

MARKET REGULATION ADVISORY NOTICE

Exchange	CME & CBOT
Subject	Concurrent Long and Short Positions
Rule References	Rule 854
Advisory Date	June 27, 2008
Advisory Number	CME & CBOT – RA0813-3

Under Rule 854 (“Concurrent Long and Short Positions”) concurrent long and short positions held by the same owner may be offset by transactions executed in the market, by allowable privately negotiated transactions, or fulfilled through the normal delivery process. Additionally, the previous rule provided that such positions could also be offset via netting, transfer or adjustment, but only if the quantity of the offset did not represent more than one percent of the reported open interest in the affected future or option, and, in the case of physically delivered contracts, the offset occurred outside of the delivery period.

Effective immediately, Rule 854 has been modified such that for non-deliverable products and for deliverable products outside the delivery period, concurrent long and short positions may be offset via netting, transfer or adjustment and will no longer be subject to the restriction that the quantity offset be less than one percent of the contract’s open interest. However, during the delivery month and two business days prior to the delivery month in physically delivered contracts, concurrent long and short positions may be offset via netting, transfer or adjustment only if the offset is to correct a bona fide clerical or operational error and only if the quantity of the offset does not represent more than one percent of the reported open interest in the contract; such offsets must also be made on the day that the error is identified.

The text of modified Rule 854 is presented below.

854. CONCURRENT LONG AND SHORT POSITIONS

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

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

Questions regarding this Advisory Notice may be directed to the following individuals in Market Regulation:

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