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Chapter 5 Trading Qualifications and Practices

500. SCOPE OF CHAPTER

This chapter prescribes rules concerning floor access privileges, qualifications for trading privileges, and trading practices.

FLOOR PRIVILEGES

501. EMPLOYEES OF MEMBERS

Members shall register with the Exchange all persons whom they wish to employ on the trading floor. Such employees may act as runners, communicators, clerks and broker assistants. Such employees shall not be permitted to solicit customers or benefit from the production of orders, except as provided in Rule 140. Such employees shall not trade or have any interest in an account trading in any CME or CBOT futures or options contracts. Employees must wear a prescribed identification badge. Any member permitting trading by such employee shall be guilty of an offense against the Exchange. Remuneration to such employees shall be limited to salaries and normal bonuses. The member employer shall, upon request, provide a report to Exchange staff with respect to each such employee, setting forth the hours of employment, salary and bonus, and a copy of each employee's Internal Revenue Service W-2 Form or other documentation evidencing employment.

The following shall apply to any IMM, IOM or GEM member who also holds a broker assistant badge. Such person shall not trade for, or carry in his account or an account in which he has any interest, any positions in contracts traded on the Exchange except for those contracts which he is entitled to trade as principal or broker for others by virtue of his membership status as referenced above.

A member holding a broker assistant badge shall be required to notify his qualifying clearing member, as defined in Rule 903, of the name, address and immediate supervisor of the member or member firm by whom he is employed as a broker assistant. Upon a qualifying clearing member's revocation of trading authorization in accordance with Rule 903.E., the qualifying clearing member immediately shall give written notice to the member or member firm which employs a member as a broker assistant that the member's trading authorization has been revoked. A member holding a broker assistant badge shall be denied floor access privileges upon the revocation of trading authorization by his qualifying clearing member. The floor access privileges of a member who holds a broker assistant badge may be reinstated upon the filing of a release with the Shareholder Relations and Membership Services Department by the member's qualifying clearing member in accordance with Rule 903.D.

Members shall be responsible for ensuring that their employees comply with all Exchange rules and may, subject to a determination by an Exchange disciplinary committee, be liable for any fines imposed upon such employees by the Exchange. The Exchange may, in its sole discretion, notify a member of the existence of an Exchange investigation and the conduct which is the subject of the investigation involving one of the member's employees when the Market Regulation Department interviews such employee or, if no such interview occurs, when charges are issued against the employee by the Probable Cause Committee.

No person shall be registered as an employee pursuant to this rule if such person is determined by Exchange staff not to be of good moral character or if it is determined that such registration may be detrimental to the interest or welfare of the Exchange.

502. ADMISSION TO FLOOR

In addition to authorized employees and agents of the Exchange, only members, registered employees of members, permit holders and authorized visitors shall be permitted on the floor of the Exchange. No person may be introduced on the floor of the Exchange by a member on more than three days of any calendar month. Members must at all times accompany visitors for whom they have obtained floor access and are responsible for the conduct and actions of visitors for whom they have obtained floor access while such visitors are on Exchange premises. No privileges other than admittance to the floor may be extended to a guest. A

guest is specifically prohibited from performing any of the functions of an employee of a member or member firm, entering a trading pit, placing orders, using any electronic devices or market display equipment and blocking aiseways or access to trading pits.

503. RETIRED MEMBERS

Any member who has been a member for at least 25 years who sells or leases his membership may apply for a retired member badge which will entitle the retired member to access the trading floor. A retired member who leases his membership to another person may place orders for his own account from on the trading floor pursuant to the customer order entry requirements set forth in Rule 536.A.1. A retired member who sells his membership is prohibited from placing orders for any account while on the trading floor. Retired members are prohibited from accessing the trading pits during trading hours.

504. [RESERVED]

505. BOOTH AND FLOOR PRIVILEGES

Booth space on the trading floor may be assigned only to members and member firms. Available booth space will be assigned by Exchange staff in accordance with the policies established by the Exchange and the decisions of Exchange staff regarding the assignment of booth space shall be final. Orders may be accepted at the booth space assigned to a member or member firm only by the member, employees of the member or member firm and members qualified by the member firm.

Notwithstanding any other rule, any member who is associated as a partner, shareholder, member, officer, manager, employee, or consultant with any entity or natural person that is or should be registered as an Introducing Broker, Futures Commission Merchant, Commodity Trading Advisor or Commodity Pool Operator as those terms are defined in Section 1a of the Commodity Exchange Act and/or 17 C.F.R. 1.3, may not solicit orders of others from the floor of the Exchange unless the entity or natural person for which or for whom the member is soliciting orders is also a member firm or member of the Exchange.

506. HEADSET PRIVILEGES ON THE TRADING FLOOR

506.A. Access and Supervision

Members and member firms are eligible to lease headsets from the Exchange for use on the trading floor by filing an application with the Telecommunications Department unless such usage is restricted in a particular pit by Exchange policy. Where headset usage is permitted, members and member firms may authorize their nonmember employees to utilize headsets subject to their supervision. For the purposes of this rule, a telephone in, or on the perimeter of, a trading pit shall be treated in the same manner as a headset.

Members and member firms are responsible for ensuring that their nonmember employees who utilize headsets comply with all requirements set forth in this rule and are responsible for the content of their nonmember employees' headset communications.

506.B. Use of Headsets

Nonmember employees wearing a headset may communicate order and fill information, as well as market information that has been publicly exposed to the trading pit; however, such nonmember employees may not communicate their personal opinions concerning the market or trading activity.

Headsets may be used to communicate between locations on the trading floor, and between the trading floor and off-floor locations. Headsets may be used to accept, place or relay orders provided that all applicable Exchange audit trail and recordkeeping requirements are met, unless such usage is restricted in a particular pit by Exchange policy. In trading pits where headset contact with nonmember customers is permitted, nonmember customers may not place orders directly to the pit, and floor brokers and their employees may not accept such orders, unless the customer's clearing firm, in its sole discretion, has specifically authorized the customer to place orders directly.

507. ELECTRONIC DEVICES

507.A. General Provisions

The use of any electronic device on the trading floor is prohibited unless such device and/or usage has been authorized by the Exchange. For purposes of this rule, the term “electronic device” shall mean any type of voice or data communications interface, including but not limited to a computer, headset, hand-held device, microphone, telephone, or two-way radio. No Member (as defined in Rule 400) shall permit others to use any electronic device unless such use has been authorized by the Exchange. In using an electronic device, such Member shall retain any audit trail data in accordance with applicable Exchange rules and CFTC regulations.

507.B. Terms and Conditions of Use

The Exchange may, in its sole discretion, impose restrictions on the use of any authorized electronic device by any Member. The Exchange may limit, suspend or terminate any Member's right to use any authorized electronic device at any time, without prior notice and without any liability to the Exchange.

The Exchange shall have the right, at any time, to audit the use of any authorized electronic device by any Member.

The Exchange accepts no responsibility for loss, theft or damage to any equipment authorized for use by a Member on Exchange premises.

507.C. Electronic Surveillance

The Exchange may intercept and record any electronic communication received or sent from the trading floor to ensure compliance with Exchange Rules. Exchange members, their employees, and all others who are granted access to the trading floor consent, as a condition of their membership, employment, or access to the floor, to the interception, recording, and use of any such communication.

507.D. Personal Electronic Devices

Personal electronic handheld information devices including, but not limited to, cell phones, personal digital assistants (PDAs) and other devices with instant messaging capability may be used on the trading floor only for non-business purposes, except that members may use such devices to place orders for their own account provided the member complies with all audit trail requirements. Such devices must not interfere with any Exchange system.

507.E. Cameras and Video Equipment

Unless authorized by the Exchange, the use of any type of camera or video equipment on the trading floor is prohibited.

508. GIVING AND RECEIVING OF GRATUITIES

A member, member firm, broker association, trading group or an employee of any of the foregoing may not give, directly or indirectly, to any employee of another member, member firm, broker association or trading group any gratuities or gifts with an aggregate market value in excess of \$100 within any twelve-month period.

This rule applies notwithstanding any internal policy of an entity that allows for gifts in excess of \$100. The requirements of this rule apply to both the providers and the recipients of such gifts and gratuities.

509. [RESERVED]

TRADING QUALIFICATIONS AND REGULATIONS

510. REQUIREMENTS FOR MEMBERS AND THEIR EMPLOYEES ON THE TRADING FLOOR

All members and their employees on the trading floor shall satisfy all orientation requirements of the Exchange. All members seeking to act as a floor broker, floor trader, or in any other capacity requiring registration pursuant to the Commodity Exchange Act, must be registered in accordance with applicable CFTC regulations.

A member shall be prohibited from engaging in activities requiring registration under the Commodity Exchange Act or from representing himself to be a registrant under the Commodity Exchange Act or the representative or agent of any registrant if such member's floor broker or floor trader registration is suspended by the CFTC or if the Exchange has suspended such

member's privilege to act as a floor broker or floor trader on the Exchange.

All members registered with the CFTC must report any changes to such status in accordance with applicable CFTC regulations and must promptly notify the Shareholder Relations and Membership Services Department of any such changes.

511. QUALIFIED TRADERS AND BROKERS

No member shall be permitted to execute a pit, spot call or allowable privately negotiated transaction on the Exchange unless he is qualified to do so by a clearing member.

A member shall place all trades, including trades for his own account or any account which he controls, on the books of his qualifying clearing member unless written authorization to the contrary from said clearing member has been filed with the Shareholder Relations and Membership Services Department. Regardless of such authorization, a member in a deficit position with any clearing member shall place trades only through his qualifying clearing member. Any non-qualifying clearing member that carries a member's account in a deficit position shall promptly notify the clearing member that is qualifying such member.

All trades initiated for a member's account, an account which he controls or an account in which he has a proprietary interest shall be disclosed on the books of a clearing member.

A member who believes his qualifying clearing member is unreasonably withholding a release necessary to permit the member to be qualified by a different clearing member may request a hearing before a Panel of the Business Conduct Committee ("Panel") pursuant to the applicable provisions of Rule 408. The Panel may, in its sole discretion, remand a dispute concerning the validity of a signed non-compete agreement between the parties to arbitration pursuant to Rule 600.A. Either party may petition the arbitration chairman for expedited handling of the matter pursuant to Rule 613.

The Panel may assess attorneys' fees and the administrative costs of the proceeding against one or both of the parties if it determines that a claim or defense was frivolous or filed in bad faith.

511.A. Floor Trading

A clearing member may, without prior notice, revoke a member's authorization to trade by written revocation filed with the Shareholder Relations and Membership Services Department. Such revocation shall be effective and the member's qualification to trade shall terminate when notice of the disqualification is posted on the Exchange floor. A member shall not appear upon the floor of the Exchange until he has been requalified. A member who has been disqualified shall promptly return his membership badge to the Shareholder Relations and Membership Services Department.

511.B. Globex Trading

Unless otherwise specified by a member's qualifying clearing member, a member suspended from entering orders through Globex shall not be disqualified from pit trading.

In the case of a member who has Globex access guaranteed by a clearing member other than his qualifying clearing member, the qualifying clearing member may terminate the member's ability to place orders through Globex by notifying the clearing member providing the member access to Globex. The clearing member providing the access to Globex will be responsible for ensuring that the member does not place orders through Globex.

512. [RESERVED]

513. CONDUCT, APPAREL AND BADGES

513.A. General

Members and their employees are expected to conduct themselves on Exchange premises with dignity and integrity in order to maintain a safe workplace and the efficiency and good name of the Exchange. Members and their employees shall refrain from excessive speed in moving about the trading floors, and shall be respectful of all others on Exchange premises and shall abide by Exchange policy concerning access, conduct, and appearance. Members and their employees, while on the trading floors, shall be professionally attired in accordance with Exchange policy, and shall wear jackets bearing identification badges issued by the Exchange. Members and their employees not professionally attired in accordance with Exchange policy may be barred or removed from the trading floors. Refreshments and

smoking are forbidden on the trading floors at all times.

513.B. Sanctions

1. Designated Exchange officials may impose fines on members or their employees for violations of the Exchange policy concerning access, conduct, and appearance. Fines imposed pursuant to Rule 513.B.1. are final and may not be appealed.
2. A fourth violation of the Exchange policy concerning access, conduct, and appearance within a rolling 18-month period will be subject to a \$1,000 fine.
3. A fifth or subsequent violation of the Exchange policy concerning access, conduct, and appearance within a rolling 18-month period will be referred to a summary proceeding before a Panel of the Floor Conduct Committee. The Panel may impose a fine not to exceed \$5,000 per violation.
4. Notwithstanding any other provision in this Rule, the Chief Regulatory Officer shall have the authority to impose a fine not to exceed \$5,000 per offense on members and their employees for egregious violations of Rule 513.A.
5. The Market Regulation Department, at its discretion, may refer any alleged violation of Rule 513 to the Probable Cause Committee for consideration of charges.

513.C. Hearings and Appeals

An individual fined pursuant to Rule 513.B.2., 3. or 4. may, within 10 days of the decision, file a written appeal with the Market Regulation Department. A written appeal that fails to specify the grounds for the appeal and the specific error or impropriety of the original decision shall be dismissed. The appeal shall be heard by a Panel of the Business Conduct Committee ("BCC Panel") whose decision shall be final. The appellant shall be entitled to be represented by counsel, appear personally before the BCC Panel and present evidence that he may have in support of his appeal. The BCC Panel shall not set aside, modify or amend the appealed decision unless it determines, by majority vote, that the decision was:

1. Arbitrary, capricious, or an abuse of the Panel's or Exchange staff's discretion;
2. In excess of the Panel's or Exchange staff's authority or jurisdiction; or
3. Based on a clearly erroneous application of Exchange rules.

514. TRADING INFRACTIONS

A written complaint concerning a trading infraction pursuant to Rule 514.A. may be initiated by members, member firms, trading floor employees of members or member firms or staff of the Exchange. Charges shall be issued and hearings shall be conducted for violations of this rule in accordance with Rule 409.

514.A. Definition

The following shall constitute trading infractions:

1. a bid or offer out of line with the market;
2. a bid or offer which tends to confuse the other traders;
3. a trade through the existing bid or offer;
4. failure to confirm a transaction;
5. failure of a buyer and seller to properly notify the pit reporter of transaction prices in accordance with Rule 528 and/or failure to ascertain that such prices are properly recorded;
6. use of profane, obscene or unbusinesslike language on the trading floor;
7. use of undue force while on, entering or leaving the trading floor;
8. conduct which tends to confuse, distract, abuse or intimidate any Exchange employee;
9. conduct of an unbusinesslike nature;
10. failure to defer to a member who has clearly turned the market;
11. failure to indicate a quantity on a bid or offer; and
12. disseminating false, misleading or inaccurate quotes.

514.B. Floor Conduct Committee Fining Authority

A Panel of the Floor Conduct Committee that finds a member or his employee guilty of violating Rule 514 may impose a fine of up to \$10,000 per offense on such member or employee, except that an egregious violation of Rule 514.A.6., 7., 8. or 9. may result in a fine of up to \$20,000. Notwithstanding the above, the total fine levied by a Panel against a respondent may not exceed \$20,000 based on the single issuance of charges.

The following non-binding schedule of fines may be used by Panels of the Floor Conduct Committee with respect to members or their employees found guilty by a Panel of non-egregious trading infractions:

First offense	a letter of warning and/or a fine not to exceed \$2,500
Second offense within a rolling one-year period	a fine of at least \$1,000, but not to exceed \$5,000
Third offense within a rolling one-year period	a fine of at least \$2,500, but not to exceed \$10,000

If an individual is found guilty of three violations of Rule 514.A. within a rolling one-year period, or any three violations of Rule 514.A.6., 7., 8., and/or 9., within a rolling five-year period, any subsequent alleged violation under Part A. of this rule within such period shall be reviewed by the Market Regulation Department to determine whether to forward the alleged violation to a Panel of the Floor Conduct Committee for adjudication or to investigate and refer the matter to the Probable Cause Committee for review. Notwithstanding the above, the Market Regulation Department may, at any time, refer matters that it deems egregious to the Probable Cause Committee.

515. REGISTRATION AND IDENTIFICATION OF BROKER ASSOCIATIONS

515.A. Definitions

1. Floor Brokerage Activity - The execution or pre-execution handling of orders on the trading floor.
2. Broker Association - A broker association shall include the following associations between two or more members with trading floor access privileges, of whom at least one is engaged in floor brokerage activity:
 - a. Clearing Member "For Profit" Association: A clearing member and its salaried or commissioned member employees engaged in floor brokerage activity;
 - b. Non-Clearing "For Profit" Employer/Employee Association: An employer and each employee engaged in floor brokerage activity;
 - c. Other Non-Clearing "For Profit" Association: Other non-clearing members who share and/or allocate fees, revenues, expenses, profits or losses arising out of floor brokerage activity.

For the purposes of d. and e. below, Independent Broker Affiliations are defined as two or more members (of whom at least one is engaged in floor brokerage activity) who regularly share a desk (customer orders) and/ or employee salary expenses. Additionally, two or more members who share the profits and/or losses resulting from order execution errors caused by a member or non-member clerk, but who do not share and/or allocate other fees, revenues, expenses, profits or losses arising out of floor brokerage activity, shall be deemed Independent Broker Affiliations for purposes of registration under this rule.

- d. Small Independent Broker Affiliation: A group of two to four members meeting the criteria in the definition above;
- e. Large Independent Broker Affiliation: A group of five or more members meeting the criteria in the definition above.
- f. Trading Group Associations: An association of at least one member engaged in floor brokerage activity and any other member(s) sharing, directly or indirectly, revenue resulting from trading their own account(s).

Additionally, a Trading Group Association shall be deemed a member of and subject to the intra-association trading restrictions (set forth in Section E) of each broker association to which a member of that Trading Group Association belongs;

- g. Any other group or combination deemed by the Board of Directors to be a broker

association.

3. "For Profit" Broker Association—Broker associations defined by A.2.a., A.2.b. and A.2.c. above shall be considered "For Profit" Associations. A "For Profit" Association registered pursuant to A.2.b. and A.2.c. must designate a principal to represent the association in connection with its registration obligations set forth in Section B.
4. Principal of a "For Profit" Broker Association—Each individual who has (i) formal and/or de facto control over the affairs of a "For Profit" Association; or, (ii) a ten percent or more ownership interest in a "For Profit" Association. Each principal must own an IOM, IMM, or CME membership. Each principal assumes the registration, supervision and financial responsibilities set forth in Sections B., C., and D.
5. Spokesperson of an Independent Broker Affiliation, Trading Group or Clearing Member Association - An individual authorized to represent an Independent Broker Affiliation, Trading Group or Clearing Member Association in connection with its registration obligations set forth in Section B.
6. Investor - An individual who has a direct beneficial interest in a "For Profit" Broker Association but is not a principal as defined in A.4. above.
7. Associate of a Broker Association - Any Exchange member who is employed by or engaged in floor brokerage activity on behalf of a "For Profit" Broker Association and who is not a principal or investor of such broker association or any Exchange member who is engaged in floor brokerage activity on behalf of an Independent Broker Affiliation and who is not a spokesperson of such broker association.

515.B. Registration Requirements

1. A member of a broker association shall not handle or execute an order unless that association has registered with the Exchange.
2. Information Required - Registration shall be accomplished by filing the appropriate registration forms with the Market Regulation Department and shall include the following information:
 - a. Name of broker association;
 - b. Classification of each broker association member as a principal, spokesperson, associate, or investor;
 - c. Names and account numbers of all principals, spokespersons, associates, and investors in the association;
 - d. Identification, by account number, of each Trading Group Association in which a principal, spokesperson or associate of the broker association has a financial interest;
 - e. Legal form of association;
 - f. Category registered under pursuant to Section A.2. above;
 - g. Name of the principal or spokesperson authorized to represent the association in connection with its registration obligations.
3. Requirement of Keeping Registration Current - It shall be the responsibility of the broker association and its principals or spokespersons to ensure that the association is properly registered. Any additions, deletions or other changes to the information already reported must be provided to the Market Regulation Department within two business days after the event giving rise to such changes.
4. The Exchange may request any additional information from a broker association as deemed appropriate.

515.C. Supervision

Each principal must supervise his associates and employees diligently to prevent unsound business practices and to ensure compliance with all Exchange rules.

Any principal of a "For Profit" Broker Association, who directly or indirectly controls any person who has violated any rule of the Exchange in connection with his duties or responsibilities to the association may be held liable for such violation to the same extent as such controlled person. Regardless of whether the principal was held responsible for the act or acts constituting the violation, each principal of a "For Profit" broker association is jointly liable for the payment of any fines assessed against another principal, associate or employee of the

association provided the violation occurred while that person was acting or performing his duties on behalf of the association.

515.D. Financial Responsibility

Each principal of a "For Profit" Broker Association, jointly agrees to guarantee and assume complete financial responsibility for all trades executed by members of his association, including errors, outrades or omissions in connection with that member's duties or responsibilities to the association.

515.E. Intra-Association Trading

The Chairman and Vice Chairman of the Board and the Chief Executive Officer shall jointly establish limits on the percentage of personal trades that a member of a broker association may trade opposite other members of broker associations with which he is affiliated.

The Chairman and Vice Chairman of the Board and the Chief Executive Officer shall jointly establish limits on the percentage of orders that a member of a broker association may fill opposite other members of broker associations with which he is affiliated.

A member of a "For Profit" Broker Association may not trade for his personal account with other members of the same broker association executing orders in markets to which the percentage trading restrictions apply.

Additionally, different "For Profit" Broker Associations, which are linked by having one or more principals in common across all of the linked associations ("calculation group"), shall be deemed a single association for the purpose of this section.

The liquidity of a contract and any other conditions determined to be relevant will be considered when determining to impose the trading restrictions set forth above. The trading restrictions shall apply only during Regular Trading Hours to the most active month or months of any contract. Compliance shall be measured separately for each full calendar month.

The Market Regulation Department may grant exceptions to the trading restrictions in circumstances where a broker association can demonstrate that compliance with the limits may reduce liquidity or impede the creation of new business in the affected market.

515.F. Broker Association Enforcement Program

Percentage Restrictions on Personal Trading and the Execution of Orders

A letter of warning shall be issued for a first occurrence of exceeding the percentage restriction on personal trading or the execution of customer orders in contracts subject to the trading restrictions in Section E. Subsequent occurrences within 24 months shall result in automatic fines in accordance with the following schedule:

Second occurrence	\$1,000
Third occurrence	\$5,000
Subsequent occurrence(s)	\$10,000

"For Profit" Broker Association Personal Trading Ban

A letter of warning shall be issued for a first occurrence by a member of a "For Profit" Broker Association trading for his personal account with other members of the same broker association executing orders in contracts subject to the trading restrictions in Section E. Subsequent occurrences within 24 months shall result in automatic fines in accordance with the following schedule:

Second occurrence	\$500
Third occurrence	\$1,000
Subsequent occurrence(s)	\$5,000

Letters of warning and fines issued pursuant this section are final and may not be appealed, however members will have 15 days after receipt of a letter of warning or a fine to present evidence to the Market Regulation Department that administrative, clerical or other errors caused the apparent rule violation.

Notwithstanding the provisions of this section, the Market Regulation Department may, at any time, refer matters that it deems egregious to the Probable Cause Committee.

516. ERROR ACCOUNTS

Each member who acts as a floor broker must maintain a designated error account with his qualifying clearing member into which he places brokerage errors. This requirement shall not apply to a floor broker who initiates trades or enters orders solely on behalf of a member firm's proprietary account.

Each qualifying clearing member which carries an error account agrees, without qualification, to accept and clear the broker's trades involving brokerage errors.

517.— 519. [RESERVED]

TRADING PRACTICES

520. TRADING CONFINED TO EXCHANGE FACILITIES

All trading in Exchange products must occur on or through Exchange facilities and in accordance with Exchange rules.

521. PIT TRADING

Bidding and offering practices must at all times be conducive to the competitive execution of transactions. All pit transactions, including spread and combination transactions, shall be made openly and competitively in the pit designated for the trading of the particular transaction.

- A. A bid may be made only when it is the best bid available in the pit. A bid is made by stating the price followed by the quantity and by holding a hand outstretched with the palm facing toward the member bidding.

An offer may be made only when it is the best available offer in the pit. An offer is made by stating the quantity followed by the price and by holding a hand outstretched with the palm facing away from the member offering.

A member who seeks to accept the prevailing bid or offer of another member in the pit shall openly convey his response to such bid or offer and shall indicate the quantity he desires to buy or sell.

- B. All-Or-None Transactions: The Exchange shall determine the minimum thresholds for and the commodities in which All-Or-None transactions shall be permitted. The following shall govern All-Or-None trading:
1. A member may request an All-Or-None bid and/or offer for a specified quantity at or in excess of the applicable minimum threshold. Such request shall be made in the pit designated for the trading of the particular transaction.
 2. A member may respond by quoting an All-Or-None bid or offer price. A bid or offer in response to an All-Or-None request shall be made only when it is the best bid or offer in response to such request, but such price need not be in line with the bids and offers currently being quoted in the regular market.
 3. A member shall not execute any order by means of an All-Or-None transaction unless the order includes specific instructions to execute an All-Or-None transaction or the All-Or-None bid or offer is the best price available to satisfy the terms of the order.
 4. An All-Or-None bid or offer may be accepted by one or more members provided that the entire quantity of the All-or-None order is executed at a single price and that each counterparty to the order accepts a quantity at or in excess of the designated minimum counterparty threshold. Each order executed opposite an All-or-None order must be for a quantity that meets or exceeds the minimum counterparty threshold. Separate orders may not be bunched to meet the minimum counterparty threshold.
 5. All-Or-None transactions shall not set off conditional orders (e.g., Stop Orders and MIT Orders) or otherwise affect orders in the regular market.
 6. All-Or-None transactions must be reported to a designated Exchange official who shall record and publish the quantity and prices separately from reports of transactions in the regular market. The brokers executing All-Or-None transactions must maintain a record of said transaction in accordance with Rule 536.
- C. Confirmation of Trades: It shall be the duty of both traders to confirm their trades as to the price, quantity, commodity, contract month, respective clearing members and, for options,

strike price, put or call and expiration month. Confirmation shall take place as soon as possible, but in no event more than 15 minutes after the trade.

522. [RESERVED]

523. ACCEPTANCE OF BIDS AND OFFERS

In pit and electronic trading, any bid or offer may be withdrawn at any time before acceptance, but while outstanding all or any part of any bid or offer is subject to immediate acceptance by any trader. No bid or offer shall be specified for acceptance by a particular trader. The price at which a trade is executed shall be binding, unless such trade is cancelled by Exchange officials in accordance with Exchange rules.

524. FUNDS IN TRADING ACCOUNTS CARRIED BY CLEARING MEMBERS

If a Member (as defined in Rule 400) trades in excess of written limits prescribed by his qualifying or guaranteeing clearing member or a clearing member through which such Member is authorized by his qualifying clearing member to trade pursuant to Rule 511 without sufficient funds in his account to margin the position, or if the Member is alleged to have engaged in reckless and unbusinesslike dealing inconsistent with just and equitable principles of trade, and such trades are profitable, the disposition of any and all funds in the applicable trading account(s) may be suspended by the carrying clearing member. The claim of a carrying clearing member to such profits shall be submitted to arbitration pursuant to the provisions of Chapter 6. The Member may request a hearing to be held as soon as practicable before a Chairman of the Arbitration Committee to determine the amount of any profits that should remain subject to a continued suspension pending an arbitration hearing on the full merits of the claim.

525. [RESERVED]

526. BLOCK TRADES

The Exchange shall designate the products in which block trades shall be permitted and determine the minimum quantity thresholds for such transactions. The following shall govern block trades:

- A. A block trade must be for a quantity that is at or in excess of the applicable minimum threshold. Orders may not be aggregated in order to achieve the minimum transaction size, except by those entities described in Sections I. and J.
- B. Each party to a block trade must be an Eligible Contract Participant as that term is defined in Section 1a(12) of the Commodity Exchange Act.
- C. A member shall not execute any order by means of a block trade for a customer unless such customer has specified that the order be executed as a block trade.
- D. The price at which a block trade is executed must be fair and reasonable in light of (i) the size of the block trade, (ii) the prices and sizes of other transactions in the same contract at the relevant time, (iii) the prices and sizes of transactions in other relevant markets, including without limitation the underlying cash market or related futures markets, at the relevant time, and (iv) the circumstances of the markets or the parties to the block trade.
- E. Block trades shall not set off conditional orders (e.g., Stop Orders and MIT Orders) or otherwise affect orders in the regular market.
- F. The seller must ensure that each block trade is reported to the Exchange within five minutes of the time of execution; except that block trades in interest rate futures and options executed outside of Regular Trading Hours (7:00 a.m. – 4:00 p.m. Central Time, Monday – Friday on regular business days) and Housing and Weather futures and options must be reported within fifteen minutes of the time of execution. The report must include the contract, contract month, price, quantity of the transaction, the respective clearing members, the time of execution, and, for options, strike price, put or call and expiration month. The Exchange shall promptly publish such information separately from the reports of transactions in the regular market.
- G. Block trades must be reported to the Clearing House in accordance with an approved reporting method.
- H. Clearing members and members involved in the execution of block trades must maintain a

record of the transaction in accordance with Rule 536.

- I. A commodity trading advisor ("CTA") registered or exempt from registration under the Act, including, without limitation, any investment advisor registered or exempt from registration under the Investment Advisors Act of 1940, shall be the applicable entity for purposes of Sections A., B., C., and D., provided such advisors have total assets under management exceeding \$25 million and the block trade is suitable for the customers of such advisors.
- J. A foreign Person performing a similar role or function to a CTA or investment advisor as described in Section I, and subject as such to foreign regulation, shall be the applicable entity for purposes of Sections A., B., C., and D., provided such Persons have total assets under management exceeding \$25 million and the block trade is suitable for the customers of such Persons.

527. OUTTRADES, ERRORS AND MISHANDLING OF ORDERS

527.A. Outtrades Discovered During a Regular Trading Hours Trading Session

It shall be the duty of a member discovering an outtrade during a Regular Trading Hours session to immediately notify the opposite trader. Thereafter, if the matter cannot be resolved between the parties, they shall immediately determine who will cover the trade and the trade shall immediately be covered.

527.B. Outtrades Discovered After a Regular Trading Hours Trading Session

A clearing member that is unable with diligent effort to resolve an outtrade with another clearing member shall notify the member who executed the trade. Such notice shall be given prior to the following day's Regular Trading Hours session in sufficient time to allow the member to make provisions for the resolution of the outtrade.

Outtrades discovered after a Regular Trading Hours session shall be resolved between the parties to the outtrade as provided in this rule, no later than the opening of trading of the next Regular Trading Hours session.

527.C. Outtrades Resolution

To resolve an outtrade, the parties shall attempt to agree upon: (1) the reconciliation of any discrepancy in the terms of the trade, (2) which party will cover the trade and the method for covering the trade, if applicable, and (3) the apportionment of the financial results of the outtrade. In the event the parties are unable to agree on the apportionment of the financial results, the parties must nevertheless immediately reconcile the outtrade.

The price at the time of the open of the next Regular Trading Hours session shall fix the limit of liability as a result of the outtrade. Regardless of the ultimate determination of financial responsibility for the outtrade, a party who unreasonably refuses to cover the outtrade via an appropriate alternate market may be liable to the other party for the difference between the price at which the outtrade could have been covered in the alternate market and the price at the time of the open of the next Regular Trading Hours session.

Outtrades shall be resolved in accordance with the procedures below:

1. Straight Out Customer Outtrades

If a floor broker discovers that all or some portion of a customer order was executed but cannot be cleared, the broker shall either 1) re-execute the order in the market and adjust the customer by check if the re-execution price is worse than the original execution price, or, if the re-execution price is better than the original execution price, the customer is entitled to the better price or 2) assign the opposite side of the portion that cannot be cleared to his error account and assign a fill to the customer at the execution price. The floor broker shall not liquidate the assigned position until at least ten minutes have elapsed after the execution of the order giving rise to the outtrade and the bracket period in which the outtrade occurred has ended; however, these liquidation restrictions shall not apply to a liquidation during the post close session. Any profits or losses resulting from the liquidation of the assigned position belong to the floor broker and any such profits may be retained or disbursed at his discretion.

A floor broker who assigns the opposite side of an order pursuant to this rule shall: 1) clearly identify all such transactions by appropriate designation; 2) submit such trade information to his qualifying clearing member in sufficient time to enable the clearing member to submit the trade for the next intra-day reconciliation; 3) document in writing the

circumstances surrounding any such transaction and promptly provide such documentation to the Market Regulation Department upon request; and 4) identify the subsequent liquidation of the assigned trade on the floor broker's trading card or other document.

2. Price Outtrades

When an outtrade exists due to a price discrepancy, members making the trade may choose to resolve the discrepancy by electing either of the two prices in question, if they agree that the trade was executed at that price.

If an outtrade involves a price discrepancy between a local and a broker, and the members cannot agree on the price of execution, the price recorded by the broker shall be used to clear the trade.

If an outtrade between locals or an outtrade between brokers involves a price discrepancy, and the members cannot agree on the price of execution, the buyer's price shall be used to clear the trade.

3. Quantity Outtrades

When an outtrade exists due to a quantity discrepancy, members making the trade may choose to resolve the discrepancy by electing either of the two quantities in question, if they agree that the trade was executed for that quantity.

If an outtrade between locals involves a quantity discrepancy and the members cannot agree on the quantity that was executed, the higher quantity shall be used to clear the trade.

A broker may assign the opposite side of any quantity which he believes that he has executed, but which cannot be cleared, to his error account, pursuant to Section 1 above.

4. Bona Fide Contract Month, Strike, Put vs. Call and Side of Market (Buy vs. Buy or Sell vs. Sell) Outtrades

When an outtrade exists due to a contract month, strike price, side of market, or put/call discrepancy, and any party who executed a customer order believes that the order was executed in accordance with its instructions, the outtrade may be resolved in any one of the following ways:

- a. The trade may be busted. If a broker re-executes his order, any losses incurred by the customer as a result of the delay in execution must be adjusted by check. If the order is executed at a more favorable price, the customer is entitled to the better price.
- b. The members making the trade(s) may agree to clear either trade or both trades in accordance with the members' recorded trade data.
- c. A broker may assign the opposite side of his order to his error account, pursuant to Section 1. above, and he may agree to the clearing of the transaction according to the terms of the other member's recorded trade data.
- d. If both members involved in the outtrade are brokers, they may each assign the opposite side of their respective orders to their error accounts pursuant to Section 1. above.

A customer shall not be entitled to any portion of any profits realized by a local who was on the opposite side of an outtrade between the local and the customer's broker, as a result of the local's liquidation of his position. Such profits belong to the local, and may be retained or disbursed at his discretion. If the local chooses to disburse any portion of such profits to the broker, and the broker's customer has received a fill in accordance with the broker's recorded trade data, the broker is not obligated to offer such profits to his customer.

Nothing herein shall in any way limit a member's right to submit an outtrade to Exchange arbitration if the outtrade cannot be resolved by agreement.

527.D. Errors and Mishandling of Orders

If a broker overbuys or oversells for an order, the customer is not entitled to any of the quantity executed in excess of the order quantity. A position that has been established as a result of an erroneous execution or mishandling of an order must be placed in the error account of the broker or firm responsible for the error or order mishandling. Any profits resulting from the

liquidation of trades placed in a broker's or firm's error account belong to the relevant broker or firm, and any such profits may be retained or disbursed at the broker's or firm's discretion.

1. Unfilled or Underfilled Orders

If a broker fails to execute an order or underbuys or undersells for an order, the broker shall do one of the following:

- a. Execute the order or the remainder of the order in the market and adjust the customer by check if the customer is filled at a price less favorable than that to which he was entitled due to the broker's error or mishandling of the order. If the order is filled at a more favorable price, the customer is entitled to the better price.
- b. Execute the order or the remainder of the order in the market. If the order, or the remainder of the order, is filled at a worse price than that to which the customer was entitled but for the error or mishandling, the broker may allocate the fill to his error account, pursuant to Section C.1. above, provide the customer a fill at the price to which the customer was entitled, and place the opposite side of the customer fill into his error account. If the order is filled at a more favorable price, the customer is entitled to the better price.

2. Wrong Contract Month, Wrong Strike, or Wrong Commodity Executions

When an order has been executed in the wrong contract month, wrong strike price, or wrong commodity, and the erroneous transaction has been placed in the relevant broker's or firm's error account, the error may be corrected by one of the following:

- a. Execution of the order in accordance with its terms, with an adjustment to the customer by check if the order is executed at a worse price as a result of the error or mishandling of the order.
- b. Execution of a spread or combination transaction to execute the order and liquidate the position arising from the initial erroneous execution of the order, whereby one leg of the spread or combination transaction represents the correct execution of the order and the other leg offsets the erroneous position in the broker's or firm's error account. The broker or firm must clearly identify such transactions by appropriate designation, clearly document in writing the circumstances surrounding the nature of the error and promptly provide such documentation to the Market Regulation Department upon request.

3. Wrong Side of Market Executions

When an order has been executed on the wrong side of the market and the erroneous execution has been placed in the relevant broker's or firm's error account, the order shall be executed in accordance with its terms, with an adjustment to the customer by check if the order is executed at a worse price as a result of the error or mishandling of the order.

528. PRICE REPORTING

Parties to a pit transaction shall properly notify the designated Exchange official of the price at which trades have been consummated. Both parties to a pit trade are required to ensure that such price is properly posted.

Whenever a member makes a trade with another member and such trade constitutes a price infraction, he shall 1) immediately break the trade; or 2) satisfy all bids or offers which were adversely affected; or 3) adjust the price of the trade to the price which existed when the price infraction occurred, provided that both parties agree to adjust the price and the terms of any affected orders are satisfied.

529. WITHHOLDING ORDERS PROHIBITED

A Member (as defined in Rule 400), or any person entering orders on the Globex platform, shall not withhold or withdraw from the market any order, or any part of an order, for the benefit of any person other than the person placing the order.

530. PRIORITY OF CUSTOMERS' ORDERS

A member shall not buy (sell) a futures contract, buy (sell) a call option or sell (buy) a put option for his own account, an account in which he has a direct or indirect financial interest, or an account over which he has discretionary trading authority when he is in possession of an

executable order for another person to buy (sell) a futures contract, buy (sell) a call option or sell (buy) a put option in the same product, regardless of the venue of execution. All contract months in a given futures product and all options on the futures product, in addition to any corresponding mini-sized futures or options contracts on a given product, shall be considered the same product for the purposes of this rule.

The foregoing shall not apply to DRT orders provided that the customer has previously consented in writing and evidence of such general consent is indicated on the order with the "WP" (with permission) designation. In the case of a floor broker holding a discretionary order for an account described in Rule 547, a "WP" designation on the order shall constitute sufficient evidence of prior consent.

No person shall enter an order into the Globex platform for his own account, an account in which he has a direct or indirect financial interest or an account over which he has discretionary trading authority, including, without limitation, an order allowing discretion as to time and price, when such person is in possession of any order for another person that the Globex platform is capable of accepting.

531. TRADING AGAINST CUSTOMERS' ORDERS PROHIBITED

531.A. General Prohibition

No person in possession of a customer order shall knowingly take, directly or indirectly, the opposite side of such order for his own account, an account in which he has a direct or indirect financial interest, or an account over which he has discretionary trading authority.

531.B. Exceptions

The foregoing restriction shall not apply to the following:

1. Transactions executed in accordance with Rule 527 to resolve bona fide outrades or errors;
2. Transactions executed pursuant to Rule 538;
3. Block trades executed pursuant to Rule 526;
4. On the Globex platform, a person may knowingly trade against his customer order for his own account, an account in which he has a direct or indirect financial interest, an account over which he has discretionary trading authority, or a proprietary account of his employer, only if the customer order has been entered immediately upon receipt and has first been exposed on the Globex platform for a minimum of 5 seconds in the case of futures orders or for a minimum of 15 seconds in the case of options orders; and
5. Transactions where the customer has consented in writing no more than 12 months prior to the transaction to waive the application of Rule 531.A. Such transactions shall further be subject to the following requirements: (i) if the transaction was pit traded, the member complies with the requirements set forth in Rule 533; (ii) the member clearly identifies, by appropriate descriptive words, all such transactions, and (iii) if the transaction was pit traded, the member completes a form which shows the date, product traded, floor broker, price, quantity, and time of execution. Such form shall be presented to an Exchange official and made a matter of permanent record by the Exchange.

532. DISCLOSING ORDERS PROHIBITED

No person shall disclose another person's order to buy or sell except to a designated Exchange official or the CFTC, and no person shall solicit or induce another person to disclose order information. An order for pit execution is not considered public until it has been bid or offered by open outcry. No person shall take action or direct another to take action based on non-public order information, however acquired. The mere statement of opinions or indications of the price at which a market may open or resume trading does not constitute a violation of this rule.

533. SIMULTANEOUS BUY AND SELL ORDERS FOR DIFFERENT BENEFICIAL OWNERS

A member who is in possession of both buy and sell orders for different beneficial owners for the same product and expiration month, and, for a put or call option, the same strike price, may execute such orders for and directly between such beneficial owners provided that in pit

trading, a member executing such orders shall first bid and offer by open outcry three times at the same price, stating the number of contracts, and, thereafter, if neither the bid nor the offer is accepted, the orders may be matched in the presence, and with the approval, of a designated Exchange official.

The member making such transactions shall, by appropriate descriptive words or symbols, clearly identify all such transactions on his trading card or other similar record made at the time of the execution. The member executing such trade shall complete a form which shows the date, product traded, floor broker, price, quantity, and time of execution. Such form shall be presented to an Exchange official and made a matter of permanent record by the Exchange. Failure to accurately complete the required form shall constitute a violation of this rule.

On the Globex platform, opposite orders for different beneficial owners that are simultaneously placed by a party with discretion over both accounts may be entered into the Globex platform provided that one order is exposed for a minimum of 5 seconds in the case of futures orders or a minimum of 15 seconds in the case of options orders. An order allowing for price and/or time discretion, if not entered immediately upon receipt, may be knowingly entered opposite another order entered by the same firm only if this other order has been entered immediately upon receipt and has been exposed on the Globex platform for a minimum of 5 seconds for futures orders or a minimum of 15 seconds for options orders.

534. WASH SALES PROHIBITED

No person shall place for the same beneficial owner buy and sell orders for the same product and expiration month, and, for a put or call option, the same strike price, at or about the same time with the intent to avoid a bona fide market position exposed to market risk (transactions commonly known or referred to as wash sales). Buy and sell orders placed for the same beneficial owner in the same product and expiration month, and, for a put or call option, the same strike price, must be entered in good faith for the purpose of executing bona fide transactions that result in a change of ownership. Additionally, no person shall accept, execute or accommodate the execution of orders which are prohibited by this rule with knowledge of their character.

535. RESPONSIBILITY OF FLOOR TRADERS AND FLOOR BROKERS

Every floor trader and floor broker shall assist his clearing member in the clearing of his trades. Every floor trader and floor broker must leave contact information with the clearing member through which or for which he has traded in order that he may be contacted during the balance of the day in the event there is a discrepancy in the clearing of his trades.

Each floor trader and floor broker or his designated representative must be available on the trading floor to resolve outrades in contracts in which he executed trades on the previous day no later than 30 minutes prior to the opening of the relevant market (or at such other times as may be designated by Exchange officials). If the trader or broker or his designated representative is not present during such period, the clearing member through which or for which the trader or broker has traded shall be authorized to resolve any outrade in the manner it deems appropriate, but such resolution shall not be determinative of the liability of any party to the outrade.

A floor trader or floor broker who fails to comply with this rule may be assessed a fine of \$1,000 for the first violation, \$2,000 for a second violation within 30 days of the first violation and \$3,000 for a third and each subsequent violation within 30 days of the first violation. Fines imposed pursuant to this schedule are final and may not be appealed.

536. RECORDKEEPING REQUIREMENTS FOR PIT, GLOBEX, AND NEGOTIATED TRADES

536.A. General Requirements for Open Outcry Pit Trades

At the time of execution, it shall be the duty of every member to record each trade made for an account the member owns or controls showing the date, price, quantity, product, expiration month, bracket symbol, opposite trader, opposite clearing member and, for options, put or call and strike price. Floor brokers executing an order shall record their trading symbol, price, quantity, bracket, opposite trader and clearing member. Trades or order executions must either be recorded on an approved electronic device or, if recorded on written records, in non-erasable ink.

Members must designate on the trading document used to record a trade whether such trade is a spread trade and record "D" for single line entry differential spreads and "6" for all other spreads.

A member may correct any errors on written trading records by crossing out erroneous trade information without obliterating or otherwise making illegible any of the originally recorded information.

Each member shall provide his clearing member with any trading documents which are relied upon for transactional information necessary for submission to the clearing system containing those trades that have been executed thus far during that day. Trading documents include trading cards of members' personal and proprietary trades, trading cards of one member reflecting trades executed on behalf of another member and floor order tickets. Such trading documents must be submitted and timestamped no later than 15 minutes after the end of each half-hour interval. If a broker has only partially filled an order at the end of a half-hour period, he does not have to submit the document used to record the execution to the appropriate clearing member until the entire order has been filled, the unexecuted portion of the order is cancelled, or the market has closed for that contract, whichever occurs first.

In addition, each member must maintain, and is accountable for, all other documents on which original trade information is recorded, whether or not such information is subsequently endorsed on an order ticket or entered into an approved electronic device. Trading cards used to record the execution of flashed or electronically transmitted orders are not required to have the member's trading symbol pre-printed on them, but such cards must be visually distinct from the pre-printed trading cards used by the member to record trades for accounts he owns or controls.

The correct bracket symbol in accordance with the list below must be recorded for each pit trade.

Time Intervals	Bracket Code
Unknown to data entry operator	?
Opening range for each contract	\$
Closing range for each contract	%
Post Close Session	#
7:00:00 a.m. – 7:14:59 a.m.	A
7:15:00 a.m. – 7:29:59 a.m.	B
7:30:00 a.m. – 7:44:59 a.m.	C
7:45:00 a.m. – 7:59:59 a.m.	D
8:00:00 a.m. – 8:14:59 a.m.	E
8:15:00 a.m. – 8:29:59 a.m.	F
8:30:00 a.m. – 8:44:59 a.m.	G
8:45:00 a.m. – 8:59:59 a.m.	H
9:00:00 a.m. – 9:14:59 a.m.	I
9:15:00 a.m. – 9:29:59 a.m.	J
9:30:00 a.m. – 9:44:59 a.m.	K
9:45:00 a.m. – 9:59:59 a.m.	L
10:00:00 a.m. – 10:14:59 a.m.	M
10:15:00 a.m. – 10:29:59 a.m.	N
10:30:00 a.m. – 10:44:59 a.m.	O
10:45:00 a.m. – 10:59:59 a.m.	P
11:00:00 a.m. – 11:14:59 a.m.	Q

Time Intervals	Bracket Code
11:15:00 a.m. – 11:29:59 a.m.	R
11:30:00 a.m. – 11:44:59 a.m.	S
11:45:00 a.m. – 11:59:59 a.m.	T
12:00:00 p.m. – 12:14:59 p.m.	V
12:15:00 p.m. – 12:29:59 p.m.	W
12:30:00 p.m. – 12:44:59 p.m.	X
12:45:00 p.m. – 12:59:59 p.m.	Y
1:00:00 p.m. – 1:14:59 p.m.	Z
1:15:00 p.m. – 1:29:59 p.m.	2
1:30:00 p.m. – 1:44:59 p.m.	3
1:45:00 p.m. – 1:59:59 p.m.	4
2:00:00 p.m. – 2:14:59 p.m.	5
2:15:00 p.m. – 2:29:59 p.m.	6
2:30:00 p.m. – 2:44:59 p.m.	7
2:45:00 p.m. – 2:59:59 p.m.	8
3:00:00 p.m. – 3:15:00 p.m.	9

Trades that are not recorded contemporaneously due to an error or an outrade shall be recorded on the member's next pre-printed, sequentially numbered trading card. If the trade is not recorded in sequence, the member must cross out the pre-printed sequence number and write "9999" on the card. In any situation where someone other than the member is resolving a member's outrades, the outrade clerk or broker's clerk may use a blank card and write "9999" on the card to denote that it is out of sequence. The person resolving the outrade for a member must initial the card.

Firms must enter an "E" into the order type field to identify any errors placed into a firm error account.

1. Customer Orders

At the time of execution, every order received from a customer must be in the form of a written or electronic record and include an electronic timestamp reflecting the date and time such order was received on the floor of the Exchange and, except as provided in Section C, must identify the specific account(s) for which the order was placed. Such record shall also include an electronic timestamp reflecting the date and time such order was returned, or, in the case of a flashed transaction, when confirmed or cancelled.

Upon request, a clearing firm must provide its broker, in an expeditious and reasonable manner, with a copy of every floor order such broker is asked to execute.

2. Individual Member Orders

- a. A member on the trading floor who enters a flashed or verbal order with another member shall record the order instructions and the time of placement to the nearest minute in sequence with the other trades recorded on his pre-sequenced trading cards, unless such order is immediately entered into an approved electronic device. Orders that involve options-futures combinations and other spread trades where the initiating member personally executes at least one leg of the spread shall not be subject to this requirement.

The member executing the order must record the time of execution to the nearest minute for each execution made for the order on the trading card or other document used to record the trade(s) and must return this card or document to the initiating member.

The trading card used to record the placement of the flashed or verbal order and any trading card or document used to record the execution of the order must be submitted

together to the clearing member by the member placing the order or his representative.

- b. Every written order that is initiated by a member for his own account while on the trading floor must be dated and timestamped upon transmission for execution and when returned, or, in the case of a flashed transaction, when confirmed or cancelled.
- c. A member or his employee standing in a trading pit receiving an order directly over a headset for pit execution from an off-floor member for his account must simultaneously make a written record of the order on a trading card or other document including the identification of the member calling in the order unless such order is immediately entered into an approved electronic device. The member executing the order must record the time of execution to the nearest minute for each execution made for the order on any trading card or other document used to record the trade(s) and must return this card or document to the initiating member's clearing member.

3. Proprietary Orders of Clearing Members and Certain Member Entities

Upon receipt on the floor of the Exchange, an order placed for the proprietary account of a member firm must be in the form of a written or electronic record that includes an electronic timestamp reflecting the date and time such order was received on the floor and must identify the specific account(s) for which the order was placed. Such record shall also be timestamped when the order is returned, or, in the case of a flashed transaction, when confirmed or cancelled.

Orders placed by an employee of a member firm for its proprietary account that are entered directly to the pit via headset with another employee of the member firm do not require a written and timestamped order ticket provided that the order is executed by a member employee of the member firm and such member records the time of execution to the nearest minute for each execution made for the order on the trading card or other document used to record the trade(s).

4. Trades Made by Members for Accounts Owned or Controlled by Such Member

Each member executing transactions on the trading floor for such member's personal account or an account controlled by such member who uses trading cards as the original record of such transactions must use pre-printed sequentially pre-numbered trading cards. A new trading card must be used at the beginning of each time bracket.

Each member who uses such trading cards must record the transactions in non-erasable ink in exact chronological order of execution on sequential lines of the trading card, and no lines may be skipped. Any lines that remain after the last execution recorded on a trading card must be marked through. All transactions which are recorded on a single trading card must be recorded on the same side of such trading card. No more than six transactions may be recorded on each trading card. Trading card sequence numbers must be unique during a one-week period.

The trading cards must contain pre-printed member identification which will include, but will not be limited to, the trading acronym and the full name of the member. The trading cards must also contain preprinted bracket designations.

Members who use an approved electronic device to record their trades, whether as an original record, or subsequent to recording their trades on trading cards, must record their trades on the device in the exact sequence in which they were executed and must ensure that the correct time bracket is entered for each transaction.

Members trading for an account they own or control shall be accountable for their pre-printed sequentially numbered trading cards, including those cards which are unused or voided.

536.B. Globex Order Entry

1. General Requirement

Each Globex terminal operator entering orders into Globex shall input for each order: a) the user ID assigned him by the Exchange, a clearing member or other authorized entity and b) the price, quantity, product, expiration month, CTI code and account number (except as provided in Section C.), and, for options, put or call and strike price. The Globex terminal operator's user ID must be present on each order entered. For a Globex terminal operator with access pursuant to

Rule 574, clearing members authorizing such access will be responsible for the Globex terminal operator's compliance with this rule.

With respect to orders received by a Globex terminal operator which are capable of being immediately entered into Globex, no record other than that set forth above need be made. However, if a Globex terminal operator receives an order which cannot be immediately entered into Globex, the Globex terminal operator must prepare a written order and include the account designation, date, time of receipt and other information required pursuant to section A.1. above. The order must be entered into Globex when it becomes executable.

2. Electronic Audit Trail Requirements for Electronic Order Routing/Front-End Systems

Clearing members guaranteeing a connection to Globex are responsible for maintaining or causing to be maintained the order routing/front-end audit trail for all electronic orders, including order entry, modification, cancellation and responses to such messages (referred to as the "electronic audit trail"), entered into the Globex platform through the CME iLink[®] gateway. This electronic audit trail must be maintained for a minimum of 5 years, and clearing members must have the ability to produce this data in a standard format upon request of Market Regulation.

This electronic audit trail must contain all order receipt, order entry, order modification, and response receipt times to the highest level of precision achievable by the operating system, but at least to the hundredth of a second. The times captured must not be able to be modified by the person entering the order. The data must also contain all Fix Tag information and fields which should include, but is not limited to the following:

A record of all fields relating to order entry, including transaction date, product, Exchange code, expiration month, quantity, order type, order qualifier, price, buy/sell indicator, stop/trigger price, order number, unique transaction number, account number, session ID, Tag 50 ID, host order number, trader order number, clearing member, type of action, action status code, customer type indicator, origin, and timestamps. For executed orders the audit trail must record the execution time of the trade along with all fill information.

In the case where the Guaranteeing Clearing Firm has a direct connect client that is another Clearing Firm or a Corporate Equity Member, the Clearing Firm may notify the client Clearing Firm or Corporate Equity Member that it is their obligation to maintain the electronic audit trail. Upon execution of this written notice, it shall be the duty of the client Clearing Firm or Corporate Equity Member to maintain an electronic audit trail pursuant to this rule.

536.C. Bunched Orders and Orders Eligible for Post Execution Allocation

Bunched orders must be allocated and recorded in accordance with CFTC Regulation 1.35(a-1)(5) and the NFA's Interpretative Notice related to Compliance Rule 2-10.

A bunched order for pit execution does not require the specific account number to be recorded at the time of order placement or upon the report of execution provided that 1) the order is being placed by an account manager for multiple accounts eligible for post execution allocation or 2) a written, pre-determined allocation scheme has been provided to the futures commission merchant accepting or clearing the order prior to the time the order has been placed. Additionally, at the time of receipt on the trading floor, bunched orders that do not contain specific account numbers must contain a series, group, or suspense account indicator which relates directly to the group of accounts for which the order has been placed. A bunched order may be initially cleared into a suspense account provided that the final account-specific allocations are submitted to the clearing system no later than the end of each trading day.

With respect to bunched Globex orders, such orders may be entered using a series designation or suspense account number provided that 1) the order is being placed by an account manager for multiple accounts eligible for post execution allocation or 2) a written, pre-determined allocation scheme that defines the series has been provided to the futures commission merchant accepting or clearing the order prior to the time that such order is entered. In the latter case, if such information has not been provided to the futures commission merchant prior to the time of order entry, each specific account number must be entered into Globex. Additionally, for all such bunched orders executed on Globex, the final account specific allocations must be submitted to the clearing system no later than the end of each trading day.

Bunched orders for non-discretionary accounts may be entered either for pit execution or through Globex; however, only the following order types may be bunched: Market on Open, Market on Close, same priced Limit Orders and same priced Stop Orders. Such non-

discretionary orders may only be bunched in the following instances:

- a. Each order underlying the bunched order must be reduced to writing and include the information required pursuant to Section A.1. above;
- b. Allocation of the executions for the bunched orders must be fair and equitable in accordance with the NFA's Interpretative Notice related to Compliance Rule 2-10; and
- c. In circumstances where the order is bunched in a member firm's sales office, the party accepting the order must, contemporaneously with the order placement, transmit the individual account numbers and quantities associated with the bunched order to the clearing member firm. Such transmission shall be maintained by the clearing member firm along with the bunched order.

536.D. Customer Type Indicator (CTI) Codes

Each clearing member must identify each transaction executed on the trading floor or on the Globex platform on the record of transactions submitted to the Exchange with the correct customer type indicator (CTI) code. The CTI codes are as follows:

CTI 1: Electronic Trading and Open Outcry – Applies to transactions initiated and executed by an individual member for his own account, for an account he controls, or for an account in which he has an ownership or financial interest. However, transactions initiated and executed by a member for the proprietary account of a member firm must be designated as CTI 2 transactions.

CTI 2: Electronic Trading and Open Outcry – Applies to orders entered or trades executed for the proprietary accounts of a member firm, including Rule 106.H., I., N., R. and S. firms.

CTI 3: Electronic Trading – Applies to orders entered by a member or a nonmember terminal operator for the account of another individual member or an account controlled by such other individual member.

CTI 3: Open Outcry – Applies to orders that a member executes on behalf of another individual member, or for an account such other member controls or in which such other member has an ownership or financial interest.

CTI 4: Electronic Trading and Open Outcry – Applies to all orders and transactions not included in CTI categories 1, 2 or 3. These typically are orders entered by or on behalf of nonmember entities.

536.E. Negotiated Trades

All orders executed in accordance with Rules 526, 537 and 538, unless otherwise exempted by rule, are subject to the recordation requirements pursuant to Section A.1.

536.F. CTR Enforcement Program and Sanction Schedule

CTR Monthly Enforcement Program

The CTR threshold levels for members with 100 or more transactions per month are as follows:

<u>Exception Type</u>	<u>Threshold Level</u>
Bracket Exceptions	8% and above
Time of Execution for Verbal Orders	8% and above
Sequence Errors	8% and above

A letter of warning shall be issued for a first occurrence of exceeding any threshold. Subsequent occurrences within 12 months of exceeding a threshold shall result in automatic fines starting at \$250, and then increasing to \$500, \$1,000, \$2,500, and \$5,000 for each subsequent occurrence.

A member will have 15 days after receipt of a letter of warning or a fine to present evidence to the Market Regulation Department in support of having the letter of warning or fine dismissed

showing that administrative, clerical, or other errors by the clearing firm caused the member to exceed the threshold level. If the member does not submit such evidence, or if the Market Regulation Department determines that the evidence submitted is insufficient to reduce the percentage below the threshold level, the letter of warning or fine shall be final and may not be appealed.

The monthly CTR enforcement of timestamp exceptions for firms with 1,000 or more transactions per month is 8% and above. A letter of warning shall be issued for a first occurrence of exceeding the threshold. Subsequent occurrences within 12 months of exceeding the threshold shall result in automatic fines starting at \$1,500 for the second occurrence, then increasing to \$5,000 and \$10,000 for each subsequent occurrence.

A firm will have 15 days after receipt of a letter of warning or a fine to present evidence to the Market Regulation Department in support of having the letter of warning or fine dismissed. If the firm does not submit such evidence, or if the Market Regulation Department determines that the evidence submitted is insufficient to reduce the percentage below the threshold level, the letter of warning or fine shall be final and may not be appealed.

CTR Clearing Member Back Office Audit Enforcement Program

The Market Regulation Department will conduct audits of clearing members to verify that required audit trail information has been accurately recorded and submitted. The CTR audit threshold level for firms failing to pick up and timestamp sequenced cards, verbal order cards and floor orders is 20%. The threshold for all other firm audit trail or recordkeeping deficiencies is 10%.

Percentage calculations will be made based on an examination of a combination of sequenced cards, verbal orders and floor orders totaling 150 documents. The number of documents containing a deficiency(ies) will be divided by the total number of documents examined in determining the deficiency percentage.

Violations of each threshold within 24 months shall be subject to automatic fines starting at \$2,500 for a first occurrence, then increasing to \$5,000 and \$10,000 for each subsequent occurrence.

A firm will have 15 days after receipt of a fine to present evidence to the Market Regulation Department in support of having the fine dismissed. If the firm does not submit such evidence, or if the Market Regulation Department determines that the evidence submitted is insufficient to reduce the percentage below the threshold level, the fine shall be final and may not be appealed.

Notwithstanding the provisions of this Section, the Market Regulation Department may, at any time, refer matters that it deems egregious to the Probable Cause Committee.

536.G. Telephone Recordings

Members and member firms that record conversations conducted on their Exchange Floor telephone lines must maintain the resultant recordings for a period of 10 business days following the day when such recordings are made.

Unless specifically exempted by the Market Regulation Department or designated Exchange staff, all headset communications must be voice recorded by the member or member firm authorized to use the headset and all such recordings must be maintained for a minimum of 10 business days following the day on which the recording is made. Members and member firms are permitted to utilize their own recording devices, provided that the devices meet reasonable standards with respect to quality and reliability. Alternatively, members and member firms may utilize an Exchange administered voice recording system for a fee.

537. SUBSTITUTION OF FUTURES FOR FORWARDS (SUB)

(Ex-Pit or Ex-CME Globex Transactions). A Substitution of futures contracts for over-the-counter (OTC) forward instruments shall be permitted by arrangement between eligible contract participants and comprised of two discrete transactions, where, the buyer and seller of the futures contract must be, respectively, the buyer and seller of the forward instrument. The forward instrument component shall involve the commodity underlying the futures contract (or a derivative, by-product or related product of such commodity). The quantity covered by the forward instrument must be approximately equivalent to the quantity covered by the futures contract. The parties to the transaction shall maintain a record of the transaction together with all pertinent memoranda. The forward instrument component of a Sub transaction must

comply with applicable CFTC forward regulatory requirements, if any. CME shall determine eligible futures contracts and over-the-counter instruments.

538. EXCHANGE OF FUTURES FOR RELATED POSITIONS

The following transactions shall be permitted by arrangement between parties in accordance with the requirements of this rule:

1. Exchange for Physical ("EFP") – A privately negotiated and simultaneous exchange of a futures position for a corresponding cash position.

Exchange for Risk ("EFR") – A privately negotiated and simultaneous exchange of a futures position for a corresponding agricultural commodity swap or other OTC instrument.

For purposes of this rule, all EFPs and EFRs shall be referred to as Exchanges of Futures for Related Positions ("EFRP").

2. Options on futures are not a permissible component of an EFRP.
3. The related position (cash, swap, or OTC derivative) must involve the commodity underlying the futures contract, or must be a derivative, by-product or related product of such commodity that has a reasonable degree of price correlation to the commodity underlying the futures contract.
4. An EFRP consists of two discrete, but related simultaneous transactions. One party must be the buyer of (or have the long market exposure associated with) the related position and the seller of the corresponding futures, and the other party must be the seller of (or have the short market exposure associated with) the related position and the buyer of the corresponding futures. However, a member firm may facilitate, as principal, the related position on behalf of a customer, provided that the member firm can demonstrate that the related position was passed through to the customer who received the futures position as part of the EFRP transaction.
5. The accounts involved in the execution of an EFRP must be (a) independently controlled accounts with different beneficial ownership; or (b) independently controlled accounts of separate legal entities with the same beneficial ownership, provided that the account controllers operate in separate business units; or (c) independently controlled accounts within the same legal entity provided that the account controllers operate in separate business units; or (d) commonly controlled accounts of separate legal entities provided that the separate legal entities have different beneficial ownership. However, on or after the first day on which delivery notices can be tendered in a physically delivered contract, an EFRP may not be executed for the purpose of offsetting concurrent long and short positions in the expiring contract when the accounts involved in the transaction are owned by the same legal entity and when the date of the futures position being offset is not the same as the date of the offsetting transaction.
6. The quantity covered by the related position must be approximately equivalent to the quantity covered by the futures contracts.
7. An EFRP may be entered into in accordance with the applicable trading increments set forth in the rules governing such futures contracts, at such prices as are mutually agreed upon by the two parties to the transaction.
8. Subject to approval by the Clearing House, EFRP transactions may be permitted during the contract month after termination of the contract. Such transactions shall not establish new futures positions.
9. Clearing firms on opposite sides of an EFRP must subsequently approve the terms of the transaction, including the clearing firm (division), price, quantity, commodity, contract month and date prior to submitting the transaction to the Clearing House. All EFRP transactions must be submitted to the Clearing House by a clearing firm acting on its own behalf or for the beneficial account of a customer who is a party to the transaction. Clearing firms are responsible for exercising due diligence as to the bona fide nature of EFRP transactions submitted on behalf of customers.
10. Each EFRP transaction shall be designated as such, and cleared through the Clearing House. Each such transaction shall be submitted to the Clearing House within the time period and in the manner specified by the Exchange.
11. The time of execution of an EFRP must be recorded on the futures order ticket, and on the

record submitted to the Clearing House.

- Parties to any EFRP transaction must maintain all documents relevant to the futures and the cash, swap, or OTC transactions, including all documents customarily generated in accordance with cash or other relevant market practices and any documents reflecting payment and transfer of title. Any such documents must be provided to the Exchange upon request and it shall be the responsibility of the carrying clearing firm to provide the requested documentation on a timely basis.

539. PREARRANGED, PRE-NEGOTIATED AND NONCOMPETITIVE TRADES PROHIBITED

539.A. General Prohibition

No person shall prearrange or pre-negotiate any purchase or sale or noncompetitively execute any transaction, except in accordance with Sections B. and C. below.

539.B. Exceptions

The foregoing restriction shall not apply to block trades pursuant to Rule 526 or Exchange of Futures for Related Position transactions pursuant to Rule 538.

539.C. Pre-Execution Communications Regarding Globex Trades

Parties may engage in pre-execution communications with regard to transactions executed on the Globex platform where one party (the first party) wishes to be assured that a contra party (the second party) will take the opposite side of the order under the following circumstances:

- A party may not engage in pre-execution communications with other market participants on behalf of another party unless the party for whose benefit the trade is being made has previously consented to permit such communications.
- Parties to pre-execution communications shall not (i) disclose to a non-party the details of such communications or (ii) enter an order to take advantage of information conveyed during such communications except in accordance with this rule.
- In the case of futures orders, the first party's order must be entered into the Globex platform first and the second party's order may not be entered into the Globex platform until a period of 5 seconds has elapsed from the time of entry of the first order.
- In the case of options orders, a pre-execution communication must be preceded by the submission of a Request for Quote ("RFQ").

Subsequent to such RFQ, a trade intended for execution for which there has been a pre-execution communication requires the entry of an additional RFQ; thereafter, a Request for Cross ("RFC") order which contains both the buy and the sell orders must be entered no less than fifteen (15) seconds and no more than thirty (30) seconds after the entry of the additional RFQ in order to proceed with the trade, except in equity options where the RFC must be entered no less than five (5) seconds and no more than thirty (30) seconds after the entry of the additional RFQ. The RFQs and the RFC order must be entered within the same trading session. Failure to enter the RFC order within 30 seconds after the entry of the additional RFQ will require a new RFQ to be entered prior to the entry of the RFC order, which must be entered in accordance with the time parameters described above in order to proceed with the trade.

540. RESPONSIBILITY FOR CUSTOMER ORDERS

540.A. Standard of Responsibility

A Member (as defined in Rule 400) shall exercise due diligence in the handling and execution of customer orders. Failure to act with due diligence shall constitute negligence. In the case of a dispute as to whether a Member has exercised due diligence, the appropriate arbitration or disciplinary committee is authorized to determine whether the Member was negligent and, if so, whether an adjustment is due to the customer. The committee may take into consideration the nature of the order and existing market conditions, including the existence of a "fast market" (a designation invoked to reflect rapid price changes and volatile market conditions in the pit), at the time the Member acted or failed to act. However, no market condition nullifies a Member's responsibility to exercise due diligence.

A Member is prohibited from directly or indirectly guaranteeing the execution of an order or any of its terms such as the quantity or price. A Member may only report an execution that has

occurred as a result of open outcry, has been effected through the Globex platform, or has been executed as a permissible privately negotiated transaction. This rule shall not be construed to prevent a Member from assuming or sharing in the losses resulting from an error or the mishandling of an order.

540.B. Liability for Negligence

A Member may not adjust the price at which an order was executed or be held responsible for executing or failing to execute an order unless such Member was negligent or is settling a bona-fide dispute regarding negligence.

A member firm may not compel an adjustment from a Member in the absence of a bona-fide dispute regarding negligence.

Clearing members shall document all adjustments. Clearing members shall make and retain a record which contains the date the adjustment was received, the name of the Member making the adjustment, the account to which the adjustment was credited, the amount of the adjustment, the order number and the reason for the adjustment. Such records must be provided to the Market Regulation Department upon request.

541. TOP STEP TRADING RESTRICTIONS IN S&P 500 STOCK PRICE INDEX™ FUTURES

A member must be registered with the Exchange in order to stand on the top step or top step area of the S&P 500 futures pit. While on the top step, such members must have a top step badge visibly displayed on their trading jacket. Once registered, a member shall not trade or place orders in S&P 500 futures during Regular Trading hours ("RTH") for his own account, an account in which he has a direct or indirect financial interest, or an account which he controls, except that a member may trade or place an order to liquidate a position that resulted from an error in the execution of an order.

Notwithstanding the above, a top step registered member may, during an RTH session, deregister with the Exchange and thereafter trade or place orders for his own account, an account in which he has a direct or indirect financial interest, or an account which he controls provided that the member neither trades nor fills orders in S&P 500 futures from the time of deregistration through and including a full bracket period after the bracket period in which deregistration occurred. For the purposes of this rule, the last two regular brackets, the closing range bracket and the post close session bracket shall be considered a single bracket.

542. SIMULTANEOUS SPREAD AND COMBINATION TRANSACTIONS

A. All spread or combination transactions in which all sides are acquired simultaneously must be for the same account, except as provided by Rule 527. Each of the respective legs of the spread or combination transaction must be priced within the daily price limits for those contracts that have limits.

In the event a spread or combination transaction executed in the pit involves one or more contracts which have not established a price range during that trading session, the price(s) recorded for such contract(s) shall not establish a price range.

Spread or combination transactions shall not set off conditional orders in any contract except for an identical spread or combination conditional order. All simultaneous spread or combination transactions must be reported to a designated Exchange official who shall record and publish the differentials or combination prices in addition to the quantities of such trades. The brokers executing any spread or combination transaction must maintain a record of the transaction in accordance with Rule 536.

For the purposes of this rule, a whole integer price is an option price that is divisible by one tick without remainder (e.g., one tick, two ticks, three ticks, etc.). For the purposes of this rule, a non-integer tick price is an option price that is not divisible by one tick without remainder (i.e., one-half tick or cabinet, one and one-half ticks, and two and one-half ticks). In addition, the rule in an option's contract specifications defining that given option contract's minimum fluctuations also defines that option contract's whole integer and non-integer tick prices for the purposes of this rule.

Spread or combination transactions involving options on interest rate futures contracts trading at non-integer tick prices other than those transactions explicitly defined in this rule are not allowed.

- B. Any spread or combination transaction involving cabinet options may trade, provided that the traded price of the combination is zero, cabinet, or 1 tick, as defined by that product's minimum fluctuations.

For the purposes of this rule, a cabinet option is an option trading at a price of one-half tick (except for options on Three-Month Euroyen futures), and a one-tick option is an option trading at a price of one tick. In addition, the rule in an option's contract specifications defining that given option contract's minimum fluctuations also defines that option contract's one-tick price and one-half tick price for the purposes of this rule. Also, the rule in an option's contract specifications defining that given option contract's underlying futures contract also defines that underlying futures contract for the purposes of this rule.

Spread or combination transactions involving cabinet options other than those transactions explicitly defined in this rule are not allowed.

- C. Trading is allowed in simultaneous spread or combination transactions involving options on interest rate futures contracts subject to the conditions applying to other spread or combination transactions and also subject to the following additional conditions:

1. All recognized non-generic option spread and combination transactions can trade in half-ticks when at least one component option is priced below 5 ticks.
2. All recognized non-generic option versus futures spread and combination transactions can trade in half-ticks when the underlying futures contract is half-tick eligible and the component options are assigned eligible prices.

Recognized non-generic spread and combination transactions involving options whose minimum increments are less than one full tick are not subject to the above conditions.

- D. Trading is allowed in simultaneous spread or combination transactions involving options on currency futures contracts trading at whole integer and non-integer tick prices, subject to the conditions applying to other spread or combination transactions and also subject to the following respective additional conditions:

1. Spread and combination transactions involving the simultaneous purchase and sale of options in which one or more of the options is trading at a non-integer tick price are allowed provided that the total number of options in the combination is four or less and that the net absolute price differential is five ticks or less.
2. Spread and combination transactions involving the purchase of every leg or the sale of every leg of a two-legged or three-legged combination in which one or more of the options is trading at a non-integer tick price are allowed provided that each component option is assigned a price of five ticks or less and that the aggregate combination price is ten ticks or less.
3. Conversion and reversal transactions involving the purchase and sale of options and futures are also allowed to trade at one-half tick provided that each component futures is assigned an integer price.

- E. [Reserved]

- F. On Globex, spread or combination transactions shall be made by inputting the spread differential or combination price into the Globex system.

For combinations traded on Globex in price terms, the Exchange will allocate the combination trade price among the individual options in the combination for clearing purposes.

543. [RESERVED]

544. CLOSING DAY ORDERS

During the last day of trading in an expiring futures contract, all allowable types of orders that reach the trading floor less than 15 minutes prior to the close of trading, except for market, closing, spread, limit and stop orders, will be accepted solely at the risk of the customer on a not-held basis. A broker shall not be responsible for cancellations unless the cancellation reaches the broker at least 15 minutes prior to the close on the last day of trading in an expiring futures contract.

545. [RESERVED]**546. OPENING AND CLOSING RANGES DURING REGULAR TRADING HOURS**

Opening and closing ranges shall be established by Exchange staff in consultation with the Pit Committee.

In the event of a disputed opening or closing range or a trade during the opening or closing range that is conspicuously out of line with the market, the final determination of the opening or closing range shall be made by Exchange staff in consultation with the Pit Committee. A change in the opening range will be allowed only if the request for a change is made within 15 minutes of the posting of the range. A change in the closing range will be allowed only if the request for a change is made within 10 minutes of the posting of the range.

547. DISCRETIONARY ORDERS

Other than DRT orders, no Member (as defined in Rule 400) shall accept an order that gives more latitude than price and time in execution of the order, except in accordance with the provisions of Rule 956.

The above restriction shall not apply to those orders:

1. placed by another member for an account owned by such member;
2. placed by the member's immediate family which includes a spouse, parent, child, grandparent, grandchild, brother, sister, aunt, uncle, nephew, niece or in-law; and
3. placed for proprietary accounts of member firms.

548. PRIORITY OF EXECUTION

In pit trading, non-discretionary customer orders shall be executed in accordance with their price and time priority. A member shall not execute a discretionary order, including, without limitation, an order allowing the member discretion as to time and price, while in possession of an executable customer order. No person shall allocate executions in any manner other than an equitable manner.

Non-discretionary customer orders received by a Globex terminal operator shall be entered into Globex in the sequence received. Non-discretionary orders that cannot be immediately entered into Globex must be entered when the orders become executable in the sequence in which the orders were received.

549. [RESERVED]**550. POST CLOSE SESSION**

As soon as practicable, but in no event more than 15 minutes after the close of Regular Trading Hours for pit traded futures and designated options contracts, trading may resume for a period of three minutes. The post close session for related products shall commence simultaneously.

During the post close session, members are obligated to bid or offer any orders that: (1) were received prior to the close; (2) were executable in the closing range; and (3) are executable in the post close session. In addition, members are obligated to bid or offer any orders, including customer orders, that were received after the close and are executable in the post close session.

Outright futures trades during the post close session may only occur at the settlement price, prices within the closing range, or any valid intervening price between the settlement price and the closing range. During the post close session, outright options trades may occur at any price except that options contracts with daily price limits must be traded at prices within the daily limits.

A simultaneous spread or combination transaction executed pursuant to Rule 542 may be transacted during the post close session provided that the spread has previously traded during the Regular Trading Hours session or the legs comprising the spread have previously opened during the Regular Trading Hours session. The differential or combination price at which a spread trades during the post close session may establish a new high or low for the spread. Spreads or combination transactions must be priced so that one leg is priced within the range

of prices eligible to trade in the post close session and one leg is priced within the daily price limits for contracts with price limits. If a spread is used to correct an erroneous transaction during the post close session, then the legs may be priced outside of the range of prices eligible to trade during the post close session, but must be within the daily price limits for contracts with price limits. The price assignment conventions and conditions set forth in Rule 542 shall apply to any simultaneous spread or combination transaction executed in the post close session.

Except as otherwise specifically set forth in this rule, the rules applicable to trading during Regular Trading Hours shall be applicable to trading during the post close session.

551. [RESERVED]

552. DUAL TRADING RESTRICTIONS

552.A. Definitions

1. **Dual Trading:** The term "dual trading" shall mean trading or placing an order for one's own account, an account in which one has a direct or indirect financial interest or an account which one controls, in any contract month in which such person previously executed, received or processed a customer order on the Exchange floor during the same Regular Trading Hours session.
2. **Customer:** The term "customer" means the ultimate (end) customer or originator of the order, not the clearing member.
3. **Mature Liquid Contract:** The term "mature liquid contract" means a contract month by position in relation to the front month contract at any given point in time that has had during the prior six calendar months an average daily pit-traded volume of 10,000 or more contracts; provided, however, that the Board of Directors may exempt from or include in this definition specific contracts and hours of trading during which such contracts will be deemed not to be mature liquid contracts, taking into account any market conditions which, in the Board's opinion, would justify such action.

552.B. Prohibition

Dual trading shall be prohibited in any contract month which is deemed a mature liquid contract by management subject to the exceptions in Section C. below.

552.C. Exceptions

1. **Customer Permission.** A member may engage in dual trading in any contract month if each customer for whom such member executes or processes orders in that contract month grants prior written permission to such member.
2. **Member Customers.** A member may engage in dual trading in any contract month if the customer for whom such member executes or processes orders in that contract month is a member of the Exchange.
3. **Errors.**
 - a. A member taking a position into his error account as a result of the erroneous execution of an order shall not be considered to be dual trading provided that such member creates an accurate record evidencing that the position was the result of an error.
 - b. A member may engage in dual trading to offset a position resulting from the erroneous execution of a customer order provided that such member (1) creates an accurate, contemporaneous record evidencing that the transactions for such member's account were the result of the correction of the error and (2) records the time of each trade to the nearest minute on his trading card.
 - c. A member may engage in dual trading to spread a position resulting from an order execution error against a contract in which the member is dual trading restricted. The member must create an accurate contemporaneous record evidencing that the original position was the result of an error and create a record to clearly identify any trades made for the purpose of spreading against the original position. When spreading an error position, any trading in a dual trading restricted component of the spread may only be for offset purposes. The member may not add to the position or reestablish a position in a dual trading restricted component once the position has

been offset. The member must create an accurate, contemporaneous record identifying the offsetting transaction and must record the time of execution to the nearest minute for each such transaction.

4. **Spread Brokers.** A member whose primary business is the execution of spread orders may engage in dual trading. Members executing options/futures spread or combination orders (in which the futures side is a dual trading restricted contract) at a differential or combination value, while in the options pit, will not be considered in violation of the dual trading restrictions if such members subsequently trade for their personal accounts in that dual trading restricted futures contract. This exemption only applies to members executing the aforementioned options/futures spreads or combinations. Members are still prohibited from trading for their personal accounts in dual trading restricted futures contracts after executing outright customer orders in such contracts.

552.D. Side-by-Side Trading in Eurodollar Futures Contracts

During Regular Trading Hours, the dual trading restrictions applicable to open outcry trading of Eurodollar futures contracts apply to the on-floor trading of the same contract months on Globex pursuant to the following provisions:

1. On-floor Globex brokers and terminal operators who handle, process, or fill a customer order in a restricted Eurodollar futures contract month (either on Globex or in the pit) may not trade or place an order for their own account, an account in which they have a direct or indirect financial interest, or an account they control for the remainder of that session in that contract month either on Globex or in the pit.
2. Pit brokers who handle, process, or fill a customer order in a restricted Eurodollar futures contract month (either in the pit or on Globex) may not trade or place an order for their own account, an account in which they have a direct or indirect financial interest, or an account they control for the remainder of that session in that contract month either in the pit or on Globex.

553. AVERAGE PRICE SYSTEM

553.A. Application of Average Prices

The Exchange's Average Price System ("APS"), or a proprietary APS developed by a clearing member, allows a clearing member to confirm to customers an average price when multiple execution prices are received on an order or series of orders for futures, options or combination transactions. An order or series of orders executed during the same trading day at more than one price may be averaged pursuant to APS only if each order is for the same account or group of accounts and for the same product and expiration month for futures, or for the same product, expiration month, put/call and strike price for options.

553.B. Requirements for APS Trades

A clearing member may have the Exchange calculate average prices or a clearing member may calculate average prices internally for contracts executed on the Exchange. The requirements enumerated below must be met for APS transactions.

1. The customer must have requested average price reporting.
2. Each individual trade must be submitted and cleared by the Exchange at the executed price.
3. If a clearing member computes and confirms the average price to its customers, it must compute the weighted mathematical average price, as set forth in Section C.
4. If a clearing member calculates the average price, it must possess the records to support the calculations and allocations to customer accounts and must maintain these records pursuant to CFTC regulations.
5. A clearing member must ensure that its proprietary trades are not averaged with customer APS trades.

553.C. Computation of Average Price

Upon receipt of an execution or match at multiple prices for an APS order, the weighted mathematical average must be computed by: (a) multiplying the number of contracts purchased or sold at each execution price by that price, (b) adding the results together and (c) dividing by the total number of contracts. An average price for a series of orders will be

computed based on the average prices of each order in that series. The actual average price or the average price rounded to the next price increment may be confirmed to customers. If a clearing member confirms the rounded average price, the clearing member must round the average price up to the next price increment for a buy order or down to the next price increment for a sell order. The residual created by the rounding process must be paid to the customer. APS may produce prices that do not conform to whole cent increments. In such cases, any amounts less than one cent may be retained by the clearing member.

553.D. Disclosure

Each clearing member that confirms an average price to a customer must indicate on the confirmation and monthly statement that the price represents an average price.

554. [RESERVED]

555. TOP STEP TRADING RESTRICTIONS

555.A. Definitions

1. Restricted Contract Month: The term "restricted contract month" means a mature liquid contract month subject to the dual trading provisions of Rule 552.
2. Contract Month Position: The term "contract month position" means the area of the pit designated by the Pit Committee for trading a specific contract month or months.
3. Personal Account: The term "personal account" means a member's own account, an account in which the member has a direct or indirect financial interest, or an account which the member controls.

555.B. Top Step Restrictions

The provisions of this Section B. are not applicable to those products and contract months subject to the restrictions in Rule 541.

While standing on the top step, a member shall not execute a trade or place an order for his personal account in any restricted contract months which are traded in the contract month position where such member stands.

After a member has conducted business on the top step, including, executing, receiving or processing an order, neither the member nor anyone else shall thereafter during the same RTH session execute a trade or place an order for such member's personal account in any restricted contract month eligible for trading in the contract month position where such member conducted business. However, a member may trade or place orders in such restricted contract months prior to his standing on the top step, and such orders may be executed by another individual even after the member placing the orders has conducted business on the top step, provided the execution of such orders on behalf of such member is not otherwise prohibited by Rule 552.

A restricted contract month shall be deemed to be restricted, for the purposes of this rule only, through the last day of trading of such restricted contract month.

555.C. Exceptions

1. Errors: Taking a position resulting from the erroneous execution of a customer order and liquidating such position will not be a violation of the top step restrictions provided the member creates an accurate record evidencing that such transactions were the result of an error or the correction of an error.
2. Intermarket Spreaders: A member may trade from the top step provided such transactions are made exclusively to facilitate intermarket spreads or combinations.
3. Trading with Discretion for the Proprietary Account of a Clearing Member: A member who fills orders from the top step for the proprietary account of a clearing member, where such trading requires sightlines to the pit for arbitrage, may also trade with discretion for such account provided that all such trades constitute part of an arbitrage transaction to another market and the member has received authorization to do so by the Market Regulation Department.
4. The Board of Directors may exempt any contract or contract months from the provision of this rule taking into account any market conditions which, in the Board's opinion, would justify such action.

5. The Floor Conduct Committee shall have the authority to:
 - a. Exempt specific top-step areas deemed unsuitable for order filling; and
 - b. Grant individual exceptions where the application of the rule would work a hardship on the execution of customer orders, provided such exceptions are consistent with Rule 552.

555.D. Violations

A single violation of this rule may be deemed a trading infraction under Rule 514.A.9. subject to the jurisdiction and fining authority of the Floor Conduct Committee, except for those violations involving Rule 552. Multiple or egregious violations of this rule may be referred to the Probable Cause Committee by the Market Regulation Department.

556.- 558. [RESERVED]

559. POSITION LIMITS AND EXEMPTIONS

The position limits applicable in those contracts with position limits are set forth in the Position Limit and Reportable Level Table in the Interpretations Section at the end of Chapter 5. A person seeking an exemption from the position limits shall apply to the Market Regulation Department on forms provided by the Exchange, pursuant to Section F. below. The person shall identify the exemption sought, explain the nature and extent of his business, and affirm under oath that:

1. the intended positions will be either:
 - a. bona fide hedges
 - i) that are economically appropriate and necessary or advisable as an integral part of his business; and
 - ii) that comply with all applicable federal requirements relating to hedging and have been approved for this purpose by the CFTC where necessary;
 - b. risk management positions; or
 - c. arbitrage or spread positions
2. the applicant will comply with whatever limitations are imposed by the Market Regulation Department with regard to such positions; and
3. the applicant will promptly submit a supplemental statement whenever there is a material change to the information provided in the person's most recent application.

Except as provided in Section F. below, a clearing member shall not carry a position that exceeds the position limits on behalf of an account unless the clearing member has confirmed that the owner or controller of such account has received an exemption from the Market Regulation Department.

559.A. Bona Fide Hedging Positions

The Market Regulation Department may grant exemptions from the position limits for positions qualifying as bona fide hedge positions as defined by CFTC Regulation 1.3(z).

Approved hedgers may be exempted from emergency orders reducing position limits or restricting trading.

559.B. Risk Management Positions

For the purposes of this rule, risk management positions are defined as futures and options positions which are held by or on behalf of a commercial entity or an affiliate of a commercial entity, which typically buys, sells or holds positions in the underlying cash market, a related cash market, or a related over-the-counter market and for which the underlying market has a high degree of demonstrated liquidity relative to the size of the positions and where there exist opportunities for arbitrage which provide a close linkage between the futures or options market and the underlying market in question.

The Market Regulation Department may grant exemptions from the position limits in debt-based, equity-based, commodity index-based and foreign currency-based futures and options for risk management positions as described in this rule. Exemptions related to indexed positions in the over-the-counter market may include corresponding commodity index-based futures and options and/or individual commodity futures and options used as components in replicating an index.

In order to qualify for an exemption, such positions must meet one or more of the following three sets of criteria:

1. Long positions in futures, long calls, or short puts whose futures equivalent value does not exceed the sum of cash set aside in an identifiable manner, or any of the following unencumbered instruments so set aside, with maturities of less than 1 year: U.S. Treasury obligations; U.S. agency discount notes; commercial paper rated A2 or better by Standard & Poor's and P2 or better by Moody's; banker's acceptances; or certificates of deposit, plus any funds deposited as performance bond on such positions and accrued profits on such positions held at the clearing member.
2. Long positions in futures, long calls, or short puts whose futures equivalent value does not exceed the sum of the value of fully hedged positions in equity securities, debt securities, commodities or currencies, provided that the fluctuations in the value of the position used to hedge such securities, commodities or currencies are substantially related to the fluctuations in the value of the securities, commodities or currencies themselves, and accrued profits on such positions held at the clearing member.
3. Short calls whose futures equivalent value does not exceed the sum of:
 - a. The value of securities, commodities or currencies underlying the futures contract upon which the option is based or underlying the option itself and which securities, commodities or currencies are owned by the trader holding such option position; or
 - b. The value of securities, commodities or currencies whose price fluctuations are substantially related to the price fluctuations of the securities, commodities or currencies underlying the futures contract upon which the option is based or underlying the option itself and which securities, commodities or currencies are owned by the trader holding such option position.

559.C. Arbitrage and Spread Positions

The Market Regulation Department may grant exemptions from the position limits for arbitrage, intracommodity spread, intercommodity spread, and eligible option/option or option/futures spread positions.

For exemptions from the spot month position limits for cash-settled agricultural contracts, the prospective arbitrageur or spreader shall specify the extent of his current and/or planned activity in the cash market underlying the contract for which such exemption is requested. Upon receiving an exemption from the spot-month position limit, the arbitrageur or spreader agrees to disclose, upon request by the Market Regulation Department, any cash market activity involving the underlying commodity, including any activity during the period when the contract's cash settlement price is determined.

559.D. Aggregation of Positions

In determining whether 1) any person has exceeded the position limits set forth in the Position Limit and Reportable Level Table in the Interpretations Section at the end of Chapter 5 or, where applicable, those limits determined pursuant to an exemption granted by the Market Regulation Department pursuant to Rule 559, or 2) a position is a reportable position pursuant to Rule 561, all positions in accounts for which such person by power of attorney or otherwise directly or indirectly holds positions or controls trading, except as set forth in Section E. below, shall be included with the positions held by such person. Such limits upon positions shall apply to positions held by two or more persons acting pursuant to an expressed or implied agreement or understanding, the same as if the positions were held by, or the trading of the positions were done by, a single person.

Except as set forth in Section E. below, any person holding positions in more than one account, or holding accounts or positions in which the person by power of attorney or otherwise directly or indirectly has a 10% or greater ownership or equity interest, must aggregate all such accounts or positions, unless such person is a limited partner, shareholder, member of a limited liability company, beneficiary of a trust or similar type of pool participant in a commodity pool. However, this exception does not apply if the person is the commodity pool operator, controls the pool's trading decisions, or has an ownership or equity interest of 25% or greater in a commodity pool the operator of which is exempt from registration with the Commodity Futures Trading Commission.

559.E. Independently Controlled Positions

An eligible entity as defined in CFTC Regulation §150.1(d) shall not be considered to have violated the position limits based on the positions established on its behalf by one or more independent account controllers as defined in CFTC Regulation §150.1(e) if each such account controller does not exceed position limits, and if the positions are not held in a spot month if there is a position limit that applies to individual trading months during their expiration.

If an independent account controller is affiliated with the eligible entity or another independent account controller, each of the affiliated entities must comply with the requirements set forth in CFTC Regulation §150.3(4)(i)(A-D).

The position limits shall apply to all positions held by futures commission merchants or their separately organized affiliates in customer discretionary accounts or in guided account programs unless the accounts are controlled by independent traders and meet the standards set forth in CFTC Regulation 150.4(d).

Any person claiming an exemption from position limits under this Section must, upon request by the Market Regulation Department, provide information relating to the positions owned or controlled by that person; trading done pursuant to the claimed exemption; the futures, options or cash market positions which support the claimed exemption; and the relevant business relationships supporting the claimed exemption.

559.F. Application to Exceed Hedge, Risk Management, Arbitrage or Spread Position Limits

Except as provided below, a person intending to exceed position limits or limits established pursuant to a previously approved exemption must file the required application and receive approval by the Market Regulation Department prior to exceeding such limits.

A person who establishes an exemption-eligible position in excess of position limits may file the required application after exceeding such limits. A person who has not previously received approval to exceed position limits must file the application within five business days. A person exceeding a previously approved exemption limit must file the application within ten business days. The Market Regulation Department shall have the authority to require the submission of the application within a shorter period of time.

The Market Regulation Department shall, on the basis of any application and requested supplemental information, determine whether the applicant will be approved for exemption pursuant to the foregoing sections. The Market Regulation Department may impose such limitations on the approval as are commensurate with the applicant's business needs, financial ability and personal integrity, as well as the liquidity, depth and volume of the market for which the exemption is sought. The Market Regulation Department may review exemption approvals at any time, and, for cause, revoke such approvals or place limitations thereon if it is determined that the applicant's status or the market conditions have changed. The applicant may appeal any decision of the Market Regulation Department pursuant to this Section to the Business Conduct Committee.

In all cases, entities granted relief pursuant to any of the foregoing sections must comply with all other Exchange rules and requirements. Additionally, all parties approved to exceed position limits must initiate and liquidate such positions in an orderly manner consistent with sound commercial practices, and must not initiate or liquidate such positions in a manner calculated to cause unreasonable or unwarranted price changes or fluctuations, violate or avoid Exchange rules, or otherwise impair the good name of the Exchange.

Except as provided above, a clearing member that permits a customer to establish a position in excess of position limits without prior approval by the Market Regulation Department may be found responsible for the violation of the limit.

559.G. Violations

Violations of position limits and approved exemption limits are subject to the provisions of Rule 443.

560. POSITION ACCOUNTABILITY

A person who holds or controls, or a member firm that carries for another person, aggregate positions in excess of those specified in the Position Accountability column in the Position Limit and Reportable Level Table in the Interpretations Section at the end of Chapter 5, shall be subject to the following provisions:

- a. Such person shall provide, in a timely manner upon request by the Market Regulation Department, information regarding the nature of the position, trading strategy, and hedging information, if applicable.
- b. Such person shall be deemed to have consented, when so ordered by the Exchange, not to further increase the positions which exceed the levels specified in the Position Accountability column in the Position Limit and Reportable Level Table in the Interpretations Section at the end of Chapter 5.
- c. Such positions must be initiated and liquidated in an orderly manner.

For purposes of this rule, all positions in accounts for which a person, by power of attorney or otherwise, directly or indirectly controls trading shall be included with the positions held by such person. The provisions of this rule shall apply to positions held by two or more persons acting pursuant to an expressed or implied agreement or understanding, the same as if the positions were held by a single person.

561. REPORTS OF LARGE POSITIONS

561.A. General Provisions

Clearing members shall submit to the Exchange a daily report of all individuals or entities which own, control, or carry reportable positions in a single contract month for one futures contract or a single expiration month for a put or call option, regardless of strike price. The Exchange may require that more than one report be submitted daily. Such report shall be in a form acceptable to the Market Regulation Department and shall contain the account numbers and the number of open contracts in each month for a futures contract or in each expiration month for a put or call option in which any individual or other entity owns, controls, or carries open positions in a single contract month that equals or exceeds the reporting level for such contract pursuant to Section B. Furthermore, with respect to any individual or entity owning, controlling, or carrying a position that meets or exceeds the reportable level in any month of a futures or options contract, the clearing member must submit a report for that individual or entity in all months of that futures contract and all corresponding options contracts, regardless of position size. The Business Conduct Committee or the Market Regulation Department may, at its discretion, require reports from one or more clearing members on a lesser number of positions owned, controlled, or carried.

Clearing members shall also furnish the Market Regulation Department with reports identifying the owner and any controlling parties for accounts required to be disclosed in accordance with the preceding paragraph.

It shall be the responsibility of the clearing member to obtain the information required above relative to ownership and control of positions within any account carried on an omnibus basis, unless such omnibus account has been specifically exempted by the Market Regulation Department.

561.B. Reportable Levels

The reportable levels for all contracts are set forth in the Position Limit and Reportable Level Table in the Interpretations Section at the end of Chapter 5.

562.— 572. [RESERVED]

GLOBEX ELECTRONIC TRADING SYSTEM RULES

573. GLOBEX OPENING

Each business day, Globex will open with a single price for each instrument unless otherwise designated by the Exchange.

Prior to the opening of each Globex Session, Globex will provide an indicative opening price or prices, based on the Globex equilibrium price algorithm described below, and on all pending orders that may be executed on the opening. During the 30-second period prior to the opening, no previously entered orders may be modified or cancelled, although new orders may be entered.

Globex will establish an equilibrium price that will be the opening price. The equilibrium price is the calculated price between sell pressure and buy pressure where the largest volume of trading can occur. The price will be determined in accordance with the following methodology:

1. Any bid at a given price may also be executed at a lower price.
2. Any offer at a given price may also be executed at a higher price.
3. The bid volume at any price is the quantity bid at that price plus the sum of the quantities bid at all higher prices.
4. The offer volume at any price is the quantity offered at that price plus the sum of the quantities offered at all lower prices.
5. Sell pressure occurs when the offer volume exceeds the bid volume at a particular price.
6. Buy pressure occurs when the bid volume exceeds the offer volume at a particular price.
7. The trade volume at any price is the smaller of the bid volume or the offer volume.
8. The price overlap is the range of prices where trades are possible.
9. The equilibrium is the price range within the price overlap where buy pressure changes to sell pressure.
10. The equilibrium price is one of the following:
 - (a) The price within the equilibrium that has the largest trade volume and the lowest unmatched volume at that price remaining after the opening.
 - or
 - (b) If more than one price has the same trade volume and the same unmatched volume at that price, the equilibrium price is the one nearest the previous day's settlement price.
11. If there is no equilibrium (there is only buy pressure or sell pressure), there will be no opening price until a trade occurs unless there is a bid higher than, or an offer lower than, the previous day's settlement price.
12. After the provisional opening price is determined as set forth above for all orders excluding stop and stop limit orders, the calculations are repeated with any such orders that would be triggered at such price included until a new provisional opening price is determined. If such new price would trigger additional stop or stop limit orders, the process is repeated until no more orders are triggered.
13. Bids and offers will be selected for matching at the opening price based on price and time priority.

574. GLOBEX ACCESS RESTRICTIONS

All connections to the Globex system, including direct connections of non-clearing members or customers, must be guaranteed by a clearing member that assumes financial responsibility for all activity through the connection. With respect to transactions given up to other clearing members, such guarantee is effective only until such time that the other clearing member accepts the trade.

All individuals entering non-member customer orders in other than a clerical capacity must have appropriate industry registration. Non-member customer orders may be entered only from designated areas on the floor of the Exchange or from the premises of an entity registered to conduct customer business.

Clearing members shall assist the Exchange in any investigation into potential violations of the rules or the Act which occur through or with respect to a Globex connection guaranteed by the clearing member. Such assistance must be timely and may include, but not be limited to, requiring any non-member customer to produce documents, to answer questions from the Exchange, and/or to appear in connection with an investigation.

Clearing members shall suspend or terminate a non-member customer's Globex access if the Exchange determines that the actions of the non-member customer threaten the integrity or liquidity of any contract or violate any Exchange rule or the Act, or if the non-member customer fails to cooperate in an investigation.

If a clearing member has actual or constructive notice of a violation of Exchange rules in connection with the use of Globex 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 an act detrimental to the interest or welfare of the Exchange.

575. [RESERVED]

576. IDENTIFICATION OF GLOBEX TERMINAL OPERATORS

Each Globex terminal operator shall be identified to the Exchange, in the manner prescribed by the Exchange, and shall be subject to Exchange rules. If user IDs are required to be registered with the Exchange, it is the duty of the clearing member to ensure that registration is current and accurate at all times. Each individual must use a unique user ID to access Globex. In no event may a person enter an order or permit the entry of an order by an individual using a user ID other than the individual's own unique user ID.

577. [RESERVED]**578. LIMITATION OF LIABILITY, NO WARRANTIES**

A. EXCEPT AS PROVIDED BELOW, THE EXCHANGE, THE BOARD OF TRADE OF THE CITY OF CHICAGO, INC. ("CBOT"), THE NEW YORK MERCANTILE EXCHANGE INC. ("NYMEX"), THE KANSAS CITY BOARD OF TRADE ("KCBT"), THE MINNEAPOLIS GRAIN EXCHANGE ("MGEX") AND CME ALTERNATIVE MARKETPLACE INC., (INCLUDING EACH OF THEIR RESPECTIVE SUBSIDIARIES AND AFFILIATES), THEIR OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, CONSULTANTS, LICENSORS, MEMBERS, AND CLEARING MEMBERS, SHALL NOT BE LIABLE TO ANY PERSON FOR ANY LOSSES, DAMAGES, COSTS OR EXPENSES (INCLUDING, BUT NOT LIMITED TO, LOSS OF PROFITS, LOSS OF USE, AND DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES), ARISING FROM:

- (i) ANY FAILURE, MALFUNCTION, FAULT IN DELIVERY, DELAY, OMISSION, SUSPENSION, INACCURACY, INTERRUPTION, TERMINATION, OR ANY OTHER CAUSE, IN CONNECTION WITH THE FURNISHING, PERFORMANCE, OPERATION, MAINTENANCE, USE OF OR INABILITY TO USE ALL OR ANY PART OF ANY OF THE SYSTEMS AND SERVICES OF THE EXCHANGE, CBOT OR CME ALTERNATIVE MARKETPLACE INC., OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS AND SERVICES, INCLUDING WITHOUT LIMITATION ELECTRONIC ORDER ENTRY/DELIVERY, TRADING THROUGH ANY ELECTRONIC MEANS, ELECTRONIC COMMUNICATION OF MARKET DATA OR INFORMATION, WORKSTATIONS USED BY MEMBERS AND AUTHORIZED EMPLOYEES OF MEMBERS, PRICE REPORTING SYSTEMS AND ANY AND ALL TERMINALS, COMMUNICATIONS NETWORKS, CENTRAL COMPUTERS, SOFTWARE, HARDWARE, FIRMWARE AND PRINTERS RELATING THERETO; OR
- (ii) ANY FAILURE OR MALFUNCTION, FAULT IN DELIVERY, DELAY, OMISSION, SUSPENSION, INACCURACY, INTERRUPTION OR TERMINATION, OR ANY OTHER CAUSE, OF ANY SYSTEM OR SERVICE OF THE EXCHANGE, CBOT OR CME ALTERNATIVE MARKETPLACE INC., OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS OR SERVICES, CAUSED BY ANY THIRD PARTIES INCLUDING, BUT NOT LIMITED TO, INDEPENDENT SOFTWARE VENDORS AND NETWORK PROVIDERS; OR
- (iii) ANY ERRORS OR INACCURACIES IN INFORMATION PROVIDED BY THE EXCHANGE, CBOT OR CME ALTERNATIVE MARKETPLACE INC. OR ANY EXCHANGE, CBOT OR CME ALTERNATIVE MARKETPLACE INC. SYSTEM, SERVICE OR FACILITY; EXCEPT FOR INCORRECT ORDER STATUSING INFORMATION AS PROVIDED IN RULE 579 (GLOBEX CONTROL CENTER AND ORDER STATUSING); OR
- (iv) ANY UNAUTHORIZED ACCESS TO OR UNAUTHORIZED USE OF ANY EXCHANGE, CBOT OR CME ALTERNATIVE MARKETPLACE INC. SYSTEM, SERVICE OR FACILITY BY ANY PERSON.

THE FOREGOING LIMITATION OF LIABILITY SHALL APPLY WHETHER A CLAIM ARISES IN CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY, CONTRIBUTION OR OTHERWISE AND WHETHER THE CLAIM IS BROUGHT DIRECTLY OR AS A THIRD PARTY CLAIM.

THE FOREGOING LIMITATION OF LIABILITY SHALL BE SUBJECT TO THE COMMODITY EXCHANGE ACT AND REGULATIONS THEREUNDER. A PARTY WHO HAS BEEN FINALLY ADJUDICATED TO HAVE ENGAGED IN WILLFUL OR WANTON MISCONDUCT MAY NOT AVAIL ITSELF OF THE PROTECTIONS IN THIS RULE.

- B. THERE ARE NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS (INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE OR USE) PROVIDED BY THE EXCHANGE, CBOT, NYMEX, KCBT, MGEX OR CME ALTERNATIVE MARKETPLACE INC. (INCLUDING THEIR RESPECTIVE SUBSIDIARIES AND AFFILIATES), THEIR OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, CONSULTANTS, AND LICENSORS RELATING TO ANY SYSTEMS OR SERVICES OF THE EXCHANGE, CBOT OR CME ALTERNATIVE MARKETPLACE INC. OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS OR SERVICES, INCLUDING THE GLOBEX SYSTEM.
- C. ANY DISPUTE ARISING OUT OF THE USE OF SYSTEMS OR SERVICES OF THE EXCHANGE OR CME ALTERNATIVE MARKETPLACE INC. OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS OR SERVICES IN WHICH THE EXCHANGE, OR CME AUCTION MARKETS (INCLUDING EITHER OF THEIR SUBSIDIARIES AND AFFILIATES), OR ANY OF THEIR OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, CONSULTANTS OR LICENSORS IS A PARTY SHALL BE ARBITRATED PURSUANT TO RULE 621. ANY ARBITRATION SHALL BE BROUGHT WITHIN THE PERIOD PRESCRIBED BY EXCHANGE RULES. ANY OTHER ACTIONS, SUITS OR PROCEEDINGS AGAINST ANY OF THE ABOVE MUST BE BROUGHT WITHIN TWO YEARS FROM THE TIME THAT A CAUSE OF ACTION HAS ACCRUED. THIS PARAGRAPH C SHALL IN NO WAY BE CONSTRUED TO LIMIT A PARTY'S OBLIGATION TO ARBITRATE ITS CLAIM OR TO CREATE A CAUSE OF ACTION AND SHALL NOT AUTHORIZE AN ACTION THAT WOULD OTHERWISE BE PROHIBITED BY CME RULES. IF FOR ANY REASON, A COURT OF COMPETENT JURISDICTION FINDS THAT SUCH DISPUTE IS NOT ARBITRABLE, SUCH DISPUTE MAY ONLY BE LITIGATED IN THE COUNTY OF COOK IN THE STATE OF ILLINOIS AND WILL BE GOVERNED BY THE LAWS OF THE STATE OF ILLINOIS WITHOUT REGARD TO ANY PROVISIONS OF ILLINOIS LAW THAT WOULD APPLY THE SUBSTANTIVE LAW OF A DIFFERENT JURISDICTION.
- D. THE EXCHANGE, AND WITH RESPECT TO "AUCTIONS," CME ALTERNATIVE MARKETPLACE INC., MAY, IN THEIR RESPECTIVE SOLE DISCRETION, ASSUME RESPONSIBILITY FOR DIRECT, OUT-OF-POCKET LOSSES DIRECTLY CAUSED BY THE NEGLIGENCE OF GLOBEX CONTROL CENTER OR OTHER EXCHANGE STAFF AND/OR ORDER STATUS ERRORS PROVIDED BY THE GLOBEX CONTROL CENTER OR AN EXCHANGE SYSTEM, SERVICE OR FACILITY. NOTWITHSTANDING THE ABOVE, i) THE EXCHANGE'S; ii) CBOT'S (EXCEPT WITH RESPECT TO ANY PRODUCTS TRADED ON e-cbot, WHICH WERE GOVERNED BY FORMER CBOT RULE 5B.19); AND iii) WITH RESPECT TO AUCTIONS, CME ALTERNATIVE MARKETPLACE INC.'S TOTAL COMBINED AGGREGATE OBLIGATIONS SHALL NOT EXCEED \$100,000 FOR ALL LOSSES FROM ALL CAUSES SUFFERED ON A SINGLE DAY; \$200,000 FOR ALL LOSSES SUFFERED FROM ALL CAUSES IN A SINGLE CALENDAR MONTH; AND \$2,400,000 FOR ALL LOSSES FROM ALL CAUSES SUFFERED IN A SINGLE CALENDAR YEAR. ANY DISPUTED CLAIM PURSUANT TO THIS PARAGRAPH D MUST BE ARBITRATED PURSUANT TO EXCHANGE RULES.
- E. IN NO EVENT SHALL THE EXCHANGE'S, CBOT'S, AND WITH RESPECT TO AUCTIONS, CME ALTERNATIVE MARKETPLACE INC.'S, TOTAL COMBINED AGGREGATE LIABILITY FOR ALL CLAIMS ARISING OUT OF ANY NEGLIGENCE, FAILURES, MALFUNCTIONS, FAULTS IN DELIVERY, DELAYS, OMISSIONS, SUSPENSIONS, INACCURACIES, INTERRUPTIONS, TERMINATIONS, ORDER STATUSING ERRORS OR ANY OTHER CAUSES, IN CONNECTION WITH THE FURNISHING, PERFORMANCE, OPERATION, MAINTENANCE, USE OF OR INABILITY TO USE ALL OR ANY PART OF ANY OF THE EXCHANGE'S, CBOT'S, OR CME ALTERNATIVE MARKETPLACE INC.'S SYSTEMS OR SERVICES, OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS AND SERVICES, OR THE NEGLIGENCE OF EXCHANGE OR CBOT STAFF, EXCEED \$2,400,000 IN

ANY GIVEN CALENDAR YEAR.

IF THE NUMBER OF ALLOWED CLAIMS ARISING OUT OF ANY FAILURES OR MALFUNCTIONS ON A SINGLE DAY OR SINGLE MONTH CANNOT BE FULLY SATISFIED BECAUSE OF THE ABOVE DOLLAR LIMITATIONS, ALL SUCH CLAIMS SHALL BE LIMITED TO A PRO RATA SHARE OF THE MAXIMUM AMOUNT FOR THE RESPECTIVE PERIOD.

A CLAIM AGAINST THE EXCHANGE, CBOT, OR WITH RESPECT TO AUCTIONS, CME ALTERNATIVE MARKETPLACE INC., ARISING OUT OF ANY FAILURE OR MALFUNCTION SHALL ONLY BE ALLOWED IF SUCH CLAIM IS BROUGHT IN ACCORDANCE WITH THIS RULE.

579. GLOBEX CONTROL CENTER

579.A. Customer Support

The Globex Control Center ("GCC") provides Globex customer support and problem management only to members, clearing members and customers designated by clearing members. In addition, designated NYMEX, KCBT AND MGEX members and clearing members may also receive customer support and problem management from GCC with respect to contracts traded on Globex. In order to be eligible for GCC support, such persons must register with the GCC ("Registered Contacts"). The GCC provides customer support via a specified telephone number and during specified hours. GCC employees may not always be available to assist Registered Contacts. Persons other than Registered Contacts, including non-members with Globex access pursuant to Rule 574, must contact their clearing members to make support requests.

579.B GCC Communications

As provided in Rule 578, the Exchange shall not be liable for any loss resulting from any inability to communicate with the GCC. The liability of the Exchange for the negligent acts of GCC staff shall be subject to the limitations and conditions of Rule 578. In no event, however, shall the Exchange be liable for the negligence of the GCC if the person claiming to have suffered a loss could have secured the support it sought from GCC through its own administrative terminal, its clearing member's terminal or an Independent Software Vendor's ("ISV") terminal. For purposes of this rule, a person is deemed able to take action through its own administrative terminal, a clearing member's terminal or an ISV's terminal unless such terminal was inoperative or such terminal service was interrupted at the time the GCC took action.

579.C Order Status

A person who believes he has received an incorrect order status or does not receive an appropriate status shall immediately notify the GCC. Additionally, such person shall take any necessary and appropriate market action to mitigate any potential losses arising from the incorrect order status or lack of appropriate order status immediately after the person knew or should have known that the order status information was incorrect or should have been received. Any liability of the Exchange for incorrect order status shall be subject to the limitations and conditions of Rule 578.

Notwithstanding the above, the Exchange shall not be liable for losses related to incorrect order status information if the Exchange provides prior notification that an Exchange system, service or facility may produce such incorrect information and also provides notification of a means to obtain correct order status information from such system, service or facility. In the event that the GCC and an Exchange system, service or facility provide conflicting information relating to an order status, a customer may only reasonably rely on the information received from the GCC. Any liability of the Exchange shall be subject to the liability caps and conditions of Rule 578.

579.D. Cancellation of Orders at Prices Outside of the Applicable Globex Price Limits

In certain circumstances, the price limits applicable to contracts traded on Globex may vary depending on the time of day. In this situation, it is possible for an order to be entered into the Globex system during one time period at a price that is outside of the price limit that applies during a subsequent time period. If this order remains in the system at the beginning of the subsequent time period, the system will freeze in the event a market order on the opposite side

of the market is entered and there are no other resting orders against which it can be matched rather than allow the match to occur at a price outside of the applicable price limit. Accordingly, whenever the GCC becomes aware of a bid or offer in the Globex system for any contract that is outside of the applicable price limit, the GCC will cause such bid or offer to be cancelled and will promptly notify the affected Globex user of such cancellation.

580. GLOBEX TRADE ALGORITHMS

1. Market orders that are entered into the Globex system shall be converted into limit orders at a price at or above (in the case of a buy order) or at or below (in the case of a sell order) the last price shown on the Globex system. Any part of such order that is not filled at the limit price or better shall remain as a resting order at such limit price until filled or cancelled.
2. Stop limit orders are activated and placed into the order book when the order's specified stop price is traded, at which time the order may be executed at the best available price at or between the specified limit price and the specified stop price. Any part of such order that is not filled shall remain as a resting order at such limit price until filled or cancelled.
3. If the execution of a stop order would result in an execution price that is above (below) the last traded price plus (minus) X ticks, the market shall be placed in a "reserved state." During the reserved state, orders may be entered, modified or cancelled but orders may not be executed. The Globex system will disseminate an "Indicative Opening Price" (IOP) during the reserved state representing the price at which the market could trade if the reserved state were to conclude immediately. If, at the conclusion of the initial reserved state period, the IOP is within a range bounded by the last traded price plus or minus two times (2x) X ticks, then normal execution of trades shall resume. If the IOP is outside such range, the market shall remain in a reserved state for a subsequent period. A series of reserved state periods shall ensue until either (i) the IOP is within a range bounded by the last traded price plus (minus) the number of reserved state periods, plus one, times X ticks at the conclusion of such reserved state periods, at which point normal trading shall resume; or (ii) a total of twelve (12) reserved state periods are concluded, after which normal trading shall resume regardless of the opening price.

This process shall be applied to such markets as determined by the Exchange. The value X and the duration of a reserved state period shall be determined by the Exchange.

4. Unless otherwise specified by the Exchange, orders entered into the Globex system will be matched in accordance with an algorithm that gives first priority to orders at the best price and that gives priority among orders entered at the same price based on their time of entry into the system, with the first order entered receiving first priority, the second order entered receiving second priority, etc. (First In, First Out or "FIFO" Allocation Algorithm). The Exchange may use a different matching algorithm for particular contracts by giving written notice of such algorithm to members and firms using Globex at least ten days before use of such algorithm is implemented. See Interpretation of Rule 580—GLOBEX TRADE ALGORITHMS at the end of Chapter 5.
5. Request for quote ('RFQ') messages soliciting bids and/or offers for a contract or a combination of contracts traded pursuant to Rule 580 may be entered into the Globex system. Upon receiving the RFQ, the Exchange shall immediately disseminate the message as part of its market data dissemination. The Globex trade matching process will continue independent of the RFQ messaging activity.

581. GLOBEX LEAD MARKET MAKER PROGRAM

The Exchange shall establish a Globex Lead Market Maker Program to remain in effect for a period determined by Exchange staff. The Exchange shall establish the requirements and the number of participants eligible for the Lead Market Maker Program. Any individual or entity that is eligible for Globex terminals, pursuant to Exchange rules, is eligible to submit an application to Exchange staff to become a Globex Lead Market Maker. Exchange staff shall have the discretion to approve or deny an application based on the applicant's business reputation, financial resources and trading activity in relevant futures, options or related cash markets. Any individual or entity accepted into the program must comply with the conditions established by Exchange staff.

The Exchange may offer participants in the Lead Market Maker Program trading and financial

incentives. Trading incentives may include the deployment of the Lead Market Maker Matching Algorithm in either of its formats as described in Rule 580 and Interpretations thereto.

582. GLOBEX SWITCH TRADE MATCHING ALGORITHM

The following Switch trade matching algorithm shall be applied to such markets as determined by the Exchange.

1. A Switch market is defined as a call market where:
 - a. A series of expirations for a specific contract, e.g. Three-Month Eurodollar futures, are available for trading;
 - b. For each session, all the trades of the same expiration shall be consummated at the same price, at the same time;
 - c. The prices at which trades are executed are derived from an algorithm or formula based upon prevailing prices in related markets, e.g. interpolated yield curve based upon quarterly and serial Three-month Eurodollar Futures and other related markets;
 - d. For each session and for each account, each contract bought shall be accompanied by a sale of a contract with a different expiration available for trading for the session, and each contract sold shall be accompanied by a purchase of a contract with a different expiration.
2. For the purpose of Rule 582, the Pricing Algorithm for a Switch market is defined as the algorithm or formula for determining the prices of each eligible contract for a Switch market trading session. Prior to operating a Switch market, the Exchange shall disclose the Pricing Algorithm and the method of determining the inputs to the Pricing Algorithm.
3. Orders shall be good only during the specific trading session for which they are entered. Unexecuted orders and any unfilled residuals of partially filled orders shall be cancelled following the conclusion of the trade matching process.

The Pricing Algorithm shall be used to identify a single contract price at which all executed orders for a particular contract expiration shall be filled. The Exchange shall disseminate the price of each contract expiration prior to the trade matching process by an interval X. Upon determination of prices for all contract expirations, valid orders are deemed to have bid and offer prices identical to the published prices as determined by the Pricing Algorithm. Order entry, modification and cancellation shall be allowed until the commencement of the trade matching process.

The interval X and the price determination algorithm for each Switch market shall be determined and published by the Exchange.

4. The trade matching process will employ the following mathematical algorithm to match orders to buy and orders to sell. The algorithm maximizes, for the entire set of eligible expirations, the total number of contracts traded, subject to the constraint that, for each account, the total number of contracts bought is equal to the total number of contracts sold. If there are multiple possible allocations of the long and short positions that maximize the total number of contracts traded, the allocation with the broadest distribution across accounts shall be utilized. See Interpretation of Rule 582 – GLOBEX SWITCH TRADE MATCHING ALGORITHM at the end of Chapter 5.

583. DOMESTIC CROSS-EXCHANGE TRADING

583.A. Cross-Exchange Trading by Members of Other Domestic Exchanges in Contracts Listed on Globex

Individual members and clearing members of another domestic exchange that is participating in cross-exchange trading through Globex are eligible to obtain cross-exchange access, for proprietary and customer trading activity, to the contracts listed on Globex. The contracts may be listed on Globex either by the CME ("CME contracts") or by a domestic exchange other than CME ("Domestic Exchange contracts"). Such members and clearing members must (1) be authorized by CME to enter orders in CME contracts or Domestic Exchange contracts, as applicable, through Globex, (2) make an arrangement with an appropriate clearing member to clear any trades in CME contracts, (3) make an arrangement with a clearing member of the domestic exchange to clear any trades in such Domestic Exchange's contracts, and (4) abide by the Globex trading rules, policies and procedures of CME when trading CME contracts and

Domestic Exchange contracts through Globex.

When an individual member or clearing member of a domestic exchange is found to have violated CME's Globex trading rules, CME may deny or suspend the privilege of cross-exchange trading of such individual member or clearing member.

583.B. Cross-Exchange Trading by Members of CME in Contracts Listed on Globex or Other Electronic Trading Systems by Participating Domestic Exchanges

Individual members and clearing members of CME may obtain cross-exchange access, for proprietary and customer trading activity, to Domestic Exchange contracts listed on Globex or the contracts of a domestic exchange listed on such domestic exchange's electronic trading system. Such members and clearing members must (1) be authorized by the domestic exchange to enter orders in that exchange's contracts either through Globex or through such domestic exchange's electronic trading system, (2) make an arrangement with a clearing member of such domestic exchange to clear any trades in Domestic Exchange contracts listed on Globex or contracts listed by that domestic exchange on its electronic trading system, and (3) abide by the Globex trading rules, policies and procedures when trading Domestic Exchange contracts listed by that domestic exchange on Globex or the rules of the domestic exchange when trading contracts on such domestic exchange's electronic trading system.

584. CME GLOBEX OPTIONS VOLATILITY QUOTE TRADING

For contracts deemed eligible by the exchange, CME Globex provides for quoting and trading of outright options and options strategies (e.g., options combinations such as straddles, strangles, verticals, and any other options strategies deemed approved by the exchange) in terms of volatility quotes in addition to premium quotes. Any outright option or option strategy so traded will be designated as a single instrument on the CME Globex system. Any outright option or options strategy may trade simultaneously as separate instruments on CME Globex using volatility quotes and premium quotes.

The options volatility quoting convention allows for bids and offers in terms of annualized implied volatility (e.g., 12.450% bid at 12.550% offer).

Volatility quoted option trades shall be matched at the option instrument level according to the first priority for best price and FIFO matching algorithm described in Rule 580 – **GLOBEX TRADE ALGORITHMS** and its Interpretation, except for trades involving pre-execution communications which must comply with the requirements of Rule 539.C.4. and which shall be matched pursuant to Rule 585 and its Interpretation. Further, volatility quoted option bids shall be matched only with volatility quoted option offers (premium quoted options will not be matched with volatility quoted options). At the time of an options volatility match, CME Globex will utilize standard options pricing models to convert the options volatility trade into a premium quoted option for clearing, and where applicable, create accompanying risk reducing futures contracts as a delta-neutral hedge for the matched position.

For more details concerning volatility options quotes and trading, see the individual options contract Price Increments rules in applicable product chapters and the "Interpretations & Special Notices Relating to Chapter 5" at the end of Chapter 5.

585. GLOBEX CALL MARKET TRADING ALGORITHM

The following Globex Call Market Trading Algorithm shall be applied to such contract markets as determined by the Exchange, including, but not limited to, all options on futures. This rule supersedes, if applicable, other Exchange rules governing trading on Globex, including, but not limited to, Rule 580 and its interpretations.

1. For the purpose of Rule 585:
 - a. an eligible contract means a contract deemed eligible to trade pursuant to the algorithm stipulated hereunder; an eligible combination of contracts means a combination of eligible contracts deemed eligible to trade pursuant to the algorithm stipulated hereunder;
 - b. an eligible combination of futures and options contracts shall be defined by the quantity per combination of each option bought or sold by the combination buyer, and the net long or short futures positions per combination per contract month to be assumed by the combination buyer, with the futures prices for each month defined

within the combination. The combination shall be quoted in terms of net options premium, with the futures traded at the defined price, except for volatility-quoted options in which case the combination shall be quoted in volatility terms, which implies the appropriate combination of options premium and futures prices as defined in Rule 584;

- c. an eligible terminal means a device capable of transmitting to and receiving from Globex Requests For Quotes ("RFQ"), and sending order instructions in response to RFQs to Globex;
 - d. an RFQ means an electronic message soliciting bids and offers for a contract or a combination of contracts;
 - e. a trading session means a trading session in which Rule 585 applies. The hours of the trading session may be determined by the Exchange independent of the trading hours of the identical contracts not traded pursuant to this rule;
2. An RFQ for an individual eligible contract or an eligible combination of contracts may be entered into Globex through an eligible terminal. The RFQ shall be disseminated by Globex to all eligible terminals for the purpose of quote solicitation.
 3. Following the dissemination of an RFQ, limit bids and limit offers for the specified contract or combination of contracts may be entered into Globex through an eligible terminal. In particular, the party initiating the RFQ may also enter orders. Globex shall not recognize any order other than limit orders.
 4. Solicitation of bid(s) and/or offer(s) through private discussion for an eligible contract or an eligible combination of contracts must comply with the provisions of Rule 539.C.4.
 5. Trade matching occurs whenever tradable pair(s) of bid and offer can be identified in the order book. Trade matching shall be executed in accordance with an algorithm that gives first priority to orders at the best price. In the event that multiple orders with the same price are eligible to execute against an opposing order, an allocation algorithm shall be employed to match the trade. See Interpretation of Rule 585 – Globex Call Market Trading Algorithm at the end of Chapter 5. Unexecuted and partially executed orders shall remain in the order book until the conclusion of the trading session unless instructions to cancel the orders have been received.
 6. Trades of eligible combinations of contracts consummated pursuant to Rule 585 shall not trigger any conditional orders, e.g. stop orders, stop limit orders, MIT orders, etc., in the contract markets not trading pursuant to Rule 585.
 7. The Exchange may establish Market Maker Programs specific to Globex Call Markets for specific sets of contracts. These programs may be deployed in conjunction with or independent of similar programs for identical contracts not traded pursuant to Rule 585 established pursuant to Rule 581.
 8. In accordance with a Market Maker Program, designated Lead Market Makers may be required to regularly provide price indications for some contracts or combinations of contracts eligible for trading pursuant to Rule 585. These price indications are provided for informational purposes only and shall not be construed as actual bids or offers for the contracts. In response to any RFQs, Market Makers may enter bids or offers at any price, irrespective of what price indication the Market Maker may have provided prior to the RFQ.

586. GLOBEX FOREIGN EXCHANGE FACILITY

The Exchange may establish a Globex Foreign Exchange Facility ("GFX") to make markets in currency futures contracts listed on the Exchange and to engage in hedging transactions in the interbank spot and forward foreign exchange markets. Employees of the GFX may use Globex terminals to enter orders in Exchange currency futures. Such employees must be identified to the Exchange as Globex terminal operators in accordance with Rule 576 and shall be subject to the rules of the Exchange that relate to Globex trading. All transactions in Exchange currency futures effected by the GFX shall be cleared through a clearing member, and the GFX shall be a customer of such clearing member.

587. PHANTOM ORDERS**587.A. Definition**

A phantom order is an order: 1) that was not authorized by any person but was caused by a failure, malfunction or negligent operation of Globex or any other Exchange system, service or facility, or 2) whose terms (e.g., contract, contract month, quantity, price or direction) were changed without authorization of the person placing the order solely as a result of a failure, malfunction, or negligent operation of Globex or any other Exchange system, service or facility.

587.B. Permissible Responses

If the Exchange has reason to believe that phantom orders have been or are being entered into and/or executed on any Exchange system, service or facility, the Exchange shall be empowered to take appropriate action with respect to any affected market, including without limitation, closing the market, deleting bids and offers, and/or suspending new bids and offers.

The Exchange shall promptly give notice that all Globex transactions that were directly or indirectly caused by the execution of phantom orders and were executed at prices outside of the no-bust range, as determined in accordance with Rule 588, shall be voided. The Exchange shall have no liability or responsibility to the parties to any transactions that are voided pursuant to this paragraph.

The Exchange shall also be empowered to void Globex transactions that were directly or indirectly caused by the execution of phantom orders and were executed at prices within the no-bust range or phantom orders that were executed in the pit if the Exchange concludes that such transactions impair the integrity of the market. The Exchange's liability for voiding transactions within the no-bust range or voiding transactions executed in the pit is limited as provided in paragraph C.

587.C. Limitation of Liability

Any liability of the Exchange for transactions voided by the Exchange that are within the no-bust range shall be subject to the limitations and conditions of Rule 578.

If phantom order transactions executed on the Globex system, by open outcry in the pit, or by means of any other Exchange system, service or facility, are not voided, the person who traded opposite a phantom order shall have no recourse against the Exchange. The gain or loss on the liquidation of positions resulting from execution of such phantom orders shall be the Exchange's responsibility. The Exchange shall promptly direct the member or clearing member carrying such positions to liquidate them in a commercially reasonable manner. Such member or firm shall liquidate within 30 minutes of such notification or within 30 minutes of the time it knew or should have known that it had been assigned transactions resulting from phantom orders, whichever is sooner. The Exchange's liability to such person shall be limited to the prices at which the positions could have been liquidated during the relevant time period.

588. TRADE CANCELLATIONS AND PRICE ADJUSTMENTS**588.A. Globex Control Center Trade Cancellation Authority**

The following policy shall be applied 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 Exchange's trade cancellation policy authorizes the Globex Control Center ("GCC") to adjust trade prices or cancel (bust) trades when such action is necessary to mitigate market disrupting events caused by the improper or erroneous use of the electronic trading system or by system defects. Notwithstanding any other provisions of this rule, the GCC may adjust trade prices or cancel any trade if the GCC determines that allowing the trade to stand as executed may have a material, adverse effect on the integrity of the market. The decision of the GCC shall be final.

588.B. Review of Trades

The GCC may review a trade based on its analysis of market conditions or a request for review by a user of the electronic trading system. A request for review must be made within eight minutes of the execution of the trade. The GCC shall promptly determine whether the trade will be subject to review, and upon deciding to review a trade, the GCC will promptly issue an alert indicating that the trade is under review.

In the case of illiquid contracts, the GCC may initiate a review up to one hour after the

execution of the trade, and has the authority, but not the obligation, to review trades reported more than one hour following execution if it determines that the trade price was egregiously out of line with fair value.

588.C. Trade Price Adjustment and Cancellation Process

The GCC will first determine whether the trade price is within the No Bust Range for futures or within the Bid/Ask Reasonability Allowance for options, as described in Section K. The Bid/Ask Reasonability Allowance for an option is the maximum width of the bid/ask range which will be considered reasonable for use in applying the parameters necessary to establish the no bust range for the option. During fast market conditions, upon the release of significant news, or in other circumstances in which the GCC determines it is appropriate, the GCC may, without prior notice, temporarily double the published No Bust Range or Bid/Ask Reasonability Allowance.

In applying the No Bust Range, the GCC shall determine the actual or implied market price for that contract immediately before the trade under review. The GCC may consider any relevant information, including, but not limited to, the existing market conditions, the volatility of the market, the prices of related instruments in other markets, the last trade price on the electronic trading system, a better bid or offer price, a more recent price in a different contract month, the price of the same or related contract established in open outcry trading, theoretical value of an option based on the most recent implied volatility, responses to RFQs, and any other factors that the GCC deems relevant.

1. Trade Price Inside the No Bust Range

If the GCC determines that the price of the trade was inside the No Bust Range, the GCC will promptly issue an alert indicating that the trade shall stand.

2. Trade Price Outside the No Bust Range

a. Implied-Eligible Futures Contracts

If the GCC determines that a trade price is outside the applicable No Bust Range for an implied-eligible contract, the trade price shall be adjusted to a price that equals the actual or implied market price for that contract at the time of the questioned trade, plus or minus the standard or doubled No Bust Range, as applicable. In the event there are multiple parties, prices and/or contracts involved in the transactions at issue, the GCC has the authority, but not the obligation, to bust rather than price adjust such transactions. The GCC will promptly issue an alert indicating that the prices of the trades outside the No Bust Range have been adjusted to the No Bust Range limit or have been busted.

b. All Other Futures Contracts

If the GCC determines that the trade price is outside the No Bust Range for a non-implied-eligible futures contract, the GCC shall bust the trade. The GCC will promptly issue an alert indicating that trades outside the No Bust Range have been busted.

c. Option Contracts

If the GCC determines that a trade price is outside the applicable No Bust Range for an option contract, the trade price shall be adjusted. In the case of a buy error, the price will be adjusted to the determined ask price plus the applicable no bust parameter. In the case of a sell error, the price will be adjusted to the determined bid price minus the applicable no bust parameter. In the event there are multiple parties, prices and/or contracts involved in the transactions at issue, the GCC has the authority, but not the obligation, to bust rather than price adjust such transactions. The GCC will promptly issue an alert indicating that the prices of the trades outside the No Bust Range have been adjusted to the No Bust Range limit or have been busted.

d. Notwithstanding the above, trades consummated pursuant to Rule 585 that are determined by the GCC to be outside the No Bust Range will stand, and a reciprocal trade negating the original trade will be consummated by means of a "type 8 transfer."

3. Liability for Losses Resulting from a Price Adjustment or Trade Bust

A party responsible for entering an order that results in a trade price adjustment shall not be liable for losses incurred by persons whose trade prices were adjusted, except as provided in 3.a., 3.b. and 3.c. below.

a. Implied Eligible Contracts – Price Adjusted Stop Orders

A party responsible for an order(s) that results in a trade price adjustment shall be liable for actual losses incurred by persons whose stop orders were elected as a result of the order(s). The compensable loss on each futures contract executed as part of a stop order shall be the difference between the adjusted price, as determined by the GCC, and the price in the market at the time the person knew or should have known that his stop order was erroneously elected.

b. Implied Eligible Contracts – Price Adjusted Spread Trades

A party responsible for an order that results in a trade price adjustment shall not be liable to persons whose spread orders were executed and adjusted unless the adjusted execution price of the spread is less favorable than the market equilibrium price for the relevant spread. The liability of the party responsible for an order that results in a price adjustment shall be limited to the difference between the adjusted price and the equilibrium market price, but shall not exceed the relevant No Bust Range.

c. Option Contracts – Price Adjusted Trades

A party responsible for an order that results in a trade price adjustment shall not be liable to persons whose option orders were executed and adjusted unless the adjusted execution price of the option is less favorable than the market equilibrium price for the relevant option. The liability of the party responsible for an order that results in a price adjustment shall be limited to the difference between the adjusted price and the market equilibrium price, but shall not exceed the relevant No Bust Range.

d. Busted Trades

A party responsible for an order that results in a trade bust may be liable for the reasonable out-of-pocket losses incurred by persons whose trades were busted or persons whose stop orders were elected and not busted. Issues of liability in such cases will be determined based upon all relevant facts and circumstances, including the conduct of the respective parties.

588.D. Claim Process

A claim for a loss pursuant to Sections C.3.a., b. and c. must be submitted to the Exchange, on an Exchange claim form, within five business days of the event giving rise to the claim. The Exchange shall reject any claim that is not permitted by Sections C.3.a., b. or c. and such decision shall be final. All claims, which are not rejected by the Exchange, shall be forwarded to the party responsible for the order(s) that resulted in a trade bust or a price adjustment and to the clearing member through which the trade was placed. Such party, or the clearing member on behalf of the party, shall, within ten business days of receipt of the claim, admit or deny responsibility in whole or in part. The liability for losses for a single incident shall be limited to \$500,000.

To the extent that liability is admitted, payment shall be made within ten business days. If liability is admitted but the total claims exceed \$500,000, the claims shall be reduced pro rata so that the total payment does not exceed \$500,000. To the extent that liability is denied, the claims shall be submitted to arbitration in accordance with Rule 622.

A claim for a loss pursuant to Section C.3.d. must be pursued under the applicable arbitration rules of Chapter 6.

588.E. Trade Cancellation or Offset Procedures

Upon a determination by the GCC that a trade shall be busted or that trade prices shall be adjusted, that decision will be implemented. The busted trade price and any price quotes that have been adjusted will be reflected as cancelled in the Exchange's official record of time and sales. Time and sales will reflect the trades at the adjusted price.

If the trade is not busted, the parties to the transaction cannot reverse the transaction by using a "type 8 transfer" except as provided in Section C.2.d. and Section F. Additionally, if the trade is not busted, the parties may not reverse the trade by entering into a prearranged offsetting transaction unless such transactions are permitted and effected in accordance with Rule 539.C.

588.F. "Type 8 Transfers"

Positions that result from a trade determined by the GCC to be outside the No Bust Range that cannot be busted because the trade was not reported within eight minutes of the execution of the trade may be transferred between the parties using a "type 8 transfer" upon agreement of the parties. The transfer must use the original trade price and quantity. Any party may, but is not required to, include a cash adjustment to another party to the trade. Trades determined by the GCC to be inside the No Bust Range may not be reversed using a "type 8 transfer."

588.G. Arbitration of Disputes Regarding "Type 8 Transfers"

If a party does not agree to transfer a position pursuant to Section F., any other party to the trade may file an arbitration claim against the member or clearing member representing the other side of the trade. Written notice of such claim must be provided to the Exchange within five business days of the execution of the trade. Failure to file the claim within five business days shall be deemed a waiver of all claims. The arbitration claim will be dismissed by the Exchange if the owner of the account on the other side of the trade is not deemed a Member as defined in Rule 400 or a person otherwise subject to the Exchange's jurisdiction. If not dismissed, the arbitration claim will be conducted in accordance with Rule 622.

In deciding the claim, the Arbitration Committee may consider, among other factors, the reasonableness of the actions taken by each party and what action the party on the other side of the error trade took before being notified that the trade was being questioned.

588.H. Voluntary Adjustment of Trade Price

When a trade outside of the No Bust Range is busted in accordance with this rule, the parties to the trade may agree voluntarily to reestablish the trade but to adjust its price and make a cash adjustment provided that all of the following conditions are met:

1. The GCC approves the adjustment.
2. The quantity of the position being reestablished is the same as the quantity of the trade that was busted.
3. In the case of a trade below the actual or implied market price, the adjusted price must be the lowest price that traded at or about the time of the trade without being busted. In the case of a trade above the actual or implied market price, the adjusted price must be the highest price that traded at or about the time of the trade without being busted.
4. The parties to the adjusted trade must report it to the clearing system using a "type 8 transfer" with a "G" transfer code not later than the close of business on the business day after the trade occurred.

588.I. Busting Trades After System Freeze

In the event that the matching engine freezes with live orders in the queue waiting to be matched, such orders may be matched when the system is unfrozen before the GCC can halt the matching engine. The GCC is authorized to bust trades resulting from such matches if the price of such trades is outside of the No Bust Range at the time that a confirmation of the trades was sent.

588.J. Schedule of Administrative Fees

When GCC busts a trade, the party responsible for entering the order into the electronic trading system that gave rise to the trade bust/adjustment shall pay an administrative fee to the Exchange in the amount of \$500 for each such occurrence. If a non-member customer responsible for entering an order that results in a trade bust fails to pay the fee in accordance with this section, the clearing member carrying the customer's account shall be responsible for payment of the fee.

588.K. No Bust Ranges

<u>Futures Contract</u>	<u>No Bust Range</u>
Eurodollar, E-mini Eurodollar and LIBOR	2.5 basis points
U.S. T-Bond	30/32nds
10 Yr. T-Note	30/32nds
5 Yr. T-Note	15/32nds
3 Yr. T-Note	15/32nds
2 Yr. T-Note	15/32nds
30-Day Fed Funds	5 basis points
3-Month Overnight Index Swaps	5 basis points
Interest Rate Swaps (30 Yr., 10 Yr., 7 Yr., and 5 Yr.)	30/32nds

<u>Futures Contract</u>	<u>No Bust Range</u>
E-mini Eurodollar Bundle	2.5 basis points
Euroyen	2.5 basis points
T-Bills	5 basis points
CME Lehman Brothers U.S. Aggregate Index	2.00 index points
Eurozone HICP Futures	25 basis points
Currency Futures	40 ticks
S&P 500 and E-mini S&P 500 (\$ and €)	6.00 index points
DJIA (\$5, \$10, \$25)	60 index points
S&P Citigroup Growth	4.00 index points
S&P Citigroup Value	4.00 index points
S&P Midcap 400 and E-mini S&P Midcap 400	4.00 index points
S&P Smallcap 600 and E-mini S&P Smallcap 600	4.00 index points
E-Mini S&P Asia 50	12.00 index points
E-Mini MSCI EAFE	12.00 index points
E-Mini MSCI Emerging Markets	12.00 index points
S&P 500 Depository Receipts	0.60 index points
iShares Russell 2000	0.40 index points
Nasdaq-100 and E-mini Nasdaq-100	12.00 index points
E-mini Nasdaq Composite	12.00 index points
E-mini Nasdaq Biotechnology	12.00 index points
Nasdaq-100 Index Tracking Stock	0.30 index points
Nikkei 225 (\$ and ¥)	60.00 index points
FTSE / Xinhua China 25	100 index points
S&P 500 Technology SPCTR	3.00 index points
S&P 500 Financial SPCTR	3.00 index points
Kansas City Value Line	40 index points
Housing Futures	2.00 index points
Dow Jones US Real Estate Index	4 points
TRAKRS Futures	25 cents
Goldman Sachs Commodity Index	5.00 index points
CME Weather	25.00 index points
Weekly Average Temperature Index	1 degree
CME Snowfall	50 ticks or 5 inches
Carvill Hurricane Index	0.50 index points
Carvill Hurricane Index Seasonal	0.50 index points
Carvill Hurricane Index Seasonal Maximum	0.50 index points
Credit Index Event Futures	10 basis points
Non-Farm Payroll	None
Corn & Mini-sized Corn	10 cents per bushel
Wheat & Mini-sized Wheat	10 cents per bushel
Soybeans & Mini-sized Soybeans	10 cents per bushel
Oats	10 cents per bushel
Rough Rice	20 cents per hundredweight
Soybean Meal	\$8.00 per ton
Soybean Oil	.80 cents per pound
Lean Hogs	\$0.0100 per pound
Live Cattle	\$0.0100 per pound
Feeder Cattle	\$0.0100 per pound
Pork Bellies	\$0.0100 per pound
Dow AIG-ER Commodity Index	4 Points
Milk	\$0.20 per cwt.
Dry Milk	\$0.00750
Butter (Cash-Settled)	\$0.0075 per pound
Dry Whey	\$0.00750
Wood Pulp	\$15.00 per ton
Random Length Lumber	\$4.00 or less
Ethanol	4 cents per gallon
Kansas City Hard Red Winter Wheat	10 cents per bushel
Minneapolis Hard Red Spring Wheat	10 cents per bushel
Minneapolis National Corn Index	10 cents per bushel
Minneapolis National Soybean Index	10 cents per bushel
Minneapolis Hard Red Spring Wheat Index	10 cents per bushel
Minneapolis Hard Red Winter Wheat Index	10 cents per bushel
Minneapolis Soft Red Winter Wheat Index	10 cents per bushel
NYMEX Crude Oil and NYMEX miNY Crude Oil	\$1.00
DME OMAN Crude Oil	\$1.00

Futures Contract

No Bust Range

NYMEX Brent	\$1.00
NYMEX Crude Oil MACI Index	2.00 Index points
NYMEX Crude Oil Backwardation Contango Index	2.00 index points
NYMEX REBCO	\$1.00
NYMEX Heating Oil and NYMEX miNY Heating Oil	\$0.025
NYMEX Gulf Coast ULSD	\$0.025
NYMEX New York ULSD	\$0.025
NYMEX Gulf Coast Gasoline	\$0.025
NYMEX Singapore 380 Fuel Oil	\$2.00
NYMEX RBOB Gasoline and NYMEX miNY RBOB Gasoline	\$0.025
NYMEX Natural Gas and NYMEX miNY Natural Gas	\$0.10
Central Appalachian Coal Futures	\$0.60 per ton or less
NYMEX Propane	\$0.01
NYMEX Ethanol	\$0.008
NYMEX Uranium	\$2.50
NYMEX Ardour Global Index	12.5 index points
Carbon EUA Emission Euro	€ .40 per metric ton or less
Carbon CER Euro	€ .40 per metric ton or less
NYMEX SO2 Emissions	\$4.00 per allowance or less
NYMEX Seasonal NOX	\$2.00 per ton or less
NYMEX Annual NOX	\$2.00 per ton or less
NYMEX RGGI CO2 Emissions	\$0.50 per ton or less
COMEX Gold and miNY Gold	\$10.00
COMEX Asian Gold	\$0.40
COMEX Silver and miNY Silver	\$0.20
NYMEX Platinum	\$10.00
NYMEX Asian Platinum	\$0.40
NYMEX Palladium	\$5.00
NYMEX Asian Palladium	\$0.40
COMEX Copper and miNY Copper	\$0.04
COMEX Aluminum	\$0.01
NYMEX Hot Rolled Steel	\$1000 or less
NYMEX Cocoa	\$40.00
NYMEX Coffee	\$0.01
NYMEX Cotton	\$0.008
NYMEX Sugar 11	\$0.0035
NYMEX CAT Risk	50.00 index points

Futures Combinations

Eurodollar Combinations & E-mini Eurodollar Bundles	2.5 basis points
Non-Eurodollar, Non-Implied Eligible, Intra-Commodity Futures Spreads	5 ticks
Implied Eligible Inter- and Intra-Commodity Futures Spreads	Same as the no bust range of the individual legs
Inter-Commodity Futures Spreads	The wider of the no bust ranges of the two individual legs

Option Contract

Bid/Ask

No Bust Range

	<u>Reasonability</u>	
Eurodollars, Euroyen	2 basis points	2 minimum ticks
U.S. Treasuries (2, 5, 10 and 30Yr)	4/64ths	20% of premium up to 2/64ths with minimum of 1 tick
30-Day Fed Funds	4 basis points	20% of premium up to 2 basis points with a minimum of 1 tick
5Yr and 10Yr Swaps	10/64ths	20% of premium up to 5/64ths with a minimum of 1 tick
3-Month Overnight Index Swaps Options	3 basis points	2 minimum ticks
Equities (excluding DJIA)	2.00 index points	20% of premium up to 1.00 index point with a minimum of 1 tick
DJIA	20 points	20% of premium up to 10 points with a minimum of 1 tick

<u>Option Contract</u>	<u>Bid/Ask Reasonability</u>	<u>No Bust Range</u>
FX	20 ticks	20% of premium up to 10 ticks with a minimum of 1 tick
Agricultural (excluding Grains, Oil & Meal)	\$0.01	20% of premium up to \$0.005 with a minimum of 1 tick
Grains	\$0.02	20% of premium up to \$0.01 with a minimum of 1 tick
Soybean Oil	\$0.001	20% of premium up to \$0.0005 with a minimum of 1 tick
Soybean Meal	\$1.00	20% of premium up to \$0.50 with a minimum of 1 tick
Non-Farm Payroll	None	None
Ethanol	\$0.05	20% of premium up to \$0.025 with a minimum of 1 tick
MGEX Options	\$0.01	20% of premium up to \$0.005 with a minimum of 1 tick
KCBT Options	\$0.01	20% of premium up to \$0.005 with a minimum of 1 tick
NYMEX Crude Oil, Cracks	\$0.25	20% of premium up to \$0.50 with a minimum of 1 tick
NYMEX Heating Oil	\$0.015	20% of premium up to \$0.0075 with a minimum of 1 tick
NYMEX RBOB	\$0.015	20% of premium up to \$0.0075 with a minimum of 1 tick
NYMEX Natural Gas	\$0.10	20% of premium up to \$0.05 with a minimum of 1 tick
COMEX Gold	\$4.00	20% of premium up to \$2.00 with a minimum of 1 tick
COMEX Silver	\$0.10	20% of premium up to \$0.05 with a minimum of 1 tick
COMEX Copper	\$0.02	20% of premium up to \$0.01 with a minimum of 1 tick

(End Chapter 5)

INTERPRETATIONS & SPECIAL NOTICES RELATING TO CHAPTER 5

ACCESS, CONDUCT AND APPEARANCE CODE

It is imperative that persons who utilize the Exchange Trading Floors (“trading floor”) maintain a proper and businesslike atmosphere on the trading floor. This is not only for the benefit of the thousands of visitors (ranging from U.S. government officials to foreign dignitaries to the general public) who come to the Exchange each year, but also to maintain and enhance the reputation and dignity of the Exchange as an international marketplace.

Accordingly, the Exchange has established rules governing access to and conduct on the trading floor as well as standards of appearance. These rules and standards apply to members and their employees, member firm employees, Exchange employees and visitors.

I. Access

- A. To gain access to the trading floor, every member, member's employee, member firm employee, and Exchange employee must use only his own personal access card to pass through the turnstiles leading to the trading floor entrance. Exchange trading floor employees, other Exchange employees routinely on the trading floor and members must display their personal access card or their Exchange issued identification badge. Non-member employees of members and member firms must display their personal access cards on the upper front of their jackets with the picture side

facing outward. Broker assistants must also wear a badge provided by the Exchange that identifies them as broker assistants.

- B. Members are required to register and accompany their visitors and are responsible for their actions while they are on the trading floor. Visitors must wear appropriate attire that is clean and presentable and are not allowed in any pit during trading hours. Visitors' overcoats, packages, umbrellas or briefcases are not permitted on the trading floor.
- C. Members may not request trading floor access privileges for the same visitor on more than three days of the same calendar month without the permission of designated Exchange staff of the Security Department.
- D. Visitors are prohibited from soliciting employment or from acting as employees of members, member firms or the Exchange on the trading floor.
- E. No one under the age of 13 will be admitted to the trading floor during trading hours.

II. **Conduct**

Commonly accepted standards of propriety and decorum apply to everyone on the trading floor. The following behavior, speech or actions are expressly prohibited on the trading floor.

- A. Possessing any weapon (including, but not limited to, firearms, knives, stun guns or pepper spray);
- B. Carrying or consuming food or drink. Individually-wrapped (non-chocolate) hard candy and gum, however, are permissible.
- C. Reckless throwing of trading cards or any other material;
- D. Excessive speed in moving around the trading floor;
- E. Use of emergency exits without proper justification;
- F. Smoking or use of tobacco products, including chewing tobacco, except where explicitly permitted;
- G. Use of members-only facilities by non-members;
- H. Failure to give member priority to quotation machines, news tickers, monitors and other facilities so designated;
- I. Engaging in any activity that is disruptive to trading;
- J. The sale or solicitation of goods or services without consent of the Exchange;
- K. Having outer coats or umbrellas on the trading floor;
- L. Use of cameras or video equipment, unless authorized by the Exchange. Flash photography, however, is never permitted.

In addition, the following activities are prohibited anywhere on Exchange premises:

- M. Any behavior, speech or actions that are detrimental to the interests and good name of the Exchange (this includes any conduct which is a violation of any local, state or federal law);
- N. Profanity, vulgarity (including wearing buttons with crude or offensive slogans or pictures) or any speech or action that tends to intimidate, degrade or endanger others;
- O. Defacing or otherwise damaging: 1) an Exchange-issued badge or jacket; 2) Exchange facilities or property; or 3) any facility or property regardless of ownership;
- P. Possessing a firearm or other weapon (except that pepper spray and pocket knives may be brought onto Exchange premises, so long as they are not carried onto the trading floor);
- Q. Discarding refuse on escalators or in elevators or in hallways or lobbies;
- R. Carrying open containers of food or drink on escalators or in elevators;
- S. Consuming food or drink in the trading floor lobbies; and

- T. Sexual harassment is expressly prohibited. Sexual harassment consists of unlawful verbal or physical conduct directed at a person when that conduct is based on that person's sex and has a substantial adverse effect on him or her in the workplace. Such conduct includes, but is not limited to, i) requests for sexual favors, ii) verbal, written or graphic communications of a sexual nature, and iii) patting, pinching, hitting or any other unnecessary contact with another person's body or threats to take such action.

III. **Appearance**

- A. All apparel should be neat, clean, presentable and in keeping with the businesslike atmosphere of the trading floor.
- B. Jackets: Every member, member's employee, member firm employee and Exchange trading floor employee must wear a jacket provided by the Exchange or their employer, or, in the case of members, a jacket of their own choosing. All jackets must conform to Exchange standards. Guests may not wear trading jackets on the trading floor during trading hours.
- C. Shirts and ties: All men must wear shirts with a collar suitable for a necktie or bow tie. Shirts must be buttoned to at least the second button from the collar. Golf-type shirts are permitted. The following kinds of shirts are not acceptable: sweatshirts, tie-dye shirts and T-shirts. Shirrtails must be tucked in. Turtleneck sweaters are not allowed for men. Crewneck sweaters are allowed if a conventional collar suitable for a necktie or bow tie is visible.
- D. Shoes: Shoes must be clean, safe and not torn or frayed. Athletic shoes that meet these criteria are acceptable. The following footwear is specifically prohibited: sandals or flip-flops, canvas slippers, moccasins, work boots, snow boots, rubber boots, rubber overshoes, fur boots, clogs, bedroom slippers, platform shoes and shoes without backs. All shoes must be tied with laces or appropriately fastened. Pants may be tucked into boots that are mid-calf height or lower; boots higher than mid-calf height must be worn under pants, skirts or dresses.
- E. Pants: The following are not acceptable: blue jeans, fatigues, stone-washed corduroys, tie-dyed pants, leisure pants, mid-calf pants, shorts, sweat pants, athletic pants, pants with stripes on the sides, pants with patch or bulging pockets, decorative zippers or work loops, and leg warmers. Tight fitting stretch pants are allowed only when worn with blouse or shirt at mid-thigh or lower.
- F. Skirts and dresses: Skirts and dresses must reach mid-thigh or lower.
- G. Headwear: All headgear or head coverings are prohibited, except for religious or medical reasons.
- H. Miscellaneous: Sunglasses, whether worn as glasses or on top of the head, are not allowed, nor are ornaments, pendants or similar items that are distracting or not businesslike. Anyone wearing clothing that draws unusual attention (e.g., bare midriffs or revealing blouses, dresses, skirts or pants) will not be admitted to the trading floor.

IV. **Drug and Alcohol Abuse**

In order to maintain a safe, healthful, and productive working environment, the Exchange has established the following policy prohibiting drug and alcohol use on Exchange premises.

The following activities are prohibited and may result in disciplinary action, including immediate and permanent bar of access to Exchange premises:

- A. Possession of open containers or use of alcohol, except as expressly authorized by the Exchange.
- B. Being under the influence of alcohol on Exchange premises.
- C. Use, sale, purchase, transfer, or possession of any illegal drug on Exchange premises.
- D. Failure on the part of non-members to submit to a reasonable search by

authorized Exchange personnel of lunch boxes, bags, parcels, packages, purses, briefcases, pockets or coats, etc.

ALL MEMBERS AND MEMBER FIRMS SHALL BE RESPONSIBLE FOR THEIR EMPLOYEES' ADHERENCE TO THESE REQUIREMENTS.

QUOTATION CHANGES

I. GENERAL PROCEDURES

- A. On-Screen Corrections requested up to 15 minutes from the time the bid, offer or trade occurred or reportedly occurred: Changes must be authorized by a member of the Pit Committee or an Exchange Supervisor.
- B. On-Screen Corrections requested more than 15 minutes from the time the bid, offer or trade occurred or reportedly occurred and All Off-Screen Corrections: Changes must be authorized by:
 - 1. 15-30 Minutes (On-Screen) and 0-30 Minutes (Off-Screen): A Pit Committee Vice-Chairman or his designee, a member of the Pit Committee and one Exchange Supervisor.
 - 2. Over 30 Minutes: A Pit Committee Vice-Chairman or his designee, a Floor Conduct Committee member and a Senior Exchange Official.
- C. Unanimous Approval Required: Unanimous approval among the individuals participating in the quote change consideration is required to effectuate the requested change. In the absence of unanimity, the proposed quote adjustment shall not be made.
- D. A request for a quote change which results in a new high or low for the day must be made within 5 minutes (futures) or 10 minutes (options) of the time the bid, offer or trade occurred or reportedly occurred.

A request for a quote change which affects an established opening range must be made within 15 minutes after the posting of the range, or, in the case of a request for a quote change which affects an established closing range, within 10 minutes of the posting of the closing range. Such requests shall be considered by a Pit Committee Vice-Chairman or his designee, a Floor Conduct Committee member and a Senior Exchange Official. Failure to make such a timely request will bar consideration of the quote change.

The time limitations described in this Section D will not apply in the case of options strikes or futures contracts deemed by a Senior Exchange Official to be inactive or illiquid or in the case of a fast market designation. These requests may be considered by a Pit Committee Vice-Chairman or his designee, a Floor Conduct Committee member and a Senior Exchange Official at any time during the same day's trading session.

- E. A decision to adjust a quote must be made within 15 minutes after a quote change request has been made. However, in the event a fast market has been declared while the quote adjustment is under consideration, the period for consideration may continue for 15 minutes after the end of the fast market.

To the extent practicable, quote change adjustments shall be announced to the pit.

- F. Reconsideration: Once a request for a particular quote change has been resolved, or if no decision is reached within the allotted time pursuant to paragraph 5 above, a subsequent request for reconsideration involving the original quote or adjustment may be considered if a Senior Exchange Official deems that new relevant information pertaining to the original request is now available. Such request for reconsideration must be considered by the same individuals who ruled on, or failed to reach a timely resolution of, the original request. In the event one or more of the individuals who participated in the consideration of the original quote change request is unavailable to consider the request for reconsideration, a Senior Exchange Official shall designate a substitute. However, this reconsideration process may not be utilized for a correction involving a quote change which results in a new high or low for the day, with the exception of option strikes or futures contracts deemed by a Senior Exchange Official to be inactive or illiquid, or in declared fast markets.

G. OPTION SPREADS AND COMBINATIONS

If an options spread or combination quote has been inadvertently omitted from the price reporting system and such omission is not discovered until after the trading session and

the insertion of the quote would not affect an opening or closing range or a high or low, the Time and Sales record of the affected trade data may be corrected by inserting the missing options spread or combination quote at any time prior to the opening of the affected market the next day, provided all of the following requirements are satisfied:

1. The trade was executed at a differential;
2. The parties to the trade can reasonably show that they properly called out the options spread or combination and had a reasonable basis for believing that the trade would be posted;
3. The parties to the trade produce documentation of: a) the contemporaneous recordation of the trade; b) the confirmation of the trade to the customer of the member firm representing the order; and c) the submission of the trade to the Exchange Clearing House and its failure to clear the trade due to a price edit;
4. The change is authorized by a Pit Committee Vice-Chairman or his designee, a Floor Conduct Committee member and a Senior Exchange Official; and
5. The change is documented pursuant to Section II.B below.

II. DOCUMENTATION NEEDED FOR QUOTATION CHANGES

- A. In the case of on-screen quote changes, a record shall be made of all committee members or Exchange employees approving the quote change and the change will be recorded on Time and Sales.
- B. In the case of off-screen quote changes, a hard copy record of the quote change shall be made by Exchange staff. The individuals approving the change shall promptly sign the record. The record shall be time-stamped upon request and again upon approval and shall include the reason for the change, and, in the case of a request for a change over 30 minutes from the time the bid, offer or trade occurred or reportedly occurred, the reason for the delay. The quotation change will be recorded on Time and Sales.

III. CONFLICTS OF INTEREST

No Pit Committee or Floor Conduct Committee member may authorize any quotation change, insertion or cancellation if such individual has a personal or financial interest in such change, insertion or cancellation.

IV. AUTHORITY OF SENIOR EXCHANGE OFFICIALS WITH RESPECT TO QUOTATION CHANGES

Senior Exchange Officials may review and authorize any request for a quotation change in circumstances where the individuals specified in Sections I and II are otherwise not available or where the change is not encompassed by Section I or II. Notwithstanding the procedures set forth in Sections I and II, Senior Exchange Officials are empowered to authorize or deny any requested change only in circumstances where such action is necessary to ensure the integrity or promote the orderly functioning of the market. Such decisions by Senior Exchange Officials shall be documented and signed by the Senior Exchange Official and the quotation change will be recorded on Time and Sales.

INTERPRETATION OF RULE 580.— GLOBEX TRADE ALGORITHMS

Pro Rata Allocation Algorithm

The Exchange has determined to use a Pro Rata Allocation Algorithm to match orders in Eurodollar futures, Euroyen futures and One-Month LIBOR futures contracts entered in the Globex Electronic Trading System. Unless specifically referenced in this Interpretation, all other futures and options contracts, including Eurodollar options, will continue to use the default matching algorithm based on price and time priority. Eurodollar futures contracts were chosen to use the Pro Rata Allocation Algorithm because they usually trade in a narrow price range, and each price level is represented by size. The Pro Rata Allocation Algorithm operates as follows:

- After the opening, Time Priority is assigned to the first order at a price that betters the market when the order is received (the "TOP order"). Only one buy order and one sell order can have Time Priority at any given time. Orders with Time Priority (TOP orders) are matched first regardless of size.
- An order will lose Time Priority when an order at a better price is entered. Example: An

order to buy 50 contracts is entered at 105. This order is the first order in at this price level. Another order comes in and betters the market, buy 25 contracts at 106. The order at the 106 level has Time Priority now and is the TOP order. The market sells off and the bid for 25 contracts at 106 is hit. The bid for 50 contracts at 105 does not regain its Time Priority and will be allocated according to size along with all the other 105 bids.

- After the Time Priority or TOP order is filled, the Pro Rata Allocation Algorithm is applied to the remainder of the resting orders at that price level. The Algorithm will attempt to match quantities to orders in proportion to the size of each order. Example: There are orders to buy 10 and 20 contracts at the same price, and neither order has Time Priority. A sell order for 15 contracts at that price is entered. The Algorithm will match the sell order against the buy orders so that 50% of each buy order is matched. The minimum quantity the Pro Rata Allocation Algorithm will allocate is two contracts.
- If the "Initial Allocation" results in a fraction, the Algorithm will "Round Down" or drop the fractional amount. Any contracts still to be allocated after the "Initial Allocation" has run will be allocated on a first in, first out basis.

Implied Order Algorithm

The Exchange has determined to use an Implied Order Algorithm to create orders for selected individual contracts, calendar spreads, and butterfly spreads in Eurodollar futures, Euroyen futures and One-Month LIBOR futures contracts, and in selected individual contracts and calendar spreads in agricultural futures contracts, and calendar spreads in CME Eurozone HICP futures contracts, and calendar and inter-commodity spreads in CME Housing futures contracts entered in the Globex Electronic Trading System.

Eurodollar Futures, Euroyen Futures and One-Month LIBOR Futures Contracts: For the purpose of this rule interpretation, buying one butterfly spread (butterfly) means simultaneously buying and selling contracts with three different expirations in the following proportion: buying one contract with the most nearby of the three expirations, selling two contracts with the second of the three expirations and buying one contract with the most deferred of the three expirations. Unless specifically referenced in this Interpretation, all other futures and options contracts, will continue to use the Pro Rata Allocation Algorithm. This Implied Order Algorithm for Eurodollar futures, Euroyen futures and One-Month LIBOR futures contracts operates as follows:

- A "1st Generation Implied In" order for a calendar spread may be derived on the Globex system from actual orders in the individual contracts or legs of the calendar spread. E.g., a buy order for 15 contracts at 95.05 in a nearby Eurodollar futures contract and a sell order for 10 contracts at 95.00 in a deferred Eurodollar futures contracts creates a 1st Generation Implied In order to buy 10 calendar spreads at 0.05.
- A "1st Generation Implied Out" order for an individual contract may be derived on the Globex system from (1) actual orders in a calendar spread that includes that individual contract; and (2) actual orders in the other individual contract that comprises the calendar spread. E.g., a buy order for 5 contracts at 95.15 in a nearby Eurodollar futures contract and a sell order for 10 calendar spreads, that include that nearby contract and a deferred contract, at 0.05 creates an Implied Out order to buy 5 contracts in the deferred leg of calendar spread at 95.10.
- A "2nd Generation Implied In" order for a calendar spread may be derived on the Globex system from (1) actual orders in one individual contract of the calendar spread; and (2) 1st Generation Implied Out orders in the other individual contract that comprises the calendar spread.
- A "2nd Generation Implied Out" order for an individual contract may be derived on the Globex system from (1) actual orders in a calendar spread that includes that individual contract; and (2) 1st Generation Implied Out orders in the other individual contract that comprises the calendar spread.
- Implied In orders for calendar spreads and Implied Out orders for an individual contract based on orders for calendar spread and another individual contract shall be for a quantity representing the smaller of the two orders from which the Implied order is derived.
- The Globex system will create 2nd Generation Implied In and Out orders, for matching purposes only, if there are insufficient quantities of actual and 1st Generation Implied In and Out orders to satisfy arriving orders. This may result in a match with 2nd Generation

Implied orders at more favorable prices than had previously been available. Second Generation Implied orders will not be disseminated to the marketplace.

- A “1st Generation Implied In” order for a butterfly spread may be derived on the Globex system from (1) actual orders in the three individual contracts or legs of the butterfly spread, e.g. a buy order for 10 contracts at 95.15 in the first of the three contract months, a sell order for 20 contracts at 95.00 in the second of the three contract months, and a buy order for 10 contracts at 94.95 in the last of the three contract months create a 1st Generation Implied In order to buy 10 butterfly spreads at 0.10; (2) actual orders in two calendar spreads, e.g., a buy order for 10 calendar spreads between the first two of the three contract months at 0.15 and a sell order for 10 calendar spreads between the last two of the three contract months at 0.05 create a 1st Generation Implied In order to buy 10 butterfly spreads at 0.10; or (3) actual orders in two individual contracts and a calendar spread, e.g. a buy order for 10 contracts at 95.15 in the first of the three contract months, a sell order for 10 contracts at 95.00 in the second of the three contract months and an actual sell order for 10 calendar spreads between the last two of the three contract months at 0.05 create a 1st Generation Implied In order for 10 butterfly spreads at 0.10.
- A “1st Generation Implied Out” order for an individual contract from a butterfly spread may be created from an actual order for a butterfly spread with (1) an actual order for a calendar spread and an actual order for an individual contract, e.g. a buy order for 10 butterfly spreads at 0.10, a buy order for 10 calendar spreads between the last two of the three contract months at 0.05, and a buy order for 10 contracts in the second of the three contract months at 95.00 create a 1st Generation Implied Out buy order for 10 contracts in the nearby month at 95.15; or (2) actual orders for two of the three individual contract months, e.g. a buy order for 10 butterfly spreads at 0.10, a buy order for 20 contracts in the second of the three contract months at 95.00 and a sell order for 10 contract in the last of the three contract months at 94.95 create 1st Generation Implied Out buy order for 10 contracts in the nearby month at 95.15. A “1st Generation Implied Out” order for a calendar spread from a butterfly spread may be created from an actual order for a butterfly spread with (1) an actual order for a calendar spread, e.g. a buy order for 10 butterfly spreads at 0.10, a buy order for 10 calendar spreads between the last two of the three contract months at 0.05 create a 1st Generation Implied Out buy order for 10 calendar spreads between the first two of the three contract months at 0.15; or (2) actual orders for two of the three individual contract months, e.g. a buy order for 10 butterfly spreads at 0.10, a buy order for 10 contracts in the second of the three contract months at 95.00 and a sell order for 10 contract in the last of the three contract months at 94.95 create 1st Generation Implied Out buy order for 10 calendar spreads between the first two of the three contract months at 0.15.
- Note that an Implied Out order for the second of the three contract months from a butterfly spread is for two contracts. These two contracts may have different implied prices, e.g. a buy order for 1 butterfly spread at 0.15, a sell order for 1 contract in the first of the three contract months at 95.15 and a sell order for 1 contract in the last of the three contract months at 94.95 creates implied orders in the second of the three contract months to sell 1 contract at 95.00 and 1 contract at 94.95. Regardless of whether the implied prices for the two contracts are identical, the trade can only occur if both contracts can be matched opposing orders. In the event an opposing order exists for one of the two contracts in the second leg of butterfly spread, an Implied Out order for the remainder may be created.
- A “2nd Generation Implied In” order for a butterfly spread may be derived on the Globex system from a combination of actual orders in the individual contracts and 1st Generation Implied Out orders from calendar spreads for the remaining leg(s) in the butterfly spread.
- A “2nd Generation Implied out” order for an individual contract from a butterfly spread may be derived on the Globex system from an actual order for a butterfly spread and a combination of actual and implied orders in the individual contracts and/or calendar spreads.
- The Globex system will disseminate 1st Generation Implied In orders for butterfly spreads and 1st Generation Implied Out orders for the first and the last of the three contract months from a butterfly spread order. 1st Generation Implied Out orders for the second of the three contract months from a butterfly spread order are not disseminated due to the fact that such orders can only be filled if both contracts for each spread can be matched to

opposing orders. 2nd Generation Implied orders are created for matching purpose only and are also not disseminated.

- Implied In and Implied Out orders created by the Implied Order Algorithm shall be processed per the Pro Rata Allocation Algorithm described above, except that
 1. Implied orders shall not be granted Time Priority or considered the TOP order;
 2. In the event that contracts remain to be allocated after the Initial Allocation, as described in the Pro Rata Allocation Algorithm above, and two or more orders have identical quantities and are the largest orders, allocations shall be made to Implied orders only after allocation to actual orders is complete. Allocations to Implied orders shall be made on the basis of maturity of the contract(s) where nearby contracts receive priority over deferred contracts.
- Market orders, that are entered into the Globex System where the Implied Order Algorithm is effective, shall be converted into limit orders and filled at the best available price from actual orders or 1st Generation Implied orders. If the quantity of the market order exceeds the quantity of opposite actual and 1st Generation Implied orders, Globex will create, and allocate the remaining contracts to, 2nd Generation Implied orders. Allocations to Implied orders shall be made on the basis of maturity of the contract(s) where nearby contracts receive priority over deferred contracts. Any part of such market order that is not filled at the limit price or better shall remain as a resting order at such limit price until filled or cancelled.
- Stop limit orders, that are entered into the Globex System where the Implied Order Algorithm is effective, are activated and placed into the order book when the order's specified stop price is traded, at which time the order may be executed at the specified limit price or better. Such stop limit orders are initially allocated to actual and 1st Generation Implied orders. If the quantity of the stop limit order exceeds the quantity of opposite actual and 1st Generation Implied orders, Globex will create, and allocate the remaining contracts to, 2nd Generation Implied orders. Allocations to Implied orders shall be made on the basis of maturity of the contract(s) where nearby contracts receive priority over deferred contracts. Any part of such stop limit order that is not filled at the limit price or better shall remain as a resting order at such limit price until filled or cancelled.

Agricultural Futures Contracts: Unless specifically referenced in this Interpretation, all other futures and options contracts will continue to use the Pro Rata Allocation Algorithm. This Implied Order Algorithm for Agricultural futures contracts operates as follows:

- A "1st Generation Implied In" order for a calendar spread may be derived on the Globex system from actual orders in the individual contracts or legs of the calendar spread. E.g., a buy order for 15 contracts at 85.05 in a nearby Live Cattle futures contract and a sell order for 10 contracts at 85.00 in a deferred Live Cattle futures contract creates a 1st Generation Implied In order to buy 10 calendar spreads at 0.05.
- A "1st Generation Implied Out" order for an individual contract may be derived on the Globex system from (1) actual orders in a calendar spread that includes that individual contract; and (2) actual orders in the other individual contract that comprises the calendar spread. E.g., a buy order for 5 contracts at 85.15 in a nearby Live Cattle futures contract and a sell order for 10 calendar spreads, that include that nearby contract and a deferred contract, at 0.05 creates an Implied Out order to buy 5 contracts in the deferred leg of calendar spread at 85.10.
- A "2nd Generation Implied In" order for a calendar spread may be derived on the Globex system from (1) actual orders in one individual contract of the calendar spread; and (2) 1st Generation Implied Out orders in the other individual contract that comprises the calendar spread.
- A "2nd Generation Implied Out" order for an individual contract may be derived on the Globex system from (1) actual orders in a calendar spread that includes that individual contract; and (2) 1st Generation Implied Out orders in the other individual contract that comprises the calendar spread.
- Implied In orders for calendar spreads and Implied Out orders for an individual contract based on orders for calendar spread and another individual contract shall be for a quantity representing the smaller of the two orders from which the Implied order is derived.
- All implied orders will be derived by the Globex system subject to the applicable daily price

limits for that particular product and contract month.

- The Globex system will create 2nd Generation Implied In and Out orders, for matching purposes only, if there are insufficient quantities of actual and 1st Generation Implied In and Out orders to satisfy arriving orders. This may result in a match with 2nd Generation Implied orders at more favorable prices than had previously been available. Second Generation Implied orders will not be disseminated to the marketplace.
- Implied In and Implied Out orders created by the Implied Order Algorithm shall be processed per the LMM Allocation Algorithm (Option B) described below, except that
 1. Implied orders shall not be granted Time Priority or considered the TOP order;
 2. In the event that contracts remain to be allocated after the Initial Allocation, as described in the Pro Rata Allocation Algorithm above, and two or more orders have identical quantities and are the largest orders, allocations shall be made to Implied orders only after allocation to actual orders is complete. Allocations to Implied orders shall be made on the basis of maturity of the contract(s) where nearby contracts receive priority over deferred contracts.
- Market orders, that are entered into the Globex System where the Implied Order Algorithm is effective, shall be converted into limit orders and filled at the best available price from actual orders or 1st Generation Implied orders. If the quantity of the market order exceeds the quantity of opposite actual and 1st Generation Implied orders, Globex will create, and allocate the remaining contracts to, 2nd Generation Implied orders. Allocations to Implied orders shall be made on the basis of maturity of the contract(s) where nearby contracts receive priority over deferred contracts. Any part of such market order that is not filled at the limit price or better shall remain as a resting order at such limit price until filled or cancelled.
- Stop limit orders, that are entered into the Globex System where the Implied Order Algorithm is effective, are activated and placed into the order book when the order's specified stop price is traded, at which time the order may be executed at the specified limit price or better. Such stop limit orders are initially allocated to actual and 1st Generation Implied orders. If the quantity of the stop limit order exceeds the quantity of opposite actual and 1st Generation Implied orders, Globex will create, and allocate the remaining contracts to, 2nd Generation Implied orders. Allocations to Implied orders shall be made on the basis of maturity of the contract(s) where nearby contracts receive priority over deferred contracts. Any part of such stop limit order that is not filled at the limit price or better shall remain as a resting order at such limit price until filled or cancelled.

Housing and Eurozone HICP Futures Contracts: Unless specifically referenced in this Interpretation, all other futures and options contracts will continue to use the Pro Rata Allocation Algorithm. This Implied Order Algorithm for housing and HICP futures contracts operates as follows:

- A "1st Generation Implied In" order for a calendar spread may be derived on the Globex system from actual orders in the individual contracts or legs of the calendar spread. E.g., a buy order for 15 contracts at 85.05 in a nearby housing futures contract and a sell order for 10 contracts at 85.00 in a deferred housing futures contract creates a 1st Generation Implied In order to buy 10 calendar spreads at 0.05.
- A "1st Generation Implied Out" order for an individual contract may be derived on the Globex system from (1) actual orders in a calendar spread that includes that individual contract; and (2) actual orders in the other individual contract that comprises the calendar spread. E.g., a buy order for 5 contracts at 85.15 in a nearby housing futures contract and a sell order for 10 calendar spreads, that include that nearby contract and a deferred contract, at 0.05 creates an Implied Out order to buy 5 contracts in the deferred leg of calendar spread at 85.10.
- A "2nd Generation Implied In" order for a calendar spread may be derived on the Globex system from (1) actual orders in one individual contract of the calendar spread; and (2) 1st Generation Implied Out orders in the other individual contract that comprises the calendar spread.
- A "2nd Generation Implied Out" order for an individual contract may be derived on the Globex system from (1) actual orders in a calendar spread that includes that individual contract; and (2) 1st Generation Implied Out orders in the other individual contract that

comprises the calendar spread.

- Implied In orders for calendar spreads and Implied Out orders for an individual contract based on orders for calendar spread and another individual contract shall be for a quantity representing the smaller of the two orders from which the Implied order is derived.
- The Globex system will create 2nd Generation Implied In and Out orders, for matching purposes only, if there are insufficient quantities of actual and 1st Generation Implied In and Out orders to satisfy arriving orders. This may result in a match with 2nd Generation Implied orders at more favorable prices than had previously been available. Second Generation Implied orders will not be disseminated to the marketplace.
- Implied In and Implied Out orders created by the Implied Order Algorithm shall be processed per the LMM Allocation Algorithm (Option B) described below, except that
 1. Implied orders shall not be granted Time Priority or considered the TOP order;
 2. In the event that contracts remain to be allocated after the Initial Allocation, as described in the Pro Rata Allocation Algorithm above, and two or more orders have identical quantities and are the largest orders, allocations shall be made to Implied orders only after allocation to actual orders is complete. Allocations to Implied orders shall be made on the basis of maturity of the contract(s) where nearby contracts receive priority over deferred contracts.
- Market orders, that are entered into the Globex System where the Implied Order Algorithm is effective, shall be converted into limit orders and filled at the best available price from actual orders or 1st Generation Implied orders. If the quantity of the market order exceeds the quantity of opposite actual and 1st Generation Implied orders, Globex will create, and allocate the remaining contracts to, 2nd Generation Implied orders. Allocations to Implied orders shall be made on the basis of maturity of the contract(s) where nearby contracts receive priority over deferred contracts. Any part of such market order that is not filled at the limit price or better shall remain as a resting order at such limit price until filled or cancelled.
- Stop limit orders, that are entered into the Globex System where the Implied Order Algorithm is effective, are activated and placed into the order book when the order's specified stop price is traded, at which time the order may be executed at the specified limit price or better. Such stop limit orders are initially allocated to actual and 1st Generation Implied orders. If the quantity of the stop limit order exceeds the quantity of opposite actual and 1st Generation Implied orders, Globex will create, and allocate the remaining contracts to, 2nd Generation Implied orders. Allocations to Implied orders shall be made on the basis of maturity of the contract(s) where nearby contracts receive priority over deferred contracts. Any part of such stop limit order that is not filled at the limit price or better shall remain as a resting order at such limit price until filled or cancelled.

Lead Market Maker (LMM) Allocation Algorithms

The Exchange may designate, per the provisions of Rule 581, Globex Lead Market Maker Program, multiple Lead Market Makers (LMMs) in specified futures and option markets traded on the Globex Electronic Trading System. The Exchange has determined to use either LMM Allocation Algorithm (Option A) or LMM Allocation Algorithm (Option B) as described below to match orders in specified markets. No markets are currently subject to LMM Allocation Algorithm (Option A). Weather futures, agricultural futures, futures on Standard and Poor's Depository Receipts ("SPDR"), NASDAQ-100 Tracking Stock ("QQQQ"), Russell 2000 iShares ("IWM"), and Housing futures shall be subject to LMM Allocation Algorithm (Option B). All other futures and options contracts, unless specifically referenced in this Interpretation, will continue to use the normal matching algorithm based on price and time priority.

1. The LMM Allocation Algorithm (Option A) operates as follows:
 - After the opening, Time Priority is assigned to the first order at a price that betters the market when the order is received. Only one buy order and one sell order can have Time Priority at any given time. Orders with Time Priority are matched first regardless of whether it was entered by an LMM or non-LMM.
 - An order will lose Time Priority when an order at a better price is entered. Example: An order to buy 50 contracts is entered at 105. This order is the first order in at this price level. Another order comes in and betters the market, buy 25 contracts at 106. The order at the 106 level has Time Priority now. The market sells off and the bid of 25 contracts at

106 is hit. The bid for 50 contracts at 105 does not regain its Time Priority and will be allocated according to the LMM Allocation Algorithm along with all the other 105 bids.

- After the Time Priority order is filled, the LMM Allocation Algorithm is applied to the remainder of the resting orders at that price level. The LMM Algorithm will attempt to allocate a specified minimum proportion of the trade to the LMM provided that the LMM's bid or offer matches the best available bid or offer. Any contracts still to be allocated after the "LMM Allocation" are allocated based upon the time of order entry.
 - If the allocation to the LMM results in a fraction, the LMM Algorithm will "Round Down" to the nearest integral contract multiple.
 - In the event that the Exchange designates a single LMM in a specified market, the LMM's allocated proportion shall be 40%. In the event that the Exchange designates two (2) LMMs in a specified market, each LMM shall be allocated 20%. In the event that the Exchange designates three (3) LMMs in a specified market, each LMM shall be allocated 15%.
2. The LMM Allocation Algorithm (Option B) operates in a manner similar to Option A as described above, except that LMMs will be allocated a specified minimum proportion of the trade provided that the LMM's bid or offer matches the best available bid or offer regardless of whether the LMM had achieved Time Priority.

Best Price Priority Allocation Algorithm

The Exchange has determined to use a Best Price Priority Allocation Algorithm to match orders in foreign exchange (currency and currency cross-rate and E-mini) futures calendar spreads (intra-currency futures spreads) entered in the Globex Electronic Trading System. Unless specifically referenced in this Interpretation, all other futures and options contracts, including currency options, will continue to use the normal matching algorithm based on price and time priority. Foreign exchange futures calendar spread contracts were chosen to use a Best Price Priority Allocation Algorithm because they, like Eurodollar futures contracts, usually trade in a narrow price range, and price levels are represented by size, particularly during the rollover period. The Best Price Priority Allocation Algorithm operates as follows:

- After the opening, Price Priority is assigned to all orders at the price that betters the market when orders are received. All buy orders and all sell orders at the best price have Price Priority at any given time. Orders with Price Priority at the best price are matched according to an Allocation Algorithm in proportion to all orders bid or offered at that best price as follows. Example: Suppose the best bid of a June/September calendar spread is 14 and a total of 1,210 contracts are bid at that price by four different orders as follows: 1,000 contracts by Order 1; 100 contracts by Order 2; 100 contracts by Order 3; and 10 contracts by Order 4, then when a sell order hits the 14 bid by selling 500 contracts, the Globex system will allocate 414 contracts ($1,000/1,210 * 500$ plus 1 remainder) to Order 1; 41 contracts each ($100/1,210 * 500$) to Orders 2 and 3; and 4 contracts ($10/1,210 * 500$) to Order 4.
- All orders at the best price will lose Price Priority when an order (or orders) at a better price is (are) entered. Example: An order to buy 50 contracts is entered at 12. This order is the first order in at this price level. Another order comes in and betters the market, buy 25 contracts at 13. The buy order at the 13 level has Price Priority now. The market sells off and the bid for 25 contracts at 13 is hit. The bid for 50 contracts at 12 regains its Price Priority because it is now the best price and this order will be allocated according to size along with all the other 12 bids.
- If the "Initial Allocation" results in a fraction, the Algorithm will "Round Down" or drop the fractional amount. Any contracts still to be allocated after the "Initial Allocation" has run are added to the largest order. If two or more orders have identical quantities and are the largest orders, the Algorithm will perform an "Electronic Coin Flip" and assign the remainder to the order that wins.

Use of the Best Price Priority Allocation Algorithm for foreign exchange futures calendar spreads will be effective on Sunday, May 19, 2002, for the Globex trade date of Monday, May 20, 2002.

User Defined Futures & Options Spreads on CME Globex

For combination trades of options and futures contracts on Globex, the following additional

matching mechanisms apply. For each such combination, the quantity of each option contract shall be an integer, while the quantity of futures position can be a fraction. Hereafter, the quantity of each futures contract per combination shall be referred to as the “delta” with respect to the futures expiration. Each delta shall be no smaller than 0.01 and no larger than (i) 1.00, if there is only one option in the combination, or (ii) 40.00, if there are two or more distinct option contracts in the combination. For each futures contract, the price at which the futures transaction shall be consummated shall be defined within the combination, and is subject to the futures price increment conventions defined by the respective Exchange Rules. Two combinations with identical futures and options quantities and buy/sell, long/short configurations are distinct if the futures prices are not identical, and shall be treated as different combinations.

Order matching shall proceed in accordance with the same trade allocation rule as described previously in this interpretation to Rule 580, with the following provisions for assigning the futures positions. For each futures contract specified in the combination,

1. the total number of futures positions to be assigned shall be the number of combinations traded multiplied by the respective delta. This number of futures position shall be assigned to the incoming order.
2. each of the resting limit orders, against which the incoming order are matched to, shall be assigned a futures position of the allocated numbers of combinations times the delta, rounding down to the nearest integer; e.g. if an order is allocated 15 combinations, and the delta is 0.45, 6 futures contracts shall be allocated.
3. the total number of futures position assigned to the resting limit orders following the preceding step will be equal to or fewer than the total number of futures positions to be assigned to the incoming order. The difference, if any, shall be assigned one futures contract per resting order in the following priority until the difference is reduced to zero: the resting order with the highest magnitude of rounding down in step 2 shall be first to receive an additional futures position, followed by the order with the second highest magnitude of rounding down in step 2, etc. If two orders have the same magnitude of rounding down, the oldest order shall receive the additional futures position.

For example, a trade of 60 contracts with a delta of 0.45 is matched between an incoming order and 4 resting limit orders with quantities of 20, 15, 15, 10. Total number of futures position to be assigned is $60 \times 0.45 = 27$ contracts. The four resting orders shall receive the following assignment of futures position:

Resting Order	Matched Quantity	Quantity X delta	Initial Futures Allocation	Magnitude of Rounding	Additional Allocation	Total Futures Allocation
1	20	9.00	9	0.00	0	9
2	15	6.75	6	0.75	1	7
3	15	6.75	6	0.75	1	7
4	10	4.50	4	0.50	0	4
Incoming Order	60	27.00				27

INTERPRETATION OF RULE 582-GLOBEX SWITCH TRADE MATCHING ALGORITHM

Bids or offers may be entered for all available contract expirations on behalf of an account during each trading session. If both bids and offers for the same contract expiration are entered on behalf of an account, the trade matching algorithm will net the offsetting bids and offers and recognize the net order.

Orders can be entered into Globex during the pre-open period. A notification of receipt of such order shall be sent by Globex indicating that the order has been accepted. Globex will disregard any price associated with the order and substitute the price as determined for the specific expiration. Since all the outstanding orders for the same expiration carry the same price at the conclusion of order entry period, all trades for the same expiration will be consummated at the same price.

While the outcome of the trade matching process is a calendar spread, it is not necessary to enter matching buy and sell orders.

The following example demonstrates the outcome of the trade matching process. For illustrative purposes, assume that there are 4 separate accounts and 10 available contract expirations. The following table shows the outstanding orders for each account for each contract expiration. A positive number in the following table represents a bid and a negative number represents an offer. For example, for account 1, there is a bid for 98 contracts for expiration 1, a bid for 68 contracts for expiration 2, ...an offer of 125 contracts for expiration 5, ..., and no outstanding order for expiration 10.

Table: Summary of outstanding bids and offers

Expiration	Account 1	Account 2	Account 3	Account 4
1	98	-118	6	-38
2	68	65	-6	-74
3	60	39	-83	39
4	18	36	69	-46
5	-125	-83	98	28
6	68	-121	-13	-111
7	123	21	-61	-101
8	49	-13	77	-71
9	122	-61	115	-63
10	0	10	111	-28

The trade matching algorithm will determine the distribution of contracts bought and sold such that the total number of contracts matched is maximized, and, for each account, the total number of contracts bought equals to the total number of contracts sold. The following table shows an admissible allocation that maximizes the objective. For example, Account 1 bought 64, 6, 13, 40 and 2 contracts of expiration 1, 3, 6, 7 and 9 respectively, and sold 125 contracts of expiration 5.

Table: Summary of contracts bought and sold

Expiration	Account 1	Account 2	Account 3	Account 4
1	64	-70	6	0
2	0	26	-6	-20
3	6	39	-83	38
4	0	36	0	-36
5	-125	-1	98	28
6	13	0	-13	0
7	40	21	-61	0
8	0	0	0	0
9	2	-61	59	0
10	0	10	0	-10

If there are multiple admissible distributions of positions yielding the same total number of contracts matched, the algorithm will choose among the admissible distribution the one with the least total sum of squares of positions to achieve widest distribution of positions. For example, the sum of squares of the positions for account 1 is $64^2 + 6^2 + 125^2 + 13^2 + 40^2 + 2^2$. The total sum of squares of positions shall be the sum of squares of the positions for all accounts under the distribution.

The algorithm shall not recognize any time priority for purposes of filling orders.

INTERPRETATION OF RULE 584.—CME GLOBEX OPTIONS VOLATILITY QUOTE TRADING

CME GLOBEX OPTIONS VOLATILITY TRADING MATCH. Once a trade occurs in an outright option or combination quoted in volatility terms, this matched transaction will be assigned: (1) a price in premium terms for each option in the trade and (2) a delta-neutral hedge quantity assignment of futures contracts, if applicable, according to the following procedures:

The exchange will determine the option price in premium terms by inserting the following variables into the appropriate standard option pricing model:

- (a) matched implied volatility,
- (b) underlying futures price from CME Globex (see details below),
- (c) time to expiration in years (equals number of calendar days from option's trade date to option's expiration date divided by 365 days),
- (d) option strike price,
- (e) current interest rate (see details below),
- (f) whether a put or a call option,

(g) option style, either European or American to determine the appropriate standard option pricing model as detailed in Appendix A.

The resulting premium price will be rounded to the appropriate minimum tick interval of the option according to the individual options' Price Increments rules. Where, the interest rate used will be the rate implied by the prior day's settlement price of the nearest to expiration CME Group serial or quarterly Three-Month Eurodollar futures contract month (100.00 – 3-Month Eurodollar futures price = interest rate).

Where, the underlying futures price used will be based on the following tiered hierarchy:

Tier 1: Most recent **midpoint** of the nearest to expiration March quarterly cycle ("front month") futures contract bid and ask spread on CME Globex is used as the basis for determining the underlying futures prices for all listed contract months.

If the calculated midpoint is not on-a-tick, CME Globex will round to either the bid side or ask side whichever has the smallest quantity of contracts bid or offered.

If the volatility quoted option being matched has an underlying futures contract other than the front month futures contract, then CME Globex will adjust the calculated price for the front month futures contract by the appropriate previous day's settlement price spread differential to imply an appropriate underlying futures price.

Normally, under Tier 1, the underlying futures price is based on the front-month future bid/ask spread. However, during the expiration week of the front month future, CME Globex compares the bid/ask spreads of the front month future and the next quarterly contract month and uses the instrument with the tightest bid/ask spread for the volatility to premium price conversion. However, if the next quarterly contract month bid/ask spread is used (tighter bid/ask spread), then CME Globex will imply the underlying futures price for the front month future from the next quarterly contract month midpoint, adjusted by the appropriate spread differential from the respective previous day's settlement prices.

Tier 2: **Previous settlement price** (when no most recent bid/ask midpoint in the nearest to expiration March quarterly cycle futures contract is available).

When the outright option includes futures in a delta neutral ratio to the options, the delta will be calculated for European-style options from the standard Black option pricing model, and for the American-style options from the standard Whaley option pricing model. See Appendix A for details of these standard options pricing models.

The quantity ("Q_{fut}") of futures contracts to be allocated in the delta-neutral hedge equals the product of the net delta in the options combination ("Δ") as determined by the applicable options pricing model, and the quantity of trades ("Q_{opt}") triggered by the incoming options order. This resulting product is rounded to the nearest integer to determine the quantity of futures contracts allocated.

$$Q_{fut} = \Delta * Q_{opt}$$

In the event an incoming options order trading in volatility terms is matched by CME Globex to more than one resting order, the resulting allocation of futures contracts shall be as follows:

The incoming order is matched via the best price and FIFO matching algorithm to two or more resting orders. The quantity of each such allocation of futures contracts equals the quantity of that portion of the matched options trade times the net delta, rounded down to the nearest integer. The sum total of the futures contracts allocated to the resting options orders after this allocation may be less than the allocation of futures contracts originally defined for the incoming options order. This difference shall be allocated one futures contract at a time to the resting order portion that is the most under allocated (*i.e.*, highest remainder given the product of the net delta and option order quantity), based on the extent of rounding down in the calculation above. If there is a tie in the amounts by which two or more resting orders are the most under allocated, then the residual futures

contract shall be allocated to the oldest resting order (first order entered) that is matched to the incoming options order.

If the incoming options order is for a quantity larger than can be matched with resting orders at the same options volatility price, then the remaining quantity of the incoming options order becomes a resting limit order for the unmatched, remaining quantity at the same volatility price.

The price of futures contracts allocated by CME Globex shall be as determined in step 1 above. The following section provides a numerical example of CME Globex allocations of futures contracts, given a volatility-quoted option match. Match of Multiple Counterparties and Futures Contract Hedge Assignments

The following example is for a European-style option:

- a. Assume the Ask side order enters the market and sweeps the Bid side quantity in resting orders.

1.7000 Call / Currency Option			
BID		ASK	
QTY	Volatility	Volatility	QTY
40	1220	1220	100 (incoming order)
30	1220		
20	1220		

10	1220		
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- b. The Black option pricing model outputs a computed net delta of 0.51.
- c. The Bid side breakdown for assigned futures contracts is as follows:

Bid Side QTY	Delta	Delta x QTY	Rounding Down	Residual	Total Assigned Futures Contracts
40	0.51	20.4	20	1*	21
30	0.51	15.3	15	0	15
20	0.51	10.2	10	0	10
10	0.51	5.1	5	0	5
Subtotals			50	1	51
100 matched to incoming order	0.51	Totals 51	51	Na	51

* Remainder amount rounded down for this order = 0.40, which is the highest amount of all orders. Therefore, this order is the most under allocated and is allocated the residual futures contract.

Appendix A: Option Pricing Models

For the purposes of providing conversions of volatility to premium option prices and options deltas under Rule 584, CME Globex will use the following option pricing models for European- and American-style options.

Black Option Pricing Model for European-Style Options

CME Assumptions

Applicable interest rate will be based on the nearest to expiration Eurodollar Time Deposit (ED) future contract month
 Price of the underlying futures contract from CME Globex as determined by the methodology detailed in this Interpretation

$$\text{Time to expiration in years is } \frac{\# \text{ of days}}{365}$$

Abbreviations used in the formula

- C = call premium
- P = put premium
- U = price of the underlying contract (future)
- E = expiration (strike) price
- t = time to expiration in years
- v = annual volatility expressed as a decimal
- r = interest rate assumption expressed in decimal
- e = base of the natural logarithm
- ln = natural logarithm
- N = normal standard distribution
- h = calculated variable (see formula below)

Equations*

$$C = Ue^{-rt} N(h) - Ee^{-rt} N(h - v\sqrt{t})$$

$$P = -Ue^{-rt} N(-h) + Ee^{-rt} N(v\sqrt{t} - h)$$

$$\text{Where } h = \frac{\ln\left(\frac{U}{E}\right) + \frac{v^2}{2}t}{v\sqrt{t}}$$

$$\text{Call delta} = e^{-rt} N(h)$$

$$\text{Put delta} = -e^{-rt} N(-h)$$

*Natenberg, S. (1994). *Option Volatility and Pricing*. New York: McGraw-Hill

Whaley Option Pricing Model for American-Style Options

The following model is based on the Barone-Adesi-Whaley model as described in the Journal of Finance, Vol. 42 No.2, pages 301-320. The model uses analytic approximation techniques to solve for the price of the American-style option. The model estimates a value for S* which is the underlying price above which the option should be exercised. The value of S* is then used to determine the value of the option. For call options, the model estimates S* by satisfying the following equation:

$$(LHS - RHS) / K < 0.00001 \quad (\text{Please see notes 1-4 at the end of this section.})$$

Where

$$LHS = S^* - K$$

$$RHS = c(S, T) + [(1 - e^{(b-r)T}) N(d_1(S^*))] * (S^* / q_2)$$

$$d_1 = [\ln(S^* / K) + (b + \sigma^2 / 2)T] / \sigma \sqrt{T}$$

$$d_2 = d_1 - \sigma \sqrt{T}$$

$$q_2 = [-(N - 1) + \sqrt{(N - 1)^2 + 4M / k}] / 2$$

$$M = 2 * r / \sigma^2$$

$$N = 2 * b / \sigma^2$$

$$k = 1 - e^{-rT}$$

N(.) is the cumulative univariate normal distribution.

n(.) is the univariate normal density function.

σ = volatility (e.g. 10% per annum = 0.10)

T = time until expiration in years (e.g. 90 days = 0.247)

r = interest rate (e.g. 8% per annum = 0.08)

b = cost of carry, assumed to be zero for the purposes of this calculation

K = strike price

S = underlying price

After each iteration, the estimate of S* is adjusted by:

$$S_{i+1}^* = [K + RHS - b_i S_i^*] / (1 - b_i)$$

where

$$b_i = e^{(b-r)T} N[d_1(S^*_i)](1 - 1/q_2) + [1 - e^{(b-r)T}] n[d_1(S^*_i)] / \sigma \sqrt{T} / q_2$$

Once the correct value of S* is found, the value of the call and the call's delta are found by solving:

$$C(S, T) = c(S, T) + A_2 (S / S^*)^{q_2}$$

Where

$$A_2 = (S^* / q_2) (1 - e^{(b-r)T}) N[d_1(S^*)]$$

$$\Delta = \Delta_e + A_2 * q_2 * (S / S^*)^{q_2} / S$$

c(S, T) = the price of a European style call option.

Δ_e = the delta of the European style call option.

For put options, the model estimates S* by satisfying:

$$(LHS - RHS) / K < 0.00001$$

where

$$LHS = K - S^*$$

$$RHS = p(S, T) - [(1 - e^{(b-r)T}) * (N[-d_1(S^*)])] * (S^* / q_1)$$

$$d_1 = [\ln(S^* / K) + (b + \sigma^2/2)T] / \sigma \sqrt{T}$$

$$d_2 = d_1 + \sigma \sqrt{T}$$

$$q_1 = [(N - 1) - \sqrt{(N - 1)^2 + 4M / k}] / 2$$

$$M = 2 * r / \sigma^2$$

$$N = 2 * b / \sigma^2$$

$$k = 1 - e^{-rT}$$

N(.) is the cumulative univariate normal distribution.

n(.) is the univariate normal density function.

σ = volatility (e.g. 10% per annum = 0.10)

T = time until expiration in years (e.g. 90 days = 0.247) r = interest rate (e.g. 8% per annum = 0.08)

b = cost of carry, assumed to be zero for the purposes of this calculation

K = strike price

S = underlying price

After each iteration, the estimate of S^* is adjusted by:

$$S_{i+1}^* = [K - RHS + b_i S_i^*] / (1 + b_i)$$

where

$$b_i = -e^{(b-r)T} * N[d_1(S_i^*)] * (1 - 1/q_1) - [1 + e^{(b-r)T} * n[d_1(S_i^*)] / \sigma \sqrt{T}] / q_1$$

Once the correct value of S^* is found, the value of the put and the put's delta are found by solving:

$$P(S, T) = p(S, T) + A_1 (S / S^*)^{q_1}$$

where

$$A_1 = -(S^* / q_1) * (1 - e^{(b-r)T}) * N[d_1(S^*)]$$

$$\Delta = \Delta_e + A_1 * q_1 * (S / S^*)^{q_1} / S$$

$p(S, T)$ = the price of a European style put option.

Δ_e = the delta of the European style put option.

Note 1. CME Group's Falcon engine goes slightly further in its precision to 0.000001 (one more decimal place).

Note 2. CME Group's Falcon engine also has a maximum number of iterations that it will perform on the equation discussed in Note 1 to fall within the tolerance level. If after 10,000 iterations the Falcon engine calculation is not within a tolerance of 0.000001, it will fall back to the European model instead.

Note 3. CME Group's Falcon engine does not implement any notion of a carrying-cost or foreign interest rate. The b variable is always equal to zero in the equations. If for some reason the Falcon engine does start to use b , it is worth noting that if b is ever greater than or equal to the interest rate r , the Falcon engine automatically falls back to the European model.

Note 4. CME Group's Falcon engine uses the Black Option Pricing Model (see Appendix A) in place of the Merton Model referred to in the abstract of Giovanni Barone-Adesi and Robert E. Whaley's article in the June 1987 *Journal of Finance* (Volume XLII, No. 2).

INTERPRETATION OF RULE 585 – GLOBEX CALL MARKET TRADING ALGORITHM

Trade Allocation Algorithm pertinent to Globex Call Markets

The Exchange may designate the trade allocation algorithms applicable to a designated set of contracts trading pursuant to Rule 585 – Globex Call Market Trading Algorithm, including without limitation any of the algorithms set forth in Rule 580 – Globex Trade Algorithms.

Pursuant to the provisions of Rule 581 – Globex Lead Market Maker Program and Rule 585, the Exchange may designate multiple Lead Market Makers (LMMs) for a Globex Call Market for a designated set of contracts. Each LMM shall be assigned an allocation proportion for the purpose of trade matching. Trade allocation in a Call Market with LMMs operates as follows:

1. If one or more LMM's bids or offers match the best available bid or offer, against which an opposing executable order exist, the LMM's orders shall be eligible for allocation along with the orders at the best bid or offer.
2. For each LMM with orders eligible for allocation, the total allocation for the LMM shall be the smaller of its allocation proportion times the size of the opposing order, rounded down to the nearest integral contract multiple, or the aggregate order size at the same price level from the LMM. If the order with time priority has a quantity of a minimum of fifty (50), it will be designated as the TOP order. If there is a TOP order, it shall also receive an allocation of the smaller of 25% times the original quantity of the opposing order, rounded down to the nearest integer, or the size of the TOP order.
3. Following the allocation of trades to the LMM(s) and the TOP order, if it exists, the remainder of the trade shall be allocated to all remaining bids or offers at the best price on a pro rata basis. The pro rata allocation for each order shall be rounded down to the nearest integral contract multiple, with the residual quantity allocated to the largest order. If two or more orders have identical quantities and are the largest orders, the residuals shall be equally allocated between the largest orders, subject to rounding down to the nearest integral contract multiple. Any remaining unallocated contracts shall be allocated on the basis of time priority.

The Exchange retains the right to grant specific allocation proportion(s) to the LMM(s). The aggregate allocation proportion of all LMM(s), however, shall not exceed 50%. If no LMM has been designated, trade allocation shall be executed on pro rata basis, resembling step 3 of trade allocation with LMMs.

New combinations of futures and option contracts, as defined in Rule 585.1.b, can be defined by any market participants on demand. For each such combination, the quantity of each option contract shall be an integer, while the quantity of futures position can be a fraction. Hereafter, the quantity of each futures contract per combination shall be referred to as the "delta" with respect to the futures expiration. Each delta shall be no smaller than 0.01 and no larger than (i) 1.00, if there is only one option in the combination, or (ii) 40.00, if there are two or more distinct option contracts in the combination. For each futures contract, the price at which the futures transaction shall be consummated shall be defined within the combination, and is subject to the futures price increment conventions defined by the respective Exchange Rules. Two combinations with identical futures and options quantities and buy/sell, long/short configurations are distinct if the futures prices are not identical, and shall be treated as different combinations.

Order matching shall proceed in accordance with the same trade allocation rule as described previously in this interpretation to Rule 585, with the following provisions for assigning the futures positions. For each futures contract specified in the combination,

1. the total number of futures positions to be assigned shall be the number of combinations traded multiplied by the respective delta. This number of futures position shall be assigned to the incoming order.
2. each of the resting limit orders, against which the incoming order are matched to, shall be assigned

a futures position of the allocated numbers of combinations times the delta, rounding down to the nearest integer; e.g. if an order is allocated 15 combinations, and the delta is 0.45, 6 futures contracts shall be allocated.

3. the total number of futures position assigned to the resting limit orders following the preceding step will be equal to or fewer than the total number of futures positions to be assigned to the incoming order. The difference, if any, shall be assigned one futures contract per resting order in the following priority until the difference is reduced to zero: the resting order with the highest magnitude of rounding down in step 2 shall be first to receive an additional futures position, followed by the order with the second highest magnitude of rounding down in step 2, etc. If two orders have the same magnitude of rounding down, the oldest order shall receive the additional futures position.

For example, a trade of 60 contracts with a delta of 0.45 is matched between an incoming order and 4 resting limit orders with quantities of 20, 15, 15, 10. Total number of futures position to be assigned is $60 \times 0.45 = 27$ contracts. The four resting orders shall receive the following assignment of futures position:

Resting Order	Matched Quantity	Quantity X delta	Initial Futures Allocation	Magnitude of Rounding	Additional Allocation	Total Futures Allocation
1	20	9.00	9	0.00	0	9
2	15	6.75	6	0.75	1	7
3	15	6.75	6	0.75	1	7
4	10	4.50	4	0.50	0	4
Incoming Order	60	27.00				27

In the case of a Request for Cross (RFC) entered pursuant to Rule 539.C.4., matching will depend upon whether the RFC price at the time of entry, relative to other orders in the market, improves both the current bid and offer prices, matches the bid or offer price, or is outside of the bid or offer price.

RFC Price Improves Current Bid and Offer Prices in the Market

If the RFC price represents strict improvement on both the current bid and offer prices at the time of the entry of the RFC, 100% of the buy and sell orders represented in the RFC shall be matched against each other at the RFC price immediately upon submission of the RFC.

RFC Price Matches or is Outside the Current Bid or Offer Price in the Market

All Products Excluding Equity Options

If the RFC price matches or is outside the bid or offer price in the market at the time the RFC order is entered, 1) the applicable side of the RFC order will immediately match against orders in the market at a price better than or equal to the RFC price in accordance with the allocation algorithm described above, 2) immediately thereafter, 60% of the smaller quantity remaining on one side of the RFC order will be matched against the opposite side of the RFC order at the RFC price, 3) any remaining unmatched portion of the RFC bid and offer will then be available for matching against other incoming orders for an additional five (5) seconds, 4) any match-eligible quantity remaining on the RFC order will then be matched at the RFC price, and 5) any remaining unmatched balance on one side of the RFC will either be cancelled or will remain in the order book depending on the order instructions entered via the RFC.

Equity Options

If the RFC price matches or is outside the bid or offer price in the market at the time the RFC order is

entered, 1) the applicable side of the RFC order will immediately match against orders in the market at a price better than or equal to the RFC price in accordance with the allocation algorithm described above, 2) immediately thereafter, 100% of the smaller quantity remaining on one side of the RFC order will be matched against the opposite side of the RFC order at the RFC price, and 3) any remaining unmatched balance on one side of the RFC will either be cancelled or will remain in the order book depending on the order instructions entered via the RFC.

POSITION LIMIT AND REPORTABLE LEVEL TABLE

CONTRACT NAME	OPTIONS	SCALE-DOWN SPOT MONTH (1)	SCALE-DOWN SPOT MONTH (2)	SPOT MONTH	SINGLE MONTH	ALL MONTHS COMBINED	POSITION ACCOUNT-ABILITY	REPORT ABLE FUT LEVEL	REPORT ABLE OPT LEVEL
CME Foreign Exchange									
Australian Dollar	Y						**6,000	200	****200
Australian Dollar/Canadian Dollar							**6,000	25	
Australian Dollar/Japanese Yen							**6,000	25	
Australian Dollar/New Zealand							**6,000	25	
Brazilian Real	Y				*24,000	*40,000		25	25
British Pound	Y						**10,000	200	****200
British Pound/Japanese Yen							**6,000	25	
British Pound/Swiss Franc							**6,000	25	
Canadian Dollar	Y						**6,000	200	****200
Canadian Dollar/Japanese Yen							**6,000	25	
Chinese Renminbi/Euro FX	Y			2,000			**6,000	25	25
Chinese Renminbi/Japanese Yen	Y			2,000			**6,000	25	25
Chinese Renminbi/US Dollar	Y			2,000			**6,000	25	25
Czech Koruna	Y			2,000			**6,000	25	25
E-mini Euro FX							*(A) 20,000	25	
E-mini Japanese Yen							*(A) 20,000	25	
Euro FX	Y						**10,000	200	****200
Euro FX/Australian Dollar							**6,000	25	
Euro FX/British Pound	Y						**6,000	25	25
Euro FX/Canadian Dollar							**6,000	25	
Euro FX/Czech Koruna	Y			2,000			**6,000	25	25
Euro FX/Hungarian Forint	Y			2,000			**6,000	25	25
Euro FX/Japanese Yen	Y						**6,000	25	25
Euro FX/Norwegian Krone							**6,000	25	
Euro FX/Polish Zloty	Y			2,000			**6,000	25	25
Euro FX/Swedish Krona							**6,000	25	
Euro FX/Swiss Franc	Y						**6,000	25	25
Euro FX/Turkish Lira				2,000			**6,000	25	
Hungarian Forint	Y			2,000			**6,000	25	25
Israeli Shekel	Y			2,000			**6,000	25	25
Japanese Yen	Y						**10,000	200	****200
Korean Won	Y			2,000			**6,000	25	25
Mexican Peso	Y			***20,000			**6,000	25	25
New Zealand Dollar	Y						**6,000	25	25
Norwegian Krone							**6,000	25	
Polish Zloty	Y			2,000			**6,000	25	25
Russian Ruble	Y			2,000		*10,000		25	25
South African Rand	Y			5,000			**6,000	25	25
Swedish Krona							**6,000	25	25
Swiss Franc	Y						**10,000	200	****200
Swiss Franc/Japanese Yen							**6,000	25	
Turkish Lira				2,000			**6,000	25	

*(A) E-mini Euro FX and the E-mini Japanese Yen are deemed to be the equivalent of one-half (.50) of the Euro FX and Japanese Yen contract.

*Net futures equivalents (NFE) long or short.

**** Position Accountability rule: A person owning or controlling more than the specified number of futures or futures equivalent contracts net long or short in all contract months combined shall provide, in a timely fashion, upon request by the Exchange, information regarding the nature of the position, trading strategy, and hedging information if applicable**

***** Mexican Peso spot month position limits go into effect beginning on the third business day prior to the termination of trading day.**

******For those foreign exchange options products showing a reportable level of 200 contracts, that level is applicable solely to quarterly and serial American style premium quoted options in those products. All other foreign exchange options, including weekly American style premium quoted options, European style premium quoted options and volatility quoted options maintain a reportable level of 25 contracts.**

CONTRACT NAME	OPTIONS	SCALE-DOWN SPOT MONTH (1)	SCALE-DOWN SPOT MONTH (2)	SPOT MONTH	SINGLE MONTH	ALL MONTHS COMBINED	POSITION ACCOUNT-ABILITY	REPORT ABLE FUT LEVEL	REPORT ABLE OPT LEVEL
CME Equity Index									
E-Mini EAFE						*10,000		25	
E-Mini Nasdaq Biotech Stock Index						*10,000		25	
E-Mini Nasdaq Composite Index						*25,000		25	
E-Mini Nasdaq-100	Y					*(B) 10,000		25	25
E-Mini S&P 500	Y					*(C) 20,000		100	100
E-Mini S&P 500 End of Mo. Options	Y					*(C) 20,000			100
E-Mini S&P Asia 50						*25,000		25	
E-Mini S&P MidCap 400	Y					*(B) 5,000		25	25
Eurozone Harmonized Index						*5,000		25	
Ishares Russell 2000 Index Fund					*(A) 13,500			25	
Nasdaq-100	Y					*(B) 10,000		25	25
Power Shares QQQ (Nasdaq-100 Tracking)					*(A) 11,250			25	
Nikkei 225	Y					*5,000		50	50
Nikkei 225 (JPY)	Y					*5,000		25	25
S&P 500	Y					*(C) 20,000		100	100
S&P 500 American Flex Options	Y					*(C) 20,000			25
S&P 500 Depository Receipts					*(A) 22,500			25	
S&P 500 End of Mo. Options	Y					*(C) 20,000			100
S&P 500 European Flex Options	Y					*(C) 20,000			25
S&P 500 Growth	Y					*(C) 20,000		25	25
S&P 500 Value	Y					*(C) 20,000		25	25
S&P 500/Financial SPCTR						*25,000		25	
S&P 500/Technology SPCTR						*25,000		25	
S&P MidCap 400	Y					*(B) 5,000		25	25
S&P SmallCap 600						*(B) 25,000		25	
E-mini SmallCap 600	Y					*(B) 25,000		25	25
E-mini FTSE Xinhua China 25						*5,000		25	
Lehman Brothers US Aggregate Index	Y					*5,000		25	25
E-mini MSCI Emerging Markets						*10,000		25	
TRAKRS Index						*22,000,000		50,000	

*(A) No more than the specified number of futures contracts net long or net short during the last five days of an expiring contract month.

*(B) This is an aggregate position limit and is the specified number of futures or futures equivalent contracts net long or net short in all contract months combined. For the purpose of aggregation, one big futures contract shall be deemed equivalent to five E-Mini futures contracts.

*(C) This is an aggregate position limit in Standard & Poor's 500 Stock Price Index (S&P 500) futures and options, S&P 500 Growth futures, S&P 500 Value futures, and E-Mini S&P 500 futures and options, and is the specified number of S&P 500 futures or futures equivalent contracts net long or net short in all contract months combined. For purpose of aggregation: One S&P 500 futures contract shall be deemed equivalent to one S&P 500 Growth futures contract plus one S&P 500 Value futures contract. One S&P 500 futures contract shall be deemed equivalent to five E-Mini S&P 500 futures contracts.

*Net futures equivalents (NFE) long or short.

CONTRACT NAME	OPTIONS	SCALE-DOWN SPOT MONTH (1)	SCALE-DOWN SPOT MONTH (2)	SPOT MONTH	SINGLE MONTH	ALL MONTHS COMBINED	POSITION ACCOUNT-ABILITY	REPORT ABLE FUT LEVEL	REPORT ABLE OPT LEVEL
CME Interest Rate									
13 Week Treasury Bill	Y			15%		*(A) 5,000		100	100
3 Month Eurodollar	Y						*(B) 10,000	850	850
3 Month OIS	Y						*(D)10,000	25	50
3 Month Eurodollar -E-Mini							*(C) 100,000	25	
5 Year Eurodollar Bundle-E-Mini							**1,000	45	
Euroyen	Y					*5,000		25	25
Euroyen Libor	Y					*5,000		25	25
MidCurve Eurodollar	Y						*(B) 10,000		25
One Month Libor	Y						**5,000	100	100
<p>*(A) No more than the specified number of contracts net long or net short in all contract months combined, except that in no event shall own or control more than the numbers of contracts that correspond to fifteen percent of the announced auction amount of the 91-day U.S. Treasury Bill auction to which the contract settles in the lead month on or after the day two days prior to the delivery day.</p> <p>*(B) Net Futures Equivalent Positions are combined across Eurodollar, Eurodollar E-mini, and Mid-Curve futures and options to determine Position Accountability.</p> <p>*(C) 100,000 net long or short but 10,000 net futures equivalents and is combined with ED, E-mini ED, and Midcurves.</p> <p>*(D) Net Futures Equivalent Positions are combined across OIS futures and options to determine Position Accountability.</p> <p>*Net futures equivalents (NFE) long or short.</p> <p>** Position Accountability rule: A person owning or controlling more than the specified number of futures or futures equivalent contracts net long or short in all contract months combined shall provide, in a timely fashion, upon request by the Exchange, information regarding the nature of the position, trading strategy, and hedging information if applicable.</p>									
CME Commodities									
Butter	Y	50		150	*900	*1,000		25	25
Cash-Settled Butter	Y			100	*500			25	25
Class III Milk	Y				*1,500			25	25
Class IV Milk	Y			250	*1,000			25	25
Deliverable Nonfat Dry Milk	Y			500	*1,000			25	25
Dry Whey	Y			200	*1,000			25	25
Feeder Cattle	Y			300	*1,600			25	25
Frozen Pork Bellies	Y	*(A) 75 or 50 or 25	*(B) 25 or 10	100	*800	*1,000		5	5
S&P GSCI	Y					*10,000		25	25
S&P GSCI ER Index						**10,000		25	
S&P GSCI ER Index swaps							**10,000	1	
Lean Hogs	Y			950	*4,100			25	25
Live Cattle	Y	300		450	*5,400			25	25
Random Length Lumber	Y			435	*1,000			25	25
Nonfat Dry Milk	Y			100	*1,000			25	25
Northern Bleached Softwood KP	Y				*1,000			25	25
Bleached Hardwood Kraft Pulp	Y				*1,000			25	25
<p>*(A) The scale-Down levels in the spot month depends on "Deliverable Supply" shall mean the number of registered deliverable pork bellies reported to the CME Clearing House Department's weekly report immediately <i>preceding</i> the first Friday of each expiring contract.</p> <p>*(B) The scale-Down levels in the spot month depends on "Deliverable Supply" shall mean the number of registered deliverable pork bellies reported to the CME Clearing House Department's weekly report immediately <i>following</i> the first Friday of each expiring contract.</p> <p>*Net futures equivalents (NFE) long or short.</p>									
CME Weather, Housing, Nonfarm Payroll, CME\$INDEX									
Housing Index	Y					*(A) 5,000		25	25
Weather	Y					*10,000		25	25
Carvill Hurricane Index	Y						**10,000	25	25
WRS Hurricane Risk Landfall	Y						**10,000		25
Nonfarm Payroll	Y					*5,000		25	25

CME\$INDEX	Y					**6,000	25	25
<p>*(A) No more than the specified number of contracts net long or net short in any single CME Metro Area Housing Index futures contract or its composite index in all contract months combined.</p> <p>*Net futures equivalents (NFE) long or short.</p> <p>** Position Accountability rule: A person owning or controlling more than the specified number of futures or futures equivalent contracts net long or short in any single contract in all contract months combined shall provide, in a timely fashion, upon request by the Exchange, information regarding the nature of the position, trading strategy, and hedging information if applicable.</p>								