

Special Executive Report

S-5035

November 26, 2009

CME, CBOT & NYMEX ADOPT REVISIONS TO RULE 534 ("WASH TRADES PROHIBITED"), EFFECTIVE IMMEDIATELY

Effective immediately, CME, CBOT and NYMEX have adopted revisions to Rule 534 ("Wash Trades Prohibited") to clarify the following:

- It is impermissible to place, accept or execute buy and sell orders for accounts with common beneficial ownership opposite each other, either directly or indirectly, if the person knows, or reasonably should know, that the intent of the orders is to avoid taking a bona fide market position exposed to market risk. Additionally, the fact that there is a delay between the entry of the buy and sell orders does not eliminate regulatory exposure if the execution achieves a wash result.
- Buy and sell orders for different accounts with common beneficial ownership (which includes accounts with less than 100% common ownership) will be deemed to be wash trades if orders are entered with the intent to negate market risk or price competition.
- Knowingly accommodating the execution of wash trades is a violation of the rule.

Additional information on the changes to Rule 534, including the clean text of the amended rule and a FAQ section on the prohibition on wash trades, is contained in today's release of CME Group Market Regulation Advisory Notice RA0913-5.

The text of the revisions appear below, with additions underscored and deletions overstruck.

534. Wash Trades Prohibited

No person shall place or accept buy and sell orders in the same product and expiration month, and, for a put or call option, the same strike price, where the person knows or reasonably should know that the purpose of the orders is to avoid taking a bona fide market position exposed to market risk (transactions commonly known or referred to as wash sales). Buy and sell orders for different accounts with common beneficial ownership that are entered with the intent to negate market risk or price competition shall also be deemed to violate the prohibition on wash trades. Additionally, no person shall knowingly execute or accommodate the execution of such orders by direct or indirect means.

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