



Special Executive Report

S-5633

March 1, 2011

Revisions to Rule 195

Effective March 14, 2011, CME, CBOT, NYMEX and COMEX will adopt an amendment to Rule 195 ("Market Maker Programs"). The amendment is intended to clarify that individual market makers operating pursuant to an exchange-approved market maker program with respect to trading on CME Globex are prohibited from handling or having knowledge of customer orders in the product for which the individual is acting as a market maker and any closely related exchange products.

In order to participate in some of the exchange market maker programs, individuals must agree to post bids and offers or to respond to requests for quotes on CME Globex. Due to this requirement, market makers handling customer orders in the same or a related market would potentially violate the prohibition in Rule 530 ("Priority of Customers' Orders") which restricts an individual from trading for any account he owns, controls, or in which he has a financial interest on the same side of the market when he is in possession of an executable customer order for another person.

The only exception to the prohibition on a market maker handling customer orders is with respect to allowable privately negotiated transactions (block trades and exchange for related positions transacted in accordance with Rule 526 ("Block Trades") and Rule 538 ("Exchange for Related Positions") and trades entered into CME Globex that result from allowable pre-execution communications pursuant to Rule 539 ("Prearranged, Pre-Negotiated and Noncompetitive Trades Prohibited").

The revisions to Rule 195 are set forth below, with additions underscored.

If you have any questions, please contact Matthew Kelly, Managing Director & Associate General Counsel, at 312.930.3046 or Robert Sniegowski, Associate Director, Rules & Regulatory Outreach, at 312.341.5991.

Rule 195. Market Maker Programs

Exchange staff shall approve the implementation of market maker programs, pursuant to which market makers would be authorized to maintain two-sided markets in those products designated by the Exchange. With the exception of allowable privately negotiated transactions and orders executed in accordance with Rule 539.C., an individual responsible for performing the duties of a market maker pursuant to this Rule may not accept, hold or in any manner have possession or non-public knowledge of orders for any other person, including knowledge of customer orders, in the same or a related market. All contract months in the product and any related futures or options contracts, in addition to any corresponding mini-sized futures or options contracts, shall be considered to be the same or a related market for purposes of this Rule.

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To the extent that the terms of any such market maker program may be in conflict with any Rules of the Exchange, such terms shall supersede such Rules. Nothing in this Rule shall alter or waive a member's responsibility to comply with provisions of the Commodity Exchange Act or Rules or Regulations of the Commodity Futures Trading Commission unless exempted by the Commission.