

## Chapter 370 BXY<sup>SM</sup> TRAKRS<sup>SM</sup> Futures

### 37000. SCOPE OF CHAPTER

This chapter is limited in application to trading in the BXY<sup>SM</sup> TRAKRS<sup>SM</sup> futures. The procedures for trading, clearing, settlement, and any other matters not specifically covered herein shall be governed by the rules of the Exchange.

### 37001. COMMODITY SPECIFICATIONS

#### 37001.A. Contract Value

BXY TRAKRS futures shall be based upon the value of \$1 times the BXY TRAKRS Index. The BXY TRAKRS Index (the "Index") shall be equal to the product of the BXY Index (the "Underlying Index") and the Multiplier, plus the Amortizing Spread as defined herein. The BXY Index simulates a "covered call" strategy based on (1) the purchase of a S&P 500 stock index portfolio; and (2) a periodic sale of near-term, out-of-the-money S&P 500 Index "covered" call options.

#### 37001.B. Initial Index Value

The Initial Index Value of the BXY TRAKRS Index shall be equal to 25.00, as set on April 28, 2006.

#### 37001.B. (Reserved)

#### 37001.C. Multiplier

The "Multiplier" shall be determined by the Calculation Agent on April 28, 2006 such that the product of the closing price of the BXY Index on April 28, 2006 and the Multiplier shall equal 24.50. If on April 28, 2006, the BXY Index is not published, then for purposes of identifying the Multiplier, the Calculation Agent will use the next available closing price of affected BXY Index. During the term of BXY TRAKRS, the Calculation Agent will reduce the value of the Multiplier on a daily basis to reflect the application of the Adjustment Factor.

#### 37001.D. Adjustment Factor

Each day, the Adjustment Factor will be applied to the Multiplier *pro rata* based on a 365-day year. The daily application of the Adjustment Factor will reduce the Multiplier, which will, in turn, reduce the value of the Index on a daily basis.

The Adjustment Factor will equal 0.90% per annum.

### 37002. FUTURES CALL

#### 37002.A. Schedule

The Exchange shall list a single contract month in BXY TRAKRS futures. The final settlement date shall be April 27, 2011. Futures contracts shall be scheduled for trading during such hours as may be determined by the Board of Directors.

#### 37002.B. Trading Unit

One BXY TRAKRS Index futures contract shall be valued at \$1 times the BXY TRAKRS Index.

#### 37002.C. Minimum Increments

Bids and offers shall be quoted in terms of the BXY TRAKRS Index. The minimum fluctuation of the futures contract shall be 0.01 index point, equivalent to \$0.01 per TRAKRS futures contract.

#### 37002.D. Position Limits

A person shall not own or control more than 22,000,000 contracts net long or net short.

#### 37002.E. Accumulation of Positions

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding, and the positions of all accounts in which a person or persons have a proprietary or beneficial interest, shall be cumulated.

#### 37002.F. Exemptions

The foregoing position limits shall not apply to (1) bona fide hedge positions meeting the requirements of Regulation 1.3(z)(1) of the CFTC and the rules of the Exchange, (2) other positions exempted pursuant to Rule 559, and (3) cash-substitute positions described in Rule 37006.

**37002.G. Termination of Trading**

Futures trading shall terminate on the day of determination of the Final Settlement Price.

**37002.H. Contract Modifications**

Specifications shall be fixed as of the first day of trading of a contract. If any U.S. governmental agency or body issues an order, ruling, directive or law that conflicts with the requirements of these rules, such order, ruling, directive or law shall be construed to take precedence and become part of these rules, and all open and new contracts shall be subject to such government orders.

**37002.I. Trading Halts During Regular Trading Hours (RTH)**

Trading halts of BXY TRAKRS futures shall be coordinated with trading halts in the primary securities market. If a trading halt is declared in the primary securities market, trading shall be halted. Once trading in the primary securities market resumes after a trading halt, trading on BXY TRAKRS futures shall resume.

**37002.J. Reserved****37002.K. Special Opening Procedures**

Special Opening Procedures shall be employed to facilitate an orderly market in BXY TRAKRS futures. These Special Opening Procedures shall be conducted during a Special Marketing Period. This Special Marketing Period shall commence on the Commencement Date of April 5, 2006; and, shall culminate in a Special Opening at 10:00 a.m. (Chicago time) on the Initial Open Date of April 28, 2006.

During the Special Marketing Period, FCMs and notice-registered BDs per Rule 37004.B. may solicit customer orders to buy or sell BXY TRAKRS futures at a specified limit bid price or limit offer price, respectively. The Special Marketing Period shall conclude at 10:00 a.m. (Chicago time) on the Initial Open Date. Clearing Members shall report their limit buy and limit sell orders to the Exchange in a manner and format specified by the Exchange by 10:00 a.m. (Chicago time) on the Initial Open Date.

The Exchange shall thereupon match purchase and sale orders based upon an Allocation Algorithm and report such matches to Clearing Members. The Exchange shall match buy orders to sell orders prioritized by sell price. At each sell price at which buy orders will be matched, buy orders with limit prices equal to or greater than the sell price shall be allocated on a pro rata basis. If multiple sell orders are received at the same limit price, and the total sell order quantity exceeds the total buy order quantity that may be matched at that price, the allocation of orders shall be made on a pro rata basis by reference to the quantities associated with such orders, subject to the restriction that all sell orders at that price are filled before a proprietary sell order of Merrill Lynch, if any.

The Exchange reserves the authority to limit the size of the open interest created as a result of these Special Opening Procedures. The Exchange further reserves the authority to delay the Initial Open Date if it determines in its discretion that market conditions are not conducive to an orderly opening.

The Initial Index Value shall be established at 25.00 Index Points on April 28, 2006.

Subsequent to the conclusion of these Special Opening Procedures, trading shall be conducted on the CME® Globex® electronic trading platform per the Rules of the Exchange, commencing May 1, 2006.

**37003. DELIVERY**

Delivery of BXY TRAKRS futures shall be by cash settlement.

**37003.A. Final Settlement Price**

The Final Settlement Price shall be determined on April 27, 2011, or, if the BXY TRAKRS Index is not published for that day, on the first preceding day for which the Index is scheduled to be published.

If the New York Stock Exchange (NYSE), American Stock Exchange (AMEX) or NASDAQ are not open on the day scheduled for the determination of the Final Settlement Price, then the NYSE-stock, AMEX-stock or NASDAQ-stock component(s) of the Final Settlement Price shall be based on the next opening prices for NYSE, AMEX and NASDAQ stocks.

The Final Settlement Price shall be based on the product of the Multiplier and the closing value of the BXY Index on the Final Settlement Date.

**37003.B. Delivery**

Clearing members holding open positions in BXY TRAKRS futures at the time of termination of trading in that contract shall make payment to or receive payment from the Clearing House in accordance with normal variation margin procedures based on a settlement price equal to the final settlement price.

**37003.C. [Reserved]**

**37003.D. Early Termination**

If the value of the BXY TRAKRS Index should at any time equal zero or less, trading in BXY TRAKRS futures shall be discontinued and all outstanding contracts shall be settled in cash at a value of zero (\$0.00) per contract.

**37004. FLOW OF FUNDS**

**37004.A. Customers**

For purposes of this Rule, "Institutional Customers" are market participants that (1) qualify as Qualified Institutional Buyers ("QIBs") under Rule 144A promulgated under the Securities Act of 1933, as amended; and, (2) CME members registered as floor brokers or floor traders. "Non-Institutional Customers" are market participants that do not qualify as Institutional Customers as defined herein.

**37004.B. Qualified Intermediaries**

Institutional and Non-Institutional Customers may place Long-Short Technology TRAKRS Index futures orders with (1) an Associated Person ("AP") of a registered Introducing Broker ("IB") or Futures Commission Merchant ("FCM"), such resulting positions to be maintained in a futures account; or (2) a Registered Representative ("RR") of a securities Broker-Dealer ("BD") that is notice registered with the National Futures Association ("NFA") as a limited-purpose FCM ("LP/FCM") or an entity that is dually registered as a BD and FCM ("BD/FCM"), such resulting positions to be maintained in a securities account.

**37004.C. Interest Rate Pass-Through**

Each trading day after the determination of the daily Settlement Price, each clearing member that maintains long BXY TRAKRS positions will be required to pay the CME Clearing House (based on the amount of long BXY TRAKRS the clearing member maintains multiplied by the BXY TRAKRS Settlement Price) a daily pro rata market rate of interest equal to the Federal Funds Effective Rate less the Spread. The CME Clearing House in turn will pay each clearing member that maintains short BXY TRAKRS positions (based on the amount of short BXY TRAKRS the clearing member maintains multiplied by the BXY TRAKRS Settlement Price), a daily pro rata market rate of interest equal to the Federal Funds Effective Rate less the sum of the Spread and the TRAKRS Platform Fees.

If, on any day, the Federal Funds Effective Rate is less than the Spread, then each clearing member that maintains short BXY TRAKRS positions will be required to pay to the CME Clearing House (based on the amount of short BXY TRAKRS the clearing member maintains multiplied by the BXY TRAKRS Settlement Price) a daily pro rata market rate of interest equal to the Spread less the Federal Funds Effective Rate. The CME Clearing House in turn will pay each clearing member that maintains long BXY TRAKRS positions (based on the amount of long BXY TRAKRS the clearing member maintains multiplied by the BXY TRAKRS Settlement Price) a daily pro rata market rate of interest equal to the Spread less the sum of the Federal Funds Effective Rate and the TRAKRS Platform Fees.

Each trading day after the determination of the daily Settlement Price, each institutional customer holding long BXY TRAKRS positions, maintained in a futures account, will be required to pay its FCM, based on the amount of long BXY TRAKRS held by the institutional customer multiplied by the BXY TRAKRS Settlement Price, a daily pro rata market rate of interest equal to the Federal Funds Effective Rate less the Spread, which the clearing member will pass on to the CME Clearing House. The CME Clearing House in turn will pay to each short clearing member for institutional customers a daily pro rata market rate of interest equal to the Federal Funds Effective Rate less the sum of the Spread and the TRAKRS Platform Fees and each institutional customer holding short

BXY TRAKRS positions, maintained in a futures account, will be entitled to receive this amount from its FCM, based on the amount of short BXY TRAKRS held by the institutional customer multiplied by the BXY TRAKRS Settlement Price.

If, on any day, the Federal Funds Effective Rate is less than the Spread then each institutional customer holding short BXY TRAKRS positions, maintained in a futures account, will be required to pay its FCM (based on the amount of short BXY TRAKRS held by the institutional customer multiplied by the BXY TRAKRS Settlement Price) a daily pro rata market rate of interest equal to the Spread less the Federal Funds Effective Rate, which the clearing member will pass on to the CME Clearing House. The CME Clearing House in turn will pay to each long clearing member for institutional customers a daily pro rata market rate of interest equal to the Spread less the sum of the Federal Funds Effective Rate and the TRAKRS Platform Fees, and each institutional customer holding long BXY TRAKRS positions, maintained in a futures account, will be entitled to receive this amount from its FCM, based on the amount of long BXY TRAKRS held by the institutional customer multiplied by the BXY TRAKRS Settlement Price.

Non-institutional customers holding long BXY TRAKRS positions, maintained in a futures account or a securities account, are not responsible for paying, and non-institutional customers holding short BXY TRAKRS positions, maintained in a futures account or a securities account, are not entitled to receive, this interest rate pass-through; although the long clearing member (or, if the Federal Funds Effective Rate is less than the Spread, the short clearing member) is still responsible for paying the interest payment, which is passed-through by the CME Clearing House to the short clearing member (or, if applicable, the long clearing member).

For purposes of this Rule, the Spread shall equal 0.10% per annum and TRAKRS Platform Fees shall equal 0.25% per annum. The daily pro ratas shall be calculated based upon a 360-day count.

#### **37004.D. Amortizing Spread**

Each trading day during the 30-day period beginning May 1, 2006, each institutional or non-institutional customer holding a short position in BXY TRAKRS will be required to pay its clearing member an amount equal to the Amortizing Spread divided by 30 days, applied to the daily settlement value (the "Daily Amortizing Spread Payment"), based on the amount of short BXY TRAKRS held by the customer multiplied by the BXY TRAKRS Settlement Price).

Each FCM that maintains short BXY TRAKRS positions will in turn pay the Daily Amortizing Spread Payment allocable to that FCM (based on the amount of short BXY TRAKRS the clearing member maintains multiplied by the BXY TRAKRS Settlement Price) to the CME Clearing House. The CME Clearing House will then pay each clearing member that maintains long BXY TRAKRS positions (based on the amount of long BXY TRAKRS the clearing member maintains multiplied by the BXY TRAKRS Settlement Price) the portion of the Daily Amortizing Spread Payment allocable to that FCM.

Each institutional customer holding long BXY TRAKRS positions will be entitled to receive this amount from its FCM, based on the amount of long BXY TRAKRS held by the institutional customer multiplied by the BXY TRAKRS Settlement Price.

A non-institutional customer holding long BXY TRAKRS positions will not be entitled to receive this amount from its FCM.

#### **37004.E. Performance Bond**

Non-Institutional Customers purchasing BXY TRAKRS futures, maintained in a futures account or a securities account, shall deposit 100% of the purchase price with their long clearing member. Non-Institutional Customers selling BXY TRAKRS futures, maintained in a futures account or a securities account, shall deposit 50% of the sale price with their short clearing member.

Institutional Customers purchasing BXY TRAKRS futures, maintained in a securities account, shall deposit 100% of the purchase price with their long clearing member. Institutional Customers selling LMC II TRAKRS futures, maintained in a securities account, shall deposit 50% of the sale price with their short clearing member.

Institutional Customers purchasing or selling BXY TRAKRS futures, maintained in a futures account, shall be subject to the performance bond requirements established by the Exchange and their FCMs.

**37004.F. Settlement Variation**

Non-Institutional Customers that purchase BXY TRAKRS futures, maintained in a futures account or a securities account, shall not be subject to variation margin procedures nor shall they pay or collect settlement variations with respect to their BXY TRAKRS futures positions.

Non-Institutional Customers that sell BXY TRAKRS futures, maintained in a futures account or a securities account, shall be subject to variation margin pay and collect requirements per the following conditions. If the settlement price advances such that a Non-Institutional Customer's performance bond is less than 30% of the current BXY TRAKRS futures contract value, the Non-Institutional Customer shall be required to make a variation margin payment to restore the performance bond to 50% of the current BXY TRAKRS futures contract value. If the settlement price declines such that a Non-Institutional Customer's performance bond is greater than 70% of the current BXY TRAKRS futures contract value, the Non-Institutional Customer shall be entitled to collect a variation margin payment to restore the performance bond to 50% of the current BXY TRAKRS futures contract value.

Institutional Customers that purchase BXY TRAKRS futures, maintained in a securities account, shall not be subject to variation margin procedures nor shall they pay or collect settlement variations with respect to their BXY TRAKRS futures positions.

Institutional Customers that sell BXY TRAKRS futures, maintained in a securities account, shall be subject to variation margin pay and collect requirements per the following conditions. If the settlement price advances such that an Institutional Customer's performance bond is less than 30% of the current BXY TRAKRS futures contract value, the Institutional Customer shall be required to make a variation margin payment to restore the performance bond to 50% of the current LMC II TRAKRS futures contract value. If the settlement price declines such that a Institutional Customer's performance bond is greater than 70% of the current BXY TRAKRS futures contract value, the Institutional Customer shall be entitled to collect a variation margin payment to restore the performance bond to 50% of the current BXY TRAKRS futures contract value.

Institutional Customers that purchase or sell BXY TRAKRS futures, maintained in a futures account, shall be subject to normal variation margin procedures.

**37005. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES**

(Refer to Rule 701. – ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES)

**37006. CASH-SUBSTITUTE POSITIONS**

For purposes of this rule, the term "cash-substitute positions" means long positions which are economically appropriate to the management of risks in the conduct and management of a commercial enterprise engaged substantially in the cash equities market, and whose underlying commodity value does not exceed the sum of:

1. Cash set aside in an identifiable manner, or unencumbered short-term U.S. Treasury obligations or other U.S. dollar denominated, high-quality, short-term debt instruments so set aside, plus any funds deposited as performance bond on such positions; and
2. Accrued profits on such positions held at the futures commission merchant.

A clearing member shall not carry a cash-substitute account which by itself or in accumulative total with other accounts of the owner exceeds the speculative position limits of Chapter 40, unless the President approves and unless the applicant has applied to the Division of Market Regulation on forms provided by the Exchange, wherein he requests a maximum number of positions, fully explains the nature and extent of his business, and states under oath that:

1. The intended positions will be cash-substitute positions.
2. The positions are kept in a special account on the books of a clearing member.
3. The prospective applicant will comply with whatever limitations are applied by the Exchange with regard to said positions.
4. The applicant agrees to submit immediately a supplemental statement explaining any change in circumstances affecting his position.
5. The applicant complies with all other Exchange rules and requirements.

6. The positions are moved in an orderly manner in accordance with sound commercial practices, and are not initiated or liquidated in a manner calculated to cause unreasonable price fluctuations or unwarranted price changes. The applicant does not use said positions in an attempt to violate or avoid Exchange rules, or otherwise impair the good name or dignity of the Exchange.

The President shall, on the basis of the applicant and supplemental information which the Exchange may request, determine whether the positions shall be approved as cash-substitute positions. The President may impose such limitations as are commensurate with the liquidity of the markets and with the applicant's business needs, financial ability and personal integrity. The President and the Business Conduct Committee may, from time to time, review approvals and, for cause, revoke said approvals or place limitations thereon.

The applicant may appeal any decision of the President or the Business Conduct Committee to the Board. The applicant shall be exempt from emergency orders reducing speculative limits or restricting trading but only to the extent provided in such order and only if the approvals required by this rule are secured by the applicant.

(End Chapter 370)

### **INTERPRETATIONS & SPECIAL NOTICES RELATING TO CHAPTER 370**

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