CME Group

Special Executive Report

S-7283 **January 23, 2015**

Revisions to CME/CBOT/NYMEX/COMEX Rule 562 ("Position Limit Violations")

Pending all relevant regulatory review periods, effective Friday, February 6, 2015, CME, CBOT, NYMEX and COMEX (collectively, the "Exchanges") will adopt revisions to Rule 562 ("Position Limit Violations"). The revisions clarify that positions established intraday which exceed a position limit constitute a violation of Rule 562 and codify the longstanding manner in which the Rule has been applied.

Additionally, the revisions eliminate the provision that making a bid or offer that, if accepted, would cause a person to exceed a position limit constitutes a violation of Rule 562. Notwithstanding the elimination of the provision, market participants are reminded that the Exchanges maintain authority to identify any bidding or offering activity deemed to be disruptive and to take action against such activity pursuant to the provisions of Rule 575 ("Disruptive Practices Prohibited") or Rule 432 ("General Offenses").

The revisions to Rule 562 appear below, with the additions underscored and deletions overstruck.

CME, CBOT, NYMEX and COMEX

562. POSITION LIMIT VIOLATIONS

Any positions in excess of those permitted under the rules of the Exchange shall be deemed position limit violations, including positions established intraday. ~~Additionally, any person making a bid or offer that would, if accepted, cause such person to exceed the applicable position limits shall be in violation of this rule.~~

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

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

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

Questions concerning these revisions may be directed to Chris Reinhardt, Senior Director of Market Surveillance 312.435.3665 or Ryne Toscano, Director of Market Surveillance 212.299.2879.

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