



Special Executive Report

S-5814

June 24, 2011

Revisions to Rule 588.E.

Effective on July 1, 2011, CME, CBOT, NYMEX and COMEX will adopt revisions to Rule 588.E. ("Trade Cancellations and Price Adjustments – Liability for Losses Resulting from Price Adjustments or Cancellations and Prohibition on Claims for Losses Arising from Error Trades Executed Within the Non-Reviewable Range") that will prohibit the filing of an arbitration claim by a party who executes a trade in error on the CME Globex platform where the price of the error trade is within the non-reviewable trading range. The non-reviewable trading ranges are established to promote trade certainty within certain defined reasonable levels and to ensure that parties have accountability for the orders they enter into the CME Globex platform. The revisions to Rule 588.E. will ensure that trade certainty is not compromised as a result of subjecting parties on the opposite side of an error trade to arbitration in situations where the price of the error trade is within the non-reviewable trading range.

The revisions to Rule 588.E. appear below, with additions underscored.

588.E. Liability for Losses Resulting from Price Adjustments or 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.](#)

Questions regarding this Special Executive Report should be directed to Robert Sniegowski, Associate Director, Rules & Regulatory Outreach, at 312.341.5991.

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