

MARKET REGULATION ADVISORY NOTICE

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| Exchange | CME |
| Subject | S&P 500 Futures Top Step Trading Restrictions |
| Rule References | CME Rule 541 |
| Advisory Date | April 29, 2009 |
| Advisory Number | CME RA0901-2 |

Effective immediately, CME Rule 541 (“Top Step Trading Restrictions in S&P 500 Stock Price Index Futures”) has been modified to eliminate the top step trading restrictions in the back 36 contract months in Eurodollar futures. The top step trading restrictions pursuant to CME Rule 541 now apply solely to members standing on the top step of the S&P 500 futures (“SP”) pit. This Advisory Notice is being issued to provide an updated FAQ section concerning the top step restriction in SP. The text of revised CME Rule 541 appears at the bottom of the page.

CME Rule 541 requires members to register with the Exchange and wear a top step badge in order to stand on the top step of the SP pit. Registration is required by order fillers and other members who act in a clerical capacity while standing on the top step. Members may not stand on the top step of the SP pit unless they are registered with the Exchange.

The rule prohibits top step registered members from trading or placing orders in SP for their own account, an account in which they have a direct or indirect financial interest, or an account which they control during Regular Trading Hours (“RTH”). The rule, however, does allow for a member to deregister from the top step during a Regular Trading Hours (“RTH”) session and thereafter trade or place orders for his own account, an account he controls, or an account in which he has a direct or indirect financial interest, provided that the member neither trades nor fills orders in SP from the time of deregistration through and including a full bracket period after the bracket period in which deregistration occurred.

The rule is applicable solely to trading in SP futures and does not prohibit top-step registered members from trading in E-mini Standard & Poor’s 500 Stock Price Index futures.

Members may register, obtain top step badges and deregister at the Master Pulpit in the Financial Room on the trading floor.

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

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

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

CME Rule 541 Top Step FAQ

Q1: Who needs to register to stand on the top step of the SP pit?

A1: Members who execute orders and members acting in a clerical capacity with respect to order handling.

Q2: What are the top step registration procedures?

A2: Top step registration is handled at the Master Pulpit in the Financial Room on the trading floor. When members register, they will be provided a top step badge which they must visibly display on their trading jacket at all times while on the top step. First time registrants must complete a top step registration form, and will be provided with a temporary top step badge to be worn until a permanent badge is engraved with the member's trading symbol. Once the permanent badge is engraved, members must return their temporary badge to the Exchange.

Q3: How does a member deregister as a top step order filler?

A3: Members deregister by returning their top step badge to the Master Pulpit in the Financial Room and signing the registration/deregistration log in the presence of Exchange staff. Upon a member's deregistration, Exchange staff will also sign the log and manually record the date and time of deregistration. The time of deregistration as noted by Exchange staff shall be the official deregistration time for purposes of determining compliance with Rule 541.

Q4: Once a member handles or executes an order from the top step, may he trade or place orders in pit-traded SP for his own account, an account he controls, or an account in which he has a direct or indirect financial interest during the same RTH session while continuing to remain top step registered?

A4: No, except for the liquidation of an error trade as described in Q&A 7 below.

Q5: May a member standing on the top step fill orders received from other members?

A5: Yes. Rule 541 restricts top step registered members from trading or placing orders for their own accounts, accounts they control, or accounts in which they have a direct or indirect financial interest; not from filling orders for others.

Q6: May a top step registered member with discretionary trading authority over a member firm's proprietary account fill orders and trade for the account from the top step?

A6: Yes, but only in cases where all of the following conditions are met:

- a. The order filler is an employee of the member firm;
- b. The order filler has no equity interest in the account or in the member firm;
- c. The account is the proprietary account of the member firm whose trading requires sightlines to the pit for arbitrage purposes;
- d. The order filler regularly fills orders on behalf of the proprietary account; and
- e. Trades initiated by the order filler are part of an arbitrage transaction.

Q7: May a top step registered member liquidate an SP position resulting from the erroneous execution of an order?

A7: Yes, provided that the error and its liquidation are clearly documented and placed in the broker's error account.

Q8: Must the error position be liquidated immediately?

A8: No, however the burden will be on the member to establish that the trade liquidated an error in the handling or execution of an order and the error and liquidation must be clearly documented and placed in the broker's error account.

Q9: May a top step registered member deregister during an RTH session and thereafter trade or place orders in pit-traded SP for his own account, an account he controls or an account in which he has a financial interest?

A9: Yes, but only provided that the member complies with the following requirements:

- a. The member deregisters with the Exchange;
- b. The member does not trade or fill orders in pit-traded SP during the remainder of the bracket in which deregistration took place and the entire next bracket, termed the "no activity period" (provided, however, that for purposes of this rule the last two regular brackets, the closing range, and the post settlement session are considered a single bracket); and
- c. The member moves to the bottom of the pit or the first step up from the bottom of the pit for purposes of trading unless the member maintains a primary spot off the top step elsewhere in the pit, in which event the member will be allowed to trade from that spot.

Q10: What is the effect of considering the last two regular brackets, the closing range, and the post settlement session a single bracket?

A10: When the pit-traded SP market closes at its normal time, a member must deregister prior to 2:29:59 p.m. in order to be eligible to trade SP from 2:45:00 p.m. through the close of pit-trading. On days when the market is scheduled to close other than at its normal time, a member must deregister no less than 45 minutes prior to the market close time in order to be eligible to trade during the last thirty minutes of trading.

Q11: May a top step registered member deregister from the top step and trade for an account he owns, controls, or in which he has a financial interest multiple times during a single RTH session?

A11: Yes, provided that each time a member deregisters and re-registers he complies with the provisions set forth in Q&A 9 and Q&A 2, respectively.

Q12: If a top step registered member deregisters and then executes or handles an order during the "no activity period" from off the top step, when may he begin to trade for an account he owns, controls, or in which he has a financial interest?

A12: In order to satisfy the "no activity period" provision, the member must wait the remainder of the bracket period corresponding to the last time he executed or handled a customer order and the entire next bracket prior to trading for an account he owns, controls or in which he has a financial interest. For example, if a member deregisters at 10:35 a.m.

during bracket O and subsequently fills or handles an order at 10:50 a.m. during bracket P, the member may not begin to trade for an account he owns, controls or in which he has a financial interest until 11:15 a.m., the beginning of bracket R. Given that the member has already deregistered in this example, a second deregistration with the Exchange is not necessary.

Q13: If a member executes customer orders from a location other than the top step, is he restricted from trading or placing orders in pit-traded SP for an account he owns, controls or in which he has a financial interest?

A13: In general, no. However, if a member is currently top step registered, he may not trade for an account he owns, controls or in which he has a financial interest from any location in the SP pit. In order to trade, the top step registered member must comply with the deregistration requirement and “no activity” period described in Q&A 9 above.

Q14: May a member trade at the beginning of the day and then move to the top step to handle or execute orders?

A14: Yes, provided the member is not top step registered and provided that prior to moving to the top step to handle or execute orders he registers and obtains and wears the required top step badge.

Q15: If a member has an open SP position and wants to register in order to handle or execute customer orders from the top step, must he liquidate the position prior to registering?

A15: No. The member may, if he chooses, enter a written, time-stamped order to have the position liquidated by another party prior to moving to the top step. If a member places such an order prior to registering, he may not modify its terms (other than cancelling the order in its entirety) after registering or during the “no activity period”.

If a member does not place an order as described above, he may not liquidate the position or have any other party liquidate the position in pit-traded SP once he is registered or during the “no activity period” after deregistration.

Q16: Must a top step registered member deregister at the end of each RTH session?

A16: No, a member may remain registered indefinitely. However, a member that remains registered may not trade or place orders in pit-traded SP for an account he owns, controls or in which he has a financial interest. In order to trade in pit-traded SP, a member must deregister from the top step, which he may do before the opening of RTH trading or pursuant to the deregistration provisions set forth in Q&A 9 above.

Q17: May a top step registered member trade or place orders for his account, an account he controls, or an account in which he has a financial interest in E-mini S&P 500 futures on CME Globex during an RTH session, or in SP futures on CME Globex after the RTH session has ended?

A17: Yes. The restrictions in Rule 541 apply solely to trading in pit-traded SP during RTH.

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

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