

CME Group Messaging Policy For the CME Globex Platform

Version 5.0

Document Release Date: July 24, 2009

Table of Contents

Executive Summary.....	3
1. Introduction.....	3
2. Volume Ratio	3
3. Product Benchmarks.....	3
4. Policy Details.....	3
5. Reporting.....	4
6. Notices and Surcharges.....	4
7. Customer Recourse: Request for Reconsideration of Surcharges.....	5
8. Questions and Answers.....	5
9. Appendices.....	7
9.1 Sample Class A Firm Notice.....	7
9.2 Sample Class A Firm Report.....	8
9.3 Case Examples.....	9

Executive Summary

This document details the CME Group Messaging Policy as it relates to the CME Globex platform.

1. Introduction

The CME Group Messaging Policy is a fair business policy that encourages market participants to trade and quote appropriately without harming market liquidity or performance.

The CME Globex platform is negatively affected when customers send excessive messages that do not provide market value. Inefficient messaging slows system performance, negatively impacts other market participants and increases capacity requirements and costs.

2. Volume Ratio

The Volume Ratio, the foundation of the CME Group Messaging Policy, allows CME Group to measure the trading activity of each Class A firm (active or inactive clearing member firms which maintain relationships with the CME Clearing House) to evaluate message quality and liquidity.

The Volume Ratio is determined by dividing the total number of messages from a Class A firm (orders, modifies, cancels) submitted for a given product during Regular Trading Hours (RTH) [e.g., 7:00 a.m. – 4:00 p.m. Central time (CT)] by the total executed volume for that product. The resulting Volume Ratio per product for the class A firm is compared to the product benchmark.

$$\text{Volume Ratio} = \frac{\text{Total Class A Firm Messaging}}{\text{Total Class A Volume}}$$

3. Product Benchmarks

Every quarter, for a given product, CME Group calculates the product benchmarks by comparing the total messages to executed contracts per product during RTH and adding a pre-determined variation, including the most active roll periods in the calculation. The variation is determined per product to accommodate legitimate trading strategies.

$$\text{Product Benchmark} = \frac{\text{Total Product Messaging}}{\text{Total Product Volume}} + \text{Variation}$$

Product benchmarks are published quarterly at www.cmegroup.com/messagingpolicy.

Class A firms must not exceed product-specific product benchmarks.

Market Maker trading activity is excluded from product benchmark calculations. Registered Market Maker firms are subject to program-specific product benchmarks.

4. Policy Details

The CME Group Messaging Policy is only applied to trading activity during RTH. However, CME Group also expects responsible messaging during the evening and early morning trading hours. The effective hours for the CME Group Messaging Policy may be expanded if necessary.

Exceptions

- Class A firms submitting less than 20,000 messages per trading session in a given product are excluded.
- CME Group-sanctioned market makers are exempted from the CME Group Messaging Policy and are covered under separate agreement with CME Group.
- The products covered in this policy are subject to change.

5. Reporting

CME Group analyzes trading activity and produces reports for any Class A firm upon request, and whenever a product benchmark is exceeded. Report data is segregated by product with a pass/fail status. Three scenarios may be reported:

- Case 0: Pass on low message count (<20,000 messages)
- Case 1: Fail Volume Ratio (Volume Ratio < Product Benchmark)
- Case 2: Pass Volume Ratio (Volume Ratio > Product Benchmark)

In addition, Class A firm reports are segregated by the following so that the origin of trading activity is easily identifiable:

- Trading Firm (sub-firms)
- FIX tag 50
- iLink 2.X Session ID
- Account number

Reports for Class A firms are available T + 1. Reports are available via e-mail from the CME Globex Control Center (GCC) and online via the CME Group Connect at <http://connect.cme.com> to registered administrators of the requesting Class A firm. The GCC will e-mail notification and reports to the Class A firm administrator when a product benchmark is exceeded.

Please contact your [CME Globex Account Manager](#) at 312.634.8700 for CME Group Connect access.

Please note: Inactive Class A firms must have unique sub-firm number(s) for their trading activity to be assessed individually. Class A firms should contact their [CME Globex Account Manager](#) at 312.634.8700 for additional information regarding sub-firm numbers and separate reporting.

6. Notices and Surcharges

If a Class A firm exceeds the Volume Ratio, CME Group provides that firm with two notices (one per session) within a rolling 30 business day period. Thereafter, CME Group levies a surcharge fee of \$2,000 per product, per session, per Class A firm each time a product benchmark is exceeded. The calculation period is reset once a period of 30 business days has passed without a single product Volume Ratio being exceeded.

Please Note: The two notices are provided to the Class A firm regardless of which client(s) caused the product benchmark exception. Class A firm clients are not given individual notices because messaging activity is measured at the Class A firm level, not the client level.

When the product benchmark has been exceeded and the notices are exhausted, resulting in a surcharge, Class A firms have ten business days to request reconsideration. The surcharges are not assessed until this reconsideration period has passed or CME Group has determined that reconsideration of the surcharge will not be granted. Surcharges are billed on the second calendar month following the violation date.

Surcharge fees are identified with the code “MPS” (Messaging Policy Surcharge) in the Class A firm’s monthly statements.

CME Group reserves the right to change the per product/session Class A firm surcharge fees and to raise the surcharge for firms that repeatedly exceed the allowable product volume ratio benchmarks.

7. Customer Recourse: Request for Reconsideration of Surcharges

When the product benchmark has been exceeded and the notices exhausted, resulting in a surcharge, a Class A firm may request reconsideration, if the firm believes that there are extenuating circumstances related to the event. In this case, please submit to CME Group a request for reconsideration with complete details, including the specific circumstances and steps taken to prevent additional events exceeding the policy benchmarks. A firm’s request for reconsideration of surcharges may be sent via email to messagingpolicyteam@cmegroup.com and must be received by CME Group no later than ten business days after notice of the surcharge.

The surcharge will not be assessed until this ten business day reconsideration period has passed or CME Group has determined that reconsideration of the surcharge will not be granted. Surcharges will be billed on the second calendar month following the violation date.

8. Questions and Answers

How will I know if my trading performance is impacted by this policy?

The CME Group Messaging Policy is applicable to all CME Group customers. However, it is administered at the Class A firm level. Inactive Class A firms must have unique sub-firm information to be assessed individually.

How will I know if I am adhering to the message use policy?

CME Group analyzes trading activity and produces reports per Class A firm. Reports for firms are available T + 1 via GCC e-mail or online via CME Group Connect. Please check with your Class A firm if you are unsure of your performance.

What products and hours are included in this policy?

Only the products with the highest messaging levels are included. The list may change quarterly. The policy applies only to trading during RTH. All products currently included in the CME Group Messaging Policy are listed online at www.cmegroup.com/messagingpolicy and updated quarterly.

What are the current product benchmarks?

Current product benchmarks can be found online at www.cmegroup.com/messagingpolicy.

How does this impact my Automated Trading Systems (ATS)?

Activity from all ATS will be included and evaluated in the trading activity for your related Class A firm (or independently if an inactive Class A firm with a unique sub-firm).

An ATS is an electronic system or computer software which is programmed to generate and send orders into CME Globex in an automated or semi-automated fashion.

Do Class A firms pass on surcharge fees to their customers?

It is up to each Class A firm to decide how surcharge fees are distributed. However, CME Group-provided reports will be segregated by sub-firm, FIX tag 50, iLink session ID and account number so that the Class A firm can easily identify the origin of trading activity.

Who do I call for more information?

Please contact [CME Globex Account Management](#) at 312.634.8700, or 44.20.7796.7100 in Europe or 852.3101.7696 in Asia.



9. Appendices

9.1. Sample Class A Firm Notice

In accordance with the CME Globex Messaging Policy ("the Policy"), this communication details surcharges assessed by CME Group due to your firm's messaging having exceeded the product benchmarks for the CME Globex (electronic trading) Platform. Please see the attached reports for specific messaging details. It is advised that you communicate this information to any parties whose messaging contributed to exceeding the product benchmarks.

(1) Your trading activity has exceeded product benchmarks on:

Trade Date: **2009-03-27**

For the Following Products: **CL , GC , QM**

Potential (Technology Usage) Surcharge: **\$6,000**

(2) The last date when your firm's trading activity exceeded product benchmarks was: **2009-03-26**

(3) This is the **2nd** trading session where trading activity exceeded product benchmarks in a rolling period of 30 business days.

(4) Number of session notices remaining: 0

A rolling thirty (30) business day period must pass without exceeding the applicable product benchmarks of the Policy. Thereafter, CME Group will issue two additional notices (one per session) within a rolling thirty (30) business day period before again assessing surcharges for exceeding the product benchmarks of the Policy. **Please note that CME Group reserves the right to substantially increase surcharges levied for frequent occurrences of exceeding the Policy benchmarks.**

If you believe that there are extenuating circumstances related to the event that warrant reconsideration, please submit complete details, including the specific circumstances and steps taken to prevent additional events exceeding the policy benchmarks, along with the date and your account or firm information.

This request for reconsideration of surcharges may be sent via email to messagingpolicyteam@cmegroup.com and must be received within 10 business days.

Thank you for your cooperation in addressing this messaging issue. If you have any questions, please refer to the CME Globex Messaging Policy at www.cmegroup.com/messagingpolicy or contact GCC Management at 312.454.3030 or your CME Globex Account Manager at 312.634.8700; or 44.20.7796.7100 in Europe; or 852.3101.7696 in Asia.

9.2. Sample Class A Firm Report

Reports are available based on the Class A firm, Trading Firm, iLink Session ID, FIX tag 50 and Account. Below is a sample Class A firm report.

Class A Report Trading Firm Session Tag50 Account							
Class A Firm #	Product symbol	Number of messages submitted, trades generated and volume created per product per month by this Class A firm			VR	Category	Benchmark VR
Class A Firm	Product Group	Messages	Trades	Volume	VR	Category	Benchmark VR
	ER	10,211	170	633	16.00	Fail (1)	15.00
	6A	47	23	55	0.85	Pass (0)	25.00
	6C	418	11	20	20.00	Pass (0)	20.00
	6E	796	108	400	1.00	Pass (0)	15.00
	6J	352	9	16	22.00	Pass (0)	25.00
	GE	137	1,420	24,639	0.00	Pass (0)	3.00
	ES	26,478	2,667	25,790	1.00	Pass (2)	5.00
	ME	3,984	260	654	6.00	Pass (2)	35.00
	NQ	78,362	3,632	23,472	3.00	Pass (2)	8.00

Class A firm's Volume Ratios. These calculations must not exceed the (sample) Product Benchmarks.

Fail/Pass Code where Fail (1) indicates Volume Ratio exceeded Benchmark, Pass (2) indicates Volume Ratio equal to or less than benchmark, and Pass (0) indicates less than 20,000 messages in the product group for the session, an automatic exemption.



A CME/Chicago Board of Trade/NYMEX Company

9.3. Case Examples

9.3.1 Case 0: Pass Low Message Count

Insufficient activity by Class A firm in a specific product

Class A firm Activity:

- Messages = 400
- Volume = 1

Product benchmark = 5

Surcharge fee does not apply as 400 inbound messages does not exceed exemption of 20,000

9.3.2 Case 1: Fail Volume Ratio

Class A firm exceeds product benchmark

Class A firm activity:

- Messages = 21,000
- Volume = 1,000

Product benchmark = 5

Fail Volume Ratio Test:

$$\frac{21,000}{1,000} = 21 > 5$$

Surcharge fee applies

9.3.3 Case 2: Pass Volume Ratio

Class A firm does not exceed the Volume Ratio

Class A firm activity:

- Messages = 22,000
- Volume = 11,000

Product benchmark = 5

Pass Volume Ratio test:

$$\frac{22,000}{11,000} = 2 < 5$$

Surcharge fee does not apply