Pending all relevant regulatory review periods, on Monday, March 18, 2013, CME will adopt new Rule 549 ("Large Order Execution Transactions") which introduces a new type of order ("LOX Order") and execution protocol designed to facilitate the execution of large orders in the trading pit. LOX Orders will be permitted exclusively in standard CME Standard & Poor's 500 Stock Price Index options ("SP options") for execution via open outcry and may be initiated only for orders of 1,000 or more contracts. For spread or combination orders, each leg must meet the 1,000 contract threshold.

LOX Orders involve pre-execution communications between two parties and allow for a minimum guaranteed cross percentage of 20% between the parties at the LOX Order price provided that the trading pit does not improve the price. Participants executing LOX Orders must adhere to the specific execution requirements established for LOX Orders as described in the rule below and in the detailed FAQ which follows.

With the sole exception of LOX Orders, pre-execution communications remain expressly prohibited in connection with all other orders entered for execution via open outcry on the trading floors.

549. LARGE ORDER EXECUTION TRANSACTIONS ("LOX Orders")

The Exchange shall designate the products in which Large Order Execution Transactions ("LOX Orders") shall be permitted and shall determine the minimum quantity thresholds for LOX Orders. The following shall govern LOX Orders:

A. A LOX Order must be for a quantity that is at or in excess of the applicable minimum quantity threshold. Orders may not be aggregated in order to achieve the minimum quantity necessary for execution as a LOX Order.

B. A member shall not execute a LOX Order for a customer unless such customer has specified that the order be executed as a LOX Order and the order ticket includes specific instructions to execute a LOX Order and the LOX limit price.

C. A LOX Order must be executed via open outcry pursuant to the requirements of this Rule.
D. Prior to bidding or offering, a member or member firm that receives a LOX Order (the “Initiating LOX Order”) must either solicit a contra party to take the opposite side of the order or agree to act as the contra party to the order. In all cases, the order from the contra party must be for the same quantity as the Initiating LOX Order. A member or member firm that receives an Initiating LOX Order and agrees to act as the contra party to the Initiating LOX Order may do so only if the customer has consented in writing no more than 12 months prior to the transaction to waive the prohibition on trading against customers’ orders pursuant to Rule 531.A. An Initiating LOX Order may not be bid or offered pursuant to this Rule unless the executing broker has an order from a contra party or has agreed to act as the contra party to the Initiating LOX Order, and such order is for the same quantity as the Initiating LOX Order.

E. Parties involved in the solicitation of a LOX Order shall not disclose the details of such communications to other persons, or trade or enter an order to take advantage of information conveyed during such solicitations, except to facilitate the execution of a LOX Order in accordance with this Rule.

F. In order for the Initiating LOX Order to be represented to the trading pit for execution pursuant to this Rule, the Initiating LOX Order’s designated LOX limit price must be above the bid (in the case of a buy order) or below the offer (in the case of a sell order) in the pit at the time the Initiating LOX Order is bid or offered. Provided that the foregoing requirement is satisfied, the member executing the Initiating LOX Order must clearly announce to the pit 1) he seeks to execute a LOX Order and 2) the full quantity of the LOX Order. The member executing the LOX Order shall not disclose the side of market on the Initiating LOX Order or the designated LOX Order limit price.

G. The member executing the Initiating LOX Order shall lift any existing offers (in the case of an Initiating LOX Order to buy) or hit any existing bids (in the case of an Initiating LOX order to sell) that better the price requirements of the Initiating LOX Order until the designated LOX limit price is reached. Once the designated LOX limit price is reached, any remaining quantity of the Initiating LOX Order, up to a maximum of 20% of the original quantity of the Initiating LOX Order, will then be executed by the filling broker opposite the solicited contra party at the designated LOX limit price. The filling broker shall then bid or offer any quantity that remains and shall thereafter cross any quantity not immediately taken by other members in the pit. All LOX Order executions must be done in the presence of and with the approval of a designated Exchange official, and the member making such transactions must ensure that any portion of the LOX Order that is crossed at the designated LOX limit price is reported to Exchange price reporting staff for entry into the Exchange Price Reporting System.

All LOX Orders must be executed in accordance with the requirements of Rule 549 and the additional information provided in the associated FAQ.

Questions regarding this Advisory Notice, CME Rule 549 or the attached FAQ may be directed to Robert Sniegowski, Senior Director, Rules & Regulatory Outreach, at 312.341.5991.

For media inquiries concerning this Advisory Notice, please contact CME Group Corporate Communications at 312.930.3434 or news@cmegroup.com.
FAQ Related to CME Rule 549
Large Order Execution Transactions (“LOX Orders”)

Q1: What is a LOX Order?
A1: A LOX Order is a type of order with a unique execution protocol that is designed to facilitate the efficient execution of large orders in the trading pit. LOX Orders, which must meet an Exchange-established minimum quantity threshold, involve pre-execution communications between two parties and allow for a minimum guaranteed cross percentage of 20% between the parties at the LOX Order price provided that trading pit does not improve the price. The specific execution protocols that must be adhered to for LOX Orders are detailed in Q7.

Q2: In what products and venues are LOX Orders permitted?
A2: Beginning on March 18, 2013, LOX Orders will be permitted exclusively in CME SP options and may be executed only in the open outcry venue during regular trading hours. LOX Orders are not permitted in SP flex options.

Q3: What is the minimum quantity threshold for an SP options LOX Order?
A3: 1,000 contracts.

Q4: May an order for an SP options spread or combination transaction be placed as a LOX Order?
A4: Yes, provided that the spread or combination transaction includes only SP options and that each leg of the spread or combination meets the 1,000-contract minimum quantity.

Q5: May any SP options order be executed as a LOX Order if the order quantity is at or above 1,000 contracts?
A5: No. Orders may be executed as LOX Orders only if specifically designated at the time of order entry as a LOX Order. The record of the order must identify the order as a LOX Order and must include the LOX limit price.

Q6: May orders for different parties be aggregated to meet the 1,000-contract minimum quantity?
A6: No. Each LOX Order execution must be for a single buyer and seller and orders may under no circumstances be aggregated together to meet the minimum quantity threshold.

Q7: What are the requirements for the handling and execution of a LOX Order?
A7: The following requirements govern the handling and execution of a LOX Order:

A. The party accepting the Initiating LOX Order must ensure that the order meets the minimum quantity requirement and must make a record of the order in accordance
with CFTC Regulation 1.35 and CME Rule 536. The order must be identified as a LOX Order and include the LOX limit price.

B. Prior to an Initiating LOX Order being presented in the SP options pit, the party receiving the Initiating LOX Order must identify a contra party to take the opposite side of the order or, alternatively, agree to act as the contra party to the order. Any order received from another party agreeing to act as the contra party must also be recorded in accordance with CFTC Regulation 1.35 and CME Rule 536, and must be identified as LOX Order and include the LOX limit price.

C. In order for the Initiating LOX Order to be represented to the trading pit, the LOX limit price must be above the bid (in the case of a buy order) or below the offer (in the case of a sell order) in the pit at the time the Initiating LOX Order is presented.

D. Provided that the foregoing price requirement is satisfied, the broker must clearly announce to the pit that he seeks to execute a LOX Order and announce the full quantity of the LOX Order. The broker may not disclose the side of market of the Initiating LOX Order or the designated LOX Order limit price.

E. The member executing the Initiating LOX Order must lift any existing offers (in the case of an Initiating LOX Order to buy) or hit any existing bids (in the case of an Initiating LOX Order to sell) that better the limit price of the Initiating LOX Order.

F. If the Initiating LOX Order limit price is reached and a balance remains on the order, any remaining quantity of the Initiating LOX Order, up to a maximum of 20% of the original quantity of the Initiating LOX Order, will then be crossed by the broker opposite the solicited contra party at the designated LOX limit price.

G. The broker shall then competitively bid or offer any remaining quantity on the Initiating LOX Order at the order’s limit price and shall cross any balance of the order that is not immediately taken by other members in the pit.

H. The execution must be conducted in the presence of a designated Exchange official, and the broker must ensure that any portion of the Initiating LOX Order that is crossed at the designated LOX limit price is reported to Exchange price reporting staff for entry as a cross trade in the price reporting system.

Q8: May a member or member firm agree to take the opposite side of their customer’s LOX Order?
A8: Yes, but only if the customer has consented in writing no more than 12 months prior to the transaction to waive the prohibition on trading against customers’ orders pursuant to Rule 531.A.
Q9: If the price of the Initiating LOX Order is not above the bid (in the case of a buy order) or below the offer (in the case of a sell order), what should the broker do?
A9: The broker should advise his customer(s) that the order is not eligible to be executed as a LOX Order given the current bid/offer in the market.

Q10: Is the party agreeing to act as the contra party to the Initiating LOX Order guaranteed to receive a fill on some portion of the order?
A10: No. If the order is able to be filled in its entirety in the market at prices better than the Initiating LOX Order’s limit price, no quantity will be allocated to the party who initially agreed to facilitate the order. The party who agreed to facilitate the order is guaranteed an execution only in the event that the Initiating LOX Order limit price is reached before the order is filled in its entirety.

Q11: How does the trading pit know that a broker has a LOX Order for execution?
A11: Provided that the order is eligible for execution as a LOX Order, the member executing the order must clearly announce to the pit 1) that the order is a LOX Order and 2) the full quantity of the LOX Order. Additionally, when announced to the trading crowd, Exchange staff will turn on an indicator light to alert other members in the pit that a LOX Order is being presented.

Q12: Is a LOX Order execution identifiable in the Exchange quotations listing?
A12: The portion of LOX Order that is crossed will be reflected as a cross trade in the Exchange quotations listing.

Q13: Provide an example of the mechanics of a LOX Order execution.
A13: Lisa places a LOX Order to buy 1,000 March 2013 1325 puts with a LOX limit price of 4.00 with her broker John. John contacts Bill at ABC Trading and Bill agrees to sell 1,000 at 4.00. John calls the trading floor and places the Initiating LOX Order with Brian, his SP options floor broker, and informs him that he has identified a contra party willing to take the opposite side of Lisa’s order. At the time Brian receives the order, the March 2013 1325 puts are 3.50 bid on 50 contracts and 4.50 offered on 200 contracts. Brian announces to the pit that he has a LOX Order for 1,000 March 2013 1325 puts. Immediately thereafter, a local in the trading pit tightens the market in the 1325 puts to 3.70 bid/3.90 offered, 500 up. Brian immediately buys the 500 contracts offered at 3.90, and the best offer is now 4.00.

As the market has moved to 4.00, the designated limit price on the Initiating LOX Order, Brian executes 200 contracts as a cross trade opposite the contra party to the Initiating LOX Order, which represents 20% of the original order quantity of 1,000 contracts. Brian immediately thereafter bids at 4.00 for the balance of 300 contracts remaining on the order and nobody responds. Brian thereafter crosses the remaining 300 contracts.
Q14: **In the event there is no market for the particular option or option spread or combination in the market at the time the parties agree on the price, what should the SP options broker do?**

A14: In this instance, the broker would need to request a regular market in the particular option or option spread or combination. In doing so, the broker may not disclose that he is in possession of an Initiating LOX Order. He may not announce that he has a LOX Order until he confirms that the designated LOX limit price is better than the best bid or better than the best offer in the market, depending on the side of market represented by the Initiating LOX Order.

Q15: **What is the Order Type Indicator (“OTI”) code associated with a LOX Order?**

A15: Keypunching staff must submit “X” as the OTI code for both the Initiating LOX Order and the contra party LOX Order.

Q16: **Does a LOX Order elect conditional orders (e.g. stop orders, Market if Touched (MIT) orders) or otherwise affect orders in the pit?**

A16: Yes. LOX Order executions are reported as part of the regular market quote stream and affect conditional orders in the same way as any other regular order.