CME Group
2012 Commodities Trading Challenge

Competition Rules and Procedures

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2012 Commodities Trading Challenge

- CME Group with assistance from CQG and the University of Houston, is sponsoring a commodities trading competition among colleges and universities.
- Students will compete as school teams for the electronic trading portion and individually for the open out-cry portion.
- Schools and individuals will compete for cash prizes and internships.

Teams can register at www.cmegroup.com/tradingchallenge.

Pre-registration (via Faculty Advisor) begins Monday January 9, 2012

Registration for general student population begins Monday January 16, 2012

Registration for the electronic competition closes at 5:00pm CT Monday February 6. Registration close for open outcry TBD.

Please refer to the site for information during the competition.

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Electronic Trading Team Competition: designed to provide students with an educational experience consistent with that of professional trading of CME Group products. Teams trade using live data in a simulated environment.

- Each school can enter up to 2 graduate and 2 undergraduate teams. Each team is required to have 3 to 5 participants. Teams may NOT mix graduate and undergraduate members. Faculty advisors are highly recommended.
- Teams will use CQG Integrated Client trading platform to execute trades on the CME Group Globex platform. CQG will provide access to software and training before the competition begins. CQG's software only works on a PC platform.
- Teams or individuals can participate in either the Electronic Trading and Open Out-Cry competitions or both.

Open Out-Cry Competitions: simulate trading as a CME Group floor broker

- The one day Open Out-Cry Competitions allow individuals to compete in several elimination rounds to determine the best "trader". **Each school is limited to 4 participants.**
- The Open Out-Cry Competitions are scheduled **in Chicago** on the CME Group trading floor on March 23 and **at the University of Houston** on March 31.

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Practice Round

The two-day Practice Round begins Monday, February 13 at 17:00 CT and ends Wednesday, February 15 at 16:15 CT. A trading day begins at 17:00 CT and ends the next evening at 16:15 CT. All teams should log out of CQG daily.

CQG will create simulated accounts for each team with a balance of $100,000.

Although this is just practice, all accounts should maintain proper margin at all times. Margin rates fluctuate daily. Rates are available at www.cmegroup.com/clearing/risk-management/

If a team's available balance drops below the required margin level, only orders that reduce or exit a position will be accepted.

If a team's account balance drops to zero or below, the account is locked until it is reset for the Preliminary Round.

Algo trading is not permited.

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Preliminary Round

The Preliminary Round begins Wednesday, February 15 at 17:00 CT and ends Thursday, March 1 at 16:15 CT. Trading hours are Sunday – Friday, beginning 17:00 and ending the following day at 16:15 CT. Markets are closed from 16:15 Friday to 17:00 Sunday CT.

All account balances are reset to $100,000.

All teams are asked to execute at least 5 trades per day in either NYMEX Crude Oil or COMEX Gold or a combination of both. Daily required minimum is five trades, consisting of an entry (long or short) and/or an exit. The number of contracts traded is limited to the margin requirements posted in the rules.

Teams are penalized $1,000 per day for every day they make less than 5 trades. A commission of $2.50 is charged per traded contract (side).

If a team loses 20% of it's available account balance in one day, the account is locked for the remainder of the trading day.

Algo trading is not permitted.

The top 16 of participating teams with the highest account balance at 16:15 CT on Thursday, March 1 advance to the Championship Round.

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Championship Round

The Championship Round begins Sunday, March 4 at 17:00 CT and ends Friday, March 16 at 16:15 CT.

The trading rules for the Championship Round are the same as the Preliminary round.

Account balances are reset to $250,000.

The winner is determined by the team with the highest account balance in the Championship Round. A *team* from a school that won last year is eligible to win this year however if an *individual* was part of the winning team last year, they are ineligible this year to win cash prizes. Under this circumstance, the cash prize would still be divided evenly amongst the total number of team members however the ineligible winner would not receive their share of the evenly divided cash prize.

16 teams participate in the Championship Round. The top 4 teams in the this round receive a cash prize.

All registered members of the winning team are interviewed for a paid summer internship in Chicago that includes housing and round trip transportation.
The selection is up to the discretion of CME Group.

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Product Specifications

Commodity	**Crude Oil**	**Exchange**	NYMEX
CQG Symbol	CLE	**Price Example**	71.43
Open Out-Cry Hours	08:00 – 13:30 CT	**Contract Size**	1000 barrels
Minimum Tick	$.01 per barrel	**Price per Tick**	$10.00
Delivery Months	All	**Last Trading Day**	Mar: Feb 22, 13:30 CT
Margin	$5,400 per contract (example)		

Commodity	**Gold**	**Exchange**	COMEX
CQG Symbol	GCE	**Price Example**	1049.20
Open Out-Cry Hours	07:20 – 12:30 CT	**Contract Size**	100 troy ounces
Minimum Tick	$.10 per troy ounce	**Price per Tick**	$10.00
Delivery Months	Feb, Apr, Jun, Aug Oct and Dec	**Last Trading Day**	Feb: Feb 24, 12:30 CT
Margin	$4,500 per contract (example)		

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Delivery Month Codes

F	G	H	J
January	February	March	April
K	M	N	Q
May	June	July	August
U	V	X	Z
September	October	November	December

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2012 Commodity Trading Competition
Profit and Loss

Profit / Loss Calculation Example:
If you buy 10 lots of NYMEX Crude Oil at $71.43 and liquidate the position by selling 10 at $72.27, you have made $0.84 (points) on 10 lots. The price per tick for NYMEX Crude Oil is $10.00. The following procedure provides an elementary example of calculating profit or loss.

** Refer to the Contract Specifications page for calculation details.*
*** Always use the decimal point in the calculation.*

Step 1: *Calculate Point Difference*

Sell Price (72.27) – Buy Price (71.43) = Point Difference (.84).

Step 2: *Calculate Profit/Loss*

Point Difference (.84) * Contract Size (1,000) * # of Contracts (10)= Profit/Loss (8,400)

Profit of $8,400.00

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Buying and Selling

If you **buy** to initiate a position, your account is "**long"**.

If you **sell** to initiate a position, your account is "**short**".

If you are **long 10 lots** of April Crude Oil, you can **sell 10 lots** of April Crude Oil to liquidate the position and become "flat".
You can also increase your position.

Open positions are marked to market (the most recent day's settlement price).
You do not realize a profit or loss until you liquidate your position.

To calculate your profit or loss, you should use the criteria specific for each commodity.

All executions should be manually recorded and checked daily against the CQG trade log.

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Order Types

Market Order (MKT) – The order is submitted without a price.
A Market order is executed immediately at the current market price.

Limit Order – The order is submitted with a specific price limit.
You will be filled at the stated price limit.
Buy Limit orders should be entered below the current market.
Sell Limit orders should be entered above the current market.

Stop Order (X) - A Stop order is a resting order used to initiate or offset a position at or near a specific price level.
A Stop order becomes a Market order when the market reaches the stated price level.

Sell Stop orders should be entered below the current market.
Buy Stop orders should be entered above the current market.

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How are your orders filled?

- Market orders are filled immediately at the last traded price.
- Limit orders are filled when the market trades at the limit price.
- Stop orders are filled when the market trades at the stop price.

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Open Out-Cry Competition

- CME Group will host simulated Open Out-Cry Competitions in Chicago and at the University of Houston.
- Training and trading at CME Group in Chicago is on Friday, March 23. Event details will be emailed to each participant about a week prior.
- Open Out-Cry training will be provided in Houston on Friday, March 30 followed by trading on Saturday, March 31. Event details will be emailed to each participant about a week prior.
- Students from each school are invited to participate in the Open Out-Cry Competition. **CHICAGO ONLY:** Each school is limited to 4 participants who register on a first-come-first-serve basis. Those registrants exceeding the 4 student maximum per school will be placed on a waitlist. Maximum capacity for the competition is 80. Should the maximum capacity not be reached, students on the waitlist will be randomly selected to participate and notified by e-mail on March 15.
- Open Out-Cry competitors are not required to have participated in the Electronic Trading Competition.
- Competitors advance from the preliminary trading rounds to the final rounds based on their ability to follow the movement of the market, execution of orders and recording of trades.
- The judging panel consists of Exchange members, trading firm representatives, industry executives and CME Group staff.
- The winners are awarded with cash prizes. Participants cannot win a prize in both Chicago and Houston and previous year's winners are ineligible for prizes, but can still participate.

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Glossary

Account Executive The agent of a commission house who serves the customer/traders by entering their commodity future and option orders, reporting trade executions, advising on trading strategies, etc.

At the Market An order to buy or sell at the best price obtainable at time order is received. (See Market Order)

At the Money An option is “at the money” when the underlying futures price equals the strike price.

Back Month More distant trading months, months that are farther away from the spot month.

Bear Market A market in which prices are declining.

Bid A motion to purchase a futures contract at a specified price.

Broker (Paper/Floor) The person who executes the buy and sell orders of a customer in return for a commission or fee.

Bull Market A market in which prices are rising.

Call Option An option which gives the buyer/holder the right to enter into a long futures position at a predetermined strike price, and obligates the seller/writer to enter into a short futures position at the designated price, should the option be exercised.

CFTC The Commodity Futures Trading Commission. An independent government agency created by Congress to regulate commodity futures trading.

Clearing Member A member firm of the Clearing House or Association. Each clearing member must also be a member of the exchange. Not all members of the exchange, however, are members of the clearing association. All trades of a non-clearing member must be registered with and eventually settled through a clearing member.

Clerk An employee of an Exchange Member who has been registered to work on the floor of the Exchange. The person may be a Telephone Clerk, Screen Clerk, Point Clerk or Runner.

Closing Range The range in trading prices during the last two minutes of trading (the close).

Commodity Any tangible good or product which can be traded or used for commercial purposes.

CME Group

Glossary

Contract An obligation to either make or accept delivery of a specified commodity at a specific price, amount and quality within a specified period of time in the future.

Daily Limit The maximum allowable variation above or below the previous day's settlement price that a commodity can trade.

Day Trading Refers to establishing and liquidating the same position or positions within one day's trading.

Deck The collective name given to all the orders held by a broker.

Delivery Month The month specified in a given futures contract for delivery of the actual physical or cash commodity.

Exercise The right granted to the option's holder to buy the underlying futures contract, in case of a call option, or sell the underlying futures contract, in the case of a put option.

Flat Market A market in which the bid and offer are the same price.

Futures Commission Merchant Any individual, association, partnership, or corporation that buys or sells futures contracts on commission. FCMs must now meet specified minimum financial standards.

Hedge A position in the futures market equal and opposite of a position in the cash market.

Independent A trader who trades solely for his/her own account, also known as a local.

In the Money An option is "in the money" if the underlying futures price is above a call option's strike price or below a put options' strike price.

Limit Order An order given to a broker by a customer specifying a certain maximum (or minimum price), beyond which the order is not to be executed.

Limit Up/Down A term used to describe trading that is at the daily limit.

Local A trader who trades solely for his/her own account, also known as an independent

Long Position A trading position in which a trader has purchased futures contracts and has not yet offset his/her position by selling those contracts (opposite of a short position).

Lot Same as a contract, the smallest unit of any trade.

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Glossary

Margin A cash amount of funds which must be deposited with the broker for each contact as a guarantee of fulfillment of the futures contract. It is not considered as part payment of purchase. Margins are also required on short options positions.

Market Order An order for immediate execution given to a broker to buy or sell at the best obtainable price.

M.I.T. Market If Touched. A price order that automatically becomes a market order if the price is reached.

Offer A motion to sell a futures contract at a specified price.

Open Outcry A method of public auction for making verbal bids and offers for contracts in the trading pits or rings of commodity exchanges. At least three people must be present for trades to be made.

Open Interest The total number of futures contracts in a particular market which have not yet been liquidated by an offsetting futures transaction or delivery. The figure represents one side of each open contract, not both sides.

Opening Call The process of opening up each contract on a month-by-month basis.

Out of the Money An option that has no intrinsic value. For example, a put option is "out of the money" if its strike price is below the underlying futures price.

Pit The area on the trading floor where a specific commodity is traded (also known as the ring)

Pit Card The card which the seller completes with all trade information after a trade has been executed.

Podium A raised platform section, located at the edge of a pit or above it, from which the Exchange staff supervises trading operations and maintains order. The podium is also used by members of the Floor Committee to provide information over the public address system or to receive information.

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Glossary

Premium In options trading the premium is the price of an option determined by buyers and sellers in open, competitive trading on the Exchange trading floor.

Print A posted price. “Making a print” refers to buying or selling at a price that has not been recently traded that day.

Put Option An option that gives the buyer/holder the right to enter into a short futures position at a predetermined strike price, and obligates the seller/writer to a long futures position should the option be exercised.

Rally An advancing price movement following a decline in a market.

Red Months Contracts that trade more than one calendar year out, red months are the second appearance of a month.

Reporter A NYMEX employee whose job is to report the market.

Ring The area on the trading floor where a specific commodity is traded.

Runner A NYMEX employee who takes pit cards from the ring to Data Processing.

Settlement Price The most representative price in a given futures contract near the close of daily trading.

Short Position An opening trading position in which the trader has sold futures contracts and not yet offset it by purchasing those contracts (opposite of long position).

Speculator An individual who invests in commodity futures with the objective of achieving profits by successfully anticipating price movements.

Spot Month The futures contract closest to maturity. The nearest delivery month.

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Glossary

Spread (futures) The simultaneous purchase of one futures contract and sale of a different futures contract. May also refer to a futures contract purchase in one month and the sale of the identical contract in another month. The terms “spread” and “straddle” are sometimes used interchangeably. “Calendar Spread” often refers to the simultaneous purchase and sale of futures contracts for the same commodity for delivery in different months. “Straddle” usually refers to the simultaneous purchase and sale of futures in different, but related commodities for delivery in the same or different months.

Spread (options) The purchase and sale of two options of the same type (call or puts) which vary in terms of strike prices, expiration dates or both.

Strike Price or Exercise Price The price at which an option buyer can establish a crude oil futures position if he/she exercises it.

TMS (Trade Management System) TMS is the Exchange’s Trade Management System used to check, allocate and split trades. The system is also used to view market data (e.g. Volume, Open Interest, etc.), send and receive messages. Trades can be viewed for five business days (current day and previous 4 business days).

Tick The smallest allowable price movement of a specific commodity contract.

Trader Anyone who buys and sells contracts in the ring.

Trading Volume The total of purchases or sales during a trading session, not the total of purchases and sales combined. Since there is a buyer and a seller for each contract traded, the total of purchases must equal the total of sales each day.

Trend The general direction of price movement in the market.

Volume The number of contracts bought and sold each day.

Volatility Extreme price sensitivity: a historical measure of the magnitude of commodity price changes. Commodity prices are highly sensitive to weather variations, governmental regulation, labor disputes, new developments in technology, political upheaval, war and other influences. Volatility is not only closely tied to actual supply and demand conditions, but also perceived by anticipated supply and demand conditions.

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Thank you
and
Good Luck!

To learn more about CME Group please visit www.cmegroup.com