



Special Executive Report

S-4699

April 2, 2008

CME AND CBOT TO ADOPT PREVIOUSLY APPROVED RULE CHANGES IN CONNECTION WITH THE RELOCATION OF CME TRADING PITS TO THE CBOT BUILDING

On October 25, 2007, CME and CBOT self-certified rule changes necessary to harmonize, to the extent possible, the CME and CBOT Rulebooks, and noted that the adoption of certain rule changes would occur in connection with the relocation of CME trading pits to the CBOT building. This document provides information on those rule changes being implemented in connection with trading floor consolidation.

The new rules will become effective on April 7 for the CBOT and for the CME Equity complex. The rules will take effect in the CME FX and Interest Rate complexes on April 28, and will take effect in the CME Commodity complex on May 19, concurrent with the relocation of those trading pits to the consolidated trading floor.

The rules are presented below, with additions underscored and deletions overstruck.

CME & CBOT Rule 127

CME Rule 127

CME Rule 127 is a new rule. Please see Special Executive Report S-4665 from January 30, 2008, for a detailed description of solicitation privileges on the consolidated trading floor.

127. TRADING AND SOLICITATION PRIVILEGES

A member shall have the right, subject to the rules of the Exchange, to trade as principal and as broker for others by open outcry only with respect to products assigned to his membership division or designated Expanded-Access Products. The Exchange shall designate the CME products which CME and CBOT members may solicit from the combined CME and CBOT trading floor.

CBOT Rule 127

Modified CBOT Rule 127 replaces language originally adopted on November 29.

127. TRADING AND SOLICITATION PRIVILEGES

~~A member shall have the right, subject to the rules of the Exchange, to trade as principal and as broker for others by open outcry, to communicate from the Floor of the Exchange with persons not on the Floor of the Exchange, and to solicit orders from others from the Floor of the Exchange, only with respect to products assigned to his membership Series or designated Expanded-Access Products.~~

A member shall have the right, subject to the rules of the Exchange, to trade as principal and as broker for others by open outcry only with respect to products assigned to his membership Series or designated Expanded-Access Products. The Exchange, subject to the provisions in Article IV, Section D(2)(e) of the Exchange's Certificate of Incorporation that are applicable to rule changes, shall designate the CBOT products which CBOT and CME members may solicit from the combined CBOT and CME trading floor.

CME Rule 140

The modification to Rule 140 clarifies that CME Agricultural Business Solicitation Permit holders ("PAS holders") may solicit business only in CME agricultural products while on the consolidated trading floor. As PAS holders move to the CBOT building, they will be restricted from soliciting business in any other CME product or in any CBOT products. For additional information on solicitation privileges, please refer to Special Executive Report S-4665 from January 30, 2008.

140. AGRICULTURAL BUSINESS SOLICITATION PERMIT PROGRAM

[Sections A. – D. are unchanged.]

140.E. PAS Privileges

PAS holders shall have access to the trading floor to solicit customer business only for CME agricultural products. While on the floor, PAS holders shall not solicit business for other products and shall not be compensated for processing any customer orders to trade other products. A PAS holder may continue to receive a salary from the CME clearing member that employs the PAS holder.

[The remainder of the rule is unchanged.]

CME & CBOT Rule 400

The revisions clarify that Member as that term is used in Chapter 4 ("Enforcement of Rules") of each exchange's rulebook applies to members of the other exchange.

CME Rule 400

400. GENERAL PROVISIONS

[The first paragraph is unchanged.]

For purposes of Chapter 4, the term "Member" shall mean: 1) members and clearing members of the Exchange, including retired members with floor access privileges and individuals and entities described in Rule 106; 2) associated persons ("APs") and affiliates of clearing members and member firms of the Exchange; 3) guaranteed introducing brokers of clearing members and member firms of the Exchange and their APs, 4) Exchange permit holders and any person or entity that has been granted cross-exchange trading privileges; 5) employees, authorized representatives, contractors, and agents of any of the above persons or entities, in regard to the Exchange related activities of such employees and agents; 6) individuals and entities that have agreed in writing to comply with the rules of the Exchange; and 7) CBOT members ~~and any~~ other individuals who have access to the combined CME and CBOT trading floors.

[The remainder of the rule is unchanged.]

CBOT Rule 400

400. GENERAL PROVISIONS

[The first paragraph is unchanged.]

For purposes of Chapter 4, the term "Member" shall mean: 1) members and clearing members of the Exchange, including retired members with floor access privileges and individuals and entities described in Rule 106; 2) associated persons ("APs") and affiliates of clearing members and member firms of the Exchange; 3) guaranteed introducing brokers of clearing members and member firms of the Exchange and their APs; 4) Exchange permit holders and any person or entity that has been granted cross-exchange trading privileges; 5) employees, authorized representatives, contractors, and agents of any of the above persons or entities, in regard to the Exchange related activities of such employees and agents; 6) regular firms; 7) individuals and entities that have agreed in writing to comply with the rules of the Exchange; and 8) [CME members and any](#) other individuals who have access to the [combined](#) CBOT [and CME](#) trading floors.

[The remainder of the rule is unchanged.]

CME & CBOT Rule 402

Both rules adopt a reference to the combined trading floors.

CME Rule 402

402. BUSINESS CONDUCT COMMITTEE

[Section A. is unchanged.]

402.B. Hearings

Hearings by the BCC shall be before a Panel, and shall be conducted by a chairman of the BCC in accordance with the provisions of Rule 408.

If a Member is found guilty, by a majority vote, the Panel may do one or more of the following:

[1 – 6 are unchanged.]

7. Restrict the Member's access to the [combined CME and CBOT](#) trading floors;

[The remainder of the rule is unchanged.]

CBOT Rule 402

402. BUSINESS CONDUCT COMMITTEE

[Section A. is unchanged.]

402.B. Hearings

Hearings by the BCC shall be before a Panel, and shall be conducted by a chairman of the BCC in accordance with the provisions of Rule 408.

If a Member is found guilty, by a majority vote, the Panel may do one or more of the following:

[1 – 6 are unchanged.]

7. Restrict the Member's access to the [combined CBOT and CME](#) trading floors;

[The remainder of the rule is unchanged.]

CME & CBOT Rule 413

Both rules adopt a reference to the combined trading floors.

CME Rule 413

413. SUMMARY ACCESS DENIAL ACTIONS

413.A. Authority to Deny Access

Members may be denied access to any or all CME and CBOT markets or be denied access to the Globex platform or be immediately removed from the [combined](#) CME and CBOT trading floors by the Chief Regulatory Officer or his delegate upon a good faith determination that there are substantial reasons to believe that such immediate action is necessary to protect the best interests of the Exchange.

[The remainder of the rule is unchanged.]

CBOT Rule 413

413. SUMMARY ACCESS DENIAL ACTIONS

413.A. Authority to Deny Access

Members may be denied access to any or all CBOT and CME markets or be denied access to the Globex platform or be immediately removed from the [combined](#) CBOT and CME trading floors by the Chief Regulatory Officer or his delegate upon a good faith determination that there are substantial reasons to believe that such immediate action is necessary to protect the best interests of the Exchange.

[The remainder of the rule is unchanged.]

CME & CBOT Rule 501

Both rules have been modified to expand the trading restriction placed on non-member employees of members and member firms with floor access privileges. Prior to the modification, a non-member employee was restricted from trading solely in the products of their home exchange. In connection with trading floor consolidation, the trading restriction has been expanded to prohibit all such non-member employees from trading or having any interest in an account that trades CME or CBOT products.

CME is also adopting language in Rule 501 allowing for broker assistants in CME pits. Broker assistants are employees of members who are permitted to stand in a trading pit. The introduction of broker assistants in CME pits will be addressed on a pit by pit basis, subject to demand and space considerations, following the completion of trading floor consolidation.

CME Rule 501

501. EMPLOYEES OF MEMBERS

Members shall register with the Exchange all persons whom they wish to employ on the trading floor. Such employees may act as runners, communicators, clerks and broker assistants. Such employees shall not be permitted to solicit customers or benefit from the production of orders, except as provided in Rule 140. Such employees shall not trade or have any interest in an account trading in any CME [or CBOT](#) futures or options contracts. Employees must wear a prescribed identification badge. Any member permitting trading by such employee shall be guilty of an offense against the Exchange. Remuneration to such employees shall be limited to salaries and normal bonuses. The member employer shall, upon request, provide a report to Exchange staff with respect to each such employee, setting forth the hours of employment, salary and bonus, and a copy of each employee's Internal Revenue Service W-2 Form or other documentation evidencing employment.

[The following shall apply to any IMM, IOM or GEM member who also holds a broker assistant badge. Such person shall not trade for, or carry in his account or an account in which he has any interest, any positions in contracts traded on the Exchange except for those contracts which he is entitled to trade as principal or broker for others by virtue of his membership status as referenced above.](#)

[A member holding a broker assistant badge shall be required to notify his qualifying clearing member, as defined in Rule 903, of the name, address and immediate supervisor of the member or member firm by](#)

whom he is employed as a broker assistant. Upon a qualifying clearing member's revocation of trading authorization in accordance with Rule 903.E., the qualifying clearing member immediately shall give written notice to the member or member firm which employs a member as a broker assistant that the member's trading authorization has been revoked. A member holding a broker assistant badge shall be denied floor access privileges upon the revocation of trading authorization by his qualifying clearing member. The floor access privileges of a member who holds a broker assistant badge may be reinstated upon the filing of a release with the Shareholder Relations and Membership Services Department by the member's qualifying clearing member in accordance with Rule 903.D.

[The remainder of the rule is unchanged.]

CBOT Rule 501

501. EMPLOYEES OF MEMBERS

Members shall register with the Exchange all persons whom they wish to employ on the trading floor. Such employees may act as runners, communicators, clerks and broker assistants. Such employees shall not be permitted to solicit customers or benefit from the production of orders. Such employees shall not trade or have any interest in an account trading in any CBOT or CME futures or options contracts. Employees must wear a prescribed identification badge. Any member permitting trading by such employee shall be guilty of an offense against the Exchange. Remuneration to such employees shall be limited to salaries and normal bonuses. The member employer shall, upon request, provide a report to Exchange staff with respect to each such employee, setting forth the hours of employment, salary and bonus, and a copy of each employee's Internal Revenue Service W-2 Form or other documentation evidencing employment.

[The remainder of the rule is unchanged.]

CME Rule 503

CME Rule 503 is a new rule, which replaces the former CME policy with respect to retired members. The rule has been fully harmonized with the corresponding CBOT rule already in effect. The new CME rule prohibits retired members from trading or placing orders while on the trading floor.

503. RETIRED MEMBERS

Any member who has been a member for at least 25 years who sells or leases his membership may apply for a retired member badge which will entitle the retired member to access the trading floor. Retired members are prohibited from trading or placing orders for any account while on the trading floor, or accessing the trading pits during trading hours.

CME Rule 505

Modified CME Rule 505 has been harmonized with existing CBOT Rule 505 and concerns the allocation and use of booth space on the trading floor.

505. BOOTH AND FLOOR PRIVILEGES

Booth space on the trading floor may be assigned only to clearing members and member firms. Available booth space will be assigned by Exchange staff in accordance with the policies established by the Exchange and the decisions of Exchange staff regarding the assignment of booth space shall be final. Orders may be accepted at the booth space assigned to a member or a clearing member's booth firm only by the member, its employees of the member or member firm and by the members it qualifieds by the member firm(except that a member's order may be accepted by the member's employee).

Notwithstanding the foregoing any other rule, a member, who is employed by or associated with a non-

~~clearing entity that is engaged in the business of soliciting or accepting orders for the purchase or sale of Exchange contracts, may not use the facilities in any trading floor booth in order to facilitate the business of that non-clearing entity. This limitation shall not apply to a Rule 106-I firm conducting business for itself, its customers or its related parties, any member who is associated as a partner, shareholder, member, officer, manager, employee, or consultant with any entity or natural person that is or should be registered as an Introducing Broker, Futures Commission Merchant, Commodity Trading Advisor or Commodity Pool Operator as those terms are defined in Section 1a of the Commodity Exchange Act and/or 17 C.F.R. 1.3, may not solicit orders of others from the floor of the Exchange unless the entity or natural person for which or for whom the member is soliciting orders is also a member firm or member of the Exchange.~~

~~The following grid displays the type of orders being handled at a firm's booth on the trading floor and who may handle them.~~

TYPE OF MEMBER/EMPLOYEE AND PLACE OF FACILITATION	(1)ORDERS FOR THE CLEARING MEMBER'S (BOOTH OWNER) CUSTOMERS EXCLUDING ORDERS FOR CUSTOMERS OF A NON-CLEARING ENTITY	(2)ORDERS FOR THE CUSTOMERS OF A NON-CLEARING ENTITY	(3)ORDERS FOR THE CLEARING ENTITY'S PROPRIETARY ACCOUNT	(4)ORDERS FOR THE NON-CLEARING ENTITY'S PROPRIETARY ACCOUNT	(5)ORDERS FOR A 106-H FIRM ACCOUNT	(6)ORDERS FOR AN INDIVIDUAL MEMBER'S ACCOUNT	(7)ORDERS FOR THE CUSTOMERS OF A RULE 106-I RELATED PARTY	(8)ORDERS FOR THE PROPRIETARY ACCOUNT OF A RULE 106-I RELATED PARTY
A-CLEARING FIRM EMPLOYEE MEMBER AT EMPLOYER'S OR QUALIFYING FIRM'S BOOTH	YES	YES	YES	YES	YES	YES	YES	YES
B-CLEARING FIRM EMPLOYEE CLERK AT THE EMPLOYER'S BOOTH	YES	YES	YES	YES	YES	YES	YES	YES
C-INDIVIDUAL MEMBER AT THE QUALIFYING FIRM'S BOOTH	YES	YES	YES	YES	YES	==	YES	YES
D-INDIVIDUAL MEMBER'S CLERK	NO	NO	NO	NO	NO	YES	NO	NO
E-NON-CLEARING ENTITY EMPLOYEE MEMBER AT THE QUALIFYING FIRM'S BOOTH	YES	NO	YES	NO	YES (UNLESS E2 APPLIES)	YES	YES	YES
F-106-H MEMBER	NO	NO	NO	NO	YES	NO	NO	NO

G-106.H MEMBER'S CLERK	NO	NO	NO	NO	YES	NO	NO	NO
H-106.I MEMBER	YES	YES	YES	YES	YES	YES	YES	YES
I-106.I MEMBER'S CLERK	YES	YES	YES	YES	YES	YES	YES	YES

CBOT Rule 506

Language concerning the requirement that headset communications be voice recorded has been moved from CBOT Rule 506 to CBOT Rule 536.G. The recording requirement has not been changed.

506. HEADSET PRIVILEGES ON THE TRADING FLOOR

[Section A. is unchanged.]

506.B. Use of Headsets

[The first two paragraphs are unchanged.]

~~Unless specifically exempted by the Market Regulation Department or designated Exchange staff, all headset communications must be voice recorded by the member or member firm authorized to use the headset and all such recordings must be maintained for a minimum of ten business days following the day on which the recording is made. Members and member firms are permitted to utilize their own recording devices, provided that the devices meet reasonable standards with respect to quality and reliability. Alternatively, members and member firms may utilize an Exchange administered voice recording system for a fee.~~

CME & CBOT Rule 536

Both rules have been modified to include the requirement that headset communications be recorded and retained for 10 business days. This requirement was formerly in CBOT Rule 506 (see above), and is new for CME. For the purposes of this rule, a telephone in or on the perimeter of a trading pit shall be treated in the same manner as a headset.

CME Rule 536

536.G. Telephone Recordings

Members and member firms that record conversations conducted on their Exchange Floor telephone lines must maintain the resultant recordings for a period of 10 business days following the day when such recordings are made.

Unless specifically exempted by the Market Regulation Department or designated Exchange staff, all headset communications must be voice recorded by the member or member firm authorized to use the headset and all such recordings must be maintained for a minimum of ten business days following the day on which the recording is made. Members and member firms are permitted to utilize their own recording devices, provided that the devices meet reasonable standards with respect to quality and reliability. Alternatively, members and member firms may utilize an Exchange administered voice recording system for a fee.

CBOT Rule 536

536.G. Telephone Recordings

Members and member firms that record conversations conducted on their Exchange Floor telephone lines must maintain the resultant recordings for a period of 10 business days following the day when such recordings are made.

All recordings of Exchange Floor headset communications must comply with the recording and retention requirements set forth in Rule 506. Unless specifically exempted by the Market Regulation Department or designated Exchange staff, all headset communications must be voice recorded by the member or member firm authorized to use the headset and all such recordings must be maintained for a minimum of ten business days following the day on which the recording is made. Members and member firms are permitted to utilize their own recording devices, provided that the devices meet reasonable standards with respect to quality and reliability. Alternatively, members and member firms may utilize an Exchange administered voice recording system for a fee.

Questions concerning the information contained in this Special Executive Report should be directed to Robert Sniegowski, Associate Director, Market Regulation, at 312.648.5493.