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## Chapter 8 Clearing House and Performance Bonds

### GENERAL

#### 800. CLEARING HOUSE

The Exchange shall maintain and operate a Clearing House in order to protect market participants and to maintain the integrity of the contracts traded on or processed through the Exchange. Membership in the Clearing House shall be a right and privilege granted by the Board of Directors which may, from time to time, establish such classes of membership in the Clearing House, together with the duties, rights and privileges thereof, as it deems necessary. Whenever these rules create a right in favor of the Clearing House, or impose a liability on the Clearing House, it shall be construed as the right or liability of the Exchange, and shall be enforced by or against the Exchange.

#### 801. MANAGEMENT

The general direction of the Clearing House shall be under the jurisdiction of the Clearing House Risk Committee. The Chief Executive Officer with the approval of the Board shall appoint a President of the Clearing House, who shall be responsible for the daily operation of the Clearing House and the implementation of the rules applicable to the Clearing House. The President of the Clearing House may also delegate authority for certain aspects of the daily operation of the Clearing House to staff of the Clearing House.

Exchange staff shall adopt, establish, publish and amend from time to time a Clearing House Manual of Operations ("Manual"). This Manual shall contain, among other things, information and directions for preparing trade data, completing prescribed memoranda and meeting other Clearing House requirements. The Manual and amendments thereto shall constitute part of the rules of the Exchange.

#### 802. PROTECTION OF CLEARING HOUSE

##### 802.A. Default by Clearing Member and Other Participating Exchanges<sup>1</sup>

###### 1. Default by Clearing Member

If a clearing member of CME, CBOT, NYMEX or COMEX fails promptly to discharge any obligation to the CME Clearing House, it shall be in default. If a clearing member is in default, its security deposit (pursuant to Rule 816), its performance bonds on deposit with the Clearing House, the proceeds of the sale of any membership and Class A Shares assigned to it for clearing qualification, and any other assets held by, pledged to or otherwise available to the Clearing House, shall be applied by the Clearing House to discharge the obligation. For purposes of this rule, each default by an individual clearing member will be considered a separate default event.<sup>2</sup>

For purposes of this Rule, the positions in the cross-margin account of a Participating Clearing Member or its Cross-Margining Affiliate at a Cross-Margining Clearing Organization, and the performance bond thereon, shall be considered assets of the Participating Clearing Member available to the Exchange to the extent provided in the Cross-Margining Agreement between the Exchange and such Cross-Margining Clearing Organization. A clearing member in default shall immediately make up any deficiencies in its security deposit resulting from such default prior to the close of business on the next banking day.

The clearing member shall take no action, including but not limited to, attempting to obtain a court order that would interfere with the ability of the Clearing House to so apply such assets and proceeds.

If the security deposit, performance bond and other assets of a clearing member available to the Exchange are insufficient to satisfy all of its obligations to the Clearing House, including all claims against the Clearing House by reason of its substitution for that clearing member pursuant to Rule 804, the Clearing House shall nonetheless pay all such claims, which shall be deemed a loss to it and which shall be a liability of the defaulting clearing member to the

<sup>1</sup> Revised August 2008.

<sup>2</sup> Revised December 2008.

Exchange, which the Exchange may collect from any other assets of such clearing member or by process of law.

2. Default by Other Participating Exchanges.

If a Participating Exchange fails to promptly discharge any obligation to the Clearing House arising out of its obligations to the Exchange, such Participating Exchange's letters of credit, performance bonds and other assets available to the Exchange shall be applied by the Clearing House to discharge the obligation.

**802.B. Satisfaction of Clearing House Obligations<sup>1</sup>**

If the Clearing House is unable to immediately satisfy all claims against it including, but not limited to, costs associated with the liquidation, transfer and managing of positions, arising out of: 1) its substitution (pursuant to Rule 804) for a defaulting clearing member or a defaulting Participating Exchange, or a defaulting Partner Clearinghouse; 2) a shortfall in a cross-margining program; 3) the failure of a depository, exchange or market apart from the Exchange but whose transactions are cleared pursuant to the provisions of Chapters 8B, 8C, 8D, 8E or 8F; 4) for any other cause, then such claim or obligation shall be met and made good promptly by the use and application of funds from the following sources in the order of priority hereafter listed. Each source of funds set forth below shall be completely exhausted, to the extent practicable, before the next following source is applied.

1. Surplus funds of the Exchange in excess of funds necessary for normal operations.
2. The amount of security deposit required under Rule 816 from all classes of clearing members shall be applied toward meeting said loss, in direct proportion to the total security deposit requirement of each clearing member. Notwithstanding the above, the initial draw under this section 2 of the rule shall be in an amount up to any applicable insurance policy deductible then in place with the Exchange;<sup>2</sup>
3. Proceeds from any default insurance maintained by the Exchange to the extent that such proceeds are available in a timely manner to be applied towards the default.
4. In the event a shortfall continues to exist after the application of the insurance proceeds in number 3 above, any remaining unused proceeds from the security deposit/Guaranty Fund pool set forth in number 2 above shall then be applied;
5. The balance of the Clearing House loss remaining after application of the above funds shall be assessed against all clearing members (excluding any insolvent or defaulting clearing member). Each clearing member (excluding any insolvent or defaulting clearing member) shall be subject to an assessment up to an amount that does not exceed 275 per cent of such clearing member's security deposit requirement.
6. All amounts assessed by the Exchange against a clearing member pursuant to this Rule, during the hours in which the Federal Reserve's wire transfer system (Fedwire) is in operation, shall be paid to the Exchange by such clearing member prior to the close of Fedwire on such day. All amounts assessed within one (1) hour prior to the close of Fedwire shall be paid to the Exchange within one (1) hour after Fedwire next opens. While such application of funds shall be mandatory, the detailed implementation of Rule 802.B. shall be the responsibility of the Clearing House Risk Committee with the approval of the Board.

Any clearing member that does not satisfy an assessment, made pursuant to paragraphs 5 or 6 above, shall be in default. Any Clearing House loss that remains as a result of such default shall be assessed pursuant to paragraph 5.

If a clearing member (i) makes payment of all amounts assessed against it pursuant to paragraph 5 or 6 above, (ii) replenishes any deficiency in its security deposit in accordance with Rule 802.D., and (iii) satisfies all other conditions for withdrawal, it may, within five (5) business days of such payments, apply to withdraw from clearing membership pursuant to Rule 913. Immediately after the Exchange approves the clearing member's withdrawal, the withdrawing clearing member shall not be subject to any other assessment pursuant to this Rule. Further, upon the approval of the clearing member's request to withdraw, the security deposit that it has restored shall not be used or applied towards meeting any claim or obligation of the Clearing House pursuant to this Rule and shall be released in accordance

<sup>1</sup> Revised August 2008.

<sup>2</sup> Revised December 2008.

with Rule 913.

After payment of an assessment pursuant to this Rule, a clearing member shall charge other clearing members for whom it clears contracts or carries positions on its books to recover their proportional share of the assessment. Such other clearing members shall promptly pay the charge.

To the extent that, and irrespective of the fact that, the Exchange has default insurance coverage in effect at the time of an event of default, the Exchange may nevertheless continue to utilize the resources under the priority outlined in Rule 802.B.1, B.2, B.3, and B.5. for immediate liquidity while awaiting any insurance proceeds. Any insurance proceeds so recovered by the Exchange, to the extent not required by the Exchange to cure a default, will be applied to the credit of the non-defaulting clearing members.

#### **802.C. Rights of Exchange for Recovery of Loss**

If a loss for which clearing members or their security deposits have been assessed is subsequently recovered by the Exchange in whole or in part, the net amount of such recovery shall be credited to such persons or firms (whether or not they are clearing members at the time of recovery) in proportion to the amount of the assessment.

#### **802.D. Security Deposits to be Restored**

In the event it shall become necessary to apply all or part of the security deposits to meet obligations to the Clearing House pursuant to Rule 802, clearing members shall immediately make good any such deficiency in security deposits prior to the close of business on the next banking day.

### **803. LIMITATION OF LIABILITY**

The liability of the Clearing House shall be limited to losses resulting from the substitution of the Clearing House upon contracts between clearing members and to losses in connection with substitution of another Participating Exchange for clearing members (i.e., the Mutual Offset System), and to losses in connection with amounts due and owing from a Partner Clearing House. The Clearing House shall not be liable for any other obligations, including but not limited to, obligations of a non-clearing member, obligations of a clearing member to a non-member, obligations of a clearing member to another member of the Clearing House who is acting for him as broker, or obligations to a customer by a clearing member; nor shall the Clearing House become liable to make deliveries to or accept deliveries from a customer of its clearing members.

### **804. SUBSTITUTION<sup>1</sup>**

Except with respect to trades made pursuant to Rules 526, 537, 538 and 853, the Clearing House shall, through the process of novation, be substituted as, and assume the position of, seller to the buyer and buyer to the seller of the relevant number of Exchange or Marketplace contracts upon the successful matching of trade data submitted to the Exchange by the clearing members on the long and short sides of a trade. With respect to contracts that are traded on and matched by another exchange or market, the Clearing House shall be substituted as, and assume the position of, seller to buyer and buyer to seller of the relevant number of such contracts upon matching of trade data submitted to and accepted by the Exchange.

Upon such substitution, each clearing member shall be deemed to have bought the contracts from or sold the contracts to the Clearing House, as the case may be, and the Clearing House shall have all the rights and be subject to all the liabilities of such member with respect to such transaction. Such substitution shall be effective in law for all purposes.

With regard to trades made pursuant to Rules 526, 537, 538 and 853, the Clearing House shall be substituted at the time payment of the first settlement variation and performance bond due for such trades pursuant to Rule 814 is confirmed by the appropriate settlement bank for both members.

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<sup>1</sup> Revised December 2008.

**805. OPEN POSITIONS**

All contracts for the purchase or sale of any product for future delivery shall remain open and in force, and shall continue to be binding upon the original parties until liquidated by offset as provided in Rule 806 or by delivery or failure to perform as provided in Chapter 7.

**806. OFFSET PROCESS**

When a member buys and sells the same commodity for the same delivery month or a put or call option with the same strike price and expiration month and such contracts are cleared through the Clearing House, the purchases and sales are not automatically offset one against the other. Transactions can only be offset against one another by complying with Rule 811.

**807. OPEN LONG POSITIONS DURING DELIVERY MONTH**

At such times and in such manner as shall be prescribed by the Manual, clearing members shall submit a complete and accurate record of dates of all open purchases for use in making deliveries. Clearing members shall be fully responsible for inventories submitted to the Clearing House. Unless otherwise provided in the Manual, beginning on the day following the first day on which longs may be assigned delivery, all purchases and sales, made in one day in the lead month contract by a person holding a long position in that contract, must first be netted out as day trades with only the excess buys considered new longs or the excess sales being offsets of the long position.

This rule shall not apply to trading in options contracts.

**808. CME CLEARPORT: PROCEDURES FOR TRADE SUBMISSION**

(A) Scope of Rule. This rule governs transactions not competitively executed on the Exchange ("Transactions") that are submitted via CME ClearPort for clearing in connection with a contract that is listed on the Exchange for clearing only or listed for trading and clearing on the Exchange. In submitting such Transactions to CME ClearPort or in allowing such Transactions to be submitted to CME ClearPort, the two parties to the Transaction shall be deemed to have mutually agreed to initiate a process to substitute their transaction for a standardized futures contract listed for trading and clearing on the Exchange. For purposes of this rule, the two principals in such Transactions shall be referenced as the "Parties to the Transaction."

(B) Transactions: Compliance with Regulatory Exemptions and Exclusions. Each of the Parties to the Transaction shall be responsible for ensuring that the Transaction complies with CFTC regulatory requirements as applicable for such transaction, including as appropriate compliance with the terms of a statutory exemption or exclusion under the Commodity Exchange Act from other CFTC regulation relied upon by the Parties to the Transaction.

(C) Submission of Transactions. The process of submission of a Transaction shall not be deemed to have been completed unless and until the Parties to the Transaction have successfully concluded the submission of the Transaction to the Exchange as an exchange of futures for physicals ("EFP"), an exchange of futures for risk ("EFR"), a Block Trade or as a Substitution transaction as applicable, pursuant to the respective provisions of Exchange rules 538, 526 and 537, and the provisions of this rule.

(D) Trade Submission Procedures. All Transactions submitted to the Exchange pursuant to this rule must be submitted in accordance with the procedures established by the Clearing House for this purpose, as amended from time to time. The Parties to the Transaction and any Party authorized under Section (E) of this Rule with brokering capability ("Broker" or "Brokers") authorized to submit executed transactions on their behalf to the Exchange and authorized for related activities shall be exclusively responsible, both individually and jointly, for accurately confirming the details of the Transaction to the Exchange. Once submitted, all such transactions, subject to the rules for trade adjustments set forth in Section (G) of this Rule, shall be deemed final. Neither the Exchange nor a Clearing Member carrying the account of either party will have any responsibility in the confirmation of trade terms for the Transactions.

(E) Registration of Eligible Participants, Eligible Accounts and Authorized Brokers. Each CME Clearing Member must register with the Exchange in the manner required for any customer authorized by the Clearing Member to submit transactions to the Exchange pursuant to this rule, and must also register with the Exchange the applicable account numbers for each such customer. For each such account, the Clearing Member carrying that account also must

submit to the Exchange in the manner provided the name of any Broker(s) who has registered with the Exchange for services provided by the Exchange, and who is authorized by the customer to act on its behalf in the submission of executed transactions to the Exchange and related activity.

For any such Brokers authorized by the customer and submitted to the Exchange by the Clearing Member, such submission by the Clearing Member will not constitute an endorsement or ratification of the customer's authorization of the Broker. Moreover, submission of Brokers authorized by the customer will not mean that the Clearing Member is in privity with, has a relationship with and/or is otherwise standing behind any of the customer's authorized Brokers, and the Clearing Member will have no responsibility for any such Brokers selected by the customer and no duty or obligation to supervise the activities of any such Brokers.

(F) Establishment of Authorized Commodities and Total Risk Value. For each account number that has been registered with the Exchange pursuant to Section (E) of this rule, a CME Clearing Member also must input into the Exchange's system authorization indicating the specific commodities for which a Transaction may be submitted to the Exchange pursuant to this rule and the risk value(s) assigned by the Clearing Member for Transactions for that account.

(G) Trade Deletion Procedures for Transactions Submitted via CME ClearPort. Following submission of the trade details by Broker or Parties to the Transaction (or by Exchange staff as mutually agreed by the Parties to the Transaction), an e-mail will be transmitted to the Parties to the Transaction notifying them that they have been listed as counterparties in a Transaction that has been submitted to the Exchange. Following such submission, a buyer or seller may not unilaterally reject the trade terms previously submitted to the Exchange. However, in order to correct an error resulting from the good faith actions of the Broker or Exchange staff, as applicable, and upon mutual consent of the Parties to the Transaction, Broker or Exchange staff, as applicable, may void the transaction provided, however, that this void response is received by the Exchange within sixty (60) minutes of the time of the initial submission of the Transaction to the Exchange.

(H) Entry of Transactions. For a Transaction submitted to the Exchange pursuant to this rule, such transaction first will be routed to the Exchange's credit check system. The time of entry of a Transaction into the Exchange's system will be recorded by the system and will be used by the Exchange as the time that a credit check was conducted pursuant to Section (I) below.

(I) Use of Credit Check System. The Exchange will conduct a credit check for each Transaction. The credit check will confirm whether the Clearing Member carrying that account has authorized that account for Transactions submitted pursuant to this rule in the commodity involved in the Transaction, and confirm whether the entry of the Transaction into clearing would fall within the risk value(s) established by the Clearing Member.

At all times until both sides (Buy and Sell) of the Transaction have successfully cleared the credit check, a Transaction submitted to the Exchange pursuant to this rule shall remain as an uncleared Transaction.

In the event that either side of the Transaction is rejected as a result of the ERAV Credit Check test, the Parties to the Transaction and their respective Clearing Members would be informed accordingly. Thereafter, any determination as to further action with respect to the Transaction would be resolved by the Parties to the Transaction.

(J) Trade Submission Deadlines. Transactions that are submitted, confirmed and accepted for clearing, as further provided by Section (K) of this rule, prior to 4:15 p.m. Chicago time on an Exchange business day will be included by the Exchange for clearing for that business day. The Exchange reserves the right to modify these business hours without notice at any time. The CME ClearPort Facilitation Desk will generally be available to assist users 24 hours a day on all Exchange business days.

(K) Clearance by Both Sides of the Transactions of Credit Check. Upon clearance by both sides of the Transaction of the credit check, the transaction shall be deemed to have been accepted for clearing and will be routed automatically to the Exchange's clearing system.

Notwithstanding the above, a Clearing Member also shall be responsible for accepting and clearing a position for a Transaction entered into the Exchange's clearing system for clearing

following any non-operation of the Exchange's credit check functionality for the applicable account carried by the Clearing Member.

## **809. TRADE DATA PROCESSING SYSTEM**

### **809.A. Trade Data**

Every clearing member must submit to the Clearing House trade data for the day's business not later than the time specified by the Clearing House.

### **809.B. Matched and Unmatched Trades**

The Clearing House shall process all trade data submitted by clearing members but shall accept only those trade records (transactions) which are in agreement with the corresponding trade records submitted by the opposite clearing members.

Trade records will be matched, to the extent the opposite trade information is consistent, through the tiered matching process.

Resubmitted trade data will be processed by the Clearing House. Trades with unmatched trade information remaining after the tiered matching process will be rejected and outtrade notices will be issued to clearing members.

Trades unreconciled after the final reconciliation must be submitted on the following business day as "as-of-trades."

### **809.C. Trade Register and Clearing Reports**

From the trade data cleared during each day's reconciliation, the Clearing House will produce a trade register for each clearing member which will itemize by commodity and contract: the opening long and short position, the contracts bought and/or sold during the day, the prices at which executed, and the settlement amounts.

The Clearing House will also produce a recap ledger for each clearing member that will itemize various position and financial information that includes but is not limited to, commodity positions, settlement amounts and performance bond information.

### **809.D. Reconciliation of Outtrades**

It shall be the primary responsibility of the clearing member to see that all trades are cleared prior to the opening of the following day's open outcry market.

Each member, if applicable, and clearing member firm shall designate a person or persons who will be available and responsible for reconciling the member or clearing member firm's outtrades. The person or persons shall be qualified to resolve outtrades as the member or clearing member firm's designated outtrade representative. Failure to have a qualified representative available, with all materials necessary to reconcile outtrades, at the time specified above shall constitute negligence in the determination of responsibility for any outtrades. If one firm cannot locate another firm's broker or representative for clearing purposes during these time periods, it shall report such fact to the President of the Clearing House. If the President of the Clearing House or his designee cannot find the broker or representative of the firm, fines will be assessed in the amounts of \$1,000, \$2,000 or \$3,000 sequentially, for violations occurring within a 30-day period.

## **810. FALSE ENTRIES ON CLEARING MEMORANDA**

No member shall place any false or inaccurate entries on any clearing memoranda, including, with respect to a Participating Clearing Member, the clearing memoranda of a Cross-Margining Clearing Organization.

## **811. POSITION CHANGE DATA**

Position change data must be submitted to the Clearing House each trading day not later than the time specified by the Clearing House. Position change data will be in such form and contain such information as prescribed by the Clearing House. When requested, the identification of accounts will be made available to the Audit Department.

## **812. [RESERVED]**

**813. SETTLEMENT PRICE <sup>1</sup>**

Settlement prices shall be determined each business day for each product pursuant to one or more of the procedures set forth below. The settlement price shall be a price consistent with the minimum tick increment for the product; if the calculated settlement price is not a standard tick increment, the calculated settlement price will be rounded either to the nearest tick or to the tick closer to the previous day's settlement price. The procedure used to determine the settlement price of a product will depend on the product group, level of activity and liquidity during the defined closing time period, and the trading venue(s) used to derive the settlement.

1. Midpoint of the Closing Range: In products that use this procedure, the first trade and all subsequent trades, higher bids and lower offers that are quoted during the established closing time period will be included in the closing range. The midpoint of the high and low quotes in the closing range will be the settlement price. If no trade occurs during the defined closing period, the last quote of the day (trade, higher bid, lower offer) will be the settlement price. In the event there are no valid quotes during the day, the settlement price will be the prior day's settlement price.
2. Volume-Weighted Average Price (VWAP) of the Closing Range: In products that use this procedure, all outright trades that occur during the defined closing time period are utilized to calculate the VWAP for specified contract months and the VWAP will be the settlement price. If the open outcry venue is used to determine the settlement price, the VWAP may be estimated. The calculated or estimated VWAP of relevant spread trades that occur during the closing time period may be used to determine the settlement price of deferred or less actively traded contract months in products that use this procedure.
3. Bid/Ask Midpoint at the Close: In products that use this procedure, the midpoint of the bid-ask at the defined closing time will be the settlement price.
4. Option Settlements: Option settlements are derived from available market information including, but not limited to, outright trades, bids or offers during the close, relevant spread trades, bids or offers during the close, the settlement price of the underlying future and relevant relationships based on option pricing theory using option pricing models employed by the exchange.
5. For all contract months not determined by one of the methods set forth above, relevant spread relationships between contract months will be used to derive the settlement.
6. For all products that are settled with the delivery of, or by reference to, the same underlying instrument but which are offered in alternative contract sizes (mini or micro), a single settlement price will be applicable to all such contracts, with necessary adjustments made to round to the nearest tradable price increment eligible in all such contracts.
7. For contracts cleared through ClearPort Clearing that are not otherwise settled by one of the methods set forth above, staff shall determine settlement prices for such contracts based upon a consideration of relevant market data, including, but not limited to, trading activity in such OTC products, pricing data obtained from OTC market participants, the settlement prices of related products and any other pricing data from sources deemed reliable by Staff.
8. Notwithstanding the above, if a settlement price in any product, as derived by the normal methodology used for that product, is inconsistent with trades, bids or offers in other months/ strikes during the closing range, or other relevant market information, or if there is no relevant market activity, an Exchange official may establish a settlement price that best reflects the true market valuation at the time of the close.
9. For products cleared by the Clearing House on behalf of another entity, the settlement price shall be determined according to the rules of such entity.
10. Notwithstanding the above, in the case of inaccuracy or unavailability of a settlement price, or if a settlement price creates risk management concerns for the Clearing House, the Clearing House reserves the right to calculate settlement variation using an alternate price determined by the Clearing House.

**814. SETTLEMENT VARIATION**

<sup>1</sup> Revised January 1981; March 1981; April 1982; July 1982; September 1989; September 1992; November 1995; November 2000; November 2001, March 2009; June 2009; September 2009.

When a clearing member is long or short any amount of any futures contract at the end of the trading day, as indicated by its clearing memoranda, settlement shall be made with the Clearing House to the settlement price for that day, and such member shall be liable to pay to, or entitled to collect from, the Clearing House any loss or profit, as the case may be, represented by the difference between the price at which the commodity was bought or sold and the settlement price of the commodity at the end of the trading day. After making such settlement with the Clearing House, such member shall be deemed long or short (or long and short) such commodity, as the case may be, at the settlement price of the trading day. Notwithstanding the foregoing, the Clearing House shall not be required to pay any profit to a Participating Clearing Member in the event that such member or its Cross-Margining Affiliate fails to make any required settlement for that trading day with a Cross-Margining Clearing Organization.

If the market conditions or price fluctuations are such that the Clearing House deems it necessary, it may call upon the clearing members which in its opinion are affected to deposit with the Clearing House by such time as specified by the Clearing House the amount of funds that it estimates will be needed to meet such settlements as may be necessary. The Clearing House may pay out funds to those clearing members that in the opinion of the Clearing House will have credit balances as a result of those same market conditions or price fluctuations, except that in no instance may the Clearing House pay out funds to a clearing member, other than at the regular settlement, in excess of the total original performance bond deposits it holds for such clearing member. All deposits and payments made under this Rule shall be subject to the procedures prescribed by the Clearing House and set forth in the Manual.

Settlement variation, as figured to the market at such times as the Clearing House shall determine, must be paid in cash or any other form of collateral approved by the Clearing House Risk Committee.

**815. [RESERVED]**

**816. SECURITY DEPOSIT**

Each clearing member shall make a deposit with the Exchange as security for its obligations to the Clearing House. The minimum security deposit of a clearing member, shall equal the greater of (a) an amount specified by the Clearing House Risk Committee or (b) the clearing member's proportionate share of the "Aggregate Security Deposit," which shall be an amount determined by the Clearing House Risk Committee. Each clearing member's proportionate share of the Aggregate Security Deposit shall consist of (i) a specified percentage of the Aggregate Security Deposit multiplied by the clearing member's proportionate share (including the total risk performance bond requirement in respect of positions in its cross-margin accounts) of the average aggregate risk performance bond requirement (including the risk performance bond requirement in respect of positions in all cross-margin accounts) for the preceding three months; plus (ii) a specified percentage of the Aggregate Security Deposit multiplied by the clearing member's proportionate share of the total number of contracts executed on the Exchange and any applicable exchange or market during the preceding three months. The percentages in (i) and (ii) above shall be determined and modified by the Clearing House Risk Committee as appropriate. Some contracts may be weighted more heavily than others in order to reflect the greater risk associated with those contracts. The average aggregate risk performance bond requirement, the total number of contracts executed, and each clearing member's proportionate share of each will be calculated by the Clearing House, and a report setting forth such information and the clearing member's required security deposit will be given to the clearing member each quarter, or more frequently as Exchange staff shall determine. If such report indicates that the clearing member's current security deposit with the Exchange is smaller than the amount required, the clearing member shall increase its amount within five business days. If such report indicates that the clearing member's current security deposit with the Exchange is larger than the amount required, the clearing member may withdraw the excess amount.

A clearing member's security deposit may be in a form as set forth in the Manual. Such security deposit forms and amounts shall be subject to the terms and conditions as approved by Exchange staff.

**817. LIQUIDITY FACILITY**

Assets deposited by a clearing member in satisfaction of security deposit and performance bond requirements may also be used to directly secure the Exchange's obligations to its lenders under any liquidity facility entered into by the Exchange for the purpose of providing liquidity to the Exchange. By delivering assets to the Exchange in satisfaction of security deposit and performance bond requirements, each clearing member is hereby deemed: (i) to agree that its Assets may directly secure the Exchange's obligations to the Exchange's liquidity lenders and that its Assets may become subject to a lien in favor of the Exchange's liquidity lenders or otherwise guarantee the Exchange's obligations and; (ii) to authorize the Exchange, and appoint the Exchange (such appointment being coupled with an interest) as such clearing member's attorney-in-fact, to enter into agreements on its behalf in connection with its Assets serving as security for the Exchange's obligations to the Exchange's liquidity lenders: and (iii) to acknowledge that the obligations of the Exchange to its liquidity lenders may be greater, and extend for periods of time longer, than the obligations, if any, of such clearing member to the Exchange. The Exchange, as each clearing member's attorney-in-fact, will have authority to enter into agreements on behalf of each clearing member and in each clearing member's name for the purpose of causing the clearing member's Assets to directly secure the Exchange's obligations to the Exchange's liquidity lenders. Any agreement entered into by the Exchange on behalf of clearing members pursuant to this Rule 817 shall bind each clearing member and will contain provisions, including representations, warranties and covenants, required by lenders under any liquidity facility. If there is a default under any such liquidity facility, the Assets of the clearing members pledged to secure such liquidity facility may be foreclosed upon by the Exchange's liquidity lenders and applied against the obligations of the Exchange under the related liquidity facility. The clearing members shall take no action, including but not limited to attempting to obtain a court order, that would interfere with the ability of such liquidity lenders to receive the benefit of their contractual remedies in connection with any such foreclosure or that would controvert or assert the invalidity of any provision of these rules. Each clearing member agrees to sign any document or agreement requested by the Exchange to further document the power of attorney set forth and established by these rules.

## **818. CLOSE-OUT NETTING<sup>1</sup>**

### **818.A. Bankruptcy of the Exchange**

If at any time the Exchange: (i) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding up or liquidation, and, in the case of any such proceeding or petition presented against it, such proceeding or petition results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for the Exchange's winding-up or liquidation, or (ii) approves resolutions authorizing any proceeding or petition described in clause (i) above (collectively, a "Bankruptcy Event"), all open positions in the Clearing House shall be closed promptly.

### **818.B. Default of the Exchange**

If at any time the Exchange fails to comply with an undisputed obligation to pay money or deliver property to a Clearing Member that is due and owing in connection with a transaction on the Exchange or cleared by the Exchange, for a period of thirty days from the date that the Exchange receives notice from the Clearing Member of the past due obligation, the Clearing Member's open proprietary and customer (including, for this rule, CFTC Regulation Section 30.7 secured) positions at the Clearing House shall, at the election of that Clearing Member, be closed promptly.

### **818.C. Netting and Offset**

At such time as a Clearing Member's positions are closed, the obligations of the Clearing House to a Clearing Member in respect of all of its proprietary positions, accounts, collateral and deposits to the security deposit fund shall be netted, in accordance with the Bankruptcy Code, the Commodity Exchange Act and the regulations adopted thereunder in each case,

<sup>1</sup> Adopted November 2008; Revised March 2009.

against the obligations of that Clearing Member in respect of both its proprietary and its customers' positions, accounts, collateral and its then matured obligations to the security deposit fund to the Clearing House and to the Exchange. All obligations of the Clearing House to a Clearing Member in respect of its customer positions, accounts, and collateral shall be separately netted against the positions, accounts and collateral of its customers in accordance with the requirements of the Bankruptcy Code, the Commodity Exchange Act and the Regulations adopted thereunder in each case. At the time a Bankruptcy Event takes place, the authority of the Clearing House, pursuant to Rule 802, to make new assessments and/or require a clearing member to cure a deficiency in its security deposit, arising after the Bankruptcy Event, shall terminate. All positions open immediately prior to the close-out shall be valued in accordance with the procedures of Paragraph D of this Rule.

#### **818.D. Valuation**

As promptly as reasonably practicable, but in any event within thirty days of the: (i) Bankruptcy Event, or (ii) if a Clearing Member elects to have its open positions closed in a default as described in Paragraph B of this Rule, the date of the election, the Exchange shall, in a manner that is consistent with the requirements of the Commodity Exchange Act and the regulations adopted thereunder (including, without limitation) Part 190 of the Regulations, fix a U.S. dollar amount (the "Close-out Value") to be paid to or received from the Exchange by each Clearing Member, after taking into account all applicable netting and offsetting pursuant to paragraph C of this Rule.

The Exchange shall value open positions subject to close-out by using the market prices for the relevant market (including without limitation, any over the counter markets) at the moment that the positions were closed-out, assuming the relevant markets were operating normally at such moment. If the relevant markets were not operating normally at such moment, the Exchange shall exercise its discretion, acting in good faith and in a commercially reasonable manner, in adopting methods of valuation to produce reasonably accurate substitutes for the values that would have been obtained from the relevant market if it had been operating normally at the moment that the positions were closed-out.

In determining a Close-out Value, the Exchange may consider any information that it deems relevant. Amounts stated in a currency other than U.S. Dollars shall be converted to U.S. Dollars at the current rate of exchange, as determined by the Exchange. If a Clearing Member has a negative Close-out Value it shall promptly pay that amount to the Exchange.

#### **818.E. Interpretation in Relation to FDICIA**

The Exchange intends that certain provisions of this Section be interpreted in relation to certain terms (identified by quotation marks) that are defined in the Federal Deposit Insurance Exchange Improvement Act of 1991 ("FDICIA"), as amended, as follows:

The Exchange is a "clearing organization."

(2) An obligation of a Clearing Member to make a payment to the Exchange, or of the Exchange to make a payment to a Clearing Member, subject to a netting agreement, is a "covered clearing obligation" and a "covered contractual payment obligation."

(3) An entitlement of a Clearing Member to receive a payment from the Exchange, or of the Exchange to receive a payment from a Clearing Member, subject to a netting contract, is a "covered contractual payment entitlement."

(4) The Exchange is a "member," and each Clearing Member is a "member."

(5) The amount by which the covered contractual payment entitlements of a Clearing Member or the Exchange exceed the covered contractual payment obligations of such Clearing Member or the Exchange after netting under a netting contract is its "net entitlement."

(6) The amount by which the covered contractual payment obligations of a Clearing Member or the Exchange exceed the covered contractual payment entitlements of such Clearing Member or the Exchange after netting under a netting contract is its "net obligation."

The By-Laws and Rules of the Exchange, including this Section, are a "netting contract."

**819. [RESERVED]**

**820. PERFORMANCE BONDS**

Performance bond requirements will be as determined by Exchange staff from time to time.

Subject to the terms and conditions as approved by Exchange staff, the Clearing House will accept as performance bond, cash, equity securities, shares of mutual funds, United States Treasury and agency Securities, Letters of Credit, units in CME's Interest Earning Facility Program, shares in CME's Interest Earning Facility 2 Program, permitted investments allowable under CFTC Regulation 1.25, "readily marketable securities" as defined by Securities and Exchange Commission Rules, as applicable, and "London Good Delivery" gold, as defined by the London Bullion Market Association (as used in this Rule 820, such assets and any proceeds thereof are collectively referred to as "Assets"), all of which must be and remain unencumbered. The Clearing House may include other forms of collateral within the definition of "Assets" upon the approval of the Clearing House Risk Committee and notice to clearing members.

All performance bond collateral, as herein described, shall be placed to the credit of the member paying the same for its customers' trades or its own (so-called "house") trades as designated by the clearing member. The Clearing House shall value performance bond collateral as it deems appropriate. The clearing member shall transfer the performance bond collateral to the Exchange or to an approved depository for safekeeping in an Exchange account and the Exchange shall retain control over such performance bond collateral. Neither the Exchange nor the Clearing House shall have any obligation or responsibility to preserve, protect, collect or realize upon, and under no circumstances shall the Exchange or Clearing House be liable for, any loss or diminution in value or depreciation in the performance bond collateral maintained pursuant to this rule. A clearing member who maintains performance bond collateral for its benefit pursuant to this rule shall hold the Exchange and Clearing House harmless from all liability, losses and damages which may result from or arise with respect to the care and sale of such performance bond collateral. All initial and additional performance bonds shall be retained by the Clearing House in whole or in part, as Exchange staff may deem necessary, until the trades for which such performance bond collateral has been deposited, have been offset, cash settled, delivered or otherwise closed out as determined by Exchange staff.

Each clearing member shall reimburse the Clearing House for all fees, expenses, charges and costs assessed by a depository against the Exchange with respect to all performance bond collateral maintained in its account, and shall make deposits as may be required by the Clearing House by reason of any depreciation in the market value of such performance bond collateral. If a clearing member defaults to the Clearing House with respect to performance bonds, the performance bond collateral maintained in its account pursuant to this rule shall be taken over by the Clearing House and sold without notice and the proceeds of the performance bond collateral deposited for customers' trades shall be applied against the performance bond requirements for the clearing members' customers' accounts, and the proceeds of performance bond collateral deposited for the house trades shall be applied against the requirements for the clearing member's own (so-called "house") account.

**821.-823. [RESERVED]**

**824. ADDITIONAL PERFORMANCE BOND**

Whenever, in the opinion of the Clearing House Risk Committee, the President of the Clearing House or, in his absence, his delegate, unstable conditions relating to one or more products exist, they may from time to time, call for additional performance bond collateral from clearing members. Such additional performance bond calls may be as much as or more than the original performance bond collateral. The performance bond collateral thus called for may be

for one or more contract(s) from one or more clearing member(s) and on long positions, short positions or both.

In the event market conditions and price fluctuations at any time shall cause the Clearing House Risk Committee or the President of the Clearing House or, in his absence, his delegate, to conclude that additional performance bond collateral is required to maintain an orderly market or to preserve fiscal integrity the Clearing House Risk Committee or the President of the Clearing House or his delegate may call for additional performance bond collateral to be deposited with the Clearing House during the next banking hour after demand therefor, or at such times as may be specified. Such additional performance bond collateral may be called from the longs or the shorts or from both.

When the Clearing House Risk Committee or the President of the Clearing House or, in his absence, his delegate, shall be of the opinion that any clearing member is carrying commitments or incurring risk in its proprietary, customer and/or cross-margin accounts, that are larger than is justified by the financial condition of that clearing member, then the Clearing House Risk Committee, the President of the Clearing House or, in his absence, his delegate, may require additional performance bond collateral of such clearing member which shall be deposited with the Clearing House during the next banking hour after demand therefor, or at such time as may be specified, or a portion of the open positions of said clearing member may be required to be transferred to the books of another clearing member.

**825.-826. [RESERVED]**

**827. SECURITIES LENDING PROGRAM**

United States Treasury Bills, Treasury Notes, Treasury Bonds, Treasury Bond Principal Strips, Agency Securities, and other financial instruments approved by Exchange staff, (collectively, "Securities") that are deposited with the Clearing House by clearing members in satisfaction of Security Deposit requirements or as performance bond for their own (i.e., "house") trades may be loaned out by the Exchange pursuant to the Securities Lending Program. Clearing members depositing Securities with the Exchange in satisfaction of security deposit requirements or as performance bond for house trades that are loaned out pursuant to the Securities Lending Program are deemed to agree that the lending of Securities under arrangements having safeguards consistent with generally accepted market practices will constitute reasonable care of the Securities in the possession of the Exchange or its securities lending custodian.

**828.-829. [RESERVED]**

**830. CROSS-MARGINING**

**830.A. Definitions**

1. **Cross-Margining Affiliate:** An affiliate of a Participating Clearing Member with which such clearing member is cross-margining its positions at the Clearing House and a Cross-Margining Clearing Organization.
2. **Participating Clearing Member:** A clearing member that is cross-margining its positions at the Clearing House with its own or a Cross-Margining Affiliate's positions at a Cross-Margining Clearing Organization.
3. **Cross-Margining Clearing Organization:** A clearing organization that has entered into a Cross-Margining Agreement with the Exchange.
4. **Joint Cross-Margining Program:** A cross-margining program in which the Exchange and one or more Cross-Margining Clearing Organizations each hold a joint security interest in positions, margin and other property of Participating Clearing Members and, if applicable, their Cross-Margining Affiliates.
5. **Guaranteed Cross-Margining Program:** A cross-margining program in which a guaranty is provided by and between the Exchange and one or more Cross-Margining Clearing Organizations and each entity holds an individual security interest in positions, margin and other property of Participating Clearing Members and, if applicable, their Cross-Margining Affiliate.

**830.B. Cross-Margining Programs**

1. The Exchange may establish cross-margining programs as approved by the Clearing

House Risk Committee and the Board. A clearing member may become a Participating Clearing Member to participate in a Joint Cross-Margining Program by establishing with the Clearing House one or more cross-margin accounts for cross-margining positions with either its own positions or those of a cross-margining affiliate at a Cross-Margining Clearing Organization. In order to establish a cross-margin account, a clearing member shall enter into the agreements required by the Exchange, including a Cross-Margined Account Agreement and Security Agreement with the Exchange, the Cross-Margining Clearing Organization, and, if applicable, the member's Cross-Margining Affiliate. That Agreement shall provide, among other things, that the Exchange and the Cross-Margining Clearing Organization shall jointly have a first lien on and security interest in all positions held in the cross-margin account, all related performance bond, and all proceeds of the foregoing, as security for the obligations of the clearing member and, if applicable, its Cross-Margining Affiliate, to the Exchange and the Cross-Margining Clearing Organization. Failure to comply with the terms of such Agreements may constitute an act detrimental to the interest or welfare of the Exchange.

2. A clearing member may become a Participating Clearing Member in a Guaranteed Cross-Margining Program by entering into a Cross-Margining Participant Agreement with the Exchange, the Cross-Margining Clearing Organization, and, if applicable, the clearing member's Cross-Margining Affiliate. That Agreement shall provide, among other things, that a Participating Clearing Member shall immediately be obligated to reimburse the Exchange ("Reimbursement Obligation") in the event the Participating Clearing Member or its Cross-Margining Affiliate defaults in the payment of any obligation to a Cross-Margining Clearing Organization and the Exchange is required to make a guaranty payment to such Cross-Margining Clearing Organization. In addition, the Agreement shall provide that the Exchange shall have a first lien and security interest in all positions held, all related performance bond, and all proceeds of the foregoing, as security for the obligations of the clearing member and, if applicable, its Cross-Margining Affiliate, to the Exchange. Failure to comply with the terms of such Agreement may constitute an act detrimental to the interest or welfare of the Exchange.

The provisions of this Rule 830 and the corresponding sections of the Clearing House Manual shall apply to all CME-cleared positions held pursuant to a cross-margining program and shall supersede all other provisions of the Rules to the extent inconsistent therewith. In addition, the Exchange shall determine what positions will be eligible for cross-margining.

**830.C. [Reserved]**

**830.D. Performance Bonds for Cross-Margining Program**

Performance bond requirements for a Joint and Guaranteed Cross-Margining Program shall be determined as set forth in the Cross-Margining Agreement, and that Agreement shall also govern what forms of performance bond will be permitted and how such performance bond will be held.

**830.E. Close-Out of Cross-Margin Positions**

A Participating Clearing Member may be suspended if it or its Cross-Margining Affiliate, if any, is in default in payment of any obligation, including a Reimbursement Obligation, with respect to a Joint or Guaranteed Cross-Margining Program.

The cross-margin account of a clearing member participating in a Joint Cross-Margining Program may be liquidated by the Clearing House at the request of a Cross-Margining Clearing Organization whether or not the Exchange suspends, or is permitted under the Rules to suspend, such clearing member. Upon the suspension of a Participating Clearing Member, or upon receiving notice from a Cross-Margining Clearing Organization of its suspension of a Participating Clearing Member or its Cross-Margining Affiliate, the Clearing House shall have the right to liquidate the positions in the cross-margin account, convert to cash the performance bond therefor, and dispose of the proceeds thereof, all in accordance with the terms of the Cross-Margining Agreement.

The positions of a clearing member participating in a Guaranteed Cross-Margining Program may be liquidated by the Clearing House in the event that the Participating Clearing Member or its Cross-Margining Affiliate defaults in the payment of any obligation to the Clearing House or a Cross-Margining Clearing Organization. Upon the suspension of a Participating Clearing Member, or upon receiving notice from a Cross-Margining Clearing Organization of its

suspension of a Participating Clearing Member or its Cross-Margining Affiliate, the Clearing House may liquidate: the positions of the Participating Clearing Member; all related performance bond; and all proceeds of the foregoing. The Exchange may then apply all such liquidated proceeds to satisfy the Participating Clearing Member's obligations to the Exchange, all in accordance with the terms of the Cross-Margining Agreement.

**831.-849. [RESERVED]****MISCELLANEOUS****850. FEES****A. Exchange Fees**

Exchange fees, including clearing fees, Globex system fees, brokerage and/or any transaction surcharges, shall be assessed against a clearing member for each side of a transaction traded on, cleared by or processed through the Exchange as the Board or Exchange staff may from time to time prescribe.

**B. Clearing Fees**

Member rates will apply in the following situations based on the membership division held (note: "membership division" is deemed to also include transactions in lower divisions.) Transactions executed in a higher division than the membership division held will receive non-member rates.

1. Transactions executed on the trading floor for an account owned by a member if executed in accordance with Exchange policy for member rates. Transactions executed on Globex for an account owned by a member will be based on the combined memberships of both the operator and account owner, in accordance with Exchange policy for member rates.
2. Transactions for accounts owned by persons holding memberships through CME Rule 106.C. or D. if executed in accordance with Exchange policy for member rates. The owner of the membership does not receive members' rates.
3. Transactions for the proprietary accounts of a clearing member and its subsidiaries, which are wholly owned, directly or indirectly. (See Non-Member Rates i. below.)
4. Transactions for accounts owned by general partners of the clearing member whether or not they are members.
5. Transactions for an account owned by a corporation or partnership which is wholly-owned by a member or members and which transactions are solely for their benefit if executed in accordance with Exchange policy for member rates and as noted in Member Rates 1. above.
6. Transactions for the proprietary accounts of firms holding membership pursuant to Rule 106.H., 106.N. or 106.R. subject to approval by Exchange staff. If an employee of such firm holds the membership either the member or the firm may receive member rates, but not both.
7. Transactions for the proprietary accounts owned by each related party in a chain of related parties which, holds a membership pursuant to Rule 106.I. subject to approval by Exchange staff. A "related-party" shall be defined to include a clearing member or a firm that either: owns, directly or indirectly, 100% of a clearing member or has 100% ownership, direct or indirect, in common with a firm that owns, directly or indirectly, 100% of a clearing member.
8. Transactions for the proprietary accounts owned by each related hedge fund in a "family of funds" which holds membership pursuant to Rule 106S. subject to approval by Exchange staff.
9. Transactions for joint accounts owned by a member/parent, member/spouse or member/child or a member/Rule 106.H. firm or a member/related party which would receive member rates.
10. Transactions executed on the trading floor for an account jointly owned by members will be based on the combined memberships of all account owners, in accordance with Exchange policy for member rates. Transactions executed on Globex for an account jointly owned by members will be based on the combined memberships of both the

operator and account owners, in accordance with Exchange policy for member rates. The type of membership held (equity, lessee, clearing member, Rule 106.H., 106.I., 106.N., 106.R. or 106.S.) will determine the rate received. For on-floor trading activity, trading discretion over an account constitutes a “de facto” joint account for clearing fee purposes between the executing member and the account owner with respect to the trading activity of the executing member. For off-floor trading activity, an account is presumed to be jointly owned (for clearing fee purposes) where an individual or entity has direct or indirect risk of loss with respect to a specific trading account or group of trading accounts.

“Lowest Common Denominator” (LCD) Rule” - To determine the rates charged for a joint account, the LCD rule is used. Rates are determined by the type of membership held by all of the owners and applying the rates corresponding to the lowest level of membership (highest rate).

Non-Member Rates will apply in the following circumstances:

- i. Transactions for accounts owned by persons not holding Exchange memberships. (This includes transactions for officers and employees of clearing member firms, who may be considered “house” accounts of the firm, but who are not members.)
- ii. Transactions for the account jointly owned by a member and one or more non-members, except as noted in member rate categories 4. or 9. above.
- iii. Transactions for an omnibus account, whether or not the account is held in the name of a member, unless there is clear evidence that all transactions in the omnibus are eligible for member rates.
- iv. Transactions for accounts owned by a corporation or partnership which is not 100% owned by a member or members and which does not fall into member rate categories 4., 5. or 9. above.

#### **851. [RESERVED]**

#### **852. FINES FOR ERRORS, DELAYS AND OMISSIONS**

Exchange staff shall establish, and from time to time revise, schedules of fines to be imposed upon clearing members for errors, delays and omissions with respect to trade and position data and other required Clearing House memoranda. These fines are to be collected by the Clearing House and are in addition to any disciplinary sanctions that may be imposed by the BCC or CHRC for the violation of Exchange rules within their jurisdiction.

#### **853. TRANSFERS OF TRADES**

- A. Subject to the limitations of Rule 854, existing trades may be transferred either on the books of a clearing member or from one clearing member to another clearing member provided:
  1. The transfer merely constitutes a change from one account to another account provided the underlying beneficial ownership in said accounts remains the same; or
  2. An error has been made in the clearing of a trade and the error is discovered and the transfer is completed within two business days after the trade date.
- B. Subject to the limitations of Rule 854, Exchange staff may, upon request by the clearing member(s), approve a transfer of existing trades either on the books of the same clearing member, or from the books of one clearing member to the books of another clearing member if the transfer is in connection with, or as a result of, a merger, asset purchase, consolidation or similar non-recurring transaction between two or more entities where one or more entities become the successor in interest to one or more other entities.
- C. Exchange staff may, with the consent of the clearing member(s) involved, permit the transfer of existing trades if, in staff’s opinion, the situation so requires and such transfer is in the best interests of the Exchange.
- D. Provided that the transfer is permitted pursuant to Sections A., B. or C. above, the transactions must be recorded and carried on the books of the receiving firm at the original trade dates. Futures transactions may be transferred using either the original trade price or the most recent settlement price; options transactions may be transferred using

either the original trade price or a trade price of zero.<sup>1</sup>

- E. All transfers shall be reported to the Clearing House in a form acceptable to the Exchange for the type of transactions involved. The proper indicator must be included in the transfer such that the transactions, including the transaction(s) to reverse an error, clear as transfers. The clearing members involved shall maintain a full and complete record of all transactions together with all pertinent memoranda.

#### 854. CONCURRENT LONG AND SHORT POSITIONS

Set forth below are the procedures that must be followed for concurrent long and short positions and hold-open accounts.

- A. Concurrent long and short positions in the same commodity and month may be held by a clearing member at the direction of a customer or on behalf of an omnibus account; however it shall be the duty of the clearing member to ascertain whether such positions are intended for offset or to be held open prior to final transmission of position data to the Clearing House.
- B. Concurrent long and short positions in physically delivered contracts that are held by the same owner during the delivery month and two business days prior to the delivery month must be offset by transactions executed in the market, by allowable privately negotiated transactions, or fulfilled through the normal delivery process, provided however that trades may be transferred for offset if the trade date of the position being transferred is the same as the transfer date. Such positions may not be offset via netting, transfer, or position adjustment except to correct a bona fide clerical or operational error on the day the error is identified and provided that the quantity of the offset does not represent more than one percent of the reported open interest in the affected futures contract month.<sup>2</sup>
- C. Clearing members which, pursuant to this rule, carry concurrent long and short positions, must report to the Exchange both sides as open positions. When either side or both sides are reduced in accordance with Section B. of this rule, the open positions as reported to the Exchange must be reduced accordingly.
- D. The Exchange takes no position regarding the internal bookkeeping procedures of its clearing members which, for the convenience of a customer, may "hold open" a position only on their books. However, the clearing member must accurately report to the Exchange and the Clearing House, as appropriate, large trader positions, long positions eligible for delivery and open interest.

#### 855. OFFSETTING DIFFERENT SIZED FUTURES POSITIONS<sup>3</sup>

- A. With the consent of the account controller, a clearing member may offset and liquidate long E-Mini futures positions against short regular futures positions, or short E-Mini futures positions against long regular futures positions, held in the same account in the following ratios of E-Mini to regular futures contracts:

E-Mini S&P 500 to regular S&P 500:	5:1
E-Mini Nasdaq 100 Index to regular Nasdaq 100 Index:	5:1
E-Mini S&P Midcap 400 to regular S&P Midcap 400	5:1
E-Mini Currency to regular Currency:	2:1

The clearing member shall notify the Clearing House of offsetting positions by submitting reports to the Clearing House in such form and manner as the Clearing House shall specify. The positions shall be offset at the previous day's settlement price.

- B. The positions being offset shall be transferred to a CME holding account. Long and short positions in the same contract and contract month held in the holding account shall be netted, thus reducing the number of open positions in such contract.
- C. With the consent of the account controller, a clearing member may convert Eurodollar and E-Mini Eurodollar futures positions into equivalent E-mini Five-year Eurodollar Bundle positions, or E-mini Five-year Eurodollar Bundle positions into equivalent Eurodollar and

<sup>1</sup> Revised October 2008.

<sup>2</sup> Revised October 2008.

<sup>3</sup> Revised September 2008; March 2009.

E-Mini Eurodollar futures positions, held in the same account in the following ratios of E-Mini to regular futures contracts:

One (1) each of twenty (20) consecutive quarterly expirations of the E-Mini Eurodollar Futures to one (1) E-mini Five-Year Eurodollar Bundle Futures

One (1) each of twenty (20) consecutive quarterly expirations of the Eurodollar Futures to ten (10) E-mini Five-Year Eurodollar Bundle Futures

The positions being converted shall be transferred to a CME holding account. Long and short positions in the same contract and contract month held in the holding account shall be netted, thus reducing the number of open positions in such contract. The clearing member shall notify the Clearing House of the offsetting Eurodollar, E-mini Eurodollar and E-mini Five-Year Eurodollar Bundle positions by submitting reports to the Clearing House in such form and manner as the Clearing House shall specify. The positions shall be offset at the previous day's settlement prices, with any rounding in favor of the CME holding account.

- D. With the consent of the account controller, a clearing member may request to offset and liquidate long (short) E-micro FX futures positions against short (long) regular FX futures positions, held in the same account in the ratio of ten (10) E-micro FX futures contracts to one (1) full-sized FX futures contract.

The clearing member shall notify the Clearing House of its request to offset positions by submitting reports to the Clearing House in such form and manner as the Clearing House shall specify. If accepted, the positions being offset shall be transferred to a holding account at the Clearing House. The Clearing House shall accept such request or fraction of such request upon receiving an opposite offset request from another clearing member. Such requests shall be processed in the order of oldest request date first.

No such offset request shall be accepted during the last two trading days.

(End Chapter 8)