records as well as all orders (whether filled, unfilled or cancelled) shall be retained by each clearing member for at least five years. This includes the document on which a floor broker records a trade for an arbitrage or flashed transaction. Members trading for their personal account shall be accountable for their pre-printed sequentially numbered trading cards, including those which are unused or voided.~~

~~All orders, and all EFPs, EBFs and block transactions transacted in accordance with Rules 538, 719 or 526, unless otherwise exempted by rule, must be time-stamped "in" on the front of the order when received and, with the exception of such EFP, EBF and block transactions, time-stamped "out" on the back of the order when returned or, in the case of an arbitrage or flashed transaction, when confirmed or cancelled.~~

~~At the beginning of each trading day, each clearing member must ensure that each time clock used on the trading floor by that clearing member is synchronized with the time displayed by the master clock on the Exchange floor.~~

~~Exchange staff may request for inspection purposes any floor document, including a trading card or order, from a member or employee of a member or clearing member. Violation of this Rule may constitute a major offense.~~

~~Exchange staff shall implement the fine schedule set forth in the Interpretations and Special Notices section of this chapter with respect to violations of this Rule 536.~~

536.B. Personal Transactions

- ~~1. At the time of execution, all personal transactions of members must be recorded by the member on single-sided (buys and sells recorded on a single side in sequence) trading cards on which the member's trading symbol and the sequenced number of the card are pre-printed. Cards must be used in sequence, and transactions must be recorded in the order in which they occurred. A member may not use the same sequenced number within a calendar week. Members may not skip lines in recording their personal transactions and must line out any unused lines on their trading cards.~~
- ~~2. A member who executes an S&P 500 futures or options contract order must thereafter manually record the time of execution to the nearest minute for all of his personal transactions in S&P 500 futures and options contracts on that day.~~

536.C. House Transactions

- ~~1. House Trades Executed by Member Initiating the Orders~~

~~At the time of execution, every house order initiated by the member executing the order must be recorded by that member on single-sided (buys and sells recorded on a single side in sequence) trading cards on which the member's trading symbol and the sequenced number of the card are pre-printed. Cards must be used in sequence, and transactions must be recorded in the order in which they occurred. A member may not use the same sequenced number within a calendar week. Members may not skip lines in recording their personal transactions and must line out any unused lines on their trading cards.~~

~~2. Other House Trades~~

~~At the time of execution, every house order not covered by Paragraph C.1 above or specifically exempted under Paragraph C.3 below, must be in writing and shall be dated and time-stamped when received on the floor (or, if initiated on the floor, upon transmission for execution) and when returned or, in the case of an arbitrage or flashed transaction, when confirmed or cancelled.~~

~~3. Exception~~

~~The provisions of C.2 above shall not apply to any clearing member which is able to demonstrate to Exchange staff that the application of the rule would work a hardship on the firm's ability to conduct business. Upon such demonstration, the time that the firm shall record shall be the time of the reporting of an execution of the order or the time of the first reporting of a partial execution of the order.~~

536.D. Member Trading for Another Member on Trading Floor or for Account Controlled by Such Other Member

~~1. Trades for Personal Account of Another Member~~

~~At the time of execution, every order, which is not reduced to writing, that a member receives from another member who is present on the trading floor must be recorded. The member executing the order must record the time of execution to the nearest minute on the trading card or other document used to record the trade and must return this card or document to the initiating member.~~

~~A member placing a verbal order, except for orders involving options-futures combination and other spread trades, shall simultaneously make a written record of the order and record the time of placement to the nearest minute. The order and the time shall be recorded on the member's trading card, which shall be in sequence with other trading cards used by that member. The trading card used to record the placement of the verbal order and the 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 in accordance with the pick-up schedule established by the Exchange.~~

~~Every written order that is initiated by a member for his own account while on the Exchange floor must be dated and time-stamped upon transmission for execution, and when returned or, in the case of an arbitrage or a flashed transaction, when confirmed or cancelled.~~

~~2. Trades for Account Controlled by Another Member~~

~~Every order for a controlled account initiated by a member while on the trading floor must be in writing, with the customer's designation indicated. Each such order shall be dated and time-stamped upon transmission for execution and when returned or, in the case of an arbitrage or flashed transaction, when confirmed or cancelled.~~

~~In the alternative, a member may place a verbal order with another member on the trading floor in compliance with the verbal order requirements under Rule 536.D.1.~~

~~536.E. Customers' Orders~~

~~At the time of execution, every order received from a customer must be in writing and except as provided below, must include the customer's designation. Each such order shall be dated and time-stamped when received and when returned or, in the case of an arbitrage or flashed transaction, when confirmed or cancelled. A customer's account designation is not required at the time of execution for orders eligible for post-trade allocation.~~

~~Bunched orders entered by Eligible Account Managers must be allocated and recorded in accordance with CFTC Regulation 1.35(a-1)(5) and NFA's Interpretive Notice related to Compliance Rule 2-10.~~

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

536.A. Member Open Outcry Pit Trades

1. General Requirements

- a. 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 showing the date, price, quantity, product, expiration month, bracket symbol, opposite broker, opposite clearing member and, for options, put or call and strike price. Floor brokers executing an order shall record the price, quantity, bracket, opposite trader and clearing member.
- b. Members must designate on the trading document used to record a trade whether such trade is a "type 6" spread trade. The designation must be recorded such that the "type 6" is clear to data entry personnel.
- c. All trades must be recorded with non-erasable ink.
- d. Trades made by a member for an account he owns or controls must be recorded on single-sided trading cards on which the member's trading symbol and the sequence number of the card are pre-printed. Trading cards must be used in sequence, and trades must be recorded in the order in which they occurred. A member may not use the same sequence number within a calendar week. A member may not skip lines in recording his trades and must line out any unused lines on his trading cards.
- e. A member may correct any errors by crossing out erroneous trade information without obliterating or otherwise making illegible any of the originally recorded information. With regard to trading cards only, a member may correct erroneous information by rewriting the trading cards. The member must ensure that original cards are retained.

- f. The maximum number of trades that may be recorded on a trading card shall be six. In addition, every member shall use a new trading card at the start of each time bracket.
- g. A member's executed cards shall be submitted to his clearing member and timestamped every 15 minutes in accordance with the card and order pick-up schedule below.

For Eurodollar and Currency	Collection and Timestamp
Trades Executed During:	No Later Than:

7:10:00 a.m. - 7:59:59 a.m.	8:15 a.m.
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For Other Trades Executed	Collection and Timestamp
During:	No Later Than:

7:10:00 a.m. - 7:29:59 a.m.	7:45 a.m.
7:30:00 a.m. - 7:59:59 a.m.	8:15 a.m.

For All Trades Executed:	Collection and Timestamp
During:	No Later Than:

8:00:00 a.m. - 8:29:59 a.m.	8:45 a.m.
8:30:00 a.m. - 8:59:59 a.m.	9:15 a.m.
9:00:00 a.m. - 9:29:59 a.m.	9:45 a.m.
9:30:00 a.m. - 9:59:59 a.m.	10:15 a.m.
10:00:00 a.m. - 10:29:59 a.m.	10:45 a.m.
10:30:00 a.m. - 10:59:59 a.m.	11:15 a.m.
11:00:00 a.m. - 11:29:59 a.m.	11:45 a.m.
11:30:00 a.m. - 11:59:59 a.m.	12:15 p.m.
12:00:00 p.m. - 12:29:59 p.m.	12:45 p.m.
12:30:00 p.m. - 12:59:59 p.m.	1:15 p.m.
1:00:00 p.m. - 1:29:59 p.m.	1:45 p.m.
1:30:00 p.m. - 1:59:59 p.m.	2:15 p.m.
2:00:00 p.m. - 2:29:59 p.m.	2:45 p.m.
2:30:00 p.m. - 3:15:00 p.m.	3:30 p.m.

The above schedule applies only to completed orders. 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 clearing member (or, in the case of verbal orders placed by a member on the trading floor, to the member placing the order) until i) the entire order has been filled; ii) the unexecuted portion of the order is cancelled; or iii) the market has closed for that contract.

- h. Trading cards used to record the execution of flashed 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.
- i. The correct bracket symbol in accordance with the list below must be recorded for each pit trade.

<u>Time Intervals</u>	<u>Bracket Code</u>
Unknown to data entry operator	?
Opening range for each contract	\$
Closing range for each contract	%
Post Settlement 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 a.m.	D
8:00:00 a.m. – 8:14:59 a.m.	E
8:15:00 a.m. – 8:29:59 a.m.	F
8:30:00 a.m. – 8:44:59 a.m.	G
8:45:00 a.m. – 8:59:59 a.m.	H
9:00:00 a.m. – 9:14:59 a.m.	I
9:15:00 a.m. – 9:29:59 a.m.	J
9:30:00 a.m. – 9:44:59 a.m.	K
9:45:00 a.m. – 9:59:59 a.m.	L
10:00:00 a.m. – 10:14:59 a.m.	M
10:15:00 a.m. – 10:29:59 a.m.	N
10:30:00 a.m. – 10:44:59 a.m.	O
10:45:00 a.m. – 10:59:59 a.m.	P
11:00:00 a.m. – 11:14:59 a.m.	Q
11:15:00 a.m. – 11:29:59 a.m.	R
11:30:00 a.m. – 11:44:59 a.m.	S
11:45:00 a.m. – 11:59:59 a.m.	T
12:00:00 p.m. – 12:14:59 p.m.	V
12:15:00 p.m. – 12:29:59 p.m.	W
12:30:00 p.m. – 12:44:59 p.m.	X
12:45:00 p.m. – 12:59:59 p.m.	Y
1:00:00 p.m. – 1:14:59 p.m.	Z
1:15:00 p.m. – 1:29:59 p.m.	2
1:30:00 p.m. – 1:44:59 p.m.	3
1:45:00 p.m. – 1:59:59 p.m.	4
2:00:00 p.m. – 2:14:59 p.m.	5
2:15:00 p.m. – 2:29:59 p.m.	6
2:30:00 p.m. – 2:44:59 p.m.	7
2:45:00 p.m. – 2:59:59 p.m.	8
3:00:00 p.m. – 3:15:00 p.m.	9

j. Outtrade/Error Resolution and the Use of Pre-Sequenced Cards

i. Trades Placed into a Member's Account

- (a). When a member or clearing member discovers an outtrade or error which necessitates the taking of a trade into a broker's error account, the broker shall record the trade data on his next pre-printed, sequentially numbered trading card. If he is unsure of the sequence of the trade with respect to

other trades for his personal account, he should cross out the pre-printed number and write "9999" on the card.

(b). In any situation where someone other than the member is resolving his 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.

ii. Error Trades Placed into a Clearing Member's Account

Error trades placed into a clearing member's account can be recorded on a trading card which is not pre-printed and sequentially numbered or an order ticket. In either case, the clearing member must ensure that "9999" is written on the document used to record the trade.

k. 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.

2. Member Executing Orders Received from Another Member on the Trading Floor

a. Whenever a member receives a verbal order from another member present on the trading floor, the member executing the order must record the time of execution to the nearest minute on a trading card for each execution made for the order. The member executing the order must return the card to the member initiating the order in sufficient time to comply with the card and order pick-up schedule in Section A.1.g.

b. A member placing a verbal order, except for orders involving options-futures combination and other spread trades, shall simultaneously make a written record of the order on his pre-sequenced trading card in sequence with his other trading cards and record the time of placement to the nearest minute. The trading card used to record the placement of the verbal order and the trading card used to record the execution of the order must be submitted together to the clearing member by the member placing the order in accordance with the card and order pick-up schedule in Section A.1.g.

c. Every written order that is initiated by a member for his own account while on the trading floor must be dated and timestamped upon transmission for execution and when returned or, in the case of a flashed transaction, when confirmed or cancelled.

d. When a member on the trading floor gives a verbal or handsignaled order to another member who then enters the order into GLOBEX or relays the order to a GLOBEX terminal operator, the initiating member is not required to create a record of the order on a sequenced trading card as is required for a pit trade as long as the GLOBEX terminal operator enters the order immediately. However, if the order is not entered into GLOBEX immediately, a written and timestamped order ticket must be created by the GLOBEX terminal operator.

3. Member Executing Orders Received from Another Member Off the Trading Floor

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 or from an authorized representative

of an Exchange clearing member, 106.H. or 106.I. firm for the account of such firm must simultaneously make a written record of the order on a trading card including the identification of the member calling in the order. The member executing the order must record the trade and the time of execution to the nearest minute on the card, and must then deliver the card to the initiating member's clearing member in sufficient time to comply with the card and order pick-up schedule in Section A.1.g.

All other orders received from members off the trading floor must be recorded pursuant to Section A.6.

4. Clearing Members

- a. Clearing members submitting handwritten orders to floor brokers for execution must provide the broker with a carbonless ("pressure sensitive") duplicate of the order which he may retain as a record of the filled order.
- b. At the beginning of each trading day, each clearing member must ensure that each time clock used on the trading floor by that clearing member is synchronized with the time displayed by the master clock on the trading floor.
- c. Clearing members are required to collect and timestamp trading cards and orders in accordance with the schedule in Section A.1.g. above. Such records as well as all orders (whether filled, unfilled or cancelled) shall be retained by each clearing member for at least five years. This includes the document on which a floor broker records a trade for a flashed transaction.

5. Clearing Member Proprietary (House) Trades

a. Trades Executed by Member Initiating the Order

At the time of execution, every trade for a clearing member proprietary account executed by the member initiating the order must be recorded by that member on a single-sided trading card on which the member's trading symbol and the sequence number of the card are pre-printed. Trading cards must be used in sequence, and trades must be recorded in the order in which they occurred. A member may not use the same sequence number within a calendar week. A member may not skip lines in recording trades for clearing member proprietary accounts and must line out any unused lines on his trading cards.

b. Other Trades

At the time of execution, every trade for a clearing member proprietary account not made in accordance with Section A.5.a. above or specifically exempted as described below, must be in writing and shall be dated and bear a timestamp indicating when the order was received on the trading floor (or, if initiated on the trading floor, upon transmission for execution) and when returned or, in the case of a flashed transaction, when confirmed or cancelled.

This provision shall not apply to any clearing member which is able to demonstrate to Exchange staff that the application of this provision would work a hardship on the clearing member's ability to conduct business. Upon such demonstration, the time that

the clearing member shall record shall be the time of the reporting of an execution of the order or the time of the first reporting of a partial execution of the order.

6. Customer Orders

- a. At the time of execution, every order received from a customer must be in writing and, except as provided below, must readily identify the specific account(s) for whom the order was placed. Each such order shall be dated and timestamped when received and when returned or, in the case of a flashed transaction, when confirmed or cancelled. A customer's account number is not required at the time of execution for orders entered by eligible account managers for accounts eligible for post-trade allocation. Clearing members submitting physical order tickets to floor brokers for execution must provide the floor broker with a carbonless duplicate of the order which the floor broker may retain as a record of his execution.
- b. Bunched orders must be allocated and recorded in accordance with CFTC Regulation 1.35(a-1)(5) and the NFA's Interpretive Notice related to Compliance Rule 2-10.

7. Certain violations of Section A. shall be subject to sanctions in accordance with the Computerized Trade Reconstruction ("CTR") Enforcement Program and Sanction Schedule set forth in Section D. of this rule.

536.B. GLOBEX Order Entry

1. General Requirements

Each GLOBEX terminal operator entering orders into GLOBEX shall: a) sign onto the GLOBEX system before entering orders by inputting the user ID assigned him by CME, a clearing member or other authorized entity and b) input for each order, the price, quantity, product, expiration month, CTI code and account number 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.6.a. above. The order must be entered into GLOBEX when it becomes executable.

Specific account numbers are not required at the time of order entry for orders entered by eligible account managers for accounts eligible for post-trade allocation as set forth in Section 2. below.

Such records shall be retained for a minimum of five years.

2. Bunched GLOBEX Orders

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

Bunched orders may be entered by using a series designation provided that 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. If such information has not been provided to the futures commission merchant prior to the time of order entry, each account number must be entered into GLOBEX.

Bunched orders for non-discretionary accounts may be entered through GLOBEX only in the following instances:

- a. The orders underlying the bunched order are either stop orders or stop/limit orders;
- b. Each stop order or stop/limit order underlying the bunched order must be reduced to writing and include the information required pursuant to Section A.6.a. above;
- c. Each order underlying the bunched order reflects the same stop price in instances of a stop order or the same stop price and limit price in instances of a stop/limit order;
- d. Each terminal operator provides a bunched order indicator when entering a bunched order; and
- e. Allocation of the executed bunched order is based only on time of receipt of the underlying orders.

The Exchange shall make available to clearing members, at regular intervals, notifications that bunched orders have been executed through GLOBEX. Each clearing member shall be responsible for providing to the Exchange the account allocations for bunched orders entered through its terminals and those terminals that it guarantees for others. Each clearing member that is required to provide account allocations to the Exchange must do so within the time limit specified by the Exchange.

3. Clearing Member Requirements for Electronic Order Routing/Management Systems

Clearing members are responsible for maintaining or causing to be maintained an audit trail for electronic orders entered into the GLOBEX platform through the CME iLink[®] gateway. This audit trail must be maintained for a minimum of 5 years, and clearing members must have the ability to display this data in a pre-approved format, which uses terminology and field names consistent with other CME systems and includes the following:

- a. 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, user ID, 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.
- b. A record of any modification, including any change or cancellation that is made and indicates the time and nature of such modification.
- c. A record of all CME and CFTC-required order-related times, including order entry and exit times, modification or cancel times, to the highest level of precision achievable by

the operating system, but at least to the nearest second. The times captured must not use a clock that can be modified by the person entering the order.

- d. A "relative key" which is an identifier that ties together all actions relating to a specific order.
- e. A record of individual systems user's login and logout messages and a record of orders that were placed but rejected for any reason either by the order routing system or CME.

536.C. Negotiated Trades

All orders executed in accordance with Rules 526, 538, and 719, unless otherwise exempted by rule, are subject to the recordation requirements pursuant to Section A.6.a.

536.D. CTR Enforcement Program and Sanction Schedule

CTR Monthly Enforcement Program

The CTR threshold levels for members with 100 or more transactions per month are as follows:

<u>Exception Type</u>	<u>Threshold Level</u>
<u>Bracket Exceptions</u>	<u>6% and above</u>
<u>Time of Execution (for verbal orders)</u>	<u>8% and above</u>
<u>Quote not found in Time and Sales</u>	<u>5 or more for futures 10 or more for options and back-month Eurodollar futures</u>
<u>Sequence Errors</u>	<u>8% and above</u>

Violations of these thresholds shall be subject to automatic sanctions in accordance with the following schedule:

<u>First offense</u>	<u>warning letter</u>
<u>Second offense within 12 months</u>	<u>\$500</u>
<u>Third offense within 12 months</u>	<u>\$1,000</u>
<u>Any subsequent offense within 12 months</u>	<u>\$5,000</u>

Sanctions issued pursuant to the schedule are final and may not be appealed, however members will have 15 days after receipt of a notice of violation to present evidence to the Market Regulation Department that administrative, clerical, or other errors caused the apparent rule violation.

The monthly CTR enforcement of timestamp exceptions for firms with 1,000 or more transactions per month is 7% and above. Violations of this threshold shall be subject to automatic sanctions in accordance with the following schedule:

<u>First offense</u>	<u>warning letter</u>
<u>Second offense within 12 months</u>	<u>\$1,500</u>
<u>Third offense within 12 months</u>	<u>\$5,000</u>
<u>Any subsequent offense within 12 months</u>	<u>\$10,000</u>

Firms will have 15 days after receipt of a notice of violation to present evidence to the Market Regulation Department to have the violation dismissed. If the firm does not submit such evidence, or the Market Regulation Department determines that the evidence submitted is insufficient to reduce the percentage below the threshold level, the sanctions imposed pursuant to the schedule will be final and may not be appealed.

Notwithstanding these sanction schedules, the Market Regulation Department may, at any time, refer matters that it deems egregious to the Probable Cause Committee for review.

CTR Clearing Member Back Office Audit Enforcement Program

The Market Regulation Department will conduct audits of CME clearing members in order to verify the accurate recoding and submitting of required audit trail information. The CTR audit threshold levels for the various firm deficiencies are as follows:

<u>Deficiency Type</u>	<u>Threshold Level</u>
<u>Failure to pick up documents in accordance with CME schedule for:</u>	
<u>Sequenced Cards</u>	<u>20%</u>
<u>Verbal Order Cards</u>	<u>25%</u>
<u>Floor Orders</u>	<u>10%</u>
<u>Failure to accurately submit and record Order Type Indicator</u>	<u>10%</u>
<u>Failure to accurately submit Flashed Order Indicator</u>	<u>10%</u>

Percentage calculations will be made on the basis of an examination of a minimum of 50 sequenced cards, 50 verbal orders, or 50 floor orders, depending on the deficiency type. The total number of exceptions in each category will be divided by the total number of documents examined in that category in determining the deficiency percentage.

Violations of these thresholds shall be subject to automatic fines in accordance with the following schedule:

First offense \$1,000

Second offense within \$2,500
24 months

Third offense within \$5,000
24 months

Any subsequent offense \$10,000
within 24 months

Firms will have 15 days after receipt of a notice of violation to present evidence to the Market Regulation Department to have the violation dismissed. If the firm does not submit such evidence, or the Market Regulation Department determines that the evidence submitted is insufficient to reduce the percentage below the threshold level, the sanctions imposed pursuant to the schedule will be final and may not be appealed.

Notwithstanding this sanction schedule, the Market Regulation Department may, at any time, refer matters that it deems egregious to the Probable Cause Committee for review.

536.E. Violations

Violation of this rule may be a major offense.

537. ~~CONFIRMATIONS TO CUSTOMERS~~[RESERVED]

~~A clearing member shall confirm to the customer every transaction made for the customer no later than the following business day. Such confirmation shall be in writing and shall show the commodity bought or sold, the quantity, the price, the delivery month and, for options, strike price, put or call and expiration month.~~

538. TRANSFER OF SPOT FOR FUTURES

~~(Ex-Pit Transactions).~~—An exchange of actual or "spot" commodities for futures contracts shall be permitted by arrangement between members in accordance with the following:

1. ~~The Said~~ transaction ~~shall to~~ be consummated between two parties wherein one of the parties is the buyer of the "spot" and the seller of the futures contract, and the other party is the seller of the "spot" and the buyer of the futures contract.
2. ~~The Said~~ purchase and sale of futures contract shall be simultaneous with the sale and purchase of an equal quantity of "spot." With respect to agricultural commodity futures, the seller of the "spot" must have in his possession that cash commodity to be delivered.
3. ~~The Said~~ transaction may be consummated at any price ~~as~~ mutually agreed to by the two parties to the transaction.

4. ~~The Said~~ transaction shall be ~~submitted~~~~reported~~ to the ~~Division of Market Regulation~~~~Clearing House within the time period prescribed by the Exchange~~. The clearing members and brokers to the transaction shall maintain a full and clear record of the transaction together with all pertinent memoranda.
5. Transfers of spot for futures may also be referred to as "Exchange-For-Physicals" or "EFPs." However, such transactions shall be referred to as "Exchange Basis Facility" transactions or "EBFs" in the context of interest rate products.

~~EFP transactions shall not be permitted in E-Mini S&P 500, E-Mini Russell 2000, E-Mini S&P MidCap 400, S&P/TOPIX 150 or E-Mini Nasdaq-100 futures contracts. EFP transactions shall also not be permitted in any. This rule shall not apply to~~options contracts.

539. ~~PRE-ARRANGED, 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. A member shall not make any purchase or sale and a GLOBEX terminal operator shall not enter an order through GLOBEX which has been pre-arranged. Violation of this Rule 539 may be a major offense.~~

539.B. Exceptions

The foregoing restriction shall not apply ~~in the following circumstances to transactions enumerated as follows:~~

1. ~~Block trades pursuant to Rule 526;~~
2. ~~A transfer of spot for futures pursuant to as provided in Rule 538; and,~~
2. ~~It shall not be considered a pre-arranged trade for a member to request a currency rate from an IMM arbitrageur for the purpose of executing an arbitrage transaction or to execute a transaction pursuant to Rule 556. Any transaction resulting from such rate request must, however, be executed in an open and competitive manner in accordance with Rules 521 and 522; and~~
3. ~~Transactions executed per the provisions of Rule 539.C., Pre-Execution Discussions Regarding GLOBEX Trades~~A transfer of cash for futures after termination of a contract pursuant to Rule 719.

539.C. Pre-Execution Discussions Regarding GLOBEX Trades

~~Parties~~Firms may engage in pre-execution discussions with regard to transactions executed on the GLOBEX ~~system~~platform where one party (the first party)~~the firm~~ wishes to be assured that a contra party (the second party) will take the opposite side of the order. ~~One party may agree in advance with another party that the first party will take the opposite side of the first party's order,~~ under the following circumstances:

1. ~~A party may not engage in pre-execution discussions 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 discussions. Customers must consent to allow pre-execution discussions with other market participants.~~
2. ~~Parties GLOBEX terminal operators, who are solicited to participate in a GLOBEX transaction through pre-execution discussions shall not (i) disclose to another terminal operator non-party the details of such discussions; or (ii) enter an order through the GLOBEX platform to take advantage of information conveyed during such discussions except in accordance with this rule unless the terminal operator has agreed during the pre-execution discussions to participate in the transaction in accordance with this Rule and the order is entered to implement that agreement.~~
3. A period of 5 seconds shall elapse between entry of the two orders in the case of futures orders; or, a period of 15 seconds shall elapse between entry of the two orders in the case of option orders. ~~The order initially entered may be filled by a third party during the 5 or 15 seconds, as the case may be, that must elapse between the entry of the two orders.~~
4. ~~In any transaction involving pre-execution discussions, 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 the time period prescribed in 539.C.3. has elapsed. terminal operators shall not knowingly enter into a transaction on behalf of a customer in which the member or GLOBEX terminal operator, an entity of which the member or GLOBEX terminal operator is a partner or officer, or any officer or partner of an entity of which the member or GLOBEX terminal operator is an officer or partner, assumes the opposite side unless the member or GLOBEX terminal operator first enters the customer order into the GLOBEX system and then waits for the requisite reasonable period of time before entering an opposite order for any of the above persons or entities.~~
5. ~~Pre-execution discussion of a~~ A trade intended for execution pursuant to Rule 585- GLOBEX Call Market Trading Algorithm ~~for which there has been a pre-execution discussion~~ shall be initiated with a Request for Cross Trade ("Cross Request") for the specific contract or combination of contracts, with explicit reference to the anticipated order quantity. The order from the initiator of the Cross Request for the contract or combination of contracts must be entered within three (3) minutes of the entry of the Cross Request. The opposing order may not be entered until the requisite period of time as stipulated in ~~Section Rule 539.~~ C.3. ~~above~~ has elapsed. Failure to enter the initiating order following the Cross Request within the requisite time shall be considered an abandonment of the pre-execution discussion, ~~and a.~~ A new Cross Request entry is required to ~~reconvene~~ proceed with the transaction.

540. RESPONSIBILITY FOR CUSTOMER ORDERS

540.A. Standard of Responsibility

A ~~floor broker or clearing m~~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 ~~broker or clearing m~~Member has exercised due diligence, the appropriate arbitration or disciplinary committee is authorized to determine whether the ~~broker or clearing m~~Member was negligent and, if so, whether an adjustment is due to the customer. The ~~C~~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 actual market conditions in the pit), at the time the ~~broker or clearing m~~Member acted or failed to act. However, no market ~~conditions situation~~ nullifies a ~~floor broker's or clearing m~~Member's responsibility to exercise due diligence.

A ~~m~~Member ~~or clearing member~~ is prohibited from directly or indirectly guaranteeing the execution of an order or any of its terms such as the quantity or price. This rule shall not be construed to prevent a ~~M~~member ~~or clearing member~~ from assuming or sharing in the losses resulting from an error or the mishandling of an order.

Violation of this rule may be a major offense.

540.B. Liability for Negligence

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

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

Clearing members shall document all adjustments ~~received from floor brokers~~. Clearing members shall make and retain a record which contains at a minimum the date the adjustment was received, the name of the ~~Member floor broker~~ making the adjustment, the account to whom the adjustment was credited, the amount of the adjustment, a copy of the order for which the adjustment was made, or, in the case of an order entered on the GLOBEX platform, the electronic audit trail, and the reason justifying the adjustment. Such records must be produced upon request by Exchange staff.

540.C. ~~Duty to Report Unable~~

~~In pit trading, r~~Regardless of any negligence in connection with the failure to execute an order, a ~~floor broker or clearing m~~Member may be deemed guilty of negligence if the ~~floor broker or clearing m~~Member fails to report an unable on: (1) a limit order within a reasonable time after such limit price has been violated or (2) any other order within a reasonable time after such order has been elected. A reasonable time shall be determined on a case-by-case basis by the appropriate arbitration or disciplinary committee.

540.D. ~~Fast Markets~~

~~A "fast market" designation is invoked to reflect actual conditions in the pit and does not nullify the obligations of a floor broker or clearing member. The appropriate arbitration or disciplinary committee may take a "fast market" situation in to account in determining whether a floor broker or clearing member acted with due diligence.~~

541. TRADING RESTRICTIONS RESPECTING THE S&P 500 STOCK PRICE INDEX™ FUTURES CONTRACT AND THE EURODOLLAR FUTURES BACK 36 CONTRACT MONTHS

A member shall not trade an S&P 500 futures contract or any of the Eurodollar futures back 36 contract months for his ~~or her~~ own account, an account in which he ~~or she~~ has a direct or indirect financial interest ~~in~~, or an account which he ~~or she~~ controls while on the top step of the pit or pit area where such

contracts are traded, except that a member may liquidate a position that resulted from an error in the execution of an order.

A member who has executed an order in the S&P 500 futures contract or in any of the Eurodollar futures back 36 contract months while on the top step of the pit or pit area where such contracts trade shall not thereafter, on the same day during the same RTH session, trade for his ~~or her~~ own account in the restricted contracts where the member has stood on the top step unless such member has deregistered from the top step, waited a full bracket period after the bracket period corresponding to the deregistration, and neither traded nor filled orders in the restricted contracts from the time of deregistration through the end of the next full bracket period. For the purposes of this rule, the last two regular brackets, the closing range bracket, and the post settlement session bracket shall be considered a single bracket.

Violation of this rule may be a major offense.

542. SIMULTANEOUS SPREAD AND COMBINATION TRANSACTIONS

- A. During Regular Trading Hours, all spread or combination transactions in which all sides are acquired simultaneously must be for the same account, except as provided by Rule 551, and must be made by open outcry of the spread differential or other appropriate pricing convention. Such spread or combination trading must be consistent with current spread differentials or combination prices. All legs of the spread or combination must be priced within their daily limits. For futures-only spreads and combinations at least one leg must be within the price range established during the ~~T~~trading ~~S~~session whenever the spread or combination involves one or more contract months which have an established price range; except, the legs of a spread or combination transaction executed pursuant to Rule 551 may be priced outside of the daily range.

In the event a spread or combination transaction involves one or more contract months which has not established a price range during that ~~T~~trading ~~S~~session, the price(s) recorded for such contract month(s) shall not establish a price range except for contract month(s) involving CME Division futures contracts that have never established a price range. In such cases, the price(s) recorded for said contract months shall thereby establish the price range(s) and cannot violate existing offers and bids.

Spread or combination transactions shall not set off conditional orders in any contract except for spread or combination conditional orders and except for CME Division futures contracts which have never opened. All simultaneous spread or combination transactions must be reported to a designated Exchange official who shall record and publish said differentials or combination prices. The brokers executing any spread or combination transaction must maintain a record of said transaction in accordance with Rule 536.

For the convenience of brokers, the Exchange may also maintain spread or combination board facilities whereby brokers may post spread or combination offers and bids. Such boards may be utilized in place of open outcry spread or combination transactions. Once posted, no spread or combination may be consummated (by open outcry or otherwise) at a differential or combination price which violates the posted spread or combination offer or bid. No simultaneous open outcry spread(s) or combination(s) at the same differential or combination price as an existing posted spread(s) or combination(s) may be consummated until said posted spread(s) or

combination(s) have been satisfied. Posted spread or combination transactions shall be governed by Rule 522 and other accepted CME trading procedures.

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 The following~~ spread or combination transactions involving cabinet options may trade, provided that the traded price of the combination is zero, cabinet, or 1 tick, as defined by that product's minimum fluctuations, ~~are allowed, subject to the conditions applying to other spread or combination transactions and also subject to the respective additional conditions stated below.~~

- ~~1. Buy a cabinet option and simultaneously sell another cabinet option, provided that both options have the same underlying futures contract, whether or not the underlying futures have the same contract month, and provided that the combination trades for a price of zero.~~
- ~~2. Buy a cabinet option and simultaneously sell a one-tick option, provided that both options have the same underlying futures contract, whether or not the underlying futures have the same contract month, and provided that the combination trades for a price of one-half tick.~~
- ~~3. Sell a cabinet option and simultaneously buy a one-tick option, provided that both options have the same underlying futures contract, whether or not the underlying futures have the same contract month, and provided that the combination trades for a price of one-half tick.~~
- ~~4. Buy a cabinet option and simultaneously buy another cabinet option, provided that both options have the same underlying futures contract, whether or not the underlying futures have the same contract month, and provided that the combination trades for a price of one tick.~~
- ~~5. Sell a cabinet option and simultaneously sell another cabinet option, provided that both options have the same underlying futures contract, whether or not the underlying futures have the same contract month, and provided that the combination trades for a price of one tick.~~

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 condition~~ing~~.

~~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.~~

- 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.

~~For the purposes of this rule, a whole integer tick 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 (e.g., one-half tick or cabinet, one and one-half ticks, two and one-half ticks, three and one-half ticks, and four 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 currency futures contracts trading at non-integer tick prices other than those transactions explicitly defined in this rule are not allowed.~~

- E. Trading is allowed in simultaneous spread or combination transactions involving options on equity index futures contracts trading at whole integer and non-integer tick prices, but not involving futures contracts, 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 ten 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 the aggregate combination price is forty ticks or less.

~~For the purpose of this rule, a whole integer tick 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 (e.g., one-half tick or cabinet, one and one-half ticks, two and one-half ticks, and nineteen 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 equity index futures contracts trading at non-integer tick prices other than those transactions explicitly defined in this rule are not allowed.~~

- F. During 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. ~~See "Notices and Interpretations" at the end of Chapter 5.~~

543. SPECULATIVE POSITION LIMITS AND EXEMPTIONS

543.A. Bona Fide Hedging ~~and Risk Management~~ Positions

~~1. Bona Fide Hedging Positions~~

~~The Market Regulation Department may grant exemptions from the speculative position limits for positions qualifying as bona fide hedges as defined by Rules establishing speculative position limits with respect to futures contracts shall not apply to bona fide hedging positions as defined in CFTC Regulation 1.3(z)(1).~~

A clearing member shall not maintain ~~or carry a customer's hedge account hedge positions that~~ which ~~by itself or in accumulative total with any other accounts of the owner exceeds~~ the speculative trading ~~or position limits of the Exchange, unless the clearing member has confirmed that the owner or controller has received an exemption from the Exchange. A person seeking an exemption shall apply to the Market Regulation Department on forms provided by the Exchange, stating the maximum exemption sought, explaining the nature and extent of his business, and stating under oath that staff approves and unless:~~

- ~~a. The prospective hedger, unless exempted in Section D. below, has made application to Exchange staff on forms provided by the Exchange wherein he requests a maximum number of positions and states under oath that:~~
 1. ~~the~~ intended positions will be bona fide hedges;
 2. ~~the~~ hedges are necessary or advisable as an integral part of his business (fully explaining the nature and extent of his business);
 3. ~~the~~ applicant has complied with all federal requirements relating to hedging and has received approval for this purpose from the CFTC wherever necessary;
- ~~b4.~~ The hedge positions are kept in a separate, appropriately designated ~~special~~ hedge account on the books of a clearing member;
- ~~c5.~~ The hedger complies with whatever limitations are imposed by Exchange staff with relation to said hedges; and,
- ~~d6.~~ The hedger agrees to immediately promptly submit a supplemental statement explaining any change in circumstances affecting the reasonableness of his hedge position.
- ~~e. The hedger complies with all other Exchange rules and requirements.~~
- ~~f. Hedges are moved in an orderly manner in accordance with sound commercial practices, and are not initiated or liquidated in a manner calculated to cause unreasonable price fluctuations or unwarranted price changes. The hedger does not use said hedges in an attempt to violate or avoid Exchange rules, or otherwise impair the good name or dignity of the Exchange.~~

~~Exchange staff shall, on the basis of the application and supplemental information which the Exchange may request, determine whether the applicant shall be approved as a bona fide hedger. Exchange staff may impose such limitations as are commensurate with the applicant's business needs, financial ability~~

~~and personal integrity. Exchange staff and the Business Conduct Committee may, from time to time, review all hedging approvals and, for cause, revoke said approvals or place limitations thereon.~~

~~The applicant may appeal any decision of Exchange staff or the Business Conduct Committee to the Board.~~

~~Approved H~~hedgers ~~shall~~may be exempted from emergency orders reducing speculative position limits or restricting trading ~~but only to the extent provided in such order and only if the approvals required by this rule are secured by the hedger.~~

543.B.2. _____ 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 a commercial entity or an affiliate of a commercial entity, which typically buys, sells or holds positions in the underlying cash market, a related cash market, or related over-the-counter market and for which the underlying market has a high degree of demonstrated liquidity relative to the size of positions.~~

~~The Market Regulation Department may grant exemptions from the speculative position limits Rules establishing speculative position limits with respect to any in~~ debt-based, equity-based, commodity index-based and foreign currency-based futures and options; ~~for~~shall not apply to risk management positions as described in this rule. Exemptions related to indexed positions in the over-the-counter market may include corresponding Ccommodity index-based futures and options and/or individual~~include commodity index futures and options and~~ commodity futures and options used as components in replicating an index. ~~The term "risk management positions" means futures and options positions (1) which are held on behalf of a commercial entity or an affiliate of a commercial entity, which typically buys, sells or holds positions in the underlying or a related cash market (2) for which the underlying cash market has a high degree of demonstrated liquidity relative to the size of positions, and (3) which meet one or more of the following three sets of criteria:~~

In order to qualify for exemption, such positions must meet one or more of the following three sets of criteria:

- 1a. Long positions in futures, long calls, or short puts whose underlying commodity futures equivalent value does not exceed the sum of:
 - ~~(1)~~a. Cash set aside in an identifiable manner or unencumbered short-term U.S. Treasury obligations so set aside, plus any funds deposited as performance bond on such positions; and
 - ~~(2)~~b. Accrued profits on such positions held at the futures commission merchant.
- 2b. Short calls whose underlying commodity futures equivalent value does not exceed the sum of:
 - ~~(1)~~a. The value of securities, commodities or currencies underlying the futures contract upon which the option is based or underlying the option itself and which securities, commodities or currencies are owned by the trader holding such option position; and/or
 - ~~(2)~~b. The value of securities, commodities or currencies whose price fluctuations are substantially related to the price fluctuations of the securities, commodities or currencies underlying the futures contract upon which the option is based or underlying the option

itself and which securities, commodities or currencies are owned by the trader holding such option position.

- 3e. Long positions in futures or long calls whose ~~underlying commodity futures equivalent~~ value does not exceed the sum of:
- ~~(1)a.~~ The value of fully hedged positions in equity securities, debt securities, commodities or currencies; and
- ~~(2)b.~~ Accrued profits on such positions held at the futures commission merchant.

A clearing member shall not ~~maintain~~~~carry an account with~~ risk management positions ~~that which by itself or in accumulative total with other accounts of the owner~~ exceeds the speculative trading or position limits ~~of the Exchange~~, unless ~~the clearing member has confirmed that the owner or controller has received an exemption from the Exchange. A person seeking an exemption shall~~ the account owner has applied to the ~~Division of Market Regulation~~ Department on forms provided by the Exchange, ~~wherein he request~~ stating ~~at the~~ maximum ~~exemption sought~~ number of positions, fully explaining ~~ings~~ the nature and extent of his business, and stating ~~inges~~ under oath that:

- (1) ~~— The~~ intended positions will be risk management positions ~~;~~
- (2) ~~— The~~ positions will be kept in a ~~separate, appropriately designated~~ special account on the books of a clearing member ~~;~~
- (3) ~~— The~~ applicant will comply with whatever limitations are applied by the Exchange with regard to said positions ~~;~~ and
- (4) ~~— The~~ applicant will promptly submit ~~immediately~~ a supplemental statement explaining any change in circumstances affecting his position.
- ~~(5) — The positions will be treated in an orderly manner in accordance with sound commercial practices, and will not be initiated or liquidated in a manner calculated to cause unreasonable price fluctuations or unwarranted price changes.~~
- ~~(6) — The applicant will comply with all other Exchange rules and requirements and will not use said positions in an attempt to violate or avoid Exchange rules, or otherwise impair the good name or dignity of the Exchange.~~

~~Exchange staff shall, on the basis of the application and supplemental information which the Exchange may request, determine whether the applicant shall be approved as a bona fide hedger. Exchange staff may impose such limitations as are commensurate with the applicant's business needs, financial ability and personal integrity. Exchange staff and the Business Conduct Committee may, from time to time, review all hedging approvals and, for cause, revoke said approvals or place limitations thereon.~~

~~The applicant may appeal any decision of Exchange staff, or the Business Conduct Committee to the Board.~~

~~The applicant shall be exempt from emergency orders reducing speculative limits or restricting trading, but only to the extent provided in such order and only if the approvals required by this rule are secured by the applicant.~~

543.BC. Arbitrage and Spread Positions

~~The Market Regulation Department may grant exemptions from the speculative position limits for Rules establishing speculative position limits shall not apply to~~ arbitrage, intracommodity spread, or intercommodity spread positions enumerated by the Exchange as set forth below. ~~Rules establishing single, non-spot month speculative position limits with respect to livestock and meat contracts and dairy product contracts, and single, spot month speculative position limits with respect to feeder cattle, live cattle, milk and butter, shall not apply to intracommodity spread positions enumerated by the Exchange.~~

For exemptions from the spot month position limits for cash-settled agricultural contracts ~~enumerated by the Exchange~~, the prospective arbitrageur or spreader shall specify the extent of his current and/or planned activity in the cash market underlying the contract for which such exemption is requested. Upon receiving an exemption from the spot-month position limit, the arbitrageur or spreader agrees to ~~thoroughly~~ disclose, upon request by the Exchange, any cash market activity involving ~~for~~ the underlying commodity, including any activity during the period when the contract's cash settlement price is determined.

A clearing member shall not maintain ~~or carry an arbitrage or spread account~~ arbitrage or spread positions that which by itself or in accumulative total with any other accounts of the owner exceeds the speculative position limits of the Exchange, unless the clearing member has confirmed that the owner or controller has received an exemption from the Exchange. A person seeking an exemption shall apply to the Market Regulation Department on forms provided by the Exchange, stating the maximum exemption sought, explaining the nature and extent of his business, and stating under oath that staff approves and unless:

a. ~~_____T(1) the prospective arbitrageur or spreader, unless exempted in Section D. below, has made application to Exchange staff on forms provided by the Exchange wherein he requests a maximum number of positions and states under oath that:~~

- ~~(1) _____the intended positions will be arbitrage or spread positions;~~
- ~~(2) _____the positions are kept in a~~ separate, appropriately designated ~~special~~ account on the books of a clearing member;
- ~~(3) _____the arbitrageur or spreader complies with whatever limitations are imposed by Exchange staff with regard to said positions; and~~
- ~~(4) _____the arbitrageur or spreader agrees promptly to immediately submit a supplemental statement explaining any change in circumstances affecting his position.;~~
- ~~(5) _____the arbitrageur or spreader complies with all other Exchange rules and requirements;~~
- ~~(6) _____such positions are moved in an orderly manner and are not initiated or liquidated in a manner calculated to cause unreasonable price fluctuations or unwarranted price changes. The arbitrageur or spreader does not use said positions in an attempt to violate or avoid Exchange rules, or otherwise impair the good name or dignity of the Exchange.~~

~~Exchange staff shall, on the basis of the application and supplemental information which the Exchange may request, determine whether the applicant shall be approved as an arbitrageur or spreader. Exchange staff may impose such limitations as are commensurate with the liquidity of the markets~~

~~involved and with the applicant's financial ability and business circumstances. Exchange staff and the Business Conduct Committee may, from time to time, review all approvals and, for cause, revoke said approvals or place limitations thereon.~~

~~The applicant may appeal any decision of Exchange staff or the Business Conduct Committee to the Board.~~

~~Arbitrageurs and spreaders shall be exempt from emergency orders reducing speculative limits or restricting trading but only to the extent provided in such order and only if the approvals required by this rule are secured by the spreader and arbitrageur. This Section C. applies to intercommodity spread positions and intracommodity (calendar) spread positions of roughly equivalent value or size involving:~~

- ~~1. Interest rate futures or options versus other interest rate futures or options;~~
- ~~2. Interest rate futures or options versus like precious metal calendar spreads or gold coin calendar spreads;~~
- ~~3. Interest rate futures or options versus like calendar spreads in stock index futures;~~
- ~~4. Stock index futures or options versus other stock index futures or options;~~
- ~~5. Gold futures versus gold coin futures or gold options;~~
- ~~6. Currency futures versus gold futures or gold options or gold coin futures;~~
- ~~7. Currency futures or options versus other options on like physical currencies, currency futures, or currency options;~~
- ~~8. Options or futures on cross currency interest rate differences versus like currency options or futures calendar spreads;~~
- ~~9. Commodity index futures or options versus index component futures or options;~~
- ~~10. Livestock and meat futures or options intracommodity (calendar) spreads involving non-spot contract months;~~
- ~~11. Livestock and meat futures or options versus other livestock and meat futures or options involving non-spot contract months;~~
- ~~12. Feeder Cattle futures or options versus Feeder Cattle futures or options involving spot contract months, provided that the spot month positions during the last 5 trading days do not exceed 300 contracts;~~
- ~~13. Dairy product futures or options intracommodity (calendar) spreads involving non-spot contract months;~~
- ~~14. Dairy product futures or options versus other dairy product futures or options involving non-spot contract months;~~
- ~~15. Milk futures or options versus milk futures or options provided that the spot month positions do not exceed two times the spot month position limits;~~

16. Butter futures or options versus butter futures or options involving spot contract months, provided that the spot month positions during the last 5 trading days do not exceed 200 contracts in the March, May or July contract months, 150 contracts in the September contract month or 100 contracts in the October or December contract months; and
17. Forest product futures or options versus other forest product futures or options.

543.CD. Agricultural— Option and Option/Futures Spread Positions

A clearing member shall not maintain ~~or carry an account with~~ agricultural option-option or ~~an option-futures spread~~ account positions ~~that, that by itself or in accumulative total with any other account of the owner exceeds~~ the speculative ~~or~~ position limits ~~of the Exchange~~, unless the owner or controller ~~the account owner~~ has applied to the Market Regulation Department on forms provided by the Exchange stating the maximum exemption sought, explaining the nature and extent of his business, and stating under oath that ~~staff approve and unless:~~

a. ~~The prospective option trader, unless exempted in Section D. below, has made application to Exchange staff on forms provided by the Exchange wherein he requests a maximum number of positions and states under oath that:~~

- ~~{1.}~~ Ithe intended positions will qualify as spreads as defined in the Position Limit rules of the respective option chapter(s) of these Rules;
- ~~{2.}~~ Ithe positions are kept in a separate, appropriately designated ~~special~~ account on the books of a clearing member;
- ~~{3.}~~ Ithe option trader complies with whatever limitations are imposed by Exchange Staff with regard to said positions; and
- ~~{4.}~~ Ithe option trader agrees promptly to ~~immediately~~ submit a supplemental statement explaining any change in circumstances affecting his position;
- ~~{5.}~~ ~~the option trader complies with all other Exchange rules and requirements;~~
- ~~{6.}~~ ~~such positions are moved in an orderly manner and are not initiated or liquidated in a manner calculated to cause unreasonable price fluctuations or unwarranted price changes. The option trader does not use said position in an attempt to violate or avoid Exchange rules, or otherwise impair the good name or dignity of the Exchange.~~

~~Exchange staff shall, on the basis of the application and supplemental information which the Exchange may request, determine whether the applicant shall be approved. Exchange staff may impose such limitations as are commensurate with the liquidity of the markets involved and with the applicant's financial ability and business circumstances. Exchange staff and the Business Conduct Committee may, from time to time, review all approvals and, for cause, revoke said approvals or place limitations thereon.~~

~~The applicant may appeal any decision of Exchange staff or the Business Conduct Committee to the Board.~~

~~Option traders shall be exempt from emergency orders reducing speculative limits or restricting trading but only to the extent provided in such order and only if the approvals required by this rule are secured by the option trader.~~

543.E. Independently Controlled Positions

An eligible entity as defined in CFTC Regulation §150.1.(d) shall not be considered to have violated the position limits based on the positions established on its behalf by one or more independent account controllers as defined in CFTC Regulation §150.1.(e) if each such account controller does not exceed position limits, and if the positions are not held in a spot month if there is a position limit that applies to individual trading months during their expiration.

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).

Any person claiming an exemption from speculative position limits under Section E. must, upon request by the Market Regulation Department, provide information relating to the positions owned or controlled by that person; trading done pursuant to the claimed exemption; the futures, options or cash market positions which support the claimed exemption; and the relevant business relationships supporting the claimed exemption.

543.DF. Application to Exceed Speculative, ~~or~~ Hedge, Risk Management, Arbitrage or Spread Position Limits

Positions in excess of speculative position limits may not be initiated without approval as described below. Any position in excess of the speculative limits without Exchange approval will be deemed a violation of Exchange rules by the clearing member.

Except as provided below, Aa person intending to exceed speculative position limits or previously approved hedge, risk management, arbitrage or spread ~~exemptions~~position limits must file the applications required by Sections A., B., C., and ~~GD~~. above and receive approval prior to exceeding such limits, ~~except as provided below.~~

With respect to all stock index futures and options contracts, aA person intending to exceed speculative position limits for stock index futures and options contracts ~~such limits~~ may, in the alternative, request verbal approval prior to exceeding such limits and, if the request is approved, file the required application promptly, and in no event more than three business days thereafter ~~the request has been approved.~~

With respect to all other financial contracts, aA person intending to exceed speculative position limits for other non-agricultural contracts ~~such limits~~ may, in the alternative, file the required applications after exceeding such limits. In the case of aA person who has not previously received approval to exceed speculative position limits, the period within which the application shall be ~~must~~ filed after the limits are exceeded shall be the application within five business days. In the case of aA person who intends to exceeding a previously his approved hedge, risk management, arbitrage or spread limit, the period shall be ~~must~~ file the application within ten business days. The Business Conduct Committee and Exchange staff shall have the authority to require the submission of the application within a shorter period of time.

Exchange staff shall, on the basis of any application and supplemental information which the Exchange may request, determine whether the applicant will be approved for exemption pursuant to the foregoing sections. Exchange staff may impose such limitations on the approval as are commensurate with the applicant's business needs, financial ability and personal integrity, as well as the liquidity, depth and volume of the market for which the exemption is sought. Exchange staff may, from time to time, review all exemption approvals and, for cause, revoke said approvals or place limitations thereon if it is determined that the applicant's status or market conditions have changed. The applicant may appeal any decision of Exchange staff to the Business Conduct Committee.

In all cases, entities granted relief pursuant to any of the foregoing sections must comply with all other Exchange rules and requirements. Additionally, the applicant must agree that such positions shall be moved in an orderly manner consistent with sound commercial practices, and may not be initiated or liquidated in a manner calculated to cause unreasonable or unwarranted price changes or fluctuations, violate or avoid Exchange rules or otherwise impair the good name or dignity of the Exchange.

Except as provided above, a clearing member that permits a customer to establish a position in excess of speculative position limits without prior Exchange approval may be found responsible for the violation of the speculative limit.

543.EG. Violations

~~Provisions of Rule 444 will be applicable to v~~Violations of speculative position limits and ~~hedge~~ approved hedge, risk management, arbitrage and spread position limits are subject to the provisions of Rule 443.

543.F. Financial Contracts

~~For the purpose of this rule, financial contracts shall include IMM and IOM contracts, except for Random Length Lumber, Leaded Regular Gasoline, No. 2 Fuel Oil, Crude Oil and Options on Live Cattle and Lean Hogs.~~

543.G. Independently Controlled Positions

~~An eligible entity may carry positions that exceed speculative position limits if (1) such positions (a) are not for the spot month if there is a position limit which applies to individual trading months during their expiration, and (b) are carried for the eligible entity in the separate account or accounts of an independent account controller; provided, however, that the overall positions held or controlled by each such account controller may not exceed the speculative position limits; and (2) such eligible entity files an Exchange-prescribed form disclosing information respecting the entity and the independent account controllers.~~

~~For purposes of this Section G., "eligible entity" means a commodity pool operator, the operator of a trading vehicle which is excluded, or who itself has qualified for exclusion from the definition of the term "pool" or "commodity pool operator," respectively, under CFTC Regulation §4.5, or a commodity trading advisor which (1) authorizes an independent account controller to control independently all trading decisions for positions it holds directly or indirectly, or on its behalf, but without its day-to-day direction and (2) maintains only such minimum control over the independent account controller as is consistent with its fiduciary responsibilities and necessary to fulfill its duty to supervise diligently the trading done~~

~~on its behalf. "Eligible entity" shall also mean such other person or entity deemed exempt by CFTC Regulations or Guidelines (including Regulation §150.3).~~

~~For purposes of this Section G., "independent account controller" means a person who (1) is registered as a futures commission merchant, introducing broker, commodity trading advisor, or an associated person of any such registrant; (2) is authorized by the eligible entity to control independently trading by, and on behalf of, but without the day-to-day direction of the eligible entity; (3) trades independently of the eligible entity and of any other independent account controller trading for the eligible entity; (4) is supervised by the eligible entity only to the minimal degree necessary to fulfill its fiduciary responsibilities and duty to supervise diligently the trading done on its behalf and (5) has no knowledge of trading decisions by any other independent account controller.~~

~~If an independent account controller is affiliated with the eligible entity or another independent account controller, each of the affiliated entities must:~~

- ~~1. Have, and enforce, written procedures to preclude the affiliated entities from having knowledge of, gaining access to, or receiving data about trades of the other. Such procedures must include document routing and other procedures or security arrangements, including separate physical locations, which would maintain the independence of their activities; provided, however, that such procedures may provide for the disclosure of information which is reasonably necessary for an eligible entity to maintain the level of control consistent with its fiduciary responsibilities and necessary to fulfill its duty to supervise diligently the trading done on its behalf;~~
- ~~2. Trade such accounts pursuant to separately developed and independent trading systems;~~
- ~~3. Market such trading systems separately; and~~
- ~~4. Solicit funds for such trading by separate Disclosure Documents that meet the standards of CFTC Regulation §4.21 or §4.31, as applicable, where such Disclosure Documents are required under Part Four of the CFTC Regulations.~~

~~Upon call by Exchange staff, any person claiming an exemption from speculative position limits under this Section must provide to the Exchange such information as specified in the call relating to the positions owned or controlled by that person; trading done pursuant to the claimed exemption; the futures, options or cash market positions which support the claim of exemption; and the relevant business relationships supporting a claim of exemption.~~

~~Exchange staff may at any time condition an exemption on the eligible entity's business needs, financial status and integrity and on the liquidity, depth and volume of the market for which the exemption is sought. Exchange staff or the Business Conduct Committee may at any time modify or revoke the exemption if it is found that the eligible entity's status or market conditions have changed. The eligible entity may appeal any decision of Exchange staff or the Business Conduct Committee to the Board.~~

544. CLOSING DAY ORDERS

~~Only market orders to buy or sell, closing orders to buy or sell, spread orders, straight limit orders to buy or sell and straight stop orders to buy or sell shall be permitted during the last day of trading in an expiring futures contract. Time orders and other contingent orders of all kinds shall be specifically banned during the last day of trading in an expiring future. Brokers shall not be responsible for~~

cancellations unless the cancellations reach the broker 15 minutes prior to the close on the last day of trading in an expiring futures s contract.

545. CLOSING BIDS AND OFFERS IN **BLACKBOARD** TRADING

If, at the close of the trading session~~futures call~~, ~~there is posted~~ a higher bid or lower offer than the last sale is posted, such bid or offer shall be subject to acceptance for one minute after the close.

546. OPENING AND CLOSING RANGES DURING REGULAR TRADING HOURS

The opening ~~and closing price~~ ranges shall be established by Exchange staff. The closing range time periods shall be as follows:

		<u>Regular</u> <u>Day &</u> <u>12:00 Noon</u> <u>Last Day</u> <u>Closings</u> <u>of Trading</u>	
<u>Agriculturals</u>	<u>Futures</u>	<u>30 seconds</u>	<u>90 seconds</u>
	<u>Options</u>	<u>30 seconds</u>	<u>90 seconds</u>
<u>Currencies</u>	<u>Futures</u>	<u>60 seconds</u>	<u>60 seconds</u>
	<u>Options</u>	<u>60 seconds</u>	<u>120 seconds</u>
<u>Interest Rates</u>	<u>Futures</u>	<u>60 seconds</u>	<u>60 seconds</u>
	<u>Options</u>	<u>60 seconds</u>	<u>60 seconds</u>
<u>Equity Indices</u>	<u>Futures</u>	<u>30 seconds</u>	<u>60 seconds</u>
	<u>Options</u>	<u>60 seconds</u>	<u>60 seconds</u>

In the event of a disputed price range or trade conspicuously "out of line" with the market, the final determination of the price range shall be made by the Pit Committee. A change in the opening price range will be allowed only if determined within 15 minutes of the opening. A change in the closing price range will be allowed only if determined within 5 minutes of the close.

547. DISCRETIONARY ORDERS

Other than DRT orders, no Member (as defined in Rule 400)~~No orders~~ shall ~~be accepted~~ an order for execution on the floor of the Exchange that gives ~~the broker~~ 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 ~~of the floor broker's~~ immediate family which includes s a: husband, wife, brothers, sisters, parents, grandparents, great-grandparents, children, grandchildren, great-grandchildren and in-laws; and
3. placed ~~forthrough~~ proprietary accounts of clearing member firms.

548. PRIORITY OF EXECUTION

~~In pit trading, n~~Non-discretionary customer orders shall be ~~filled~~executed in the order received by the ~~filling~~ broker. Open orders from previous sessions shall have ~~priority~~precedence over new orders and shall be ~~filled~~executed in order of their original time-stamps.

Non-discretionary customer orders received by a GLOBEX terminal operator shall be entered into GLOBEX in the order 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.

~~(Next Rule 550)~~

549. [RESERVED]

550. POST SETTLEMENT SESSION

After the posting of the settlement price or two minutes after the close of Regular Trading Hours for ~~each pit-traded~~ futures and options contracts, whichever is later, trading may resume for a period of no longer than three minutes, subject to the following exception. In the case of Eurodollar futures, trading during the post settlement session may take place only in the first eight contract months in the March quarterly cycle, the first four serial contract months, and in spreads and combinations involving Eurodollar futures.

~~Members or clearing firms trading for their own account may initiate trades after the close of Regular Trading Hours for execution in a post settlement session.~~

During the post settlement session, members are obligated to bid or offer any orders that: (1) were received prior to the close; (2) were executable in the closing range; and (3) are executable in the post settlement session. In addition, members are obligated to bid or offer any orders, including customer orders, that were received after the close and are executable in the post settlement session.

The range of prices eligible for trading outright futures or options contracts in the post settlement session shall be the closing range, with the following exception for interest rate products, foreign currency products, agricultural contracts, and equity contracts. However, trades in the post settlement session may not take place at a price which is outside of the closing range, except f~~E~~ or contracts which have been settled outside of their closing range pursuant to Rule 813.B., C., or D. ~~("Settlement Price"), in which case~~, trades during the post settlement session may occur only at the settlement price and the next two ticks in the direction of the closing range for interest rate contracts, at the settlement price and the next three ticks (four ticks for Mexican peso contracts) in the direction of the closing range for foreign currency contracts, and at the settlement price and the next five ticks in the direction of the closing range for equity contracts. However, on those days when~~Provided further, that on days on which~~ equity contracts ~~settlements~~ are settled per their "Fair Value" as determined by the Exchange pursuant to ~~its authority under~~ Rule 813.D., trades in the post settlement session in those ~~contracts so settled~~ shall be within their closing range of prices.

A simultaneous spread or combination transaction executed pursuant to Rule 542 ~~("Simultaneous Spread and Combination Transactions")~~ may be transacted during the post settlement session at a differential which is consistent with the spread differentials prevailing during the closing range. The price assignment conventions and conditions set forth in Rule 542 shall apply to any simultaneous spread or combination transaction executed in the post settlement session.

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

551. SPREAD OR COMBINATION TRANSACTIONS TO RECTIFY ERRORS

A spread or combination transaction executed at a differential must be for the same account owner, except, ~~however,~~ that in the event ~~that~~ an order was executed in the wrong month, in the wrong ~~product~~~~commodity~~, or at the wrong strike price, such spread or combination transaction may be used to execute the order and liquidate the position arising from the initial execution of the order, provided that:

- ~~a~~A. If the error ~~was~~ere on the part of a floor broker not employed by the clearing member representing the order:
1. The floor broker places the position resulting from the improper execution and the offsetting position resulting from the execution of the spread or combination transaction in his error account; and
 2. A floor official of the clearing member representing the order approves the execution price of the order by signing the trading card or order used to record the spread or combination transaction.
- ~~b~~B. If the error ~~was~~ere on the part of a clearing member representing the order or its floor broker employee:
1. The clearing member places the position resulting from the improper execution and the offsetting position resulting from the execution of the spread or combination transaction in its error account; and
 2. A floor official of the Exchange reviews the propriety of the execution price of the order by reference to Time and Sales, the time-in on the order and any other relevant information. If there is a dispute between the clearing member firm and the floor official, the matter shall be resolved by the Chairman and one other member of the relevant pit committee. A pit committee member shall not be involved in the resolution of such a dispute if he or any person or firm with which he is affiliated has a financial, personal or other direct interest in the matter under consideration. This decision shall be final with respect to the clearing member.
- ~~c~~C. All error accounts used for this purpose are identified to the ~~Division of~~ Market Regulation Department;
- ~~d~~D. All such transactions are clearly identified in a manner acceptable to the Exchange; and
- ~~e~~E. The circumstances surrounding the nature of the error are clearly documented by the floor broker or clearing member, as the case may be, and such documentation is promptly provided to the Exchange upon request.

Violations of this rule for the purposes of taking advantage of customer orders shall be a major offense~~rule-violation~~. Other violations of this rule may be a major ~~rule-violation~~offense.

552. 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

~~Subject to the following exceptions, d~~Dual trading shall be prohibited in any contract month which is ~~deemed a~~ mature ~~and~~ liquid ~~contract by the Board of Directors; subject to the exceptions in Section C. below.~~

~~Violation of this rule may be a major offense.~~

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 ~~or her~~ 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~~~~errors~~ resulting from the ~~erroneous~~ execution of ~~a~~ customer orders provided that ~~such member~~ -(1) ~~such member~~ 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) ~~that such member~~ records the time of each trade to the nearest minute on his or her 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.
- ~~5. Foreign Currency Futures. Each trading day between 7:45 AM and 1:59 PM and during the post settlement session, a member may engage in dual trading in any foreign currency futures contract month that is otherwise restricted for dual trading.~~

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.

~~Violation of this rule may be a major offense.~~

553. AVERAGE PRICE SYSTEM

553.A. Application of Average Prices

The Exchange's Average Price System ("APS"), or a proprietary 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 a Regular Trading Hours Session or matched during a GLOBEX Session~~ at more than one price may only be averaged pursuant to APS if each order is for the same account or group of accounts and for the same ~~product~~commodity and ~~expiration~~ month for futures, or for the same ~~product~~commodity, ~~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~~Rule 553.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 identify each average price trade as such on all confirmation statements and monthly statements on which the trade is reported regardless of whether the average price was calculated by the Exchange or the clearing ~~firm~~member.
6. 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.

~~(Next Rule 555)~~

554. [RESERVED]

555. TOP STEP TRADING RESTRICTIONS

555.A. Definitions

1. Restricted Contract Month: The term "restricted contract month" ~~shall mean~~s a mature liquid contract month subject to the dual trading provisions of Rule 552.
2. Contract Month Position: The term "contract month position" ~~shall mean~~s 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" ~~shall mean~~s 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~~n 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 Spreaders: 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 Exchange staff.

4. ~~Additional Exceptions:~~

~~a.~~ The Board of Directors may exempt any contract or contract months from the provision of this ~~R~~rule taking into account any market conditions which, in the Board's opinion, would justify such action.

~~5b.~~ The Pit Supervision Committee shall have the authority to:

~~a1.~~ Exempt specific top-step areas deemed unsuitable for order filling; and

~~b2.~~ 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~~s ~~Of This Rule~~

A single violation of this rule ~~shall~~may be deemed a trading infraction under Rule 514.A.9. ~~("conduct of an unbusinesslike nature") and shall be~~ subject to the jurisdiction and fining authority of the Pit Committee and Pit Supervision Committee, except for those violations involving Rule 552. Multiple or egregious violations of this rule may be a major offense.

556. ~~OPEN OUTCRY LEAD MARKET MAKER (LMM) PROGRAM~~[RESERVED]

~~The Exchange may from time to time adopt one or more programs under which one or more designated entities may be appointed as Open Outcry Lead Market Makers (LMM) with respect to one or more Contracts in order to provide liquidity and orderliness in the market or markets for such Contract or Contracts traded on an open outcry basis. Any such program may provide for any or all of the following:~~

~~1. Qualifications, including any minimum net capital requirements, that any such Open Outcry LMM must satisfy;~~

~~2. The procedures by which such designated entities may seek and receive designation as Open Outcry LMMs;~~

~~3. The obligations of such Open Outcry LMMs, including any applicable minimum bid and offer commitments; and~~

~~4. The benefits accruing to such market makers, including priority in the execution of transactions, reduced transaction fees or the receipt of compensatory payments from the Exchange.~~

~~Without limiting the generality of the foregoing, the Exchange may adopt a program under which one or more designated entities may be appointed as Open Outcry Lead Market Makers, and as such, allocated certain numbers or types of Contracts with respect to which they may make markets.~~

557. RESTRICTIONS ON GLOBEX TRADING OF STOCK INDEX FUTURES FROM BOOTHS IN THE EQUITY QUADRANTTRADED ON GLOBEX.

557.A. ~~General~~

~~The following provisions apply to the trading of stock index futures contracts on GLOBEX. To the extent that this rule is inconsistent with any other rule, this rule shall control.~~

557.B. ~~Execution of Orders~~

- ~~1. Orders of any quantity may be accepted for stock index futures and options on stock index futures for entry on the GLOBEX system. However, orders exceeding a specified number of contracts as indicated in the table below must be entered on the GLOBEX system as multiple entries, each of which must not exceed the specified number of contracts. This restriction shall not apply to TRAKRS contracts where orders of any quantity may be entered, within normal GLOBEX System limitations.~~

Market	Futures Order Entry Quantity Restriction	Options Order Entry Quantity Restriction	Futures Calendar Spread Order Entry Quantity Restriction
E-Mini S&P 500 and E-Mini Nasdaq-100 Futures	1,500	1,500	5,000
All Other Stock Index Futures	500	500	5,000

- ~~2. Reserved~~

- ~~3. No member at a clearing member's booth in the equity quadrant shall enter or cause to be entered into the GLOBEX Systemplatform an order to buy or sell stock index futures or options contracts if such order is:~~

- ~~(a)A. an order for the member's own account, an account in which the member has a direct or indirect financial interest, or an account which the member controls;~~
- ~~(b)B. an order for an immediate family member of the member; or~~
- ~~(c)C. an order for the proprietary account of such clearing member.~~

- ~~4. Orders to buy or sell more than 30 E-Mini S&P 500, or E-Mini Nasdaq-100 futures contracts may be executed by open outcry as All-Or-None transactions in accordance with the procedures of Rule 521, provided that specific customer instructions to execute the order as an All-Or-None transaction are required. Members or member firms who are trading for their personal or proprietary accounts may buy or sell more than 30 E-Mini S&P 500, or E-Mini Nasdaq-100 futures contracts by open outcry as All-Or-None transactions.~~

- ~~5. All Or None transactions involving E-Mini S&P 500, E-Mini Nasdaq-100 or FORTUNE e-50 futures contracts shall be confined to Regular Trading Hours. There shall be no post-settlement session in TRAKRS contracts, E-Mini NASDAQ Composite, S&P SmallCap 600, S&P 500 Technology SPCTR, S&P 500 Financial SPCTR, Russell 1000, E-Mini S&P 500, or E-Mini Nasdaq-100 futures contracts.~~
- ~~6. Reserved~~
- ~~7. Cross-trades are not permitted in TRAKRS contracts, E-Mini NASDAQ Composite, S&P SmallCap 600, S&P 500 Technology SPCTR, S&P 500 Financial SPCTR, Russell 1000, E-Mini S&P 500, E-Mini Nasdaq-100, E-Mini Russell 2000, E-Mini S&P MidCap 400, dollar denominated Nikkei 225, yen denominated Nikkei 225, or S&P/TOPIX 150 futures contracts.~~
- ~~8. EFP transactions are not permitted in E-Mini S&P 500, E-Mini Russell 2000, E-Mini S&P MidCap 400, S&P/TOPIX 150 or E-Mini Nasdaq-100 futures contracts.~~

~~558. TRADING RULES FOR E-MINI CURRENCY FUTURES~~

~~558.A. General~~

~~The following provisions apply to trading the E-Mini Currency futures contract. To the extent that this rule is inconsistent with any other rule, this rule shall control.~~

~~558.B. Execution of Orders~~

- ~~1. Orders to buy or sell 30 or fewer E-Mini Currency futures contracts shall be entered on the GLOBEX System. Orders for non-discretionary accounts that are bunched in accordance with Rule 572 shall be entered on the GLOBEX System provided that each such order is for 30 or fewer contracts, even if the aggregate size of the bunched orders exceeds 30 contracts. Members or member firms who are trading directly on the GLOBEX System for their personal or proprietary accounts may buy or sell up to 30 E-Mini Currency futures contracts per trade.~~
- ~~2. Reserved~~
- ~~3. No member at a clearing member's booth in the currency quadrant shall enter or cause to be entered into the GLOBEX System an order to buy or sell E-Mini Currency futures or options contracts if such order is:
 - ~~(a) an order for the member's own account, an account in which the member has a direct or indirect financial interest, or an account which the member controls;~~
 - ~~(b) an order for an immediate family member of the member;~~
 - ~~(c) an order for the proprietary account of such clearing member; or~~
 - ~~(d) a DRT order for any account.~~~~
- ~~4. Calendar spread orders shall be limited to 30 or fewer E-Mini Currency futures contracts per contract month and shall be traded on the GLOBEX System.~~
- ~~5. Cross-trades are not permitted in E-Mini Currency futures contracts.~~

~~6. EFP or EBF transactions are not permitted in E-Mini Currency futures contracts.~~

~~559. RESTRICTIONS ON GSCI FUTURES TRADED ON GLOBEX~~

~~559.A. General~~

~~The following provisions apply to the trading of GSCI futures contracts on GLOBEX. To the extent that this rule is inconsistent with any other rule, this rule shall control.~~

~~559.B. Execution of Orders~~

- ~~1. Orders of any quantity may be accepted for GSCI futures for entry on the GLOBEX System. However, orders exceeding 250 contracts must be entered on the GLOBEX System as multiple entries each of which must not exceed 250 contracts.~~
- ~~2. Reserved~~
- ~~3. Calendar spread orders of any quantity may be accepted for GSCI futures for entry on the GLOBEX System. However, calendar spread orders exceeding 250 contracts per contract month must be entered on the GLOBEX System as multiple entries each of which must not exceed 250 contracts.~~

~~(Next Rule 570)~~

~~560. RESTRICTIONS ON INTEREST RATE FUTURES TRADED ON GLOBEX~~

~~560.A. General~~

~~The following provisions apply to the trading of interest rate futures contracts on GLOBEX. To the extent that this rule is inconsistent with any other rule, this rule shall control.~~

~~560.B. Execution of Orders~~

- ~~1. Orders of any quantity may be accepted for interest rate futures for entry on the GLOBEX System. However, orders for 10-Year Swap Rate, 5-Year Swap Rate and 2-Year Swap Rate futures or option contracts exceeding 1,000 contracts must be entered on the GLOBEX System as multiple entries each of which must not exceed 1,000 contracts. Orders for Eurodollar futures, Eurodollar FRA futures contracts and CPI futures contracts exceeding 5,000 contracts must be entered on the GLOBEX System as multiple entries each of which must not exceed 5,000 contracts.~~
- ~~2. Reserved~~
- ~~3. Reserved~~
- ~~4. Calendar spread or combination orders of any quantity may be accepted for Eurodollar futures contracts and CPI futures contracts for entry on the GLOBEX System. However, calendar spread or combination orders exceeding 5,000 contracts per month must be entered on the GLOBEX System as multiple entries each of which must not exceed 5,000 contracts.~~

5. ~~There shall be no post-settlement session 10-Year Swap Rate, 5-Year Swap Rate and 2-Year Swap Rate futures or option contracts.~~
6. ~~Calendar spread orders of any quantity may be accepted for 10-Year Swap Rate, 5-Year Swap Rate and 2-Year Swap Rate futures or option contracts for entry on the GLOBEX System. However, calendar spread orders exceeding 1,000 contracts per contract month must be entered on the GLOBEX System as multiple entries each of which must not exceed 1,000 contracts.~~
7. ~~Cross-trades are not permitted in 10-Year Swap Rate, 5-Year Swap Rate and 2-Year Swap Rate futures or option contracts.~~
8. ~~Reserved~~

558.-560. [RESERVED]

561. REPORTS OF LARGE POSITIONS

561.A. General Provisions

Clearing members shall submit to the Exchange a daily report of all individuals or ~~other~~ entities which own, control, or carry large positions in a single contract month for one futures contracts or a single expiration month for a put or call option, regardless of strike price. The Exchange may require that more than one report be submitted daily. Such report shall be in a form acceptable to the ~~Division of~~ Market Regulation Department and shall contain the account numbers and the number of open contracts in each month for a futures contract or in each expiration month for a put or call option in which any individual or other entity owns, controls, or carries open positions in a single contract month that equals or exceeds the reporting level for such contract ~~pursuant to Section Bestablished from time to time by Exchange staff~~. Furthermore, with respect to any individual or ~~other~~ entity owning, controlling, or carrying a position that meets or exceeds the reportable level in any month of a futures or options contract, the clearing member must submit a report for that individual or ~~other~~ entity in all months of that futures and options contract, regardless of position size. The Business Conduct Committee or Exchange staff may, at its discretion, require reports from one or more clearing members on a lesser number of positions owned, controlled, or carried.

Clearing members shall also furnish the ~~Division of~~ Market Regulation Department with reports identifying the owner and any controlling parties for accounts required to be disclosed in accordance with the preceding paragraph.

It shall be the responsibility of the clearing member to obtain the information required above relative to ownership and control of positions within any account carried on an omnibus basis, unless such omnibus account has been specifically exempted by the ~~Division of~~ Market Regulation Department.

561.B. Reportable Levels

Unless otherwise indicated below, the reportable level for all contracts shall be 25. The reportable level for options shall be the same as for the underlying futures contract.

<u>Commodity</u>	<u>Reportable Level</u>
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TRAKRS	25,000
Eurodollars	850
Australian Dollar	200
British Pound	200
Canadian Dollar	200
Deutsche Mark	200
Euro Currency Unit	200
French Franc	200
Japanese Yen	200
Swiss Franc	200
Single Stock Futures	200
1-Month LIBOR	100
90-Day Treasury Bills	100
S&P 500	100
Nikkei Stock Index	50
5-Year Bundle	45
Frozen Pork Belly	5

562. SPECULATIVE LONG AND SHORT POSITIONS SAME ~~DELIVERY~~EXPIRATION MONTH

A clearing member shall not ~~be permitted to~~ carry a speculative long position and a speculative short position for any customer or for itself in the same commodity for the same ~~expiration~~delivery month, except in accordance with CFTC Regulation 1.46(d), as amended.

563.— 569. [RESERVED]

LOBEX ELECTRONIC TRADING SYSTEM RULES

~~570.— TRADING DURING LOBEX~~

~~The rules of Chicago Mercantile Exchange Inc. shall apply to trading commodity futures and options through LOBEX. The Board of Directors shall determine which contracts will be available for trading during LOBEX, provided that all such determinations shall be submitted to the Commodity Futures Trading Commission in accordance with the provisions of Section 5a(a)(12)(A) of the Commodity Exchange Act and the regulations thereunder.~~

571. ~~RECORDS OF TRANSACTIONS DURING LOBEX TRADING~~MAXIMUM QUANTITIES FOR LOBEX ORDERS

~~It shall be the duty of each LOBEX terminal operator entering orders into the LOBEX System to: 1) sign onto the LOBEX System before entering orders by inputting a user identification assigned by the CME, a clearing member or other authorized entity, and 2) input for each order, the price, quantity, commodity, contract month, CTI code and account designation and, for options, the strike price, "put" or "call," and expiration month. For LOBEX Terminal Operators with access pursuant to Rule 574.G, Clearing Firms will be responsible for such Operators' compliance with this Rule.~~

~~With respect to orders received by a LOBEX terminal operator which are capable of being immediately entered into LOBEX, no record other than that set forth above need be made. However, if a LOBEX terminal operator receives an order which cannot be immediately entered into LOBEX, the LOBEX terminal operator must prepare a written order and include the account designation, date,~~

~~time of receipt and other required information. The order must be entered into GLOBEX when it becomes executable.~~

~~Such records shall be retained for five years.~~

~~Exchange staff may require immediate proof of compliance with this Rule. Violation of this Rule may constitute a major offense.~~

The GLOBEX system precludes the entry of an order in a quantity in excess of the maximum number of contracts allowed for a particular product, as published from time to time by the Exchange. An order that exceeds the maximum number of contracts allowed for a particular product must be entered into the GLOBEX system as multiple entries, each of which may not exceed the maximum number of allowable contracts.

572. ~~BUNCHED ORDERS~~[RESERVED]

~~Bunched orders for discretionary accounts may be entered through GLOBEX. Such orders may be entered by using a series designation rather than including each of the individual account numbers on the order. The series designation may only be used when 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. If such information has not been provided to the futures commission merchant prior to the time of order entry, each account number must be entered into GLOBEX. Bunched orders for non-discretionary accounts may be entered through GLOBEX only in the following instances:~~

- ~~A. The orders underlying the bunched order are either stop orders or stop/limit orders;~~
- ~~B. Each stop order or stop/limit order underlying the bunched order must be reduced to writing in accordance with CME Rule 574;~~
- ~~C. Each order underlying the bunched order must reflect the same stop price in instances of a stop order or the same stop price and limit price in instances of a stop/limit order;~~
- ~~D. Each terminal operator must provide a bunched order indicator when entering a bunched order; and~~
- ~~E. Allocation of the executed bunched order must be based only on time of receipt of the underlying orders.~~

~~The Exchange shall make available to clearing members, at regular intervals, notifications that bunched orders have been executed through GLOBEX. Each clearing member shall be responsible for providing to the Exchange the account allocations for bunched orders entered through its terminals and those terminals that it guarantees for others. Each clearing member that is required to provide account allocations to the Exchange must do so within the time limit specified by the Exchange.~~

573. GLOBEX OPENING

~~There will be a one price opening for each contract during the GLOBEX trading session. See INTERPRETATION OF RULE 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 RESTRICTIONTERMINALS/ORDER ENTRY

All connections to the GLOBEX system must be guaranteed by a ~~The following persons and entities are eligible to receive GLOBEX terminals for order entry:~~

574.A. ~~Clearing Members~~

~~Clearing members that assumes financial responsibility for all activity through the connection, are eligible for GLOBEX terminals and connections for entry of their own orders and customer orders.~~

~~Any~~all authorized individuals ~~may enter~~ing non-member customer orders ~~(with or without discretion) for the proprietary account of the clearing member. If acting in other than a clerical capacity, must have appropriate industry registration. Non-member customer orders may only be entered from designated areas on the floor of the Exchange or from the premises of an entity registered to conduct customer business. any individuals entering customer orders must have appropriate registration. Clearing firms are responsible to have in place reasonable supervisory procedures to ensure that their employees follow all rules and regulations.~~

574.B. ~~Individual Members~~

~~Members are eligible for GLOBEX terminals for entry of orders for their personal or proprietary accounts, as well as for the accounts of other members. Authorized employees of such member may enter orders (with or without discretion) for the personal or proprietary account of the member. A member may enter customer orders (i.e., orders for the accounts of person who are not members) only if (1) the orders are entered on the premises of a clearing member pursuant to Rule 574.A.; (2) the individual is registered as a floor broker, the orders are routed to the floor broker by a clearing member and such orders are entered from a terminal located on the trading floor; or (3) the individual member is using GLOBEX terminals to trade on behalf of joint accounts in which the member shares the profits and losses with others, including one or more non-members, and discretionary accounts for which the member has power of attorney to make the trading decisions, provided that the following requirements are met:~~

- ~~1. The member must be registered as a floor broker.~~
- ~~2. The member must obtain a written power of attorney, signed and dated by the account owner, that designates the member as the person to whom discretionary authority has been granted.~~
- ~~3. The member granted discretionary authority must file a written notice with the Division of Market Regulation of his intention to execute trades for discretionary accounts for which he has power of attorney.~~
- ~~4. The account number must be entered into GLOBEX at the same time as the trade.~~

574.C. ~~Non-Member Individuals and Firms~~

~~Subject to subsections 1 – 3, below, clearing firms may authorize GLOBEX terminals for customers to directly enter orders. For those customers for whom clearing members have authorized terminals, clearing members must:~~

- ~~1. Guarantee and assume financial responsibility for all activity through the terminal;~~
- ~~2.~~

~~Clearing members shall a~~Assist the ~~ExchangeCME~~ in any investigation into potential violations of ~~CMEthe R~~rules or the ~~Commodity Exchange 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 ~~anythe~~ non-member customer to produce documents, to answer questions from the ~~ExchangeCME~~, and/or to appear in connection with ~~thean~~ investigation.

3. _____

~~Clearing members shall S~~suspend or terminate ~~athe~~ non-member customer's GLOBEX access if the ~~ExchangeCME~~ determines that the actions of the non-member customer threatens the integrity or liquidity of any contract; or violates any ~~Exchange R~~rules of the CME or the ~~Commodity Exchange Act~~, or if the non-member customer fails to cooperate in an investigation.

575. ~~FOREIGN CROSS EXCHANGE TRADING~~[RESERVED]

~~575.A. _____ Cross-Exchange Trading by Members of Foreign Exchanges in Contracts Listed on GLOBEX by the CME~~

~~Bona fide members of a foreign exchange that has entered into a cross-exchange trading agreement with the CME are eligible to obtain cross-exchange access to the contracts listed on GLOBEX by the CME. Each such cross-exchange trading agreement must be submitted to the CFTC for review under the Commodity Exchange Act. Such members and their terminal operators must (1) be identified to the CME, (2) make an arrangement with a CME clearing member to clear any trades in CME contracts, and (3) abide by the GLOBEX trading rules of the CME when trading CME contracts.~~

~~The CME and the foreign exchange shall, by mutual agreement, determine which of them will be responsible for enforcing CME's GLOBEX trading rules against members or terminal operators of the foreign exchange. If the foreign exchange assumes that responsibility, it shall adopt a rule that makes it a major rule violation for its members or terminal operators to enter orders in a contract listed by the CME in violation of the CME's GLOBEX trading rules.~~

~~When a member or terminal operator of the foreign exchange is found to have violated the CME's GLOBEX trading rules when trading CME contracts through cross-exchange access, the CME may deny or suspend the privilege of cross-exchange trading to such member or terminal operator, in addition to any other penalties that may be imposed by the CME or the foreign exchange.~~

~~575.B. _____ Cross-Exchange Trading by Members of the CME in Contracts Listed on Electronic Trading Systems by Foreign Exchanges~~

~~Individuals and firms with access to GLOBEX terminals for trading CME contracts may obtain cross-exchange access to the contracts listed on an electronic trading system by a foreign exchange that has entered into a cross-exchange trading agreement with the CME. Each such cross-exchange trading agreement must be submitted to the CFTC for review under the Commodity Exchange Act. Such individuals, firms and their terminal operators must (1) be identified to each such exchange, (2) make an arrangement with a clearing member of each such exchange to clear any trades in contracts listed by that exchange, and (3) abide by the applicable trading rules of each exchange when trading the contracts listed by that exchange.~~

~~It may be deemed a major offense of the CME's rules for an individual, firm or GLOBEX terminal operator to violate the applicable trading rules of the foreign exchange when trading its contracts through an electronic trading system.~~

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~~the rules of the Exchange that relate to GLOBEX trading. ~~Each individual or firm employing a GLOBEX terminal operator shall notify the Exchange, in the manner prescribed by the Exchange, whenever the terminal operator's authority to act as such has been revoked. 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 member or clearing member enter or permit another to enter an order with a user ID other than the individual's own unique user ID.~~

577. GLOBEX CUSTOMER INFORMATION AND RISK DISCLOSURE STATEMENT~~[RESERVED]~~

~~No member, clearing member or Rule 106.f. firm shall accept an order from, or on behalf of, a customer for entry into GLOBEX, unless such customer is first provided with a GLOBEX Customer Information and Risk Disclosure Statement in a form approved by the Exchange.~~

578. LIMITATION OF LIABILITY, NO WARRANTIES

A. EXCEPT AS PROVIDED BELOW, THE EXCHANGE AND THE NEW YORK MERCANTILE EXCHANGE INC. (INCLUDING THEIR SUBSIDIARIES AND AFFILIATES), THEIR OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, CONSULTANTS, LICENSORS, MEMBERS, CLEARING MEMBERS, AND THEIR OFFICERS, DIRECTORS AND EMPLOYEES 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 ~~OR~~, 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 EXCHANGE'S SYSTEMS, SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS AND SERVICES, INCLUDING WITHOUT LIMITATION GLOBEX[®] 2, CUBS[™], TOPS[™], CLEARING 21[®], GLOBEX CONTROL CENTER[™], GALAX-C[™]; OR

(ii) ANY FAILURE OR MALFUNCTION, FAULT IN DELIVERY, DELAY, OMISSION, SUSPENSION, INACCURACY, INTERRUPTION OR TERMINATION, OR ANY OTHER CAUSE, OF ANY EXCHANGE SYSTEM, SERVICE OR FACILITY 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 OR ANY EXCHANGE SYSTEM, SERVICE OR FACILITY; 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 EXCHANGE SYSTEM, SERVICE OR FACILITY 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 PROVIDED BY THE EXCHANGE AND THE NEW YORK MERCANTILE EXCHANGE INC. (INCLUDING THEIR SUBSIDIARIES AND AFFILIATES), THEIR OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, CONSULTANTS, AND LICENSORS RELATING TO ANY EXCHANGE SYSTEMS, SERVICES, EQUIPMENT, OR FACILITIES, USED TO SUPPORT SUCH SYSTEMS OR SERVICES, INCLUDING THE GLOBEX SYSTEM, INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY AND WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE OR USE.

C. ANY DISPUTE ARISING OUT OF THE USE OF EXCHANGE SYSTEMS, SERVICES OR FACILITIES USED TO SUPPORT SUCH SYSTEMS OR SERVICES IN WHICH THE EXCHANGE (INCLUDING ITS SUBSIDIARIES AND AFFILIATES), OR ANY OF ITS OFFICERS, DIRECTORS, AGENTS, CONSULTANTS OR LICENSORS, OR EMPLOYEES IS A PARTY SHALL BE ARBITRATED PURSUANT TO RULE 601.A. OF THE EXCHANGE. 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 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 EXCHANGE MAY, IN ITS 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, ~~IF THE NEGLIGENCE OF GLOBEX CONTROL CENTER PERSONNEL OR EXCHANGE STAFF CAUSES A DIRECT, OUT-OF-POCKET LOSS TO ANY PERSON,~~ THE EXCHANGE'S MAY, IN ITS SOLE DISCRETION, ASSUME RESPONSIBILITY FOR SUCH DIRECT LOSS, BUT ITS OBLIGATION 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.

E. IN NO EVENT SHALL THE EXCHANGE'S TOTAL 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 SYSTEMS, SERVICES, OR FACILITIES USED TO SUPPORT SUCH SYSTEMS AND SERVICES, OR THE NEGLIGENCE OF EXCHANGE 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 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 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.C, must contact their clearing ~~firms~~members to make support requests.

579.B GCC Communications

As provided in Rule 578, ~~T~~he 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 (~~hereinafter~~ "ISV") terminal. For purposes of this ~~R~~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 Statusing

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.

~~The Exchange may, in its sole discretion, assume responsibility for reasonable out-of-pocket losses incurred by a customer that directly result from market action taken by the customer if such market action is based on an incorrect order status provided by the GCC or an Exchange system, service or facility.~~

~~A customer that receives an incorrect order status shall notify the GCC and immediately liquidate any such erroneous positions after the customer knew or should have known that the order status information is incorrect. The Exchange's liability to such customer shall be limited to the price at which the customer's erroneous positions could have reasonably been liquidated.~~

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~~The 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. GLOBEX TRADE ALGORITHMS

1. Market orders that are entered into the GLOBEX ~~s~~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 ~~s~~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 ~~s~~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 PROGRAM

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~~CME ~~r~~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 ~~P~~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~~consummated 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 ~~S~~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. ~~[RESERVED] GLOBEX VOLATILITY QUOTES~~

~~Options and combinations involving options may be quoted in volatility terms through GLOBEX. See "Notices and Interpretations" at the end of Chapter 5.~~

~~(Next Rule 586)~~

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, the Options on Eurodollar Futures on the Enhanced Options System. This rule supersedes, if applicable, other Exchange rules governing trading on GLOBEX, including, but not limited to, Rule 580-~~GLOBEX TRADE ALGORITHM~~ and its interpretations.

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

- 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 terminal means a device capable of transmitting to and receiving from GLOBEX Requests For Quotes ("RFQ"), and sending order instructions in response to ~~Request For Quotes~~ to GLOBEX;
 - c. an Request For Quote ("RFQ") means an electronic message soliciting bids and offers for a contract or a combination of contracts;
 - d. 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 Request For Quote ("RFQ") for an individual eligible contract or an eligible combination of contracts may be entered into GLOBEX through an eligible terminal. An order book for the specified individual contract or combination of contracts, if it does not already exist, shall be created in GLOBEX. This order book shall remain in GLOBEX until the conclusion of the trading session. 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. 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 ~~the~~ instructions to cancel the orders have been received.
5. Trades of eligible combination 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.
6. 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 581. ~~GLOBEX Lead Market Maker Programs.~~
7. 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 ~~the~~ 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 ~~CME~~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~~CME 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~~CME 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 ~~P~~phantom ~~O~~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~~CME system, service or facility.

587.B. Permissible Responses

If the Exchange has reason to believe that ~~P~~phantom ~~O~~orders have been or are being entered into and/or executed on any Exchange system, service or facility, ~~the Exchange a staff committee composed of three Managing Directors~~ 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, ~~etc.~~

~~That committee~~ Exchange shall promptly give notice that all GLOBEX transactions that were directly or indirectly caused by the execution of ~~P~~phantom ~~O~~orders and ~~that~~ were executed at prices outside of the no-bust range, as determined in accordance with ~~Rule 588 the Globex Error Trade Policy~~, 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 ~~committee~~Exchange shall also be empowered to void GLOBEX transactions that were directly or indirectly caused by the execution of ~~P~~phantom ~~O~~orders and were executed at prices ~~transactions~~ within the no-bust range or phantom orders that were executed in the pit if the Exchange concludes that ~~Phantom Orders caused those transactions and that~~ such transactions impair the integrity of the market. The Exchange's ~~liability~~responsibility 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 ~~If the committee voids~~ transactions voided by the Exchange that are within the no-bust range ~~or that were executed in the pit, the Exchange shall accept responsibility for~~ direct, out-of-pocket losses incurred by persons who acted in reliance on a voided transaction, to which

~~the person was a party. The Exchange's responsibility to such persons shall be subject to the limitations and conditions of in accordance with Rule 578 and all disputed claims must be resolved by means of an arbitration conducted in accordance with Rule 601.A.~~

If ~~P~~phantom ~~O~~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 ~~P~~phantom ~~O~~orders shall be the Exchange's responsibility. The Exchange shall promptly direct the member or clearing member ~~firm~~ 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 ~~P~~phantom ~~O~~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~~within such windows~~.

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. ~~The Exchange~~GME'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.

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. 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~~member through which the trade was placed. Such party, or the clearing memberfirm 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 C.2.c. and Section F. 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 [ExchangeCME](#) 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~~ member carrying the customer's account shall be responsible for payment of the fee.

588.K. GLOBEX No Bust Ranges

<u>Futures Contract</u>	<u>No Bust Range</u>
Eurodollar	2.5 basis points or less
Libor	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	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

Below 6 ticks	1 tick
6 through 15 ticks	2 ticks or less
16 thorough 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

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

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

Below 6	eligible for busting
6 through 10	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 Combinations	2.5 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

-(End Chapter 5)

INTERPRETATIONS & SPECIAL NOTICES RELATING TO CHAPTER 5

~~CLOSING RANGES~~

~~(Executive Report October 1, 1969; Revised May 15, 1979; October 1988; July 1990; January 1991)~~

~~The closing ranges for Exchange futures and options shall be as follows:~~

		Regular	
		Day &	
		12:00 Noon	Last Day
		Closings	of Trading
Agriculturals	Futures	30 secs.	90 secs.
	Options	30 secs.	90 secs.
Currencies	Futures	60 secs.	60 secs.
	Options	60 secs.	120 secs.
Interest Rates	Futures	60 secs.	60 secs.
	Options	60 secs.	60 secs.
Equity Indices	Futures	30 secs.	60 secs.
	Options	60 secs.	60 secs.

INTERPRETATION OF FLOOR BROKER

(Special Executive Report S-2104, May 1989; S-2151, September 1989)

Chapter 5 includes numerous references to the term floor broker. That term refers to an individual filling orders for customers during Regular Trading Hours and does not include a GLOBEX terminal operator entering customer orders regardless of the capacity in which the terminal operator may be registered with the Commodity Futures Trading Commission.

ACCESS, CONDUCT AND APPEARANCE CODE ~~OF MEMBERS AND EMPLOYEES~~

(Special Executive Report July 1973. Amended May 1976; March 1979; October 1987; March 1988; November 1989; January 1993; November 1995; September 1998; October 1999; November 2000)

Chicago Mercantile Exchange Inc. ("CME") is one of the world's major financial institutions and as such is highly visible. Therefore, it is imperative that those that utilize the CME Trading Floors ("trading floor") maintain a proper and businesslike atmosphere ~~prevail~~ on the Ttrading ffloor. 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 ~~CME the Exchange~~ each year, but also to maintain and enhance the reputation and dignity of ~~CME the Exchange~~ as an international marketplace.

Accordingly, the Board of Directors has established rules governing ~~the~~ access to and conduct on the tTrading ffloor as well as standards of appearance. These rules and standards apply to members and their employees, clearing member employees, Exchange employees and visitors.

I. Access

- A. To gain access to the Trading Floor, every member, member's employee, clearing firm employee, and Exchange employee must wear an identification badge provided by the Exchange, and must use only his or her own personal access card to pass through the turnstiles leading to the Trading Floor entrance. (There is an automatic minimum \$250 fine for unauthorized use of someone else's access card or for circumventing normal turnstile access procedures by members or their employees.) Employees must display their access cards on

the upper front of their jackets with the picture side facing outward. Members must display the engraved badge provided by the Exchange.

- B. Members are required to register and accompany their visitors and are responsible for their actions while they are on the ~~T~~trading ~~F~~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 ~~T~~trading ~~F~~Floor access privileges for the same visitor on more than three days of the same calendar month without special permission from the President of the Exchange or his designee.
- D. No one under the age of 16 will be admitted to the ~~t~~Ttrading ~~F~~Floor during trading hours.
- E. Visitors are prohibited from soliciting employment or from performing as employees of members, clearing members or the Exchange on the ~~t~~Ttrading ~~F~~Floor.

II. Conduct

Commonly accepted standards of propriety and decorum apply to everyone on the ~~T~~trading ~~F~~Floor. Because the following behavior, speech or actions are inconsistent with those standards, they are expressly prohibited on the ~~T~~trading ~~F~~Floor.

- A. Possessing any weapon (including firearms, knives, stun guns or pepper spray);
- B. Carrying or consuming food or drink (automatic fine). Individually-wrapped (non-chocolate) hard candy and gum, however, are permissible. It is also permissible for members to transport food ~~forthwith~~immediately from the ~~T~~trading ~~F~~Floor entrance directly to the members' breakroom;
- C. Sitting on the steps of a pit while trading is open in that quadrant, or sitting on the floor or sitting or standing on cabinets, tables, desks, trash containers, etc., at any time;
- D. Throwing trading cards in any manner or for any purpose (minimum \$100 fine) or throwing of any other material;
- E. Excessive speed or rudeness in moving around the ~~T~~trading ~~F~~Floor;
- F. Use of emergency exits without proper justification;
- G. Use of radios (except for Walkman-type devices used to receive market-related programming over CME-designated frequencies), television sets, tape recorders, cellular telephones or computers, (the last without prior written authorization from the Trading Floor Operations Communications Committee). However, the use of pagers will be permitted provided the pagers: -1) are "receive only" devices (are not capable of transmitting data); 2) are not used to receive any orders; and 3) are FCC licensed;
- H. Whistling;
- I. Card playing, electronic games;
- J. Smoking or use of tobacco products, including chewing tobacco (automatic fine). (Members and employees are only permitted to smoke in the 5th floor employees' east breakroom);

- K. Use of members-only breakrooms and restrooms by non-members;
- L. Use by non-members of equipment designated for members only, and failure to give member priority to quotation machines, news tickers, monitors and other facilities so designated;
- M. Use of any implement or equipment in or near a pit that creates an obstruction to trading;
- N. The sale or solicitation of any product, goods or services, whether for profit or for charitable purposes, without prior written consent of the President or his designee;
- O. Carrying outer coats or umbrellas onto the ~~T~~trading ~~F~~Floor; and
- P. Use of cameras or video equipment, unless accompanied by an Exchange staff member. Flash photography, however, is never permitted.

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

- Q. 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);
- R. 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;
- S. Defacing or otherwise damaging (automatic minimum \$250 fine): 1) an Exchange-issued badge or jacket; 2) Exchange facilities or property; or 3) any facility or property regardless of ownership;
- T. Possessing a firearm or other weapon (except that pepper spray and pocket knives may be brought onto CME premises, so long as they are not carried onto the trading floor);
- U. Discarding refuse on escalators or in elevators or in hallways or lobbies;
- V. Smoking, except where explicitly permitted;
- W. Carrying open containers of food or drink on escalators or in elevators; and
- X. Consuming food or drink in ~~the third floor lobby or hallways leading to~~ the ~~T~~trading ~~F~~Floor lobbies.

III. Appearance

- A. All ~~wearing~~ apparel should be neat, clean, presentable and in keeping with the businesslike atmosphere of the ~~T~~trading ~~F~~Floor.
- B. Jackets: Every member, member's employee, clearing firm employee and ~~CME Exchange~~ ~~T~~trading ~~F~~Floor employee must wear a jacket provided by ~~CME the Exchange~~, or, in the case of members, a jacket of their own choosing if it conforms with ~~CME Exchange~~ standards. Jacket sleeves may not be rolled up above the elbow.
- C. Shirts and ties: All males must wear shirts with a conventional collar suitable for a necktie or bow tie. Shirts must be buttoned to at least the first button from the collar button. Three-button shirts with hard collars are acceptable. The following kinds of shirts are not acceptable: tennis

shirts, sweatshirts, tie-dye shirts and T-shirts. Shirttails must be tucked in. Turtleneck sweaters are not allowed for males. Crewneck sweaters are allowed if a conventional collar suitable for a necktie or bow tie is visible.

- D. Shoes: Shoes must be clean, safe and not torn or frayed. Athletic shoes that meet the criteria are acceptable. The following footwear is specifically prohibited and is indicative of footwear that is unacceptable: sandals or flip-flops ~~(Dr. Scholl-type for females)~~, canvas slippers, moccasins, work boots, snowduck boots, rubber boots, rubber overshoes, ~~thongs, moon boots,~~ fur boots, clogs, bedroom slippers, platform shoes and shoes without backs. All shoes must be tied with laces or appropriately fastened. Pants may be tucked into boots that are mid-calf height or lower; boots higher than mid-calf height must be worn under pants, skirts or dresses.
- E. Pants: The following are not acceptable: blue jeans, fatigues, stone-washed corduroys, tie-dyes, leisure pants, mid-calf pants, shorts, ~~harem pants,~~ sweat pants, athletic pants, pants with stripes on the sides, pants with patch pockets, pants with ~~decorative or~~ bulging pockets, pants with decorative zippers or work loops, and leg warmers. 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: The following are prohibited: hats, scarves or similar head coverings (except for religious or medical reasons), ~~as well as babushkascaps,~~ headbands and sweatbands.
- H. Miscellaneous: Sunglasses, whether worn as glasses or on top of the head, are not allowed, nor are ornaments, pendants or similar items that are distracting or not businesslike. Anyone wearing clothing that draws unusual attention (e.g., bare midriffs or revealing blouses, dresses, skirts or pants) will not be admitted to the ~~T~~trading ~~F~~floor.

IV. Drug and Alcohol Abuse

~~The CME recognizes that drugs and alcohol can have an adverse impact on the workplace and its participants.~~ In order to maintain a safe, healthful, and productive working environment, CME ~~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 CME ~~Exchange~~ premises:

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

~~It is the desire of the Board that members and employees comply with the general spirit of these standards.~~

ALL MEMBERS AND CLEARING MEMBER FIRMS SHALL BE RESPONSIBLE FOR THEIR EMPLOYEES' ADHERENCE TO THESE REQUIREMENTS.

TELEPHONE EXTENSION HEADSETS

~~(Special Executive Report August 18, 1976, amended February, 1992)~~

~~Effective September 1, 1976, telephone extension headsets are prohibited from use in all trading pits. However, the President or his designee with the approval of the Board, may provide for the installation and use of telephones and telephone extension headsets in specified trading pits.~~

NOTICE: ALL TRADERS, BROKERS AND CLEARING MEMBERS

~~(Notice July 1, 1976)~~

~~FOR FLOOR BROKERS AND TRADERS, the current bracket symbol must be recorded as a part of each transaction at the time of execution either on a trading card or a completed order. It is suggested that this character may be placed directly after the filling broker's identification number on orders and for traders, either at the right hand side of each transaction or at the top of a single trading card if only trades made during that same period are on the trading card.~~

RULE 511—INTERPRETATION (Paragraph 5)

~~(Special Executive Report November 9, 1977; Amended June 1990)~~

~~The trades referred to in the fifth paragraph include CME trades made by a Divisional member. Consequently, such Divisional member may not place CME trades on the books of a clearing member other than his qualifying clearing member without the written authorization of his qualifying clearing member.~~

RULE 513—INTERPRETATION

~~(Monthly Executive Report July 1977. Update 95-18, November 6, 1995, Revised November 2000.)~~

~~IMM AND IOM MEMBERS: Rule 513, "Conduct, Apparel and Badges," has been interpreted to mean that IMM and IOM members must refrain from congesting the CME Pit area. Therefore, please place any CME trades through your firm's runner or clerk.~~

RULE 527—INTERPRETATION

~~(Special Executive Report S-1755, February 17, 1987. Amended January 1993)~~

~~Rule 527OUT-TRADE RESOLUTION POLICY--Provides that it is the duty of a trader discovering an out-trade during a trading session to notify immediately the opposite trader and, if the matter cannot be resolved, a loss must be established. In accordance with Rule 536—RECORDS FOR ORDERS AND PERSONAL TRANSACTIONS, the Exchange may require clearing members to collect trading cards one or more times during the trading session, and the Exchange may then produce an intra-day trade match.~~

~~Clearing members shall not be required by Rule 527 to discover out-trades from this intra-day trade match or to notify traders or other clearing members prior to the close of trading of such out-trades. Similarly, members shall not be found to have violated Rule 527 for failing to resolve out-trades prior to the close of trading where their knowledge of the possibility of such out-trades is derived solely from that day's intra-day trade match.~~

INTERPRETATION OF RULE 527 REGARDING BONA FIDE "MONTH OUT" AND "STRIKE PRICE OUT" OUT-TRADES

~~(Effective January 1995)~~

~~A number of brokers have asked how Rule 527 (OUT-TRADE RESOLUTION POLICY) can be used in a situation where two brokers have a bona fide "month out" out-trade with each other. For example, assume that Broker A has a customer order to buy 100 June Eurodollar futures for Customer X, and that Broker B has an order to sell 100 March Eurodollar futures for Customer Y. Assume further that each broker believes that he executed his order in the appropriate contract month and that the opposite side is the mistaken party; that both contract months are in fact eligible for trading in the area of the pit where the out-trade occurred; and that each broker believes that he executed his order at a price consistent with such order, which price was confirmed to the customer.~~

~~Under these circumstances, it would be permissible for the brokers to agree to clear the trade using either party's trade data. For example, Broker B could agree to allow the trade to clear as 100 June contracts by having his error account be the opposite side of Broker A's customer order. Customer X would thus receive the 100 June contracts at the trade price, and Broker A would not need to take any further action to satisfy his customer's order. (If Broker B ends up with a loss as a result of this transaction, he may seek to have Broker A compensate him for such loss.)~~

~~Because Broker B agreed to clear the trade using Broker A's trade data, Broker B's error account is now short 100 June contracts. Customer Y is entitled to a fill at the price confirmed to him. Pursuant to Rule 527, Broker B is required to assume the opposite side of Customer Y's order, thus becoming long 100 March contracts in his error account. Customer Y's order is thus satisfied at the confirmed price. Broker B ends up with a spread (long 100 March/short 100 June), and any subsequent price movements in the spread differential would be for Broker B's account.~~

~~This interpretation may also be used in a situation where two brokers filling options orders have a bona fide out-trade with each other regarding the strike price of their trade.~~

CROSS TRADES — RULE 533

~~(Monthly Executive Reports, July 1977-August 1977. CME Update January 1996)~~

~~Members are reminded to strictly observe the requirements of the cross trade Rule 533. Such rule requires a bona fide attempt to fill orders through competitive open outcry prior to crossing the orders. The membership is also reminded that the "working" rules of the CME require that all cross trades, except those executed pursuant to Rule 556, be stated by open outcry 3 times prior to the trades being crossed. Orders may then be matched, in the presence of and with the approval of an official Exchange representative.~~

RECORDS OF CUSTOMERS' ORDERS — RULE 536 INTERPRETATION

~~(Special Executive Report July 3, 1974)~~

~~All customer orders, including floor orders, must be in writing at the time of execution with customer's designation indicated. A "customer's designation" must readily identify the specific account(s) for whom the order was given.~~

RULE 543 — HEDGING TRANSACTIONS

~~(Monthly Executive Report, August 1979; Revised June 1990; February 1998.)~~

~~Positions in excess of speculative limits cannot be initiated without hedge approval as described below. Any position in excess of the speculative limits without Exchange approval will be deemed a violation of Exchange rules by the clearing member.~~

~~All hedgers who, as an integral part of the business operations, require hedge positions in excess of Exchange prescribed speculative limits must apply for hedge approval. Applications are available in the Division of Market Regulation. Agricultural hedge approvals are granted for one year and must be renewed annually. Financial hedge approvals are granted for two years.~~

~~Justification for all hedge requests must be received with the application. Applicants should provide detailed responses to all questions. Failure to furnish sufficiently detailed justification will result in additional requests for information, possibly delaying the review process.~~

~~Once an application is received, it will be reviewed and a determination will be made to approve or disapprove the hedges in excess of the speculative limits. A letter outlining the terms and conditions of the hedge approval will be sent by the Division of Market Regulation. If, for any reason, the applicant does not feel that the hedge approval received satisfies his hedging needs, he can appeal the decision of this department to the Business Conduct Committee.~~

~~If you have any questions, please contact the Division of Market Regulation.~~

~~RULE 543.B. — SPREAD POSITIONS~~

~~(Special Executive Report S-1015 May 18, 1982. Revised August 1989, September 1992, November 1993, November 1997; May 1999; July 1999; November 1999, January 2002, October 2003)~~

~~Rule 543.B. applies to intercommodity spread positions and intracommodity (calendar) spread positions of roughly equivalent value or size involving:~~

- ~~1. Interest rate futures or options versus other interest rate futures or options;~~
- ~~2. Interest rate futures or options versus like precious metal calendar spreads or gold coin calendar spreads;~~
- ~~3. Interest rate futures or options versus like calendar spreads in stock index futures;~~
- ~~4. Stock index futures or options versus other stock index futures or options;~~
- ~~5. Gold futures versus gold coin futures or gold options;~~
- ~~6. Currency futures versus gold futures or gold options or gold coin futures;~~
- ~~7. Currency futures or options versus other options on like physical currencies, currency futures, or currency options;~~
- ~~8. Options or futures on cross currency interest rate differences versus like currency options or futures calendar spreads;~~
- ~~9. Commodity index futures or options versus index component futures or options;~~
- ~~10. Livestock and meat futures or options intracommodity (calendar) spreads involving non-spot contract months;~~

- ~~11. Livestock and meat futures or options versus other livestock and meat futures or options involving non-spot contract months;~~
- ~~12. Feeder Cattle futures or options versus Feeder Cattle futures or options involving spot contract months, provided that the spot month positions during the last 5 trading days do not exceed 300 contracts;~~
- ~~13. Dairy product futures or options intracommodity (calendar) spreads involving non-spot contract months;~~
- ~~14. Dairy product futures or options versus other dairy product futures or options involving non-spot contract months;~~
- ~~15. Milk futures or options versus milk futures or options provided that the spot month positions do not exceed two times the spot month position limits;~~
- ~~16. Butter futures or options versus butter futures or options involving spot contract months, provided that the spot month positions during the last 5 trading days do not exceed 200 contracts in the March, May or July contract months, 150 contracts in the September contract month or 100 contracts in the October or December contract months and;~~
- ~~17. Forest product futures or options versus other forest product futures or options.~~

INTERPRETATION OF RULE 573—GLOBEX OPENING

~~(Special Executive Report S-2245 May 7, 1990. Revised September 1998.)~~

~~GLOBEX will open with a single price for each instrument. Orders entered into GLOBEX up until the opening of the GLOBEX Session will be available for matching at the opening. Each GLOBEX Session is independent of the previous GLOBEX Session and Regular Trading Hours Session. Therefore, any order from a previous Session that a firm intends to have executed through GLOBEX must be entered into GLOBEX for that trading Session. However, it is not necessary to re-enter orders designated as GTC or GTD orders for contracts traded on GLOBEX during Regular Trading Hours.~~

~~GLOBEX will provide an indicative opening price as new orders are entered prior to the opening, based on all orders that have been entered into the system as of that time. During the 30-second period prior to the opening, no previously entered orders may be modified or cancelled, although new orders may continue to 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 have 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.~~

~~EXAMPLE OF THE GLOBEX OPENING PRICE DETERMINATION~~

~~The following is an example of the market opening prices for one instrument (prices at 10 point increments):~~

Bid Volume	Bid Quantity	Price	Offer Qty.	Offer Volume	Trade Price	Volume
-	-	100	90	240	100	-
5	5	90	70	150	90	5
12	7	80	50	80	80	12
22	10	70	20	30	70	22
67	45	60	-	10	60	10
127	60	50	10	10	50	10
227	100	40	-	-	40	-

~~In this example, trades are possible at multiple prices between 50 and 90. Comparing the bid volume to the offer volume indicates that, at prices of 60 and below, there is more volume to buy; and at 70 and above, there is more volume to sell. The equilibrium between buy pressure and sell pressure occurs between 60 and 70. The opening price would be 70 since the trade volume is greater at this price.~~

~~Bids and offers will be selected for matching at the opening price based on price and time priority. Such bids and offers will be matched so as to minimize the number of matches (i.e., larger quantity bids will be matched with larger quantity offers).~~

GUIDELINES FOR GUESTS AND VISITORS

~~(Special Executive Report October 13, 1980)~~

~~While the Exchange encourages visits by guests and visitors to the trading floor, it should be noted that indiscriminate signing onto the floor of others can lead to certain abuses. In this regard, while the Exchange does not want to limit guest or visitor privileges at this time, it does want to curtail the abuses that have resulted lately. Accordingly, any guest or visitor who is observed to be creating a disturbance will be escorted off the floor and will have his or her floor privilege revoked at least for the remainder of the day. In addition, the member or member's representative who has signed this individual onto the floor may face disciplinary action in accordance with the following schedule:~~

First Offense	Warning
Second Offense Within Six Months	Fine not to exceed \$100
Third Offense Within Six Months	Fine not to exceed \$250
Fourth Offense Within Six Months	Fine not to exceed \$500

~~Subsequent offenses within six months of the first offense shall subject the member or member's representative to a penalty up to the limit provided for minor offenses.~~

BROKER COPY ORDER SYSTEM

~~(Adopted January 1, 1980, on a temporary basis; January 1, 1981, on a permanent basis)~~

~~Clearing members submitting handwritten orders to floor brokers for execution must provide the broker with a carbonless ("pressure sensitive") duplicate of the order which he may retain as a record of the filled order.~~

BRACKETING SYSTEM

~~(February 1, 1977; amended August 20, 1979, July 15, 1980, April 21, 1982, February 1990, September 1990, August 1994)~~

~~The Board of Directors has determined that bracketing of all trades shall be in 15-minute increments. In addition, the Board of Directors has determined that all trades executed during market openings or closes shall be designated with the bracket symbols "\$" and "%," respectively. For all other trades the following symbols shall be used:~~

<u>Time Intervals</u>	<u>Bracket Code</u>
-----------------------	---------------------

Unknown (to data entry operator)	?
Opening range for each contract	\$
Closing range for each contract	%
Post Settlement 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 a.m.	D

8:00:00	a.m.	8:14:59	a.m.	E
8:15:00	a.m.	8:29:59	a.m.	F
8:30:00	a.m.	8:44:59	a.m.	G
8:45:00	a.m.	8:59:59	a.m.	H
9:00:00	a.m.	9:14:59	a.m.	I
9:15:00	a.m.	9:29:59	a.m.	J
9:30:00	a.m.	9:44:59	a.m.	K
9:45:00	a.m.	9:59:59	a.m.	L
10:00:00	a.m.	10:14:59	a.m.	M
10:15:00	a.m.	10:29:59	a.m.	N
10:30:00	a.m.	10:44:59	a.m.	O
10:45:00	a.m.	10:59:59	a.m.	P
11:00:00	a.m.	11:14:59	a.m.	Q
11:15:00	a.m.	11:29:59	a.m.	R
11:30:00	a.m.	11:44:59	a.m.	S
11:45:00	a.m.	11:59:59	a.m.	T
12:00:00	noon	12:14:59	p.m.	V
12:15:00	p.m.	12:29:59	p.m.	W
12:30:00	p.m.	12:44:59	p.m.	X
12:45:00	p.m.	12:59:59	p.m.	Y
1:00:00	p.m.	1:14:59	p.m.	Z
1:15:00	p.m.	1:29:59	p.m.	2
1:30:00	p.m.	1:44:59	p.m.	3
1:45:00	p.m.	1:59:59	p.m.	4
2:00:00	p.m.	2:14:59	p.m.	5
2:15:00	p.m.	2:29:59	p.m.	6
2:30:00	p.m.	2:44:59	p.m.	7
2:45:00	p.m.	2:59:59	p.m.	8
3:00:00	p.m.	3:15:00	p.m.	9

CARD AND ORDER PICK-UP SCHEDULE

(Special Executive Report S-2245, May 7, 1990, amended August, 1992)

All members executing transactions on the trading floor and their respective clearing members for which or through which the traders or brokers have made trades during the trading session shall be required to comply with the following pick-up schedules for regular trading days and exceptions thereto:

REGULAR CARD AND ORDER PICK-UP TIMES

For Eurodollar and Currency _____ Collection and Time-Stamp
_____ Executed During: _____ No Later Than:

7:10:00 a.m. - _____ 7:59:59 a.m. _____ 8:15 a.m.

For Other Trades Executed During: _____ Collection and Time-Stamp
_____ No Later Than:

7:10:00 a.m. - _____ 7:29:59 a.m. _____ 7:45 a.m.
7:30:00 a.m. - _____ 7:59:59 a.m. _____ 8:15 a.m.

~~For All Trades Executed During: _____ Collection and Time-Stamp~~
~~_____ No Later Than:~~

8:00:00 a.m.	8:29:59 a.m.	8:45 a.m.
8:30:00 a.m.	8:59:59 a.m.	9:15 a.m.
9:00:00 a.m.	9:29:59 a.m.	9:45 a.m.
9:30:00 a.m.	9:59:59 a.m.	10:15 a.m.
10:00:00 a.m.	10:29:59 a.m.	10:45 a.m.
10:30:00 a.m.	10:59:59 a.m.	11:15 a.m.
11:00:00 a.m.	11:29:59 a.m.	11:45 a.m.
11:30:00 a.m.	11:59:59 a.m.	12:15 p.m.
12:00:00 p.m.	12:29:59 p.m.	12:45 p.m.
12:30:00 p.m.	12:59:59 p.m.	1:15 p.m.
1:00:00 p.m.	1:29:59 p.m.	1:45 p.m.
1:30:00 p.m.	1:59:59 p.m.	2:15 p.m.
2:00:00 p.m.	2:29:59 p.m.	2:45 p.m.
2:30:00 p.m.	3:15:00 p.m.	3:30 p.m.

~~PICK-UP SCHEDULE WITH RESPECT TO PARTIAL FILLS~~

~~(Special Executive Report S-2260, June 5, 1990)~~

~~Only COMPLETED orders, whether in writing in the pit or flashed into the pit, must be submitted to clearing firms in accordance with the Exchange card and order pick-up schedule. Therefore, if a broker has only partially filled an order at the end of a half-hour period, he does not have to submit it to the clearing firm for clearing until one of the following has occurred:~~

- ~~1. The entire order has been filled;~~
- ~~2. The unexecuted portion of the order is cancelled; or~~
- ~~3. The market has closed for that contract.~~

~~A member who is executing a verbal order is not required to return the card on which he has recorded multiple partial executions to the member who gave him the order until the verbal order has been completely executed or cancelled. At that time, the member who originated the order should attach the card on which the fill is indicated to the card he filled out denoting his placement of the verbal order and submit them to his clearing firm. In the case of partial fills for a customer order, the appropriate bracket should be listed next to each portion of the fill. With respect to partial fills of verbal orders, the executing broker should list the execution time (to the nearest minute) next to each portion of the fill.~~

~~OUT-TRADE RESOLUTION AND THE USE OF PRE-SEQUENCED CARDS~~

~~(Special Executive Report S-2261, June 5, 1990)~~

~~Now that the new CFTC requirements respecting the use of pre-printed sequentially numbered cards have become effective, several concerns have arisen respecting the recording of trades to resolve errors. The correct procedures are set forth below:~~

~~A. TAKING ERRORS INTO MEMBER'S ACCOUNTS~~

1. ~~RESOLUTION OF ERRORS AND OUT-TRADES WHERE MEMBER IS DIRECTLY INVOLVED IN RESOLUTION:~~ Where a member or firm discovers an error or out-trade which necessitates the taking of the error into the broker's error account, the broker should record the trade data on his next pre-printed, sequentially numbered trading card. If he is unsure of the sequence of the trade with respect to other trades for his personal account, he should cross out the pre-printed number and write "9999" on the bottom of the card.
2. ~~RESOLUTION OF ERRORS AND OUT-TRADES WHERE MEMBER IS NOT DIRECTLY INVOLVED IN RESOLUTION:~~ When an out-trade is being resolved the morning after the trading session in which it arose, it is likely that the member may not be present on the trading floor and may have designated either his or his firm's employees to resolve his out-trades.

~~In any situation where someone other than the member himself is resolving his out-trades, the out-trade or broker's clerk may use a blank card and write "9999" on the card to denote that it is out of sequence. As a new requirement, the person who is resolving an out-trade for a member must initial this card.~~

~~B. TAKING ERRORS INTO FIRM'S ACCOUNTS~~

~~An error can be taken into a firm's account in either of the following ways:~~

1. ~~The trade being taken into the firm's error account can be written on a trading card which does not have pre-printed, sequentially numbered trading cards. Firm personnel must write "9999" on the bottom of this card.~~
2. ~~The trade being taken into the firm's error account can be recorded on an order ticket. The order should write the numbers "9999" on the front of the order ticket.~~

~~TRADING FLOOR COMPUTER RULES AND GUIDELINES~~

~~(Special Executive Report S-1576 December 9, 1985. Amended January 1993; March 1995)~~

~~The Exchange has developed Trading Floor Computer Guidelines which set forth the policies to be used to evaluate requests made by members and clearing member firms for the installation of computers and related equipment on the trading floors. It should be noted that Exchange staff has approved the use of on-line charting services on the trading floors subject to certain limitations set forth below.~~

~~Please note that as indicated in the guidelines, prior written approval is required for the installation of most computers and all charting services.~~

~~I. GENERAL RULE:~~

~~No computers, including personal computer type equipment, battery powered, mid-sized and portable computers, may be used on the trading floors without the prior written consent of Exchange staff.~~

~~Such consent will not be granted if the computer, peripheral equipment or other communication device or technology interferes with traffic flow or sightlines on the trading floors or:~~

- a) ~~generates any type of radio signal which Exchange staff determines to be disruptive to the pit;~~
- b) ~~interferes with the use of approved wireless hand-held trading devices or any other systems that the Exchange may implement in the future; or~~

~~e) provides any member with an advantage not available to other members.~~

~~HANDHELD COMPUTERS AND CALCULATORS may be used on the trading floors without prior written consent provided that such devices and any related peripheral equipment do not generate any radio signal or interfere with traffic flow or trading in the pit. However, if such devices do not fit in a pocket, booth space and prior written approval must be obtained.~~

~~II. REVIEW GUIDELINES AND CONDITIONS:~~

~~APPROVALS are subject to the following considerations and conditions:~~

~~A. All requests for communication devices shall be made in writing to Exchange staff which shall respond in writing to each request within a reasonable period of time. Any approval shall be limited to a 90-day pilot program and shall be applicable only to the specific pit(s) requested by the member or clearing member firm. Exchange staff is authorized to review, extend or terminate a pilot program at any time or recommend that a program be approved on a permanent basis.~~

~~B. 1. Headset-type communication devices that are located in a pit and used to place orders may only be used by:~~

~~a) Brokers' clerks;~~

~~b) Clearing member firms' clerks; and~~

~~c) Members acting in a clerical capacity.~~

~~Headset-type communication devices shall only be used to communicate information between the pit and booths located on the trading floors.~~

~~2. Communication devices that are located in a pit and used to convey analytical, position and cash market information may only be used by members trading for proprietary accounts. These communication devices shall only be used to communicate position and cash market information and shall not be used to receive order entry communications.~~

~~3. Requests for exceptions to the policies stated in B.1. and B.2. may be made to Exchange staff which shall respond in writing to each request within a reasonable period of time.~~

~~C. The use of any communication device in a pit must be approved by a majority of the Pit Committee members assigned to that pit. The Chairman of the Pit Committee and the member requesting the communication device shall not vote. Communication devices shall not be allowed on the top step of any pit unless authorized by the Pit Committee. Pit Committee members shall make every reasonable effort to locate communication devices in less populated areas of a pit.~~

~~D. Computers will be reviewed with respect to their physical dimensions, telecommunication and electrical requirements and will be subject to logistical restrictions.~~

~~E. Computers will be evaluated according to hardware space requirements and interstitial space or storage requirements. Because access to the interstitial space is strictly limited, approvals will depend on the need to attend to or service hardware stored in the interstitial space.~~

- ~~F. All electrical, cabling and line work related to installation, relocation or removal of equipment must be done by Exchange-designated vendors. Members or clearing member firms will be billed directly.~~
- ~~G. A "Storage Lease Agreement" must be executed. A monthly fee will be charged for storage if the interstitial space is used.~~
- ~~H. If hardware is to be stored in trading floor booth space, necessary secure storage must be constructed only by Exchange-designated vendors at the member or clearing member firm's expense. The equipment and storage space cannot in any way impair the sightlines of any surrounding booths or create a physical hazard of any kind.~~
- ~~I. All approved computer equipment (other than handheld computers and calculators) must be used at allocated desk space only and are not permitted in any trading pit or breakroom.~~
- ~~J. All booth space needs are subject to approval of Exchange staff.~~
- ~~K. ALL EQUIPMENT BROUGHT ONTO THE TRADING FLOORS IS SOLELY AT THE RISK OF THE MEMBER OR CLEARING MEMBER FIRM. THE EXCHANGE ACCEPTS NO RESPONSIBILITY FOR THE SECURITY OF THE EQUIPMENT.~~

~~III. COMPUTERS FOR ORDER TRANSMISSION:~~

~~Computers used for order transmission must be approved by Exchange staff.~~

~~IV. ON-LINE CHARTING OR QUOTE COMPUTERS OR TERMINALS AND VENDOR EQUIPMENT:~~

~~Quote vendor equipment for price quotation and news services can be used at any allocated desk space as long as the Trading Floor Operations Department is notified prior to installation. Any objections to installation raised by the Trading Floor Operations Department shall be resolved by Exchange staff.~~

~~On-line charting equipment may be allowed in member booths provided the data source is by telephone modem or manual input.~~

~~Prior written approval from Exchange staff is required on all equipment other than quote vendor and MerQuote equipment. Exchange staff must approve the space requirements.~~

~~V. OTHER:~~

- ~~A. USE OF A COMPUTER, RELATED EQUIPMENT OR OTHER COMMUNICATION DEVICE WITHOUT REQUIRED APPROVAL IS A VIOLATION OF EXCHANGE RULES.~~
- ~~B. ALL REQUESTS SHOULD BE DIRECTED TO EXCHANGE STAFF.~~

LIBRARY/RESOURCE CENTER — SMOKING/DRINKING/ EATING POLICY

(Special Executive Report S-1632 May 12, 1986)

~~No smoking, drinking or eating is permitted in the Library/Resource Center.~~

INTERPRETATION OF RULE 552—DUAL TRADING RESTRICTIONS

~~(Special Executive Report S-2362, March 11, 1991. Amended June, 1992)~~

~~In order to determine whether a contract month is mature and liquid, the Exchange will calculate the average daily volume, exclusive of exchanges for physicals (EFPs) and trades executed on the GLOBEX Trading System, for each contract month for the prior six-month period. If the average daily volume by contract month position in relation to the front month contract at any given point in time is equal to or greater than 10,000 contracts for the prior six-month period, then dual trading shall be restricted for that contract month position. For example, daily volume will be calculated in the lead-month contract for each futures and options contract traded on the Exchange. For all contracts except Eurodollar futures and options, the lead-month contract will change at the "rollover date," at which time the next contract month will become the lead-month contract for purposes of these calculations. For Eurodollar futures and options, the lead-month contract will change on the business day immediately following the termination of trading for the lead-month contract. Similar calculations will be made for the deferred contract months.~~

~~"Rollover dates," the days on which liquidity in the lead-month contract shifts to the next contract month, shall be determined by the Board of Directors or the Pit Committees of the respective contracts, if such authority is delegated by the Board. Following the "rollover dates" for the respective contract months, any dual trading restriction may continue in the former lead-month contract of any mature and liquid contracts for a number of days to be determined and announced by the Board of Directors.~~

~~In the following examples, an asterisk indicates those contract months determined by the Board of Directors to be mature liquid contracts as of October 2, 1991.~~

~~Data for Six-Month Period from April 1991 through September 1991.~~

Contract Month Positions				
DM Futures	Interval Used	1st	2nd	3rd
	4/1/91-6/7/91	Jun '91	Sep '91	Dec '91
	6/10/91-9/6/91	Sep '91	Dec '91	Mar '92
	9/9/91-9/30/91	Dec '91	Mar '92	Jun '92
	Total Volume	4,954,436	108,796	4,343
	Number of Days	128	128	128
	6-Month Average	38,707*	850	34

Contract Month Positions				
DM Options	Interval Used	1st	2nd	3rd
	4/1/91-6/7/91	Jun '91	Sep '91	Dec '91
	6/10/91-9/6/91	Sep '91	Dec '91	Mar '92
	9/9/91-9/30/91	Dec '91	Mar '92	Jun '92
	Total Volume	1,281,610	222,610	28,207
	Number of Days	128	128	128
	6-Month Average	10,013	1,739	220

~~Contract Month Positions~~

ED Futures	Interval Used	1st	2nd	3rd
	4/1/91-6/17/91	Jun '91	Sep '91	Dec '91
	6/18/91-9/16/91	Sep '91	Dec '91	Mar '92
	9/17/91-9/30/91	Dec '91	Mar '92	Jun '92
	Total Volume	5,971,360	7,005,257	2,375,343
	Number of Days	128	128	128
	6-Month Average	46,651*	54,729*	18,557*

Contract Month Positions

ED Options	Interval Used	1st	2nd	3rd
	4/1/91-6/17/91	Jun '91	Sep '91	Dec '91
	6/18/91-9/16/91	Sep '91	Dec '91	Mar '92
	9/17/91-9/30/91	Dec '91	Mar '92	June '92
	Total Volume	1,563,334	1,431,129	355,671
	Number of Days	128	128	128
	6-Month Average	12,214*	11,181	2,779

Allowance For Spreading Errors and Documentation Requirement

When a floor broker, who does not have a spread broker exemption from Rule 552, has a position resulting from an order execution error, the broker may spread the error against a contract in which he or she is dual trading restricted. This is allowed regardless of whether the error position is in a restricted or non-restricted contract. However, in addition to the requirement to create an accurate record to document the circumstances of the error, the broker must create a record to clearly identify any trades made for the purpose of "spreading up" the error.

Rule 552 Requirements When Offsetting Spread Positions Resulting from Errors

When a broker elects to spread an error position, any trading in a dual trading restricted component of the spread or combination may only be for offset purposes. the broker may not add to the position, nor may he or she re-establish a position in a restricted component once that position has been offset. Further, the broker must create a contemporaneous record identifying, and must record the time of execution to the nearest minute for, each offsetting transaction. For example, a broker in the restricted June contract acquires a position of long 5 June contracts as a result of an error. The broker may offset that June position or spread it against a restricted or non-restricted month, in order to reduce risk. If the broker creates a spread, the broker may execute spread transactions to liquidate it, or may leg out of it. However, if the broker legs out of it, he or she may only sell up to 5 June contracts, and may not re-establish (by buying additional contracts) any portion of the June position once it is offset. If the other leg is in a restricted contract, the same liquidation-only requirements applies to that leg.

An exception to the above is allowed for those brokers, who as a result of an error, have a spread position which involves the fifth, sixth, or later maturities in Eurodollar futures (i.e., any restricted Eurodollar futures contract except the four lead or "white" months). In the red or beyond contract months, brokers will be allowed more latitude in legging out of spread positions in restricted contracts: they will be allowed to re-establish a leg of the spread in a restricted contract if they are unable to obtain an offsetting side in another contract due to

~~illiquidity. However, the amount of trading done to leg out of the spread will be monitored and must be reasonable given market conditions. Excessive trading may be considered a violation of Rule 552.~~

~~FRONTRUNNING INTERPRETATION TO RULE 556 — PRINCIPAL MARKET-MAKER PROGRAM~~

~~(Special Executive Report S-2434, September 30, 1991. CME Update January 1996. Amended April 1998)~~

- ~~1. A member acting on behalf of the initiating party may not engage in stock index futures, stock index options, or stock basket transactions that are significantly related to the underlying index in a PMM transaction, for an account which it owns, controls, or manages, based on information conveyed regarding the PMM transaction, except as a contra party to that PMM transaction, until such time as the PMM transaction is cancelled or completed.~~
- ~~2. A member solicited to participate as a contra party in a PMM transaction shall not be restricted from trading in stock index futures, stock index options or stock baskets that are significantly related to the underlying index in a PMM transaction unless it learns material, non-public information relating to the proposed transaction and that the transaction is imminent. A member that has been solicited to serve as a contra party in a PMM transaction, that has learned material, non-public information relating to the transaction and that the transaction is imminent, may not engage in stock index futures, stock index options, or stock basket transactions that are significantly related to the underlying index in a PMM transaction, for an account which it owns, controls, or manages, based on information conveyed regarding the PMM transaction, except as a contra party to that PMM transaction, until such time as the member knows or has a reasonable basis to believe that the PMM transaction has been cancelled or completed.~~
- ~~3. A member that agrees to serve as a contra party in a PMM transaction may not engage in stock index futures, stock index options, or stock basket transactions, that are significantly related to the underlying index in a PMM transaction, for an account which it owns, controls, or manages, based on information conveyed regarding the PMM transaction, except as a contra party to that PMM transaction, until such time as the PMM transaction is cancelled or completed.~~

~~ORDERS THAT MAY BE ENTERED THROUGH GLOBEX — CLARIFICATION OF RULE 577~~

~~(Special Executive Report S-2534, July 6, 1992)~~

~~A question has been raised as to whether a customer order that should have been executed during Regular Trading Hours ("RTH"), but was not executed during the RTH Session due to an error by a clearing member employee or a floor broker, may be entered through the GLOBEX Trading System. The CME believes that such order may, but is not required to, be entered through GLOBEX even though the customer may not have been provided with the GLOBEX Customer Information and Risk Disclosure Statement required by Rule 577.~~

~~Although the order entered through GLOBEX is entered for the customer's account, all risks of having the order executed through GLOBEX will be borne by the party responsible for the error that prevented the order from being executed during RTH. In particular, the customer must receive the better of (i) the price that he or she would have been entitled to receive had the order been filled during RTH or (ii) the price obtained when the order was matched during the GLOBEX Session. If the order is executed on GLOBEX at a worse price, the customer's account must be credited with the difference between the actual execution price and the price that he or she would have been entitled to receive had the order been filled during RTH.~~

~~GLOBEX VOLATILITY QUOTES AND GLOBEX PRICE-QUOTED OPTION-OPTION COMBINATIONS~~

~~(Special Executive Report S-2531, June 29, 1992; amended May 1993)~~

~~GLOBEX will provide for trading of options and combinations involving options in terms of volatility quotes and/or in terms of price quotes. Any option or combination so traded will be designated on a single line on the GLOBEX screen. Any option or combination may trade simultaneously on separate lines in GLOBEX using volatility quotes and price quotes. In all other ways, options or combinations quoted in price or volatility terms will be treated the same.~~

~~The volatility quoting convention allows for options to be bid or offered in terms of their annualized implied volatility (e.g., 12.45% bid at 12.55%). For purposes of the GLOBEX order matching system, a volatility quote is treated like any other price and all the same rules and priorities apply.~~

~~Once a trade occurs in an option or combination quoted in volatility terms, this transaction will be assigned a price according to the following procedures:~~

~~A. For Outright Options Transactions.~~

- ~~1. At the time of the volatility trade in options, the Exchange will capture the last price in the underlying futures trading on GLOBEX. This will be the last trade, or subsequent best bid if higher, or the subsequent best offer if lower.~~
- ~~2. The Exchange will determine the option price by inserting the strike price, underlying price, time to expiration, current interest rate, and implied volatility into the standard option pricing model (see below). The resulting price will be rounded to the minimum tick interval of the option. The interest rate used will be the rate implied by the last RTH settlement price for the IMM Three-Month Eurodollar futures contract nearest to expiration.~~
- ~~3. For all clearing purposes, the transactions price will be the price calculated according to the preceding paragraph.~~

~~B. For Combinations Involving Options~~

- ~~1. Steps A.1. and A.2. above will be followed to determine the price of each option in the combination.~~
- ~~2. If the combination includes futures in a delta neutral ratio to the options, the delta will be calculated from the standard option pricing model. This delta, multiplied by the number of options in the transactions, and rounded to the nearest whole number, determines the number of offsetting futures contracts in the combination. The price of those futures shall be the last price as determined in step A.1.~~

~~GLOBEX Price-Quoted Option-Option Combinations~~

~~Once a GLOBEX trade occurs in a price-quoted combination consisting either of a bought call option and a bought put option or of a sold call option and a sold put option, the Exchange will allocate the combination trade price among the individual options in the combination for clearing purposes according to the following procedures:~~

- ~~1. At the time of the combination trade, the Exchange will capture the last price in the underlying futures trading on GLOBEX. This will be the last trade, or subsequent best bid if higher, or the subsequent best offer if lower.~~

- ~~2. For each option in the combination, the Exchange will determine the theoretical option price by inserting the strike price, underlying price, time to expiration, current interest rate, and implied volatility into the standard option pricing model (see below). Each resulting option price will be rounded to the minimum option tick interval allowable for options trading in combinations. The interest rate used will be the rate implied by the last RTH settlement price for the IMM Three-Month Eurodollar futures contract nearest to expiration. The implied volatility used will be based on recent RTH market conditions.~~
- ~~3. The Exchange will then calculate the combination's total theoretical price by summing the theoretical prices of the options in the combination.~~
- ~~4. The Exchange will then allocate a share of the total combination trade price to each option in the combination, based on the ratio of the given option's theoretical price to the combination's total theoretical price. The Exchange will allocate bought premium to bought options, and sold premium to sold options. The premium allocated to each option will be rounded to the minimum option tick interval allowable for options trading in combinations.~~

~~These procedures will ensure that the total of the premium values allocated to the combination's options is always consistent with the combination trade price as follows:~~

- ~~5. If the absolute value of the total premium allocated to the combination's options in Steps 1 through 4 is less than the absolute value of the combination's total trade price, then the Exchange will add one tick of bought premium to the bought option allocated the least premium, and it will perform the corresponding adjustment to this option on the other side of the combination trade.~~
- ~~6. If the absolute value of the total premium allocated to the individual options is still less than the absolute value of the combination's total trade price, then the Exchange will repeat the process described in Step 5.~~
- ~~7. If the absolute value of the total premium allocated to the combination's options in Steps 1 through 4 is greater than the absolute value of the combination's total trade price, then the Exchange will subtract one tick of bought premium from the bought option allocated the most premium, and it will perform the corresponding adjustment to this option on the other side of the combination trade.~~
- ~~8. If the absolute value of the total premium allocated to the individual options is still greater than the absolute value of the combination's total trade price, then the Exchange will repeat the process described in Step 7.~~

~~Note: Whenever it is necessary to perform the calculations in Steps 5 through 8, if the call option and the put option on the same side of a combination trade have the same allocated premium value, the Exchange will adjust the call option's premium.~~

~~No price-quoted option-option combinations other than those consisting either of a bought call option and a bought put option or of a sold call option and a sold put option may be traded on GLOBEX at this time.~~

~~The Standard Option Pricing Model~~

~~For the purposes of providing option prices under Rule 584 and/or under Rule 542.C., the Exchange shall maintain a standard option pricing model. This model will be based on the Barone-Adesi-Whaley model as described in the Journal of Finance, Vol. 42 No. 2, pp. 301-320. The model uses analytic approximation techniques to solve for the price of an 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:~~

~~$$(LHS - RHS) / K < 0.00001$$~~

~~where~~

~~$$LHS = S^* - K$$~~

~~$$RHS = e^{(b-r)T} [S^* N(d_1) - K N(d_2)] + [(1 - e^{(b-r)T}) N(d_1) * (S^* / q_2)]$$~~

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

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

~~$$q_2 = [-(N-1) + \sqrt{(N-1)^2 + 4M/k}] / 2$$~~

~~$$M = 2 + r / \sigma^2$$~~

~~$$N = 2 + b / \sigma^2$$~~

~~$$k = 1 - e^{-rT}$$~~

~~N(.) is the cumulative univariate normal distribution.~~

~~n(.) is the univariate normal density function.~~

~~σ = 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~~

~~$$b_i = e^{(b-r)T} [N(d_1(S_i^*)) (1 - 1/q_2) + [1 - e^{(b-r)T} n(d_1(S_i^*)) / \sigma \sqrt{T}] / q_2]$$~~

~~Once the correct value of S* is found, the value of the call and the call's delta are found by solving:~~

~~$$C(S,T) = c(S,T) + A_2(S / S^*)^{q_2}$$~~

~~where~~

~~$$A_2 = (S^*/q_2)(1 - e^{(b-r)T}M[d_1(S^*)])$$~~

~~$$\Delta = \Delta_\theta + A_2 * q_2 * (S / S^*)^{q_2} / S$$~~

~~$c(S,T)$ = the price of a European style call option.~~

~~Δ_θ = the delta of the European call option.~~

For put options, the model estimates S^* by satisfying:

REVISIONS CONTINUE ON PAGE 114

$$\overline{(LHS - RHS) / K} \leq 0.00001$$

where

$$LHS = K - S^*$$

$$RHS = e^{(b-r)T} [KN(d_2) - S^*N(d_1)] - [(1 - e^{(b-r)T})N(d_1)] * (S^*/q_1)$$

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

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

$$q_1 = [-(N-1) - \sqrt{(N-1)^2 + 4M/k}] / 2$$

$$M = 2 * r / \sigma^2$$

$$N = 2 * b / \sigma^2$$

$$k = 1 - e^{-rT}$$

$N(\cdot)$ is the cumulative univariate normal distribution.

$n(\cdot)$ is the univariate normal density function.

σ = 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

$$b_i = e^{(b-r)T} [N(d_1(S_i^*)) (1 - 1/q_1)] + [1 - e^{(b-r)T} n(d_1(S_i^*)) / \sigma\sqrt{T}] / q_1$$

Once the correct value of S^* is found, the value of the put and the put's delta are found by solving:

$$P(S,T) = p(S,T) + A_1(S / S^*)^{q_1}$$

where

$$A_1 = -(S^*/q_1)(1 - e^{(b-r)T}N[d_1(S^*)])$$

$$\Delta = \Delta_p + A_1 * q_1 * (S / S^*)^{q_1} / S$$

$p(S,T)$ = the price of a European style put option.

Δ_p = the delta of the European put option.

INTERPRETATION OF RULE 504—EXCHANGE LIMITATION OF LIABILITY; PARTICIPATION IN THE ATOM™ SYSTEM AND/OR THE GAINS™ SYSTEM

(Revised March 1997; February 1998)

The ATOM™ System, an automated system for the calculation, collection and payment of floor brokerage including Lessee brokerage fees owed by Lessees to the CME, and the ACH GAINS™ Software, a service which is used to provide certain automatic clearing house banking functions in conjunction with the collection and payment of certain netted give-up payments under the GAINS™ System, are licensed to the Exchange pursuant to written license agreements between the Exchange and the Board of Trade Clearing Corporation ("BOTCC").

- A. Participation in the ATOM System and/or the GAINS System by members and clearing members is subject to the policies and procedures adopted from time to time by the Exchange, and to which members and clearing members agree to be bound. BOTCC is a third party beneficiary of and may enforce the provisions contained in this Interpretation and in Rule 504—Exchange Limitation of Liability. Each participating clearing member and floor broker must complete and return the ATOM System Participation Form and/or the GAINS System Participation Form.
- B. THE ATOM SYSTEM AND THE ACH GAINS SOFTWARE ARE PROVIDED BY BOTCC "AS IS" AND BOTCC MAKES NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS RELATING TO EITHER, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. NEITHER BOTCC, NOR ANY OF ITS OFFICERS, DIRECTORS, EMPLOYEES, AGENTS OR AFFILIATES SHALL BE LIABLE UNDER ANY CIRCUMSTANCES WHATSOEVER TO ANY CLEARING MEMBER OR FLOOR BROKER THAT PARTICIPATES IN THE ATOM SYSTEM AND/OR THE GAINS SYSTEM OR ANY SUCCESSOR OR REPRESENTATIVE THEREOF, ANY PERSON OR ENTITY ASSOCIATED THEREWITH OR ANY CUSTOMER THEREOF, FOR ANY DIRECT DAMAGES, OR FOR ANY SPECIAL, PUNITIVE, EXEMPLARY, INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS OR COMMERCIAL LOSSES), ARISING FROM OR OUT OF: (1) ANY DEFECT, ERROR, FAILURE OR MALFUNCTION IN THE ATOM SYSTEM OR THE ACH GAINS SOFTWARE; (2) ANY FAULT, DELAY, ACT, OMISSION OR INACCURACY IN PROVIDING THE SERVICES OR ANY TERMINATION OF THE SERVICES RENDERED OR TO BE RENDERED BY THE EXCHANGE IN CONNECTION WITH THE ATOM SYSTEM OR THE ACH GAINS SOFTWARE; (3) ANY CLAIM

~~ALLEGING THAT ANY ACTIONS TAKEN BY THE EXCHANGE IN CONNECTION WITH THE ATOM SYSTEM OR THE ACH-GAINS SOFTWARE VIOLATE ANY RIGHTS OF ANY CLEARING MEMBER OR FLOOR BROKER; OR (4) ANY OTHER CAUSE WHATSOEVER RELATING TO THE ATOM SYSTEM OR THE ACH-GAINS SOFTWARE, REGARDLESS OF THE FORM(S) OF ACTION OF ANY OF THE FOREGOING, WHETHER BASED ON WARRANTY, CONTRACT, TORT (INCLUDING NEGLIGENCE OR STRICT LIABILITY) OR OTHERWISE, AND WHETHER OR NOT BOTCC HAS RECEIVED NOTICE OF THE POSSIBILITY OR CERTAINTY OF SUCH DAMAGES OR LOSSES.~~

~~C. EACH CLEARING MEMBER AND EACH FLOOR BROKER THAT PARTICIPATES IN THE ATOM SYSTEM AND/OR THE GAINS SYSTEM SHALL INDEMNIFY AND HOLD BOTCC AND ITS AFFILIATES AND THEIR RESPECTIVE DIRECTORS, OFFICERS, SHAREHOLDERS, EMPLOYEES AND AGENTS HARMLESS FROM AND AGAINST ANY AND ALL LIABILITIES, LOSSES, COSTS, DAMAGES, INTEREST CLAIMS, AND EXPENSES, INCLUDING COURT COSTS, ATTORNEYS' FEES AND LEGAL EXPENSES, WHICH BOTCC OR ANY OF ITS DIRECTORS, OFFICERS, EMPLOYEES, AGENTS OR AFFILIATES SUSTAINS OR INCURS AS A CONSEQUENCE OF ANY CLAIM, PROCEEDING, OR ACTION: (1) THAT RELATES DIRECTLY OR INDIRECTLY TO SUCH CLEARING MEMBER'S OR FLOOR BROKER'S USE OF OR INABILITY TO USE THE ATOM SYSTEM AND/OR THE ACH-GAINS SOFTWARE OR THE SERVICES RENDERED OR TO BE RENDERED BY THE EXCHANGE TO SUCH CLEARING MEMBER OR FLOOR BROKER IN CONNECTION WITH THE ATOM SYSTEM AND/OR THE ACH-GAINS SOFTWARE; (2) ALLEGING THAT THE EXCHANGE'S SERVICES OR OTHER ACTIONS RELATED TO THE ATOM SYSTEM AND/OR THE ACH-GAINS SOFTWARE VIOLATE ANY RIGHTS OF SUCH CLEARING MEMBER OR FLOOR BROKER; (3) ARISING FROM ANY ACT OR OMISSION OF SUCH CLEARING MEMBER OR FLOOR BROKER OR, AS APPLICABLE, ITS AFFILIATES, SHAREHOLDERS, OFFICERS, DIRECTORS, EMPLOYEES OR AGENTS, RELATED TO THE ATOM SYSTEM AND/OR THE ACH-GAINS SOFTWARE; (4) ARISING FROM THE MISUSE, DISCLOSURE OR MISAPPROPRIATION BY SUCH CLEARING MEMBER OR FLOOR BROKER OF ANY CONFIDENTIAL INFORMATION RELATED TO THE ATOM SYSTEM AND/OR THE ACH-GAINS SOFTWARE; (5) ALLEGING ANY FACTS WHICH, IF TRUE, WOULD CONSTITUTE A FAILURE BY SUCH CLEARING MEMBER OR FLOOR BROKER TO ADHERE TO THE RULES, POLICIES AND PROCEDURES APPLICABLE TO THE ATOM SYSTEM AND/OR THE ACH-GAINS SOFTWARE OR SUCH CLEARING MEMBER'S OR FLOOR BROKER'S USE OF THE ATOM SYSTEM AND/OR THE ACH-GAINS SOFTWARE THAT ARE ADOPTED BY THE EXCHANGE FROM TIME TO TIME; OR (6) CLAIMING DAMAGES BASED ON SUCH CLEARING MEMBER'S OR FLOOR BROKER'S USE OF THE ATOM SYSTEM AND/OR THE ACH-GAINS SOFTWARE.~~

~~RULE 505—INTERPRETATIVE CHART~~

~~(Special Executive Report S-2666, June 7, 1993)~~

~~TYPE OF ORDERS BEING HANDLED AT A BOOTH AND WHO MAY HANDLE THEM~~

THE REVISIONS CONTINUE ON PAGE 117

TYPE OF MEMBER/EMPLOYEE AND PLACE OF FACILITATION	(1)ORDERS FOR THE CLEARING MEMBER'S (BOOTH OWNER)	(2)ORDERS FOR THE CUSTOMERS OF A NON-CLEARING ENTITY	(3)ORDERS FOR THE CLEARING MEMBER'S PRO-PRIETARY ACCOUNT	(4)ORDERS FOR THE NON-CLEARING ENTITY'S PRO-PRIETARY ACCOUNT	(5)ORDERS FOR A 106.H. FIRM ACCOUNT	(6)ORDERS FOR AN INDIVIDUAL MEMBER'S ACCOUNT	(7)ORDERS FOR THE CUSTOMERS OF A RULE 106.I. RELATED PARTY	(8)ORDERS FOR THE PROPRIETARY ACCOUNT OF A RULE 106.I. RELATED PARTY
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A.CLEARING FIRM EMPLOYEE MEMBER AT EMPLOYER'S OR QUALIFYING FIRM'S BOOTH	YES	YES	YES	YES	YES	YES	YES	YES
B.CLEARING FIRM EMPLOYEE CLERK AT THE EMPLOYER'S BOOTH	YES	YES	YES	YES	YES	YES	YES	YES
C.INDIVIDUAL MEMBER AT THE QUALIFYING FIRM'S BOOTH	YES	YES	YES	YES	YES	---	YES	YES
D.INDIVIDUAL MEMBER'S CLERK	NO	NO	NO	NO	NO	YES	NO	NO
E.NON-CLEARING ENTITY EMPLOYEE MEMBER AT THE QUALIFYING FIRM'S BOOTH	YES	NO	YES	NO	YES (UNLESS E2 APPLIES)	YES	YES	YES
F.106.H. MEMBER	NO	NO	NO	NO	YES	NO	NO	NO
G.106.H. MEMBER'S CLERK	NO	NO	NO	NO	YES	NO	NO	NO
H.106.I. MEMBER	YES	YES	YES	YES	YES	YES	YES	YES
I.106.I. MEMBER'S CLERK	YES	YES	YES	YES	YES	YES	YES	YES

INTERPRETATION TO RULE 514.A.2.

(Effective September 1994)

Rule 523 ("Acceptance of Offers and Bids During Regular Trading Hours") provides that "while outstanding, all or any part of any offer or bid is subject to immediate acceptance." A member who disaffirms a bid or offer, which has been accepted in a timely fashion, may be charged by the Pit Committee with violating Rule 514.A.2 ("making a bid or offer which tends to confuse the other traders"). However, if the Pit Committee decides that such disaffirmance is of an egregious nature or might warrant a penalty in excess of its won authority, the Chairman of the Committee shall refer the matter to the Probable Cause Committee for consideration of charges of violating Rule 443.A. ("to be guilty of dishonorable conduct"), a minor offense, or Rule 432.c. ("to be guilty of any dishonest conduct"), a major offense, and shall inform the individual of this referral in writing.

INTERPRETATION TO RULE 514.A.9. (Conduct of an Unbusinesslike Nature)

~~(Effective January 1995)~~

~~The practice of flashing orders to the pit is an accepted business practice at the Exchange. The practice arose from demands for faster order entry and execution. It is the Exchange's intent to clarify that orders are not "public" until the order has been bid or offered by open outcry. Consequently, it shall constitute conduct of an unbusinesslike nature to direct a member to bid or offer to the broker to whom the order is being flashed prior to the time such order is bid or offered in the pit.~~

INTERPRETATION OF RULE 579—NO EXCHANGE LIABILITY IN CONNECTION WITH REQUESTS TO CANCEL MEMBER ORDERS ENTERED AT GLOBEX TRADING FLOOR TERMINALS

~~(CME Update 96-8, April 15, 1996)~~

~~Members are permitted to enter bid, offer, hit and take orders for their own personal accounts at the GLOBEX Trading Floor ("GTF") terminals. Members are discouraged from leaving resting orders on the terminals after the GTF closes in the afternoon because those orders will not be accessible until the facility reopens the next morning. However, if a member needs to cancel an order entered at a GTF terminal, but is unable to do so because the facility is closed, he will be permitted to contact the GLOBEX Control Center ("GCC") to request order cancellation. The GCC will attempt to cancel such order on a best efforts basis after giving higher priority to emergency situations such as canceling orders from GLOBEX terminals that have failed.~~

~~Notwithstanding the provisions of Rule 579, the Exchange (and its directors, officer and employees) shall have no liability to a member requesting cancellation of orders entered at GTF terminals for failing to cancel such orders or for canceling the wrong orders, even if the erroneous cancellation or failure to cancel was caused by the negligence of GCC employees. This limitation of liability shall not apply in instances where there has been a finding of willful or wanton misconduct on the part of the Exchange (or its directors, officers and employees), nor shall it in any way limit the applicability of any provision of the Commodity Exchange Act or the CFTC's regulations.~~

QUOTATION CHANGE PROCEDURES

(Revised March 1997; July 1999)

I. QUOTATION CHANGE PROCEDURES

A. NON-FAST MARKETS

1. On-Screen Corrections up to 15 minutes: One local Pit Committee member and one Exchange employee.
2. On-Screen over 15 minutes and Off-Screen Corrections must be considered by:
 - a. 0-15 Minutes: Three local Pit Committee members (five local Pit Committee members in the S&P 500 futures pit) one of whom must be a Pit Vice-Chairman or his or her designee, and the local Pit Supervisor.
 - b. 15-30 Minutes: Four local Pit Committee members, (five local Pit Committee members in the S&P 500 futures pit) one of whom must be a Pit Vice-Chairman or his or her designee, and the local Pit Supervisor, and a Pit Supervision Committee member.

- c. Over 30 Minutes: Four local Pit Committee members, (five local Pit Committee members in the S&P 500 futures pit) one of whom must be a Pit Vice-Chairman or his or her designee, and the local Pit Supervisor and two Pit Supervision Committee members.
3. Pit Supervision Committee members are authorized to increase the number of Pit Committee members that are needed to authorize a quote change.
4. Approval Required: If more than one local Pit Committee member or a Pit Supervision Committee member participating in the quote change consideration dissents, the proposed quote adjustment or consideration fails.
5. A request for a quote change which represents a new high or low for the day must be made within 5 minutes of the time the quote is posted. A request for a quote change which affects an established opening range at the time the quote is posted (or should have been posted) must be made within 15 minutes or, in the case of a quote change which affects an established closing range, within 5 minutes. Such requests shall be considered by at least two Pit Committee members. Failure to make such timely request will bar consideration of the quote change. However, this requirement shall not apply to those options strikes which the local Pit Committee deems to be inactive, nor to those futures contracts which a co-chairman of Pit Supervision deems to be inactive, nor to declared fast market situations (see Section B below).
6. 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.

7. 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 6 above, a subsequent request for reconsideration involving the original quote or adjustment may be considered only by the same Pit Committee members who ruled on, or failed to reach a timely resolution of, the original request, and, in addition, would require the approval of a Pit Supervision Committee member. In the event one or more of the Pit Committee members who participated in the consideration of the original quote change is unavailable to consider the request for reconsideration, a Pit Supervision Committee member shall designate a substitute. However, this reconsideration process may not be utilized for a correction involving a quote change which represents a new high or low for the day, with the exceptions of declared fast markets, inactive option strikes (as so deemed by a local Pit Committee member) and inactive futures contracts (as so deemed by a co-chairman of Pit Supervision).

B. FAST MARKETS

1. On-Screen Corrections up to 15 minutes: One local Pit Committee member and one Exchange employee.

2. On-Screen Corrections over 15 minutes and Off-Screen Corrections must be considered by:
 - a. Up to One Hour: Four local Pit Committee members, (five local Pit Committee members in the S&P 500 futures pit), the local Pit Supervisor and the local Pit Vice-Chairman.
 - b. Over One Hour: Four local Pit Committee members, (five local Pit Committee members in the S&P 500 futures pit), the local Pit Supervisor and the local Pit Vice-Chairman and a Pit Supervision Committee member.

In either case above, if the local Chairmen are absent, one of the other Pit Supervision Committee members may be substituted.
3. Approval Required: If more than one local Pit Committee member, or if the Pit Supervision Committee member participating in the quote change consideration dissents, the proposed quote adjustment or consideration fails.
4. Reconsideration: Once a request for a particular quote change has been resolved, a subsequent request for reconsideration involving the original quote or adjustment may be considered only by the same Pit Committee members who ruled on the original, and, in addition, would require the approval of a Pit Supervision Committee member. In the event one or more of the Pit Committee members who participated in the consideration of the original quote change is unavailable to consider the request for reconsideration, a Pit Supervision Committee member shall designate a substitute.
5. 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.

C. OPTION SPREADS AND COMBINATIONS

If an options spread or combination quote has been inadvertently omitted from the price reporting system and such omission is not discovered until after the trading session, the Time and Sales record of the affected trade data may be corrected by inserting the missing options spread or combination quote, provided all of the following requirements are satisfied:

1. The trade was executed at a differential;
2. The parties to the trade can reasonably show that they properly called out the options spread or combination and had a reasonable basis for believing that the trade would be posted;
3. 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; and
4. Three members of the local Pit Committee, one of whom must be a Pit Vice-Chairman, and the Chairman of the Pit Supervision Committee, or, in his or her absence, one of the

Vice-Chairmen of the Pit Supervision Committee, must approve the modification to Time and Sales and each such modification must be documented pursuant to section II.B. below.

II. DOCUMENTATION NEEDED FOR QUOTE CHANGES

- A. In the case of on-screen quote changes, a record shall be made of the Pit Committee member approving the quote change and the change will be recorded on Time and Sales.
- B. In the case of off-screen quote changes, a hard copy record of the quote change shall be made by the staff. The Pit Committee members and the Supervisor 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 an over 30 minute time-change, the reason for the delay. The quotation change will be recorded on Time and Sales, and a text message will be promptly be disseminated reporting the change.

III. REVIEW OF QUOTE CHANGES

- A. The Pit Supervision Committee shall review, upon request only, quote changes taking place within thirty (30) minutes of the trade, and will automatically review all changes taking place thirty or more minutes after the trade.
- B. The maintenance and presentation of these records to the Committee will be the responsibility of the staff of the trading Floor Department.

~~INTERPRETATION OF RULE 536— AUDIT TRAIL REQUIREMENTS FOR GFX TRANSACTIONS~~

~~The Exchange established the GLOBEX Foreign Exchange Facility ("GFX") to make markets in currency futures contracts listed on the CME and to engage in hedging transactions in the interbank spot and forward foreign exchange markets. The Exchange has approved having GFX make markets in currency cross-rate contracts during regular pit trading hours. A floor broker in the pit will be in telephone communication with GFX. When a member in the pit asks for a quote in the relevant cross-rate contract, the broker will call GFX and ask for a two-sided market. The floor broker will bid and offer in the pit based on the market quoted by GFX. Any member in the pit can hit the bid or take the offer.~~

~~Although GFX technically is classified as a "customer," the Exchange has determined that GFX bids and offers are not subject to all audit trail requirements that apply to ordinary customer orders. The floor broker who receives the GFX bids and offers is not required to prepare or time stamp written order tickets for such bids and offers. Whenever a GFX bid or offer results in a trade, the floor broker must write down on his trading card the execution time of the trade which will then be input into the clearing system for trade match and audit trail purposes.~~

~~INTERPRETATION TO RULE 525.—CONFIRMATION OF TRADES~~

~~Members participating in the broker-to-broker matching program and trading futures or options on futures in the Lean Hog pit are not required to exchange respective clearing member information when making or confirming a trade. This requirements has been eliminated in the Lean Hog pit due to the broker-to-broker matching program. Upon approval by the Clearing House Committee, the broker-to-broker matching program may be expanded to include other pits.~~

~~RULE 550.—INTERPRETATION REGARDING THREE-MONTH EURODOLLAR FUTURES~~

~~After the posting of the settlement price after the close of Regular Trading Hours, trading may resume, under Rule 550, for the first eight Eurodollar futures contracts in the March quarterly cycle, for the first four serial Eurodollar futures contracts, and for all spreads and combinations of Eurodollar futures contracts. Trading of outright of all other Eurodollar futures contracts in a post settlement session under Rule 550 is prohibited.~~

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 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 contracts entered in the GLOBEX Electronic Trading System. 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 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 contracts 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 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 such specified markets. Two-, Five- and Ten-Year Swap Rate futures shall be subject to LMM Allocation Algorithm (Option A). Weather futures and CPI 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 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.

INTERPRETATION REGARDING CANCELLATION OF ORDERS AT PRICES OUTSIDE OF THE APPLICABLE GLOBEX PRICE LIMITS

Price limits applicable a CME contract market traded via open outcry are applicable to the same CME contract market when traded on the GLOBEX Electronic Trading System unless specifically provided elsewhere within this Rulebook. However, different price limits may be applicable during Regular Trading Hours ("RTH") and during Electronic Trading Hours ("ETH").

Because of the varying price limits that may apply during RTH and ETH, it is possible for an order to be entered into the GLOBEX System during RTH to buy or sell futures contracts at a price that is outside of the price limit that applies during the next ETH session. When that occurs, such order can remain in the system after the close of RTH, into the next ETH trading session. In that situation, if 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, the system will freeze rather than to allow the match to occur at a price outside of the applicable price limit. Accordingly, whenever the GLOBEX Control Center ("GCC") becomes aware of a bid or offer in the 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.

SQUAWK BOX GUIDELINES

Any member or clearing member that has established the right to CME trading floor access may vend squawk box services for a fee. Such entities would be known as legitimate service providers and must register with the Market Data Services department accordingly. Squawk box service, for this purpose, is defined as real-time market information live audio commentary, outbound only, that is received by customers of the service provider as audio and is not formatted for receipt as text. Additionally, customers may not re-send such squawk box services in any manner to any other entity.

A legitimate squawk box service provider may hire a subcontractor to distribute and vend the service. However, an individual charged with making the audio broadcast from the trading floor must have legitimate trading floor access and is subject to the CME rules governing trading floor access, dress and conduct (e.g. a member or an employee of a member or member firm). Legitimate trading floor access is understood to be that which is granted by an entity whose primary business encompasses trading. There is no restriction on the location of the broadcaster other than those already in force concerning pit, booth and circulation space as it relates to clerks on the trading floor.

The legitimate service provider may enter into any sort of business relationship with the subcontractor as is deemed necessary and beneficial.

There are no restrictions on fees to be charged for the squawk box service by a legitimate service provider or their subcontractor. There are also no restrictions on who qualifies as a customer of the service provider or their subcontractor.

Any on-site equipment needed to support squawk box services must physically fit into approved CME facilities for data equipment, such as a booth on the trading floor or an equipment cabinet in the interstitial space, bearing in mind that there may be a rental fee for the space.

Squawk box service is allowed at the discretion of the CME, therefore the Exchange reserves the right to revoke such privilege at any time such action is deemed appropriate. The CME shall not be held liable for any actions occurring as a result of information received via a squawk box service.

SHARING OF CLERK-CAUSED ERRORS — INTERPRETATION TO RULE 515

~~Exchange staff has adopted the following interpretation concerning the appropriate registration required, pursuant to Rule 515, when members agree to share the profits and/or losses resulting from clerk-caused errors (including non-member employees and member-clerks):~~

~~Two or more members who share the profits and/or losses resulting from order execution errors that are caused by a clerk, but do not share and/or allocate any other fees, revenues, expenses (except for clerk salary and related expenses), profits, or losses arising out of floor brokerage activity will be deemed to be an independent broker affiliation pursuant to Rule 515.A.2.~~

RECORDS FOR MEMBER ORDERS—INTERPRETATION TO RULE 536

~~Orders received from off-floor members over wireless headsets~~

~~A member or his employee standing in a trading pit receiving orders for pit execution from an off-floor member directly over a wireless headset shall simultaneously make a written record of the order and will record on a trading card the identification of the member calling in the order. Upon execution of the order, the member executing the order shall record the trade and the time of execution to the nearest minute on the card, and must then deliver the card to the initiating member's clearing firm in accordance with the Card and Order Pick-Up Schedule set forth in the Interpretations to Chapter 5 of the CME Rulebook.~~

~~Clarification of recordkeeping requirements for on-floor members entering orders with or receiving orders from other members for entry into GLOBEX®2~~

~~When a member on the trading floor gives a verbal or hand signaled order to another member who then enters the order into GLOBEX or relays the order to a GLOBEX terminal operator, the initiating member is not required to create a record of the order on a sequenced trading card as is required for a pit trade as long as the GLOBEX terminal operator enters the order immediately. However, if the order is not entered into GLOBEX immediately, a written and timestamped order ticket must be created as required by Rule 571.~~

INTERPRETATION OF RULE 552—DUAL TRADING RESTRICTIONS FOR SIDE-BY-SIDE TRADING OF EURODOLLAR CONTRACTS

~~When the CME implements trading of Eurodollar contracts on GLOBEX side-by-side with open outcry trading during Regular Trading Hours, the dual trading restrictions applicable to open outcry trading of Eurodollar contracts will also apply to the trading of the same contracts on GLOBEX. The Exchange adopted this Interpretation because it did not want to give on-floor GLOBEX brokers an advantage over pit brokers with respect to dual trading restricted contract months. Accordingly, the Exchange has adopted the following Interpretation:~~

- ~~1. For all side-by-side trading, the dual trading restrictions of Rule 552 (and the exceptions to such restrictions) will apply equally to both pit brokers and on-floor GLOBEX brokers.~~
- ~~2. On-floor GLOBEX brokers and terminal operators who have handled, processed or filled a customer order in a restricted contract month (either for GLOBEX or execution in the pit) will be restricted from 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, for the remainder of that session in that contract month either on GLOBEX or in the pit.~~
- ~~3. Similarly, pit brokers who have handled, processed, or filled a customer order in a restricted contract month may not trade or place 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, for the remainder of that session in that contract month on GLOBEX.~~

~~4. These restrictions will apply only during Regular Trading Hours (7:20 a.m. to 2:00 p.m.)~~

~~5. These restrictions will not apply to off-floor GLOBEX terminal operators.~~

~~INTERPRETATION TO PIT SPACE DISPUTE GUIDELINES~~

~~Recently, questions have arisen regarding the application of the Pit Space Dispute Guidelines and the "reviewable space" concept to the situation wherein floor brokers or floor traders enter into an arrangement to share expenses (e.g., by consolidating clerk functions). In such circumstances, CME Rule 515—REGISTRATION AND IDENTIFICATION OF BROKER ASSOCIATIONS, provides that such members are "affiliated" and, therefore, must register as a broker association. The Pit Space Dispute Guidelines recently revised by the Board of Directors on April 7, 1999, further provide that a new affiliation with a broker association or trading group will give rise to a "reviewable space" situation (i.e., use of such space may be contested by another member). Accordingly, members have expressed concerns that a mere arrangement for the purpose of reducing costs, and where there is no sharing of profits or change in pit space use by such members, will create uncertainty over the continued use of such pit space by such members.~~

~~Acknowledging the importance of reducing the cost of doing business on the Exchange, the Pit Supervision Committee has determined that situations meeting the following criteria will not give rise to a "reviewable space" situation:~~

- ~~1. The purpose for the proposed arrangement is solely to reduce expenses for the parties;~~
- ~~2. The members involved in the proposed arrangement must remain in the same pit spaces they occupied prior to the proposed arrangement;~~
- ~~3. A panel of the Pit Supervision Committee has reviewed the proposal and determined that it satisfies the criteria stated above and does not constitute a "reviewable space" situation.~~

~~In the event that a panel of the Pit Supervision Committee determines that a proposed arrangement does not satisfy the criteria stated above, the parties may withdraw their proposal without creating uncertainty over their continued use of such pit space. In the event that such members nevertheless proceed with their proposal, the pit space rules and guidelines will be followed with respect to pit space used by the members involved in such arrangement.~~

~~INTERPRETATION OF RULE 548.—PRIORITY OF EXECUTION IN CONNECTION WITH TRADES CANCELLED BY THE PIT COMMITTEE OR GLOBEX® TRADE REVIEW COMMITTEE~~

~~Occasionally, the Pit Committee or Exchange staff determines to make a quotation change, which results in the removal of a price at which a customer order had been filled. This in turn will cause the fill of the customer order to be negated. In circumstances where the customer order was entered into GLOBEX, sent to GLOBEX via an order routing system, or, in the case of open outcry trading, was routed electronically to a floor broker workstation, the customer order will have been removed from the electronic "book." Absent a written agreement with the customer to handle the order in a different manner, it is the obligation of the executing firm to promptly re-enter the customer's order upon being notified of the quotation change and the associated busting of the trade involving the customer order. This will likely result in the order losing its original time priority since it cannot be reinserted into the electronic "book" at its original entry time. This will not be viewed as a violation of Rule 548 which requires that non-discretionary orders from a customer be entered and/or filled~~

~~in the order in which they were received. Further, the firm should not be held liable to the customer as long as it acted with due diligence (see Rule 540.A.).~~

~~RULE 515.E. INTRA-ASSOCIATION TRADING AND SANCTION SCHEDULE — INTERPRETATION~~

~~For those commodities and contract months subject to the intra-association trading restrictions pursuant to Rule 515.E., the following shall apply:~~

~~Violations of the percentage restrictions on personal trading or the execution of customer orders shall be subject to automatic sanctions in accordance with the following schedule*:~~

First offense	warning letter;
Second offense within 24 months	\$1,000;
Third offense within 24 months	\$5,000;
Any subsequent offense within 24 months	\$10,000.

~~Violations by a member of a "for profit" broker association trading for his personal account with other members of the same association or calculation group executing customer orders shall be subject to automatic sanctions in accordance with the following schedule*:~~

First offense	warning letter;
Second offense within 24 months	\$500;
Third offense within 24 months	\$1,000;
Any subsequent offense within 24 months	\$5,000.

~~Sanctions issued pursuant to the above schedules are final and may not be appealed, however, members will have fifteen (15) days after receipt of a notice of violation to present evidence to the Division of Market Regulation that administrative, clerical, or other errors caused the apparent rule violation.~~

~~*Notwithstanding the sanction schedules above, the Division of Market Regulation may, at any time, refer matters that it deems egregious to the Probable Cause Committee for review.~~

~~RULE 536 — CTR ENFORCEMENT PROGRAM AND SANCTION SCHEDULE — INTERPRETATION~~

~~GTR MONTHLY ENFORCEMENT PROGRAM~~

~~The CTR threshold levels for members with 100 or more transactions per month are as follows:~~

Exception Type	Threshold Level
Bracket Exception	6% and above
Time of Execution (for verbal orders)	8% and above
Quote not found in Time and sales	5 or more for futures 10 or more for options
Sequence Errors	8% and above

~~Violations of the above thresholds shall be subject to automatic sanctions in accordance with the following schedule*:~~

First offense	warning letter;
Second offense within 12 months	\$500;
Third offense within 12 months	\$1,000;
Any subsequent offense within 12 months	\$5,000.

~~Sanctions issued pursuant to the above schedule are final and may not be appealed, however, members will have fifteen (15) days after receipt of a notice of violation to present evidence to the Division of Market Regulation that administrative, clerical, or other errors caused the apparent rule violation.~~

~~The monthly CTR enforcement of timestamp exceptions for firms with 1,000 or more transactions per month is 7% and above. Violations of this threshold level shall be subject to automatic sanctions in accordance with the following schedule*:~~

First offense	warning letter;
Second offense within 12 months	\$1,500;
Third offense within 12 months	\$5,000;
Any subsequent offense within 12 months	\$10,000.

~~Firms will have fifteen (15) days after receipt of a notice of violation to present evidence to the Division of Market Regulation to have the violation dismissed. If the firm does not submit such evidence, or the Division of Market Regulation determines that the evidence submitted is insufficient to reduce the percentage below the threshold level, the sanctions issued pursuant to the above schedule will be final and may not be appealed.~~

~~*Notwithstanding the sanction schedules above, the Division of Market Regulation may, at any time, refer matters that it deems egregious to the Probable Cause Committee for review.~~

CTR CLEARING FIRM BACK OFFICE AUDIT ENFORCEMENT PROGRAM

~~The Division of Market Regulation will conduct audits of CME clearing firms in order to verify the firms' accurate recording and submitting of required audit trail information. The CTR audit threshold levels for the various firm deficiencies are as follows:~~

Deficiency Type	Threshold Level
Failure to pick-up documents In accordance with CME schedule--	
Sequenced Cards	15%
Verbal Order Cards	15%
Floor Orders	10%
Failure to accurately submit and Record Order Type Indicator	10%
Failure to accurately submit Flashed Order Indicator	10%

~~Percentage calculations will be made on the basis of an examination of a minimum of 50 sequenced cards, 50 verbal orders, or 50 floor orders, depending on the deficiency type. The total number of exceptions in each~~

~~category will be divided by the total number of documents examined in that category in determining the deficiency percentage.~~

~~Violations of the above thresholds shall be subject to automatic fines in accordance with the following schedule*:~~

First offense	\$1,000;
Second offense within 24 months	\$2,500;
Third offense within 24 months	\$5,000;
Any subsequent offense within 24 months	\$10,000.

~~Firms will have fifteen (15) days after receipt of a notice of violation to present evidence to the Division of Market Regulation to have the violation dismissed. If the firm does not submit such evidence, or the Division of Market Regulation determines that the evidence submitted is insufficient to reduce the percentage below the threshold level, the sanctions issued pursuant to the above schedule will be final and may not be appealed.~~

~~*Notwithstanding the fine schedules above, the Division of Market Regulation may, at any time, refer matters that it deems egregious to the Probable Cause Committee for review.~~

INTERPRETATION OF RULE 574 — REGISTRATION REQUIREMENTS FOR GLOBEX TERMINAL OPERATORS

~~Rule 574 makes clear that individual GLOBEX terminal operators employed by clearing members that enter orders in other than a clerical capacity must have appropriate industry registration. An authorized employee of a clearing member that only enters orders (with or without discretion) for the proprietary account of the clearing member does not need registration. However, any employee that enters orders with discretion for the proprietary account of the clearing member and who also enters or handles customer orders must be registered as either a floor broker or an associated person. Clerks of a clearing member who do not maintain an associated person or floor broker registration with the CFTC may enter customer orders only on a non-discretionary basis.~~

~~The CFTC and the NFA set registration requirements and policy in the United States. Therefore, employees in a foreign branch office of a clearing member dealing only with foreign customers are not subject to the above interpretation, though may be subject to registration in the jurisdiction in which the user is entering orders.~~

RULE 561 (REPORTS OF LARGE POSITIONS)

~~(Special Executive Report S-1745, January 26, 1987; Amended October 1987; January 1988; June 1992; March 1995, April 1995, October 2002, November 2002, January 2003)~~

~~In accordance with Rule 561, the following minimum levels at which positions must be reported to the Exchange have been established:~~

~~Unless otherwise indicated below, the reportable level for all contracts shall be 25.~~

COMMODITY	REPORTABLE LEVEL
TRAKRS(ALL)	25,000
Eurodollars	850
Australian Dollar	200
British Pound	200

Canadian Dollar	200
Deutsche Mark	200
Euro Currency Unit	200
French Franc	200
Japanese Yen	200
Swiss Franc	200
Single Stock Futures (All)	200
1-Month LIBOR	100
90-Day Treasury Bills	100
S&P 500	100
Nikkei Stock Index	50
5-Year Bundle	45
Frozen Pork Belly	5
All Other Contracts	25
Options	(Same as underlying futures)

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	-121	-13	-111
7	123	21	-61	-101
8	49	-13	77	-71
9	122	-61	115	-63
10	0	10	111	-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 585 – GLOBEX CALL MARKET TRADING ALGORITHM

Trade Allocation Algorithm pertinent to GLOBEX Call Markets

The Exchange may designate, per the provisions of Rule 581 – GLOBEX Lead Market Maker Program and Rule 585 – GLOBEX Call Market Trading Algorithm, 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.
3. Following the allocation of trades to the LMM(s), 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.

CHAPTER 9 CLEARING MEMBERS

924. RESPONSIBILITY FOR QUALIFIED TRADERS

- A. ~~No member shall be permitted to execute a contract for future delivery or spot call on Exchange trading facilities unless he is qualified to so trade by a clearing member.~~ When a clearing member qualifies a floor broker or trader, it agrees to guarantee and assume complete responsibility for -1) all trades and orders executed or directed to be executed ~~in any division~~ by such floor broker or trader and -2) all orders that such floor broker negligently or fraudulently executes or fails to execute.
- B. To qualify traders, a clearing member must have established systems in place for trade submission, clearing, and settlement/banking with the Clearing House. ~~No member may be qualified by more than one clearing member at one time.~~
- C. ~~No member may be qualified by more than one clearing member at one time. A floor trader may not be qualified to trade on the spot and/or futures call by a clearing member until he has obtained in writing a release from the clearing member by whom he was most recently qualified.~~
- D. A member may not transfer his qualification unless he has obtained a written release from the clearing member last qualifying him. A release shall not be withheld unless a member has

~~failed to pay any indebtedness to the clearing member last qualifying him that arises out of a pledge of a membership and a Class B Share as collateral security on any such indebtedness, or due to a deficit arising out of futures transactions on the Exchange. Any other disputes between the parties shall be resolved through the arbitration procedures set forth in Chapter 6. To qualify traders, a clearing member must have established systems in place for trade submission, clearing, and settlement/banking with the Clearing House.~~

- E. ~~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 qualified by a clearing member may not place trades on the books of any other clearing member without the prior written authorization of his qualifying clearing member.~~
- F. ~~A member shall place all trades, including 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 only place trades through his qualifying clearing member. Any clearing member that has a member's account in a deficit position shall promptly notify the clearing member that is qualifying such member. No clearing member shall provide a GLOBEX terminal to or clear any trade for an employee, qualified trader, or other representative of another clearing member without the written consent of such clearing member. No clearing member shall provide a GLOBEX terminal to or clear any trade for a person in partnership with another clearing member without the written consent of all partners. Such written consent shall be filed with the Membership Department.~~
- G. ~~No clearing member shall provide a GLOBEX terminal to or clear any trade for an employee, qualified trader or other representative of another clearing member without the written consent of such clearing member. No clearing member shall provide a GLOBEX terminal to or clear any trade for a person in partnership with another clearing member without the written consent of all partners. Such written consent shall be filed with the Shareholder Relations and Membership Services Department. A clearing member may, without prior notice, revoke an authorization to trade during Regular Trading Hours by written revocation filed with the Membership 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 whose authorization to trade during Regular Trading Hours has been revoked shall forfeit his membership privilege to appear upon the floor of the Exchange during Regular Trading Hours until he has been requalified and such qualification is on file with the Membership Department. A member who has been disqualified will automatically have his GLOBEX terminal deactivated.~~
- H. ~~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. Any clearing member which has a member's account in a deficit position shall promptly notify the clearing member qualifying said member.~~

~~I. A clearing member that provides a GLOBEX terminal to another person or entity may, with or without prior notice, to such person or entity, terminate that person's or entity's ability to place orders through GLOBEX by providing written notice to the GLOBEX Control Center. The deactivation of a user identification by the GLOBEX Control Center will result in the cancellation of all orders entered with that user identification. Unless otherwise specified by the member's qualifying clearing member, a member suspended from entering orders through GLOBEX shall not automatically be disqualified from trading during Regular Trading Hours.~~

~~In the case of a member who has been qualified for trading by a clearing member other than the clearing member providing the GLOBEX terminal, the qualifying clearing member may terminate the member's ability to place orders through GLOBEX by notifying the clearing member providing the terminal. The clearing member providing the terminal will be responsible for ensuring that the member is not able to place orders through GLOBEX.~~

~~A clearing member that guarantees the trades of an individual member or clearing member of another exchange who has been granted cross-exchange trading privileges may, with or without prior notice to such other member, terminate the user identification of that member, or any individual employed by that member, by providing written notice to the GLOBEX Control Center. The deactivation of a user identification by the GLOBEX Control Center while a GLOBEX Session is in progress will result in the cancellation of all orders in the system entered during that session with that user identification.~~

936. CONFIRMATIONS TO CUSTOMERS

A clearing member shall confirm to the customer every transaction made for the customer no later than the following business day. Such confirmation shall be in writing and shall show the commodity bought or sold, the quantity, the price, the delivery month and, for options, strike price, put or call and expiration month.

If you have any questions, please contact one of the individuals listed below:

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