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## Special Executive Report

SER-4223

March 3, 2005

### **EFPs Permitted in CME E-mini Stock Index Futures Effective Sunday, March 6, 2005**

At its regular meeting on March 2, 2005, the Board of Directors approved the trading of Exchange for Physicals (EFP) transactions in the context of CME E-mini™ stock index futures. This action is effective as of Sunday, March 6, 2005.

The exchange originally restricted EFP transactions in the context of CME E-mini stock index futures in 1997 when E-mini S&P 500® futures were originally introduced. This restriction was introduced in order to minimize market fragmentation where electronic trade in a CME E-Mini contract would be introduced side-by-side with traditional pit trading of the primary standard-sized contract.

Since then, however, CME E-mini stock index futures have emerged as primary stock index contracts, noting that CME E-mini volume has surpassed volume in the standard-sized contracts. In view of these circumstances, the Exchange is taking steps to lift the restriction.

#### **Rule Amendments**

*(Additions are underlined while deletions are bracketed and overstruck.)*

#### **557. RESTRICTIONS ON STOCK INDEX FUTURES TRADED 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.

<b>Market</b>	<b>Futures Order Entry Quantity Restriction</b>	<b>Options Order Entry Quantity Restriction</b>	<b>Futures Calendar Spread Order Entry Quantity Restriction</b>
E-Mini S&P 500 and E-Mini Nasdaq-100 Futures	1,500	1,500	5,000
All Other Stock Index Futures	500	N/A	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 System an order to buy or sell stock index 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; or
  - (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, E-Mini 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, E-Mini 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.]~~

*Please refer any questions regarding this matter to John W. Labuszewski,  
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