



Special Executive Report

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HEADSET POLICY CHANGE APPROVED IN THE CURRENCY QUADRANT

The CME[®] Trading Floor Operations Committee ("Committee") has approved a change to the headset policy in the currency quadrant based on a request from a clearing member firm. The change allows for the use of unrestricted headsets for the communication of non-member customer orders directly to brokers standing in a pit or to their clerks (provided the clerks are standing in approved clerk locations) **from clearing firm offices off the trading floors** (or from the floor of other exchanges) subject to the requirements and restrictions detailed below. A similar policy has recently been successfully implemented in the interest rate quadrant as detailed in Special Executive Report S-4214 from February 14, 2005.

Under the new policy, non-member customer orders for pit execution may be communicated by **authorized staff of CME clearing firms located off the trading floor** via unrestricted wireless headsets directly to brokers standing in a pit or to their clerks standing in an approved clerk location in the currency quadrant after approval has been received and provided that the parties comply with the following requirements and restrictions:

1. **Clearing firms must tape the telephone lines used to transmit the orders and retain the recordings for thirty days.**
2. In order to comply with Commodity Futures Trading Commission ("CFTC") audit trail requirements, the broker or the clerk receiving the order must make a contemporaneous written record of the order on a generic order ticket that has been pre-printed with sequential order numbers and the broker's acronym (or the name of a registered CME broker association). In order to ensure that all audit trail requirements are met, the terms of the order, the customer account number, and the name or firm number of the firm transmitting the order must be included on the order ticket. Additionally, the order ticket must be timestamped in on its front when received and whenever modified and timestamped out on its back when the order has been filled (including separate timestamps for receipt of partial fills) or cancelled. As physical conditions allow, CME staff will work with firms and brokers in locating additional timestamp machines in the currency quadrant to allow for the timestamping of the order tickets.
3. After execution of the order (or upon its cancellation) the broker or clerk must return the original copy of the order ticket and any associated fill cards to the firm

placing the order. Firms must maintain the order for 5 years as required by Exchange rules and the CFTC. Brokers are encouraged to maintain a copy of the order ticket for their records.

4. Firms must keypunch the trade using the information from the order ticket and associated fill cards.
5. The firm placing the order remains financially responsible to its customers for orders placed with brokers or clerks under the terms of this policy. Brokers remain financially responsible for, and must exercise due diligence in, the handling and execution of these orders.

Firms wishing to operate under this policy must submit a letter of request to Market Regulation (via post or via facsimile 312.648.8665 and post) that identifies to whom the orders will be communicated and states that the firm is aware of the taping requirement described in #1 above and that the firm will comply with the requirement. The firms and brokers operating under the policy must also ensure that up-to-date headset applications have been filed with the CME Telecommunications Department and ensure that the applications identify the intended use of the headset(s). Further, any changes in the use of an existing headset must be updated with the CME Telecommunications Department. **No firm may begin to operate under the terms of this policy until the request has been approved by the Exchange.**

If you have any questions, please contact Robert A. Sniegowski, Associate Director, Market Regulation, at 312.648.5493, Eric S. Wolff, Managing Director, Regulatory Affairs, at 312.930.3255, or James P. Moran, Director, Market Regulation, at 312.930.8520.