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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 and clerks. Such employees shall not be permitted to solicit customers or benefit from the production of orders. Such employees shall not trade or have any interest in an account trading in any NYMEX or COMEX 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.

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.-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 or relayed from 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 ("IB"), Futures Commission Merchant ("FCM"), Commodity Trading Advisor ("CTA") or Commodity Pool Operator ("CPO") 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. Additionally, IBs, FCMs, CTAs and CPOs may not operate from booth spaces on the trading floor unless they are member firms or wholly owned by members or member firms.

## **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. 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; however, 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 permitted 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 or telephone. No Member (as defined in Rule 400) shall permit others to use any electronic device unless such use has been permitted by the Exchange. Members using a permitted electronic device on the trading floor for permissible business purposes must retain any required 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 permitted electronic device by any Member. The Exchange may limit, suspend or terminate any Member's right to use any permitted 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 permitted electronic device by any Member.

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

Electronic devices that are not issued by the Exchange must not interfere with any Exchange system.

**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**

Unless permitted pursuant to Section A. above, personal electronic devices including, but not limited to, cell phones, personal digital assistants (PDAs) and other devices with email, instant messaging or other similar capabilities may be used on the trading floor only for non-business purposes.

**507.E. Cameras and Video Equipment**

Unless expressly permissioned 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 or an employee of any of the foregoing may not give, directly or indirectly, to any employee of another member, member firm or broker association 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 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 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. REPORTING INFRACTIONS**

#### **512.A. General**

All data, records and other information required by the rules to be reported to the Exchange or the Clearing House, as applicable, must be submitted in an accurate, complete and timely manner.

#### **512.B. Sanctions**

1. Except as otherwise provided in Rule 536, the Chief Regulatory Officer or his designee shall have the authority to impose summary fines on parties who have consented to the jurisdiction of the Exchange. Summary fines shall not be less than \$1,000 per offense and shall not exceed \$5,000 per offense for individuals or \$10,000 per offense for firms for the inaccurate, incomplete or untimely submission of data, records or information required to be submitted to the Exchange or the Clearing House.

2. Individuals and firms shall have 15 days following receipt of the notice of a summary fine to present evidence to the Market Regulation Department that the fine should be rescinded or reduced. Absent the submission of such evidence within the designated time period, the fine shall be deemed final and may not be appealed.

#### **512.C. Hearings and Appeals**

If the Chief Regulatory Officer or his designee determines that evidence submitted by an individual or firm pursuant to Section B.2. is insufficient to support the requested rescission or reduction of the fine, the individual or firm 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 a majority vote, that the decision was:

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

Notwithstanding the provisions of Sections B.1. and B.2. above, the Market Regulation Department, may, at any time, refer matters that it deems egregious to the Probable Cause Committee.

## **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.

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, at least one of whom is engaged in floor brokerage activity:
  - a. Revenue Sharing Association: Associations between members who:
    - i. share profits or losses associated with their brokerage and/or error account activity; and/or
    - ii. have an employer and employee relationship which relates to floor brokerage activity;
  - b. Non-Revenue Sharing Association: Associations between members who:
    - i. regularly share a deck of orders; and/or
    - ii. share employee salary expenses.
  - c. Any other group or combination deemed by the Exchange to be a broker association.

3. Principal of a Revenue Sharing Association – Each individual who has formal or de facto control over the affairs of, or has a ten percent or greater ownership interest in, a Revenue Sharing Association not owned by a clearing member firm.
4. Spokesperson of a Non-Revenue Sharing Association and Revenue Sharing Associations owned by a clearing member firm – An individual authorized to represent a Non-Revenue Sharing Association or Clearing Firm owned Revenue Sharing Association in connection with its registration obligations set forth in Section B.
5. Investor – An individual who has a direct beneficial interest in a Revenue Sharing Association but is not a principal as defined in A.3. above.

**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. Members or Member Firms must have majority ownership interest in any broker association.
3. Principals involved in floor brokerage activity must have trading privileges in the membership division required for access to the products handled by the members of the association. Principals who are not involved in floor brokerage activity must own a membership in the membership division required for access to the products handled by the members of the association. Notwithstanding the above, principals not regularly involved in floor brokerage activity may hold a membership in any division in circumstances where the association is owned by a Member Firm and such Member Firm owns a membership in the membership division required for access to the products handled by the members of the association.
4. No registered broker association or member thereof shall permit a party to have any direct or indirect profit or ownership interest in a broker association unless such party is registered in the association in accordance with this rule.
5. Registration shall be accomplished by filing the appropriate registration forms with the Market Regulation Department.
6. 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.
7. The Exchange may request any additional information from a broker association as deemed appropriate.

**515.C. Prohibition on Sharing of Personal Trading Profits**

Registrants in a broker association may not share profits or losses associated with their personal trading activity by direct or indirect means, except for profits and losses related to brokerage errors.

**515.D. Supervision**

Each principal of a Revenue Sharing Association must diligently supervise the association's member registrants and non-member employees and may be held directly liable for violations of any rule of the Exchange by such registrants and employees. Regardless of whether the principal is held responsible for the act or acts constituting the violation, each principal is jointly liable for the payment of any fines assessed against another principal, registrant or employee of the association provided that the violation occurred while that person was functioning in his capacity with the association.

**515.E. Trading Restrictions**

The Exchange may impose limits on the percentage of personal trading and/or brokerage volume that members of a broker association may execute with one another. Violations of such restrictions will result in summary action according to the following schedule on a rolling 24 month period:

First Occurrence	Letter of Warning
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Second Occurrence	\$1,000 fine
Third Occurrence	\$5,000 fine
Subsequent Occurrence	\$10,000 fine

The Exchange may restrict a member of a Revenue Sharing Association from trading for any account such member owns, controls or in which such member has a financial interest opposite other members of the association executing orders. Violation of such restrictions will result in summary action according to the following schedule on a rolling 24 month period:

First Occurrence	Letter of Warning
Second Occurrence	\$500 fine
Third Occurrence	\$1,000 fine
Subsequent Occurrence	\$5,000 fine

Actions taken pursuant to this section are final and may not be appealed; however members will have 15 days following receipt of notification of the action 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. REQUIREMENTS FOR OPEN OUTCRY TRADES**

In open outcry trading, bidding and offering practices must at all times be conducive to the competitive execution of transactions. All open outcry transactions, including spread and combination transactions, shall be made openly and competitively in the pit designated for the trading of the particular transaction. No bid or offer shall be specified for acceptance by a particular trader. Transactions may take place only at the best price available in the open outcry market at the time the trade occurs.

It shall be the duty of both traders to confirm their trades as to the price, quantity, commodity, contract month, 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. ACCEPTANCE OF BIDS AND OFFERS**

In open outcry and electronic trading, while outstanding, all or any part of any bid or offer is subject to immediate acceptance by any trader. Members are required to honor all bids or offers which have not been withdrawn from the market. The price at which a trade is executed shall be binding, unless such trade is cancelled by Exchange officials in accordance with Exchange rules.

#### **523. [RESERVED]**

**524. TRADING AT SETTLEMENT (“TAS”) AND TRADING AT MARKER (“TAM”) TRANSACTIONS**

The Exchange shall determine the commodities, contract months and time periods during which TAS and TAM transactions shall be permitted.

**524.A. Trading at Settlement (“TAS”) Transactions**

The following shall govern TAS transactions:

1. TAS orders may be entered on Globex at any time the applicable contracts are available for TAS trading on Globex and during each TAS contract’s prescribed pre-open time period. The initiation of any TAS order on Globex outside these time periods is prohibited.
2. TAS-eligible commodities and contract months may be executed as block trades pursuant to the requirements of Rule 526 except that TAS block trades may not be executed on the last day of trading in an expiring contract.
3. Unless otherwise specified by the Exchange, TAS transactions may be executed at the current day’s settlement price or at any valid price increment ten ticks higher or lower than the settlement price.

**524.B. Trading at Marker (“TAM”) Transactions**

The following shall govern TAM transactions:

1. TAM orders may be entered on Globex at any time the applicable contracts are available for TAM trading on Globex and during each TAM contract’s prescribed pre-open time period. The initiation of any TAM order on Globex outside these time periods is prohibited.
2. TAM-eligible commodities and contract months may be executed as block trades pursuant to the requirements of Rule 526.
3. TAM transactions may be executed at the current day’s applicable marker price or at any valid price increment ten ticks higher or lower than the applicable marker price.

**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(18) 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. Unless otherwise agreed to by the principal counterparties to the block trade, the seller, or, in



the case of a brokered transaction, the broker handling the block trade, must ensure that each block trade is reported to the Exchange within the time period and in the manner specified by the Exchange. 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 adviser registered or exempt from registration under the Investment Advisers 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 adviser 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. Outtrades shall clear in accordance with the seller's recorded terms unless the parties to the outtrade agree to break the trade or agree to accept the trade in accordance with the buyer's recorded terms.

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; 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 the members cannot agree on the price of execution, the price recorded by the seller 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 the members cannot agree on the quantity that was executed, the quantity recorded by the seller 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.

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 alternative sized (mini or micro) 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. If the transaction was pit traded, 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: (i) the customer has consented in writing to waive the application of Rule 531.A. no more than 12 months prior to the transaction; (ii) the member complies with the requirements set forth in Rule 533; (iii) the member clearly identifies, by appropriate descriptive words, all such transactions, and (iv) the member ensures that it is reported to Exchange price reporting staff for entry into the Exchange Price Reporting System as a cross trade.

### **532. DISCLOSING ORDERS PROHIBITED**

With the exception of transactions executed in accordance with the requirements of Rules 526, 538 and 539, 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 must ensure that it is reported to Exchange price reporting staff for entry into the Exchange Price Reporting System. Failure to identify the transaction to Exchange price reporting staff as a cross trade 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 TRADES PROHIBITED**

No person shall place or accept buy and sell orders in the same product and expiration month, and, for a put or call option, the same strike price, where the person knows or reasonably should know that the purpose of the orders is to avoid taking a bona fide market position exposed to market risk (transactions commonly known or referred to as wash sales). Buy and sell orders for different accounts with common beneficial ownership that are entered with the intent to negate market risk or price competition shall also be deemed to violate the prohibition on wash trades. Additionally, no person shall knowingly execute or accommodate the execution of such orders by direct or indirect means.

**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.

**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 on an approved electronic device or on pre-printed, sequentially pre-numbered trading cards in exact chronological order of execution. If recorded on trading cards, trades must be recorded on sequential lines of the card, and no lines may be skipped except that a member may use additional consecutive lines to record sufficient information concerning a particular trade type, including, but not limited to, spreads, exchange of futures or options for related positions and cabinet trades. Any lines that remain after the last execution recorded on the trading card must be marked through. No more

than nine transactions may be recorded on each trading card. Every member must record the date, price, quantity, product, expiration month, opposite trader, time of execution to the nearest minute and, for options, put or call and strike price on the trading card or into the approved electronic device. Additionally, the trader must record a symbol which reflects whether the member was trading i) for his own account or an account controlled by such member, ii) for the proprietary account of his clearing member, iii) for another member present on the trading floor or for an account controlled by such other member, or iv) for any other account. Trades or order executions must either be recorded on an approved electronic device, or, if recorded on trading cards, in non-erasable ink. Members using trading cards must use a new card at the start of each half-hour interval and at the start of the post settlement session.

Members must designate on the trading card whether such trade is a spread trade.

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.

The seller or his designated representative ("the seller") must enter the trade into the clearing system within 30 minutes of execution. The seller must enter the material terms of the trade, including the information required in the first paragraph of this subsection, including the time of execution. Within 60 minutes of execution, the buyer or his designated representative ("the buyer") must review the seller's entry of the trade and affirmatively note any disagreement with any of the terms of the trade and enter a time of execution to the nearest minute except in a circumstance in which the buyer does not know the trade. The seller must allocate the trade to the correct clearing firm(s) within 30 minutes of the execution of the trade unless the trade will clear at the seller's qualifying clearing member firm. The buyer must allocate the trade to the correct clearing firm(s) within 60 minutes of the execution of the trade unless the trade will clear at the buyer's qualifying clearing member firm, however the buyer may not allocate a trade until the seller has entered the trade into the clearing system.

The original copy of trading cards must be submitted to the Exchange no later than 15 minutes after the end of each half-hour interval or the end of the closing range, whichever is earlier.

In addition, each member must maintain, and is accountable for, documents on which original trade information is recorded.

Trades that are not recorded contemporaneously due to an error or an outtrade shall be recorded on the next available line of a member's pre-printed, sequentially numbered trading card or on a new trading card, and such trades must be denoted as being out of sequence.

#### 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 modified, returned, confirmed or cancelled.

#### 2. Individual Member Orders

- a. A member on the trading floor who enters an 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 or recorded pursuant to Section 2.b. below. 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.
- b. Every written order that is initiated by a member for his own account while on the trading floor must include an electronic timestamp reflecting the date and time such order was transmitted for execution and when such order was modified, returned, confirmed or cancelled.

#### 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 include an electronic timestamp reflecting the date and time such order was modified, returned, confirmed or cancelled.

## **536.B. Globex Order Entry**

### **1. General Requirement**

Each Globex terminal operator entering orders into Globex shall accurately input for each order: a) the user ID assigned him by the Exchange, a clearing member or other authorized entity (Tag 50 ID) b) the price, quantity, product, expiration month, CTI code, automated or manual indicator (Tag 1028) 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**

Entities certified by the Exchange to connect an order routing/front-end system to the Globex platform through the CME iLink® gateway are responsible for creating an audit trail of each message entered into Globex. Clearing members guaranteeing a connection to Globex are responsible for maintaining or causing to be maintained the electronic audit trail for such systems. 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.

Each such electronic audit trail must be complete and accurate and account for every electronic communication such system receives or generates, including any electronic communication such system receives from Globex.

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 millisecond. 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, automated or manual indicator (Tag 1028), self-match prevention ID (Tag 7928) where applicable, 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 an Equity Member Firm, the Clearing Firm may notify the client Clearing Firm or Equity Member Firm 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 Equity Member Firm to maintain an electronic audit trail pursuant to this rule. Nothing herein relieves any of the above-referenced firms from compliance with the applicable recordkeeping provisions of CFTC Regulations, including Regulations 1.31 or 1.35.

## **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(b) and the NFA's Interpretive 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 Interpretive 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 1) executed on the trading floor, 2) executed on the Globex platform or 3) privately negotiated as a block trade pursuant to Rule 526 or an EFRP pursuant to Rule 538 on the record of the transaction submitted to the Exchange with the correct customer type indicator (CTI) code. The CTI codes are as follows:

CTI 1: Electronic Trading, Open Outcry and Privately Negotiated – 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, Open Outcry and Privately Negotiated – Applies to orders entered or trades executed for the proprietary accounts of a member firm.

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 and Privately Negotiated – 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 Open Outcry and Privately Negotiated – 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 and 538, unless otherwise exempted by rule, are subject to the recordation requirements pursuant to Section A.1.

#### **536.F. Violations**

##### **1. Audit Trail Violations**

A Member's failure to comply with any provision of this rule may result in the imposition of summary penalties by the Market Regulation Department.

A letter of warning may be issued for a first infraction. Subsequent infractions within a rolling 12-month period shall result in automatic fines starting at \$1,000, and then increasing to \$2,500 and

\$5,000 for each subsequent infraction. Fifth and subsequent offenses within a 12 month period will be referred to the Probable Cause Committee by the Market Regulation Department.

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. If the member does not submit such evidence, or if the Market Regulation Department determines that the evidence submitted is insufficient to warrant a rescission, the letter of warning or fine shall be final and may not be appealed.

## 2. Floor Order Ticket Reviews

The Market Regulation Department will conduct reviews of clearing member firms, member firms and floor brokerage operations to verify that order tickets are being prepared in compliance with the requirements of this rule. Compliance rates of 89% or lower may result in the following sanctions:

### Initial Review:

89-80%	\$500
79-70%	\$1,000
69-60%	\$1,500
59% and Below	\$2,500

### Second Review:

89-80%	\$1,000
79-70%	\$2,000
69-60%	\$3,000
59% and Below	\$5,000

### Third and Subsequent Reviews:

89-80%	\$2,500
79-70%	\$5,000
69-60%	\$7,500
59% and Below	\$10,000

Fines issued pursuant to this section are final and may not be appealed. A clearing member firm, member firm or floor broker will have 15 days after receipt of a fine to present evidence to the Market Regulation Department in support of having the fine rescinded. If the clearing member firm, member firm or floor broker does not submit such evidence, or if the Market Regulation Department determines that the evidence submitted is insufficient to increase the compliance rates above 89%, the fine shall be final and may not be appealed.

Fourth and subsequent violations within 24 months may result in referral to the Probable Cause Committee for the issuance of charges.

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**

Unless specifically exempted by the Market Regulation Department or designated Exchange staff, all headset communications used in and around trading pits on the trading floor must be voice recorded by the Exchange for a fee.

## **536.H. Retention of Records**

Each member and member firm and employees of the foregoing must keep full, complete and

systematic records, including records created or transmitted electronically, together with all pertinent data and memoranda, of all transactions relating to its business of dealing in commodity interests and related cash or forward transactions in accordance with CFTC Regulation 1.35. Written and electronic records must be retained for a minimum of five years in permanent form. Oral communications required to be recorded pursuant to CFTC Regulation 1.35(a) must be retained for a minimum of one year past the date on which the oral communication occurred. Oral communications recorded by the Exchange pursuant to Section G. will be maintained by the Exchange for a minimum of one year past the date on which the oral communication occurred.

All records required to be retained shall at all times be open to inspection by Exchange staff or any representative of the CFTC or the United States Department of Justice.

### **537. DATA SUBMITTED TO THE EXCHANGE**

a) Subject to each market participant's rights with respect to its own data, the Exchange shall own all rights, title and interest, database rights and trade secret rights in and to all trade data and related information submitted in connection with trading on the Exchange, and which is not collected or received for the purpose of fulfilling regulatory obligations. The Exchange has the exclusive right to use, distribute, sub-license, disclose and sell anonymized trade data and derivative works in any manner, media and jurisdiction. Market participants shall not redistribute trade data or derivative works based thereon unless licensed by the Exchange. The restriction on redistribution shall not apply to a market participant's own data.

b) Proprietary data or personal information collected or received by the Exchange for the purpose of fulfilling regulatory obligations shall not be disclosed publicly other than on an aggregated or anonymized basis, or in a manner that does not directly or indirectly identify any market participant who has submitted such data. Regulatory data may not be used by the Exchange for business or marketing purposes unless the market participant has clearly consented to the use of such data in such manner. Access to the Exchange will not be conditioned upon a market participant's consent to data collected or received for the purpose of fulfilling regulatory obligations being used for business or marketing purposes. Nothing in this Rule shall preclude the Exchange from disclosing data pursuant to a valid subpoena or court order, or as otherwise required by law.

### **538. EXCHANGE FOR RELATED POSITIONS**

An Exchange for Related Position ("EFRP") transaction involves a privately negotiated off-exchange execution of an Exchange futures or options contract and, on the opposite side of the market, the simultaneous execution of an equivalent quantity of the cash product, by-product, related product, or OTC derivative instrument corresponding to the asset underlying the Exchange contract.

The following types of EFRP transactions are permitted to be executed outside of the Exchange's centralized market in accordance with the requirements of this rule:

Exchange of Futures for Physical ("EFP") – the simultaneous execution of an Exchange futures contract and a corresponding physical transaction or a forward contract on a physical transaction.

Exchange of Futures for Risk ("EFR") – the simultaneous execution of an Exchange futures contract and a corresponding OTC swap or other OTC derivative transaction.

Exchange of Option for Option ("EOO") – the simultaneous execution of an Exchange option contract and a corresponding transaction in an OTC option or other OTC instrument with similar characteristics.

For purposes of this rule, EFPs, EFRs and EOOs shall collectively be referred to as EFRP transactions.

#### **538.A. Parties to an EFRP**

One party to the EFRP must be the buyer of the Exchange contract and the seller of (or the holder of the short market exposure associated with) the related position; the other party to the EFRP must be the seller of the Exchange contract and the buyer of (or the holder of the long market exposure associated with) the related position. The Exchange contract and the corresponding related position must be executed for accounts with the same beneficial ownership.



Notwithstanding the foregoing, a member firm may facilitate, as principal, the related position component of an EFRP 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 Exchange contract as part of the EFRP.

Parties to an EFR or EOO transaction must comply with all relevant CFTC regulations governing eligibility to participate in the related position component of such transactions.

**538.B. Independently Controlled Accounts**

The opposing accounts to an EFRP transaction must be (a) independently controlled accounts with different beneficial ownership; (b) independently controlled accounts of separate legal entities with common beneficial ownership; or (c) independently controlled accounts of the same legal entity, provided that the account controllers operate in separate business units.

For EFRP transactions between accounts with common beneficial ownership, the parties to the trade must be able to demonstrate the independent control of the accounts and that the transaction had economic substance for each party to the trade.

**538.C. Related Position**

The related position component of an EFRP must be the cash commodity underlying the Exchange contract or a by-product, a related product or an OTC derivative instrument of such commodity that has a reasonable degree of price correlation to the commodity underlying the Exchange contract. The related position component of an EFRP may not be a futures contract or an option on a futures contract.

Each EFRP requires a bona fide transfer of ownership of the underlying asset between the parties or a bona fide, legally binding contract between the parties consistent with relevant market conventions for the particular related position transaction.

The execution of an EFRP transaction may not be contingent upon the execution of another EFRP or related position transaction between the parties where the transactions result in the offset of the related position without the incurrence of market risk that is material in the context of the related position transactions.

**538.D. EFPs in Connection with Inventory Financing of Storable, Non-Financial Commodities**

A party providing inventory financing for a storable agricultural, energy or metals commodity may, through the execution of an EFP, purchase the commodity and sell the equivalent quantity of futures contracts to a counterparty, and grant to the counterparty the non-transferable right, but not the obligation, to execute a second EFP during a specified time period in the future which will have the effect of reversing the original EFP.

**538.E. Quantity Equivalence**

The quantity of the related position component of the EFRP must be approximately equivalent to the quantity of the Exchange component of the EFRP. Appropriate hedge ratios between the Exchange and related position components of the EFRP may be used to establish equivalency.

**538.F. Prices and Price Increments**

The Exchange component of the EFRP transaction must be priced in accordance with the applicable futures price increments or option premium increments as set forth in the rules governing the Exchange contract.

EFRPs may be transacted at such commercially reasonable prices as are mutually agreed upon by the parties to the transaction. EFRPs may not be priced to facilitate the transfer of funds between parties for any purpose other than as the consequence of legitimate commercial activity.

**538.G. EFRPs Following the Termination of Trading in Exchange Contracts**

EFRP transactions in certain Exchange contracts may be executed for a defined period of time following the termination of trading in accordance with the applicable product rules governing each Exchange contract. Such transactions may be executed only to liquidate Exchange positions.

**538.H. Recordkeeping**

Parties to an EFRP transaction must maintain all records relevant to the Exchange contract and the related position transaction, including order tickets, records customarily generated in accordance with relevant market practices, records reflecting payments between the parties and, where appropriate, transfer of title, as well as any other records required to be kept pursuant to CFTC Regulation 1.35. Brokers who facilitate EFRP transactions must maintain all records corresponding to their facilitation of the transactions.

Records related to EFRP transactions must be provided to the Exchange upon request. It shall be the responsibility of the carrying clearing member firm to obtain and submit the requested records of their clients to the Exchange on a timely basis.

**538.I. Submission to the Clearing House**

Each EFRP transaction shall be submitted to the Clearing House within the time period and in the manner specified by the Exchange and the Clearing House. In all cases, the record submitted to the Clearing House must reflect the correct EFRP transaction type and must reflect the accurate date and time at which the relevant terms of the transaction were agreed upon by the parties to the trade.

An EFRP transaction submitted to the Clearing House shall not be considered accepted by the Clearing House until the transaction has cleared and the first payment of settlement variation and performance bond has been confirmed.

**538.J. EFRP Volumes Required to be Reported with Daily Large Trader Positions**

Each clearing member, omnibus account and foreign broker responsible for submitting daily large trader positions in accordance with Rule 561 must submit for each reportable account the EFRP volume bought and sold in the reportable instrument. This information must be included in the daily Large Trader report to the Exchange.

**538.K. Immediately Offsetting EFPs in Foreign Currency Futures**

EFPs in foreign currency futures wherein the parties immediately offset the cash transaction are permitted and the Exchange would expect to see confirmation statements issued by the bank/foreign exchange dealer party to the Transaction. These confirmation statements should be the type normally produced by the bank/foreign exchange dealer for confirmation of currency deals and should indicate, by name, the identity of the counter party principal to the Transaction. However, in circumstances where the EFP Transaction is between a bank/foreign exchange dealer and a CTA, account controller, or other Person acting on behalf of a third party (such as a commodity pool or fund), the cash side confirmation statement must identify, at minimum, the name of the third party's Carrying Clearing Member and the third party's account number (or other account specific designation), but need not identify the third party by name. These transactions are only permissible as EFPs in foreign currency futures and not in any other asset class or in EFRs or EOOs in foreign currency futures.

**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 for Related Positions 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:

1. 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.

2. 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.
3. Entry Methods for Futures Orders (including futures-only spread and combination trades)
  - a. Globex Cross: The first party's order is 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.
  - b. Agency Cross: Alternatively, in certain eligible products, a Cross Sequence ("CS") may be used by a broker to enter the buy and the sell orders into Globex. Following the pre-execution communication, a Request for Quote ("RFQ") for the particular futures or futures spread or combination is entered into Globex. Thereafter, a Cross Sequence, which is defined as the entry of a day-limit order followed immediately by the entry of a day-fill-and-kill order, must be entered in Globex no less than five (5) seconds and no more than thirty (30) seconds after the entry of the RFQ in order to proceed with the trade. The first party's order must be entered first as a day-limit order, followed immediately by the entry of the second order as a day-fill-and-kill order. The CS must occur within the same trading session. Failure to enter the buy and sell orders within 30 seconds after the entry of the RFQ will require a new CS to be initiated in order to proceed with the trade.
4. Entry Methods for Options Orders (including all spreads and combinations containing an option)
  - a. Globex Cross: Following the pre-execution communication, an RFQ for the particular option or option spread or combination is entered into Globex. Thereafter, a Request for Cross ("RFC") order which contains both the buy and the sell orders must be entered into Globex no less than five (5) seconds and no more than thirty (30) seconds after the entry of the RFQ in order to proceed with the trade. The RFQ 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 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.
  - b. Agency Cross: Alternatively, in certain eligible products, a Cross Sequence ("CS") may be used by a broker to enter the buy and the sell orders into Globex. Following the pre-execution communication, a Request for Quote ("RFQ") for the particular options or options spread or combination is entered into Globex. Thereafter, a Cross Sequence, which is defined as the entry of a day-limit order followed immediately by the entry of a day-fill-and-kill order, must be entered in Globex no less than five (5) seconds and no more than thirty (30) seconds after the entry of the RFQ in order to proceed with the trade. The first party's order must be entered first as a day-limit order, followed immediately by the entry of the second order as a day-fill-and-kill order. The CS must occur within the same trading session. Failure to enter the buy and sell orders within 30 seconds after the entry of the RFQ will require a new CS to be initiated 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. [RESERVED]**

**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 or accounts with the same ownership, 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.

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.

- B. Any spread or combination transaction involving cabinet options may trade, provided that the traded price of the combination is zero or cabinet.

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

C.-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. RESTRICTIONS ON ACCESS FOR SANCTIONED PARTIES AND JURISDICTIONS**

The following parties (defined individually as a "Sanctioned Party" and collectively as "Sanctioned Parties") are not permitted to access the Exchange, whether directly or indirectly: parties that are (i) identified on the Specially Designated Nationals and Blocked Persons List of the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") ("Restricted Persons"), (ii) 50% or more owned by Restricted Persons, (iii) located in a country or territory subject to comprehensive economic sanctions administered by OFAC ("Restricted Country or Territory" or "Restricted Countries or Territories"), (iv) owned or controlled by the governments of Restricted Countries or Territories, (v) subject to OFAC restrictions where such restriction prohibits a specific activity which would in turn prohibit the party from trading on the Exchange or settling a transaction at the Exchange, (vi) subject to restrictions administered or imposed by a state or government authority authorized to issue economic sanctions and blocking measures that has jurisdiction over a Clearing Member (each a "Sanctioning Body") or (vii) acting on behalf of any of the foregoing.

Unless permitted (either not restricted or specifically authorized) by OFAC and/or any Sanctioning Body, as applicable, (a) any Clearing Member that maintains positions or carries an account

actively trading on the Exchange for a Person that is or becomes a Sanctioned Party or (b) any Clearing Member becomes aware, or has documentary information, that it maintains positions or carries an account actively trading on the Exchange on behalf of a Sanctioned Party, shall immediately take steps to (i) cancel all direct and indirect access and authorizations issued to such Sanctioned Party and provide written notice to the Exchange of such cancellations; or (ii) provide written instructions to the Exchange directing the Exchange to assist and coordinate in the cancellation of all access and authorizations for the Sanctioned Party at the Exchange as may be applicable.

**544.-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 Floor Conduct 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 Floor Conduct 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, trading may resume for a period of three minutes after the close of Regular Trading Hours for designated pit traded options contracts. Such trading must begin within 15 minutes after the close of Regular Trading Hours unless a later start time is approved by an Exchange Official.

During the post close session, members are obligated to bid or offer any orders that were received prior to or after the close which are executable in the post close session.

Outright options and options-only spread and combination trades during the post close session may occur at any price.

An option spread which includes a futures leg executed during the post close session may occur at any price, provided the futures leg is priced within the daily price limits for futures contracts with price limits.

The prices at which trades occur during the post close session may establish a new high or low in the outright contract month or spread or combination.

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. [RESERVED]**

**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.-558. [RESERVED]**

**559. POSITION LIMITS AND EXEMPTIONS**

The position limit levels applicable to those contracts with position limits are set forth in the Position Limit, Position Accountability and Reportable Level Table ("Table") in the Interpretations Section at the end of Chapter 5.



A person seeking an exemption from position limits must apply to the Market Regulation Department on forms provided by the Exchange. In order to obtain an exemption from position limits, a person must:

1. Provide a description of the exemption sought, including whether the exemption is for bona fide hedging positions as defined in CFTC Regulation §1.3(z)(1), risk management positions or arbitrage/spread positions;
2. Provide a complete and accurate explanation of the underlying exposure related to the exemption request;
3. Agree to promptly provide, upon request by the Market Regulation Department, information or documentation regarding the person's financial condition;
4. RESERVED
5. Agree to comply with all terms, conditions or limitations imposed by the Market Regulation Department with respect to the exemption;
6. Agree that the Market Regulation Department may, for cause, modify or revoke the exemption at any time;
7. Agree to initiate and liquidate positions in an orderly manner;
8. Agree to comply with all Exchange rules; and
9. Agree to promptly submit a supplemental statement to the Market Regulation Department whenever there is a material change to the information provided in the most recent application.

A person intending to exceed position limits, including limits established pursuant to a previously approved exemption, must file the required application and receive approval from the Market Regulation Department prior to exceeding such limits. However, a person who establishes an exemption-eligible position in excess of position limits and files the required application with the Market Regulation Department shall not be in violation of this rule provided the filing occurs within five (5) business days after assuming the position except in circumstances where the Market Regulation Department requires a person to file prior to the fifth business day. In the event the positions in excess of the limits are not deemed to be exemption-eligible, the applicant and clearing firm will be in violation of speculative limits for the period of time in which the excess positions remained open.

The Market Regulation Department shall, on the basis of the application and any requested supplemental information, determine whether an exemption from position limits shall be granted. The Market Regulation Department may approve, deny, condition or limit any exemption request based on factors deemed by the Department to be relevant, including, but not limited to, the applicant's business needs and financial status, as well as whether the positions can be established and liquidated in an orderly manner given characteristics of the market for which the exemption is sought.

Nothing in this rule shall in any way limit (i) the authority of the Exchange to take emergency action; or (ii) the authority of the Market Regulation Department to review at any time the positions owned or controlled by any person and to direct that such position be reduced to the position limit provided for in the Table.

A person who has received written authorization from the Market Regulation Department to exceed position limits must annually file an updated application not later than one year following the approval date of the most recent application. Failure to file an updated application will result in expiration of the exemption.

#### **559.A. Bona Fide Hedging Positions**

The Market Regulation Department may grant exemptions from position limits for bona fide hedge positions as defined by CFTC Regulation §1.3(z)(1).

Approved bona fide hedgers may be exempted from emergency orders that reduce position limits or restrict trading.

#### **559.B. Risk Management Positions**

The Market Regulation Department may grant exemptions from the position limits for 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 an entity or an affiliate of an 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. 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.

**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.

**559.D. Aggregation of Positions**

1. Positions to be Aggregated - The position limits in the Table shall apply to all positions in accounts for which a person by power of attorney or otherwise directly or indirectly owns the positions or controls the trading of the positions. The position limits in the Table shall also 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 was done by, a single person.

2. Ownership of Accounts – 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. The foregoing exception for pool participants shall not apply if the person is a commodity pool operator, controls the commodity pool's trading decisions, or has an ownership or equity interest of 25% or more in a commodity pool whose operator is exempt from registration with the CFTC.

**559.E. Limited Exceptions to Aggregation for Independently Controlled Positions**

Positions carried for an eligible entity as defined in CFTC Regulation §150.1(d) in the separate account or accounts of independent account controllers as defined in CFTC Regulation §150.1(e) shall not be aggregated for position limit purposes. 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(a)(4)(i)(A-D).

Positions held by futures commission merchants or their separately organized affiliates in customer discretionary accounts or in guided account programs shall not be aggregated for position limit purposes provided that 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 any information deemed necessary to support the exemption.

**559.F. Conditional Limit in NYMEX Last Day Financial Natural Gas Contracts**

The Market Regulation Department may grant a Conditional limit in Last Day Financial Natural Gas contracts of up to the equivalent of five thousand (5,000) NYMEX Physical Natural Gas Contracts (NG) during the period that position limits are applicable. Any participant seeking such exemption must agree: (1) not to hold a position in the NG contract during the last three days of trading; (2) provide the Exchange information on the complete book of all positions related to the Henry Hub; and (3) any other information /documentation required by the Exchange

**559.G. Violations**

Violations of position limits and approved exemption limits are subject to the provisions of Rule 562.

**560. POSITION ACCOUNTABILITY**

A person who owns or controls positions in excess of reportable levels or where such Person



otherwise holds substantial positions in contracts traded on the Exchange or cleared by the Clearing House shall keep records, including records of their activity in the underlying commodity and related derivative markets, and make such records available, upon request, to the Exchange.

Upon request by the Market Regulation Department, such person shall also provide information relating to the positions owned or controlled by that person including, but not limited to, the nature and size of the position, the trading strategy employed with respect to the position, and hedging information, if applicable.

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

If the person from whom such records or information is requested fails to comply as directed, the Market Regulation Department may order the reduction of such position, in addition to taking disciplinary action as a result of such failure.

A person who exceeds position accountability or position limit levels as a result of maintaining positions at more than one clearing firm shall be deemed to have waived confidentiality regarding his position and the identity of the clearing members at which the positions are maintained.

A person who holds or controls aggregate positions in excess of specified position accountability levels or in excess of position limits pursuant to an approved exemption shall be deemed to have consented, when so ordered by the Market Regulation Department, not to further increase the positions, to comply with any prospective limit which exceeds the size of the position owned or controlled, or to reduce any open position which exceeds position accountability or position limit levels. Any order to reduce an open position shall be issued by the Chief Regulatory Officer or his designee, if he determines in his sole discretion, that such action is necessary to maintain an orderly market.

A clearing member that carries positions for another person shall be responsible for taking reasonable and diligent actions to effect the timely compliance with any order issued pursuant to this rule upon notification of such order by the Market Regulation Department.

All positions must be initiated and liquidated in an orderly manner.

## **561. REPORTS OF LARGE POSITIONS**

### **561.A. General Provisions**

Clearing members, omnibus accounts and foreign brokers shall submit to the Exchange a daily report of all positions required to be reported as set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations Section at the end of Chapter 5. Positions at or above the reportable level in a particular expiration month of a futures contract or in all puts or in all calls of a particular option contract expiration month trigger reportable status. For a person in reportable status in a particular contract, all positions, regardless of size, in any futures contract month and in any put or call on that futures contract must be reported.

Additionally, the daily Large Trader submission to the Exchange must include for each reportable account 1) the EFRP volume bought and sold in the reportable instrument, by contract month, and for EOOs by put and call strike and 2) the number of delivery notices issued and the number of deliveries stopped in the reportable instrument.

Failure by an omnibus account or foreign broker to submit required information may result in a hearing by the Business Conduct Committee and result in limitations, conditions or denial of access of such omnibus account or foreign broker to any Exchange market. Notwithstanding the above, clearing members carrying such accounts remain responsible for obtaining and providing to the Exchange information regarding the ownership and control of positions in circumstances where an omnibus account or foreign broker has failed to provide the information to the Exchange.

All large trader reports shall be submitted in a form acceptable to the Market Regulation Department. The Exchange may require that more than one large trader report be submitted daily. The Business Conduct Committee or the Market Regulation Department may require reports from any clearing member, omnibus account or foreign broker on a lesser number of positions than reflected in the Position Limit, Position Accountability and Reportable Level Table.

Clearing members, omnibus accounts and foreign brokers must provide the Market Regulation Department with the required CFTC Form 102 ("Identification of Special Accounts") accurately identifying the owners, controllers, controlled accounts and any additional information required for each reportable account within three Business Days of the first day that the account in question becomes reportable. Notwithstanding the three Business Day requirement, on the first day that an account becomes reportable, clearing members, omnibus accounts and foreign brokers must, at the direction of the Market Regulation Department, submit the following information: account type, reportable account number and names and addresses of the owners and controllers of the account.

Any material changes to the information previously provided to the Market Regulation Department will require the submission of a revised form within three Business Days of such changes becoming effective. Additionally, in the absence of any material changes, the Market Regulation Department may require the submission of a new form on a biennial basis for the maintenance of accurate records.

**561.B. Reportable Levels**

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

**562. POSITION LIMIT VIOLATIONS**

Any positions, including positions established intraday, in excess of those permitted under the rules of the Exchange shall be deemed position limit violations.

If a position exceeds position limits as a result of an option assignment, the person who owns or controls such position shall be allowed one business day to liquidate the excess position without being considered in violation of the limits. Additionally, if, at the close of trading, a position that includes options exceeds position limits when evaluated using the delta factors as of that day's close of trading, but does not exceed the limits when evaluated using the previous day's delta factors, then the position shall not constitute a position limit violation.

A clearing member shall not be in violation of this rule if it carries positions for its customers in excess of the applicable position limits for such reasonable period of time as the firm may require to discover and liquidate the excess positions. For the purposes of this rule, a reasonable period of time shall generally not exceed one business day.

A customer who exceeds the position limits as a result of maintaining positions at more than one clearing member shall be deemed to have waived confidentiality regarding his positions and the identity of the clearing members at which they are maintained. A clearing member carrying such positions shall not be in violation of this rule if, upon notification by the Market Regulation Department, it liquidates its pro-rata share of the position in excess of the limits or otherwise ensures the customer is in compliance with the limits within a reasonable period of time.

**563.— 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. DISRUPTIVE PRACTICES PROHIBITED**

All orders must be entered for the purpose of executing bona fide transactions. Additionally, all non-actionable messages must be entered in good faith for legitimate purposes.

- A. No person shall enter or cause to be entered an order with the intent, at the time of order entry, to cancel the order before execution or to modify the order to avoid execution;

- B. No person shall enter or cause to be entered an actionable or non-actionable message or messages with intent to mislead other market participants;
- C. No person shall enter or cause to be entered an actionable or non-actionable message or messages with intent to overload, delay, or disrupt the systems of the Exchange or other market participants; and
- D. No person shall enter or cause to be entered an actionable or non-actionable message with intent to disrupt, or with reckless disregard for the adverse impact on, the orderly conduct of trading or the fair execution of transactions.

To the extent applicable, the provisions of this Rule apply to open outcry trading as well as electronic trading activity. Further, the provisions of this Rule apply to all market states, including the pre-opening period, the closing period and all trading sessions.

**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, CHICAGO MERCANTILE EXCHANGE INC. ("CME") AND THE BOARD OF TRADE OF THE CITY OF CHICAGO, INC. ("CBOT"), (INCLUDING EACH OF THEIR RESPECTIVE SHAREHOLDERS, SUBSIDIARIES AND AFFILIATES), THEIR RESPECTIVE 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, CME OR CBOT, 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, CME OR CBOT, 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, CME OR CBOT OR ANY EXCHANGE, CME OR CBOT SYSTEMS, SERVICES OR FACILITIES; OR

(iv) ANY UNAUTHORIZED ACCESS TO OR UNAUTHORIZED USE OF ANY EXCHANGE, CME OR CBOT SYSTEMS, SERVICES OR FACILITIES 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, CME OR CBOT (INCLUDING THEIR RESPECTIVE SUBSIDIARIES AND AFFILIATES), THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, CONSULTANTS, AND LICENSORS RELATING TO ANY SYSTEMS OR SERVICES OF THE EXCHANGE, CME OR CBOT 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, CME OR CBOT OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS OR SERVICES IN WHICH THE EXCHANGE, CME OR CBOT (INCLUDING THEIR RESPECTIVE SUBSIDIARIES AND AFFILIATES), OR ANY OF THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, CONSULTANTS OR LICENSORS IS A PARTY SHALL BE ARBITRATED PURSUANT TO EXCHANGE RULES. 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 EXCHANGE 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, CME AND CBOT MAY, IN THEIR SOLE DISCRETION, ASSUME RESPONSIBILITY FOR DIRECT, OUT-OF-POCKET LOSSES DIRECTLY CAUSED BY THE NEGLIGENCE OF GLOBEX CONTROL CENTER OR OTHER EXCHANGE, CME OR CBOT STAFF AND/OR ORDER STATUS ERRORS PROVIDED BY THE GLOBEX CONTROL CENTER AND/OR THE CLEARING CUSTOMER SERVICE DESK. IF SUCH LIABILITY IS ACCEPTED, THE TOTAL AGGREGATE OBLIGATIONS FOR THE EXCHANGE, CME AND CBOT SHALL NOT EXCEED \$200,000 FOR ALL LOSSES SUFFERED FROM ALL CAUSES IN A SINGLE CALENDAR MONTH, EXCEPT FOR LOSSES CAUSED BY PHANTOM ORDERS WHICH ARE SUBJECT TO THE PROVISIONS OF PARAGRAPHS F. AND G. BELOW. ANY DISPUTED CLAIM MADE UNDER THIS RULE MUST BE ARBITRATED PURSUANT TO EXCHANGE RULES.
- E. IN NO EVENT SHALL THE COLLECTIVE TOTAL AGGREGATE LIABILITY FOR THE EXCHANGE, CME AND CBOT 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, EXCEPT FOR PHANTOM ORDERS WHICH ARE SUBJECT TO THE PROVISIONS OF PARAGRAPHS F. AND G. BELOW, IN CONNECTION WITH THE FURNISHING, PERFORMANCE, OPERATION, MAINTENANCE, USE OF OR INABILITY TO USE ALL OR ANY PART OF ANY OF THE EXCHANGE'S, CME'S OR CBOT'S SYSTEMS OR SERVICES, OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS AND SERVICES, OR THE NEGLIGENCE OF EXCHANGE, CME OR CBOT STAFF, EXCEED \$200,000 IN ANY CALENDAR MONTH.

IF THE NUMBER OF ALLOWED CLAIMS ARISING OUT OF ANY FAILURES OR



MALFUNCTIONS IN A SINGLE CALENDAR MONTH CANNOT BE FULLY SATISFIED BECAUSE OF THE MONTHLY LIABILITY LIMITATION, ALL SUCH CLAIMS SHALL BE LIMITED TO A PRO RATA SHARE OF THE MAXIMUM AMOUNT AVAILABLE FOR THAT MONTH.

- F. NOTWITHSTANDING THE FOREGOING, THE EXCHANGE, CME AND CBOT MAY, IN THEIR SOLE DISCRETION, ASSUME RESPONSIBILITY FOR DIRECT, OUT-OF-POCKET NET LOSSES DIRECTLY CAUSED BY PHANTOM ORDERS (AS DEFINED BELOW). IF SUCH LIABILITY IS ACCEPTED, THE TOTAL AGGREGATE OBLIGATIONS FOR THE EXCHANGE, CME AND CBOT SHALL NOT EXCEED \$5,000,000 FOR ALL SUCH LOSSES SUFFERED IN A SINGLE CALENDAR MONTH. ANY DISPUTED CLAIM MADE UNDER THIS RULE MUST BE ARBITRATED PURSUANT TO EXCHANGE RULES.

FOR THE PURPOSES OF THIS RULE AND RULE 588, A PHANTOM ORDER IS AN ORDER: 1) THAT WAS NOT AUTHORIZED BY A PERSON BUT WAS CAUSED BY A FAILURE, MALFUNCTION OR NEGLIGENT OPERATION OF GLOBEX OR ANY OTHER EXCHANGE, CME OR CBOT 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, CME OR CBOT SYSTEM, SERVICE OR FACILITY.

- G. IN NO EVENT SHALL THE COLLECTIVE TOTAL AGGREGATE LIABILITY FOR THE EXCHANGE, CME AND CBOT FOR DIRECT, OUT-OF-POCKET NET LOSSES DIRECTLY CAUSED BY PHANTOM ORDER(S) EXCEED \$5,000,000 IN A SINGLE CALENDAR MONTH. COMPLIANCE WITH THE TERMS OF RULE 588.F., IS REQUIRED IN ORDER FOR LOSSES TO BE CONSIDERED BY THE EXCHANGE PURSUANT TO THIS RULE.

IF THE AMOUNT OF DIRECT, OUT-OF-POCKET NET LOSSES DIRECTLY CAUSED BY PHANTOM ORDERS IN A SINGLE CALENDAR MONTH CANNOT BE FULLY SATISFIED BECAUSE OF THE MONTHLY LIABILITY LIMITATION, ALL SUCH LOSSES SHALL BE LIMITED TO A PRO RATA SHARE OF THE MAXIMUM AMOUNT AVAILABLE FOR THAT MONTH.

A CLAIM AGAINST THE EXCHANGE, CME OR CBOT ARISING OUT OF ANY FAILURE, MALFUNCTION OR PHANTOM ORDER SHALL BE STRICTLY SUBJECT TO THE RESPECTIVE LIABILITY LIMITS OF THIS RULE.

## **579. GLOBAL COMMAND CENTER**

### **579.A. Customer Support**

The Global Command Center ("GCC") provides Globex customer support and problem management only to members, clearing members and customers designated by clearing members. In addition, designated 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. In the event that the GCC and an Exchange system, service or facility provide conflicting information relating to an order status, a person may only reasonably rely on the information received from 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.

**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. CME GLOBEX TRADE MATCHING ALGORITHMS**

The CME Globex platform employs multiple predefined sets of matching algorithms used to match trades on the platform. Information concerning the matching algorithm applicable to a particular product is set forth on the GCC Product Resources page on the CME Group website available [here](#). Information on the operation of the matching algorithms is available [here](#).

**581.-586. [RESERVED]**

**587. [RESERVED]**

**588. TRADE CANCELLATIONS AND PRICE ADJUSTMENTS**

**588.A. Global Command Center Authority Regarding Trade Cancellations and Price Adjustments**

The following 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 of trade certainty by market participants. This rule authorizes the Global Command Center ("GCC") to adjust trade prices or cancel trades where, in its absolute and sole discretion, the GCC believes 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, in its absolute and sole discretion, adjust trade prices or cancel any trade if it believes that allowing the trade(s) to stand as executed could have a material, adverse effect on the integrity of the market. All decisions of the GCC shall be final. Subject to the limitations and conditions of Rule 578, and irrespective of the terms of any order entered into Globex, the Exchange shall not have any liability for losses resulting from price adjustments or trade cancellations by the GCC under this Rule.

**588.B. Review of Trades**

The GCC may determine to review a trade based on its independent analysis of market activity or upon request for review by a user of the electronic trading system. A request for review must be made to the GCC via telephone within eight minutes of the execution of the trade. Any other form of communication with the GCC will not constitute a request for review as set forth in this Section. GCC phone numbers are available on the CME Group [website](#).

The GCC shall determine whether or not a trade will be subject to review. In the absence of a timely request for review, during volatile market conditions, upon the release of significant news, or in any other circumstance in which the GCC deems it to be appropriate, the GCC may

determine, in its sole discretion, that a trade shall not be subject to review.

Upon deciding to review a trade, the GCC will promptly issue an alert indicating that the trade is under review.

#### **588.C. Price Adjustments and Cancellations**

Upon making a determination that a trade will be subject to review, the GCC will first determine whether the trade price is within the Non-Reviewable Range for futures or within the Bid/Ask Reasonability Allowance for options, as described in Section H. 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 Non-Reviewable Range for the option. In applying the Non-Reviewable Range, the GCC shall determine the fair value market price for that contract at the time the trade under review occurred. The GCC may consider any relevant information, including, but not limited to, the last trade price in the contract or a better bid or offer price on the electronic trading system, a more recent price in a different contract month, the price of the same or related contract established in another venue or another market, the market conditions at the time of the trade, the theoretical value of an option based on the most recent implied volatility and responses to a Request for Quote (RFQ).

##### **1. Trade Price Inside the Non-Reviewable Range**

If the GCC determines that the price of the trade is inside the Non-Reviewable Range, the GCC will issue an alert indicating that the trade shall stand.

##### **2. Trade Price Outside the Non-Reviewable Range**

###### **a. Futures Contracts**

If the GCC determines that a trade price is outside the Non-Reviewable Range for a futures contract (including futures spreads), the trade price shall be adjusted to a price that equals the fair value market price for that contract at the time the trade under review occurred, plus or minus the Non-Reviewable Range. 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 cancel rather than price adjust such transactions. The GCC will issue an alert regarding its decision.

###### **b. Option Contracts**

If the GCC determines that a trade price is outside the applicable Non-Reviewable Range for an option contract, the trade price shall be adjusted. In the case of a buy (sell) error, the price will be adjusted to the determined ask (bid) price set forth in the Bid/Ask Reasonability Allowance in Section H. plus (minus) the Non-Reviewable Range. 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 cancel rather than price adjust such transactions. The GCC will issue an alert regarding its decision.

Cancelled trade prices and any prices that have been adjusted shall be cancelled in the Exchange's official record of time and sales. Trades that are price adjusted shall be inserted in the time and sales record at the adjusted trade price.

#### **588.D. Alternative Resolution by Agreement of Parties**

With the approval of the GCC, parties to a trade that is price adjusted may instead mutually agree to cancel the trade. With the approval of the GCC, parties to a trade that is cancelled may instead mutually agree to price adjust the trade to a price consistent with the adjustment provisions of Section C.

Parties to a trade that is cancelled or price adjusted may mutually agree to a cash adjustment provided that such adjustments are reported to the GCC and the parties maintain a record of the adjustment.

An executed trade may not be reversed via transfer except where such trade is determined by GCC to be outside of the Non-Reviewable Range but not reported timely, subject to agreement of the parties and approval of the GCC. Any such transfer must occur at the original trade price and quantity; however the parties may mutually agree to a cash adjustment.

A trade that is not cancelled may not be reversed via a prearranged offsetting transaction unless such transactions are permitted and effected in accordance with Rule 539.C.

**588.E. Liability for Losses Resulting from Price Adjustments or Cancellations  
Cancellations and Prohibition on Claims for Losses Arising From Error Trades  
Executed Within the Non-Reviewable Range**

A party entering an order that results in a price adjustment or trade cancellation shall be responsible for demonstrated claims of realized losses incurred by persons whose trade prices were adjusted or cancelled provided, however, that a claimant shall not be entitled to compensation for losses incurred as a result of the claimant's failure to take reasonable actions to mitigate the loss.

A claim for a loss pursuant to this section 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 filed in a timely manner or is not permitted by this section and such decisions shall be final. Eligible claims shall be forwarded by the Exchange to the party responsible for the order(s) that resulted in a trade cancellation 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. Failure to respond to the claim within ten business days shall be considered a denial of liability.

To the extent that liability is admitted, payment shall be made within ten business days. Unless otherwise agreed upon in writing by the parties, failure to make the payment within ten business days shall be considered a denial of liability for purposes of this rule. A copy of any such written agreement must be provided to the Exchange.

To the extent that liability is denied, the party making the claim may submit the claim to arbitration in accordance with Rule 622. Such claims must be submitted to the Market Regulation Department within ten business days of the date the party was issued notification that liability was denied.

Claims for losses incurred as a result of trades executed in error at prices within the non-reviewable range may not be submitted for arbitration pursuant to the provisions of Chapter 6.

**588.F. Permissible Responses to Phantom Orders**

If the GCC has reason to believe that Phantom Orders as defined in Rule 578 have been or are being entered into any Exchange system, service or facility, the GCC shall be empowered to take appropriate action to protect the integrity of the market, including, without limitation, suspending trading and/or canceling unfilled orders. The GCC shall also be empowered, in its sole discretion, to cancel transactions or adjust the trade prices of transactions that were directly or indirectly caused by Phantom Orders, whether or not such transactions were executed at prices outside of the non-reviewable range specified in this Rule.

If Phantom Orders directly cause transactions to be executed on any Exchange system, service or facility and such transactions are not canceled, the GCC shall promptly direct the clearing member carrying positions resulting from such transactions to liquidate the positions in a commercially reasonable manner. Such positions shall be liquidated within 30 minutes of such notification or within 30 minutes of the time the clearing firm knew or should have known that it had been assigned transactions resulting from Phantom Orders, whichever is sooner. The GCC, in its sole discretion, may waive the 30 minute liquidation requirement if it determines that such requirement may have a material, adverse impact on the integrity of the market.

The GCC shall provide notification to the marketplace regarding any action taken or to be taken with respect to the entry of Phantom Orders or execution of a transaction as a result of Phantom Orders, and, in the event transactions are not otherwise canceled or price adjusted by the GCC, any actions required to be taken by clearing members. Such notification(s) shall be made as soon as practicable, but in no event more than 30 minutes after the time that the GCC has accurate information regarding the Phantom Orders that is sufficient to support the necessary notification(s).

Any Exchange, CME or CBOT liability for losses resulting from Phantom Orders shall be subject to the limitations of Rule 578.

**588.G. Schedule of Administrative Fees**

When GCC cancels or price adjusts a trade, the party responsible for entering the order into the electronic trading system that gave rise to the trade cancellation or price adjustment shall pay an administrative fee to the Exchange in the amount of \$500 for each such occurrence. If the party is

not deemed a Member as defined in Rule 400 and fails to pay the fee, the clearing member through which the trade was placed shall be responsible for payment of the fee.

**588.H. Globex Non-Reviewable Trading Ranges**

[View table here \(XLS\)](#)

**Partner Exchanges**

Please access below links for Non-Reviewable Ranges for our Partner Exchange contracts.

MGEX - <http://www.mgex.com/nrr.html>

BMD - <http://www.bursamalaysia.com/market/derivatives/trading/trading-parameters/>

DME - <http://www.dubaimerc.com/trading/bust-ranges/index.aspx>

**589. SPECIAL PRICE FLUCTUATION LIMITS**

The special price fluctuation limits applicable to those contracts with special price fluctuation limits are set forth in the Special Price Fluctuation Limits Table ("Table") in the Interpretations Section at the end of Chapter 5.

Notwithstanding any other provisions of this rule, the GCC may, in its absolute and sole discretion, take any action it determines necessary to protect market integrity. For avoidance of doubt, this authority includes, but is not limited to, modifying or eliminating price fluctuation limits at any time and/or determining whether to halt or not to halt trading. The GCC will promptly issue an alert with respect to actions taken pursuant to this provision.

**589.A. Initial Price Fluctuation Limits for All Contract Months**

At the commencement of each trading day, there shall be initial price fluctuation limits in effect for each futures contract month of the primary futures contract (as identified in the Table) above or below the previous day's settlement price for such contract month set at the first special price fluctuation limit level as provided in the Table.

**589.B. Triggering Events and Temporary Trading Halts**

**1. First Triggering Event and Temporary Trading Halt**

If the lead contract month (as identified by the Exchange) of the primary futures contract is bid or offered via Globex at the upper or lower price fluctuation limit at the first special price fluctuation limit level, as applicable, it will be considered a triggering event that will begin a two (2) minute monitoring period in the lead contract month. If, at the end of the two (2) minute monitoring period, the lead contract month of the primary futures contract is not bid or offered at the applicable special price fluctuation limit, the special price fluctuation limits shall be expanded an additional increment above and below the previous day's settlement price for all contract months of the primary futures contract and all contract months of associated products of the primary futures contract as provided in the Table. If, however, at the end of the two (2) minute monitoring period, the lead contract month of the primary futures contract is bid or offered at the applicable special price fluctuation limit, a two (2) minute temporary trading halt will commence in all contract months of the primary futures contract and in all contract months of associated products of the primary futures contract as provided in the Table. In addition, trading in any associated product that is an option related to the primary futures contract or in an option contract related to any other associated product of the primary futures contract that may be available for trading on Globex or on the trading floor shall be subject to a coordinated temporary trading halt.

**2. Expansion of Limits Following Temporary Trading Halt**

Following the end of a temporary trading halt, the affected markets shall re-open simultaneously in all contract months of the primary futures contract and in all contract months of associated products of the primary futures contract. When trading resumes, the special price fluctuation limits shall be expanded an additional increment above and below the previous day's settlement price for all contract months of the primary futures contract and all contract months of associated products of the primary futures contract as provided in the Table.

In each instance in which a triggering event occurs, a two (2) minute monitoring period will commence as provided in Section B.1. of this Rule. In each instance, the special price fluctuation

limits shall be expanded by an additional increment above and below the previous day's settlement price for all contract months of the primary futures contract and all contract months of associated products of the primary futures contract as provided in the Table. Following the fourth triggering event on a trading day, there shall be no further special price fluctuation limits.

### 3. Metals Contracts

An expiring contract month will not serve as the lead contract month for purposes of this Rule. Additionally, an expiring contract month of a primary futures contract shall have no special price fluctuation limits from the contract's first position day through its last delivery day.

On each trading day, there shall be no temporary trading halts or expansion of special price fluctuation limits in the primary futures contract or in any associated products of the primary futures contract during the five (5) minutes preceding the end of the primary futures contract's settlement price determination period. If a triggering event occurs during this five (5) minute period, trading will continue with the current price limit in effect until the conclusion of the five (5) minute period, at which time a monitoring period, temporary trading halt or special price fluctuation limit expansion, as applicable, will occur.

On each trading day, there shall be no temporary trading halts or expansion of special price fluctuation limits in the primary futures contract or in any associated products of the primary futures contract during the five (5) minute period preceding the close of trading. If a triggering event occurs during this five (5) minute period, trading will continue with the current price limit in effect until the close of trading.

### 4. Energy Contracts

An expiring contract month will not serve as the lead contract month for purposes of this Rule. Additionally, there shall be no special price fluctuation limits on the expiration day of an expiring primary futures contract month.

On each trading day, there shall be no temporary trading halts or expansion of special price fluctuation limits in the primary futures contract or in any associated products of the primary futures contract during the five (5) minutes preceding the end of the primary futures contract's settlement price determination period. If a triggering event occurs during this five (5) minute period, trading will continue with the current price limit in effect until the conclusion of the five (5) minute period, at which time a monitoring period, temporary trading halt or special price fluctuation limit expansion, as applicable, will occur.

On each trading day, there shall be no temporary trading halts or expansion of special price fluctuation limits in the primary futures contract or in any associated products of the primary futures contract during the five (5) minute period preceding the close of trading. If a triggering event occurs during this five (5) minute period, trading will continue with the current price limit in effect until the close of trading.

### **589.C. Price Fluctuation Limits on Trading Floor (Floor Trading)**

The special price fluctuation limits cited in Section A. of this Rule shall be applicable to all products in the Table that are traded via open outcry on the trading floor. Trades occurring via open outcry on the trading floor shall not constitute a triggering event for purposes of a temporary trading halt.

In all instances in which a temporary trading halt in the lead contract month of the primary futures contract occurs on Globex, floor trading in all contract months in any option related to the primary futures contract or in an option contract related to any associated product of the primary futures contract shall be subject to a coordinated temporary trading halt.

Whenever Globex markets are re-opened with expanded price limits pursuant to the provisions of Section B. of this Rule, the affected markets on the trading floor shall simultaneously re-open with expanded price limits.

## **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 gain access to the trading floor. 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. All visits by public figures to CME Group trading floors, offices and common areas must be approved and coordinated, in advance, by CME Group's Public Affairs or Government Relations Department. Public figures include government officials and representatives, domestic and foreign dignitaries, politicians, celebrities, business leaders and all other high-profile individuals.

D. 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.

E. Visitors are prohibited from soliciting employment or from acting as employees of members, member firms or the Exchange on the trading floor.

F. No one under the age of 16 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;
- G. Use of members-only facilities by non-members;
- H. Failure to give member priority to quotation machines, news tickers, monitors and other facilities where such member priority is 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;
- Q. Discarding refuse on escalators or in elevators or in hallways or lobbies; and
- R. Harassment related to race/color, sex/gender, sexual orientation, age, religion, veteran status, national origin and disability/medical condition is expressly prohibited.

### **III. Appearance**

- A. All apparel should be neat, clean, presentable and in keeping with the businesslike atmosphere of the trading floor.
- B. Jackets: Where required, 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: 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. Shirttails 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. Sweatshirts, tie-dye shirts and T-shirts are prohibited.
- D. Shoes: Shoes must be clean, safe and not torn or frayed. The following footwear is specifically prohibited: all shoes without backs, canvas slippers, moccasins, rubber boots, rubber overshoes, clogs, bedroom slippers, and shoes with platforms over 2 inches. All shoes must be tied with laces or appropriately fastened.
- E. Pants: The following pants are specifically prohibited: blue jeans, shorts and sweat pants. 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: The following are specifically prohibited: sunglasses, ornaments, pendants or similar items that are distracting or unbusinesslike. Clothing or accessories that draw unusual attention will be deemed unbusinesslike and not permitted on 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.

Members and Member Firms are responsible for their employees' strict adherence to these requirements.

## **QUOTATION CHANGES**

### **I. GENERAL PROCEDURES**

- A. 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 Official.
- B. Corrections requested more than 15 minutes from the time the bid, offer or trade occurred or reportedly occurred: Changes must be authorized by:

1. 15-30 Minutes: A member of the Pit Committee and one Exchange Official.
  2. Over 30 Minutes: A member of the Pit Committee, a member of the Floor Conduct Committee 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 10 minutes 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 member of the Pit Committee, 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 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 member of the Pit Committee, 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 deemed by a Senior Exchange Official to be inactive or illiquid, or in declared fast markets.
- G. Requests for Next Day Corrections
- If an outright options or 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, trades may be allowed to clear at the omitted price at any time prior to the opening of the affected market the next day, provided that all of the following requirements are satisfied:
1. The parties to the trade can reasonably show that they properly reported the trade price and had a reasonable basis for believing that the trade price would be posted;
  2. 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;
  3. The change is authorized by a Senior Exchange Official; and
  4. The change is documented pursuant to Section II.B below.

## **II. DOCUMENTATION NEEDED FOR QUOTATION CHANGES**

- A. In the case of quote changes requested pursuant to Section I.A., 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 quote changes requested pursuant to Section I.B.1., 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 quote change requested pursuant to Section I.B.2., the reason for the delay. For all approved quotation changes other than next day corrections pursuant to Section I.G above, the quotation change will be recorded on Time and Sales.

### **III. CONFLICTS OF INTEREST**

No individual 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 except for next day corrections pursuant to Section I.G above, the quotation change will be recorded on Time and Sales.

### **POSITION LIMIT, POSITION ACCOUNTABILITY AND REPORTABLE LEVEL TABLE**

[View table here \(XLS\)](#)

### **SPECIAL PRICE FLUCTUATION LIMITS TABLE**

[View table here \(XLS\)](#)

### **TRADING AT SETTLEMENT ("TAS") TABLE**

[View table here \(XLS\)](#)