

CHAPTER 5B
e-cbot®

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INTERPRETATIONS & SPECIAL NOTICES
RELATING TO CHAPTER 5B

LIFFE CORE NETWORK ACCEPTABLE USE POLICY

Chapter 5B **e-cbot[®]**

5B.01 APPLICABILITY OF RULES

The rules and regulations contained in this Chapter govern those Exchange contracts that are traded through the e-cbot system. References to "Globex" in other sections of this Rulebook shall apply equally to e-cbot, and references to "terminal operators" shall apply equally to members and "Registered Users" accessing e-cbot, unless specifically excluded therefrom, and except for such references in Rules 573, 574, 576, 579.B, 579.C, 579.D, and 587, and in the provisions of Chapter 6. However, to the extent that the provisions in this Chapter conflict with rules and regulations in other sections of this Rulebook, this Chapter supersedes such rules and regulations and governs the manner in which contracts are traded through the e-cbot system. Otherwise, contracts traded on the e-cbot system are fully subject to applicable general rules and regulations of the Exchange unless specifically and expressly excluded therefrom.

5B.02 HOURS

The Exchange shall determine the hours during which the e-cbot system shall operate for the trading of each contract or product.

5B.03 PRODUCTS

The Exchange shall determine the contracts and/or products which shall be listed through or listed on the e-cbot system.

5B.04 DIRECT E-CBOT CONNECTION

CBOT clearing member firms are eligible to obtain a direct e-cbot connection. Additionally, CBOT clearing member firms may authorize the extension of a direct e-cbot connection to non-clearing members and non-member customers or affiliates. Such authorizations shall be submitted by the Clearing Member to the Exchange in writing and signed by an authorized officer of the Clearing Member. The Clearing Member guarantees the financial obligations of each person or entity for which it has authorized a direct connection with respect to transactions executed under its Clearing Member Mnemonic; however, for give-out transactions, such guarantee is effective only until such time that the give-out transaction is accepted for clearing by another Clearing Member.

An authorized officer of the non-member for which a Clearing Member authorizes a direct connection must agree in writing that the non-member's use of the e-cbot system is governed by CBOT rules and regulations and that the non-member shall be subject to the jurisdiction of the CBOT.

With respect to each non-member for whom the Clearing Member has authorized a direct connection, the Clearing Member must:

- (a) Provide such non-member with information concerning the use of the e-cbot system and the rules and regulations of the Exchange.
- (b) Assist the Exchange in any investigation into potential violations of Exchange rules and regulations or the Commodity Exchange Act. Such assistance must be timely and includes, but is not limited to, requiring the non-member to produce documents, to answer questions from the Exchange, and/or to appear in connection with the investigation.
- (c) Suspend or terminate the non-member's e-cbot access if the Exchange determines that the actions of the non-member threaten the integrity or liquidity of any contract, violate any Exchange rules or regulations or the Commodity Exchange Act, or if the non-member fails to cooperate in an investigation. If a Clearing Member has actual or constructive notice of a violation of Exchange rules or regulations in connection with the use of the e-cbot system by a non-member for which it has authorized a direct connection and the Clearing Member fails to take appropriate action, the Clearing Member may be found to have committed acts detrimental to the interest or welfare of the Exchange.

5B.05 ITMS AND RESPONSIBLE PERSONS

Each person or entity that has a direct connection to e-cbot will request one or more Individual Trade Mnemonics (ITMs) as needed to accommodate the nature and volume of the person's or entity's business. A Responsible Person and one or more Backup Responsible Person(s) must be

registered with the Exchange for each ITM. The Exchange, at its sole discretion, may limit the number of, or require additional ITMs and Responsible Persons.

A Responsible Person (or in his absence, the Backup Responsible Person) must be reachable via telephone by the Exchange at all times that any of the ITMs assigned to him are in use. A Responsible Person (or in his absence, his Backup Responsible Person) must:

- (a) have the authority, at the Exchange's request, to modify or withdraw any order submitted under an ITM assigned to him; and
- (b) immediately identify, at the Exchange's request, the source of any order submitted under an ITM assigned to him.

5B.06 E-CBOT USER IDS

Each order entered through an ITM must contain an e-cbot User ID that identifies the participant who entered the order. Each member or non-member with a direct connection must utilize a client application that automatically populates the e-cbot User ID for every order based on the client application login.

Members, non-member employees and proprietary traders of a member or member firm, and non-member employees and proprietary traders of each non-member with a direct connection must have a unique, Exchange assigned, registered e-cbot User ID. Such participants shall be referred to as Registered Users. The e-cbot User ID for all other users need not be registered. Each member or non-member entity with a direct connection shall ensure the accuracy of a Registered User's registration information at all times.

A Registered User shall be subject to the rules of the Exchange, including, but not limited to, the rules of this Chapter and rules relating to order handling, trade practices and disciplinary proceedings. It shall be the duty of the entity or individual who employs the Registered User to supervise such user's compliance with Exchange rules and regulations, and any violation thereof by such Registered User may be considered a violation by the employer.

5B.07 E-CBOT ACCESS FROM THE TRADING FLOOR

A member on the trading floor may directly enter e-cbot orders for his personal account, or for a proprietary account he controls, in any product listed for trading on e-cbot. A member on the trading floor may directly enter e-cbot orders for accounts other than his own account or an account that he controls, only in such products as his membership category permits.

A non-member employee of a member or member firm may enter e-cbot orders on a non-discretionary basis in any product for the account of his employer, but may enter orders for the accounts of others only in those products consistent with his employer's membership privileges. Orders entered by a non-member employee on behalf of an account other than his employer's account may be entered from within a trading pit only at the specific direction of the floor broker who employs the non-member clerk.

The permissible locations of clerks within a trading pit shall be subject to the discretion of the relevant Pit Committee and the permissible locations of clerks outside of the trading pit shall be subject to the discretion of the Exchange.

5B.08 CLEARING MEMBER AUTHORIZATION

- (a) Qualifying Clearing Member – Each non-clearing member or non-member with a direct connection who enters transactions through the e-cbot system must obtain authorization from a qualifying clearing member. The qualifying clearing member shall guarantee and assume financial responsibility for all such transactions traded through e-cbot under its Clearing Member Mnemonic. The qualifying clearing member shall be liable upon all such trades made by the non-clearing member or non-member.
- (b) Other Clearing Members – A non-clearing member or non-member with a direct connection may be authorized to enter transactions through the e-cbot system by one or more clearing members, in addition to its qualifying clearing member, in accordance with the requirements of Rule 903, provided that written permission has been granted by its qualifying clearing member. Such other clearing member shall be liable upon all e-cbot trades made by the non-clearing member or non-member under its Clearing Member Mnemonic.
- (c) Revocation of Clearing Authorization – A clearing member that provides e-cbot trading authorization to a non-clearing member or non-member may revoke such authorization without prior notice. Written notice of the revocation of clearing authorization shall be immediately provided to the Exchange, which shall thereby terminate such connection and cancel all orders

of the non-clearing member or non-member in the e-cbot system under the revoking clearing member's Mnemonic. If the revocation is by the qualifying clearing member, all e-cbot connections of the non-clearing member or non-member shall be terminated until another clearing member has designated itself as the qualifying clearing member. Unless otherwise specified by the qualifying clearing member, a member whose connection to e-cbot has been terminated shall not automatically be denied access to the Floor of the Exchange during open auction trading hours.

5B.09 E-CBOT OPENING

- (a) During the Pre-Open period designated by the Exchange, traders may enter only Market on Open orders, Limit orders, GTC Limit orders, Stop Market orders and Stop Limit orders. Order modifiers are not permitted on orders entered during the Pre-Open.
- (b) Immediately upon the Market Open, e-cbot will apply an uncrossing algorithm to calculate the price at which the maximum volume will be traded. All orders executed pursuant to the uncrossing algorithm will be executed at a price equal to or better than that at which they were entered. Market on Open orders are processed immediately after the uncrossing. The Exchange does not guarantee the execution of any order at the opening price.

5B.10 E-CBOT ORDERS

- (a) An e-cbot order may contain one of the following designations:
 - (1) Market orders – Market orders are executed at the best price or prices available in the order book at the time the order is received until the order has been filled in its entirety. However, a market order will not trade outside of the dynamic price limits and any residual volume from an incomplete market order is canceled. Market orders are rejected if the market is not open.
 - (2) Market on Open (MOO) orders – Market on open orders can only be submitted for futures products, including strategies. Such orders are accepted only during Pre-Open and are intended for execution at the opening market price. MOO orders will be executed by the Trading Host at the opening price calculated after the uncrossing of limit orders in the market when the market opens. MOO orders can be entered as Standard or Persisted. An expiration date can also be entered for Persisted MOOs. If an opening price cannot be calculated for the market when it opens, all MOO orders will be automatically canceled. Any residual volume from Standard MOO orders that are not matched on the opening will be converted automatically to limit orders at the opening price. Any residual volume from Persisted MOO orders that are not matched on the opening will be converted automatically to Good-Till-Canceled limit orders at the opening price.
 - (3) Limit orders – Limit orders are orders to buy or sell a stated quantity at a specified price, or at a better price, if obtainable. Unless otherwise specified, any residual volume from an incomplete limit order is retained in the central order book until the end of the day unless it is withdrawn or executed.
 - (4) Good-Till-Canceled Limit (“GTC”) orders – GTC orders are eligible for execution for the current and all subsequent e-cbot trade sessions until executed, canceled or the expiry month expires. GTC orders can be given an expiry date and are valid until the end of trading on that date.
 - (5) Stop Market and Stop Limit orders – Buy stop orders will be triggered by a trade at or above the stop trigger price and sell stop orders will be triggered by a trade at or below the stop trigger price. Higher bids/lower offers, as well as ex-pit trades and strategy leg prices, will not activate stop orders. For a stop market order, once the stop price is triggered, the order is entered into the Trading Host as a market order, which will react to the market as a regular market order. For a stop limit order, once the stop price is triggered, the order is entered into the Trading Host as a limit order at the trigger price. Valid order time types for stop orders are Good-for-Day and Good-Till-Canceled.
 - (6) Market Making orders (“MMO”) – MMOs allow a trader to simultaneously submit bids and offers into a single options series or futures month. Volumes for each side do not have to be equal.
 - (7) Clip orders – Clip orders are designed to provide more functionality for traders that are hedging between two markets. “Clips” are a series of quantity levels that allow the trader to define specific amounts to be traded. The trader specifies a ratio, and the ratio defines the clip size. Clip orders can be described as an Immediate or Cancel order with a time-

out value. If the order clip size is not fully matched the remaining volume is canceled. Clip orders will only be permitted for specific products designated by the Exchange.

- (b) The following order modifiers are permitted:
 - (1) Minimum Volume – Minimum Volume orders are executed only if there is at least the designated minimum volume available at the stated price or better. If the designated minimum volume cannot be traded, the order is canceled. Any residual volume from a partially executed minimum volume order is retained in the central order book. A Minimum Volume modifier may be used with limit orders, GTC limit orders and market orders.
 - (2) Complete Volume – Complete Volume orders are executed only if there is sufficient volume available, at the stated price or better, to execute the order in its entirety. If the order cannot be executed in its entirety, the entire order is canceled. A Complete Volume modifier may be used with limit orders and market orders.
 - (3) Immediate & Cancel – Immediate and Cancel orders are executed against any existing orders at the stated price or better, up to the volume designated on the order. Any residual volume on the order is canceled. An Immediate and Cancel modifier may be used with limit orders.
- (c) Strategy Orders and Contingent Multiple Orders
 - (1) Strategy Orders – e-cbot allows for the creation of recognized strategies, including delta neutral strategies, and for the submission of orders in such strategies.
 - (2) Contingent Multiple Orders – A Contingent Multiple Order is an order that contains between two and eight component outright orders in up to two products. The permitted product pairs are pre-defined by the Exchange. Trading of any component order is contingent on all component orders being fully executed. Only one futures component is permitted if any component is an option. Each component order can be a limit order or a market order.

5B.11 ORDER ENTRY

- (a) A member or Registered User who is registered as a floor broker or associated person, or in a comparable capacity under applicable law, may enter discretionary or non-discretionary orders on behalf of any account of a clearing member with the prior approval of the clearing member responsible to clear such orders.
- (b) A member or Registered User who is not registered as a floor broker or associated person, or in a comparable capacity under applicable law, may enter non-discretionary orders on behalf of customers. Such member or Registered User may enter discretionary or non-discretionary orders for the account of his employer or for his own account provided he does not enter or handle customer orders.
- (c) It shall be the duty of each member or Registered User to: (1) submit orders through the e-cbot system under his registered e-cbot User ID and (2) input for each order the price, quantity, product, expiration month, correct CTI code and appropriate account designation and, for options, put or call and strike price. A suspense account may be used at the time of order entry provided that a contemporaneous written record of the order, with the correct account designation, is made, time-stamped and maintained in accordance with Regulation 5B.18, and provided that the correct account designation is entered into the clearing system prior to the end of the trading day. A suspense account may also be used at the time of order entry for bunched orders that are eligible for post-trade allocation, and are executed pursuant to and in accordance with CFTC Regulation 1.35(a-1)(5).
- (d) With respect to orders received by a member or Registered User which are immediately entered into the e-cbot system, no separate record need be made. However, if a member or Registered User receives an order that is not immediately entered into the e-cbot system, a record of the order including the order instructions, account designation, date, time of receipt and any other information that is required by the Exchange must be made. The order must be entered into the e-cbot system when it becomes executable.

5B.12 MISUSE OF E-CBOT

Misuse of the e-cbot system is strictly prohibited. It shall be deemed an act detrimental to the interest and welfare of the Exchange to either willfully or negligently engage in unauthorized access to e-cbot, to assist any individual in obtaining unauthorized access to e-cbot, to trade on the e-cbot system without the authorization of a clearing member, to alter the equipment associated with the system, to interfere with the operation of the system, to use or configure a component of the

system in a manner which does not conform to the LIFFE Core Network Acceptable Use Policy set forth in the Interpretations section at the end of this Chapter, to intercept or interfere with information provided on or through the system, or in any way to use the system in a manner contrary to the rules and regulations of the Exchange.

5B.13 TRADING AGAINST CUSTOMER ORDERS AND CROSSING ORDERS

- (a) Trading Against Customer Orders – During an e-cbot trading session, a member or Registered User shall not knowingly cause to be entered or knowingly enter into a transaction in which he takes the opposite side of an order entered on behalf of a customer, for the member's or Registered User's own account or his employer's proprietary account unless the customer order has been entered immediately upon receipt and has first been exposed on the e-cbot platform for a minimum 5 seconds for futures contracts and a minimum of 15 seconds for options contracts. Such transactions that are unknowingly consummated shall not be considered to have violated this regulation.
- (b) Crossing Orders – Independently initiated orders on opposite sides of the market for different beneficial account owners that are immediately executable against each other may be entered without delay provided that the orders did not involve pre-execution communications.

Opposite orders for different beneficial accounts that are simultaneously placed by a party with discretion over both accounts may be entered provided that one order is exposed on the e-cbot platform for a minimum of 5 seconds for futures contracts and a minimum of 15 seconds for options contracts.

An order allowing for price and/or time discretion, if not entered immediately upon receipt, may be knowingly entered opposite a second order entered by the same firm only if the second order has been entered immediately upon receipt and has been exposed on the e-cbot platform for a minimum of 5 seconds for futures contracts and a minimum of 15 seconds for options contracts.

(c) Pre-Execution Communications Prohibited

- (i) Pre-execution communications are communications between two market participants for the purpose of discerning interest in the execution of a transaction prior to the entry of an order on the e-cbot platform.
- (ii) Pre-execution communications and transactions arising from such communications are prohibited in all products during all hours except with respect to block trades pursuant to Rule 526 or Exchange of Futures for Related Position transactions pursuant to Rule 538. Violations of this regulation shall be considered an act detrimental to the interest and welfare of the Exchange.

5B.14 GOOD FAITH BIDS AND OFFERS

A member or Registered User shall not knowingly enter, or cause to be entered, bids or offers into the e-cbot system other than in good faith for the purpose of executing bona fide transactions.

5B.15 PRIORITY OF EXECUTION

Orders received by a member or Registered User shall be entered into the e-cbot system in the sequence received. Orders that cannot be immediately entered into e-cbot must be entered when the orders become executable in the sequence in which the orders were received.

5B.16 DISCIPLINARY PROCEDURES

All access denials, suspensions, expulsions and other restrictions imposed upon a member or Registered User by the Exchange pursuant to Exchange disciplinary procedures shall restrict with equal force and effect, access to, and use of, the e-cbot system.

5B.17 TERMINATION OF E-CBOT CONNECTION

The Exchange, at its sole discretion, shall have the right to summarily terminate the connection of any member or non-member, or the access of any ITM. Additionally, the Exchange, at its sole discretion, shall have the right to direct a member or non-member with a direct connection to immediately terminate access to the e-cbot system of any user.

5B.18 RECORDS OF TRANSACTIONS EFFECTED THROUGH THE E-CBOT SYSTEM

All written orders and any other original records pertaining to orders entered through the e-cbot system must be retained for five years. For orders entered into the e-cbot system immediately upon receipt, the data contained in the e-cbot system shall be deemed the original records of the

transaction.

5B.19 E-CBOT LIMITATION OF LIABILITY

This Regulation sets forth the disclaimer of warranties and the limitation of liability that shall apply to any provision, use, performance, maintenance or malfunction of the LIFFE CONNECT[®] system for trading on e-cbot:

(1) Disclaimer of Warranties. The CBOT provides any licensed products, access to the interface, the equipment and the trading system "AS IS". Except as specifically provided in any Interface Sublicense and Connection Agreement, the CBOT makes no, and hereby disclaims all, warranties, conditions, undertakings, terms or representations, expressed or implied by statute, common law or otherwise, in relation to any licensed products, equipment or trading system or any part or parts of the same. The CBOT specifically disclaims all implied warranties of merchantability, fitness for a particular purpose and non-infringement. The CBOT further disclaims all warranties, implied or otherwise, relating to any third party materials.

(2) Liability

(i) General Limitation. Excluding a finding of gross negligence or willful misconduct, the CBOT, the agents, subcontractors and licensors of the CBOT, and the officers, directors, and employees of the CBOT, and its agents, subcontractors and licensors, shall have no liability, to any licensee or any other person, under any Interface Sublicense and Connection Agreement or in relation to the use, performance, maintenance, or malfunction of the equipment, any licensed products, or the trading system or any components thereof, for any losses, or other damage or injury, direct or indirect (including, but not limited to, consequential, incidental, and special damages and loss of profits, goodwill or contracts), which arising from negligence or breach of contract or otherwise, and whether or not such person (or any designee thereof) shall have been advised of or otherwise might have anticipated the possibility of such damages.

(ii) Aggregate Liability. In the event the limitation under paragraph (b)(2)(i) above is found by a court of competent jurisdiction to be invalid, unlawful, or unenforceable, the entire aggregate liability of the CBOT, its agents, subcontractors and licensors, and the officers, directors, and employees of the CBOT and its agents, subcontractors and licensors under or in connection with any Interface Sublicense and Connection Agreement shall not exceed \$10,000.

Notwithstanding any of the foregoing provisions, this Regulation shall in no way limit the applicability of any provision of the Commodity Exchange Act, as amended, and Regulations thereunder.

5B.20 DISCLOSURE STATEMENT

No member or clearing member shall accept an order from, or on behalf of, a customer for entry into e-cbot, unless such customer is first provided with the Uniform Electronic Trading and Order Routing System Disclosure Statement developed by the National Futures Association.

5B.21. TRADE CANCELLATIONS AND PRICE ADJUSTMENTS

In order 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 Globex Control Center ("GCC") may adjust trade prices or cancel (bust) trades in accordance with the procedures detailed in Rule 588 when such action is necessary to mitigate market disrupting events caused by the improper or erroneous use of the electronic trading systems employed by the Exchange or by system defects.