

## Special Executive Report

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S-4972

August 28, 2009

### **REVISED EFFECTIVE DATE FOR ADOPTION OF CME AND CBOT RULE CHANGES IN CONNECTION WITH NYMEX RULEBOOK HARMONIZATION**

**Please be advised that the new effective date for the adoption of the revisions to CME and CBOT trade practice rules in connection with NYMEX Rulebook harmonization will be Monday, September 14, 2009.** In connection with the new effective date, several recently issued Market Regulation Advisory Notices will be re-issued over the next several days to correctly reference the new effective date.

The significant changes to CME and CBOT rules are described below. Unless otherwise noted, the changes apply to the CME and CBOT version of the cited rule.

The text of the revisions begins on page 3, with additions underscored and deletions overstruck.

#### **Position Rules**

Rules 443 ("Position Limit Violations"), 559 ("Position Limits and Exemptions"), 560 ("Position Accountability") and 561 ("Reports of Large Positions") will be revised based on a review of existing CME, CBOT, NYMEX & COMEX position-related rules. The changes to Rule 560 will allow the Chief Regulatory Officer or his designee to order a position reduction in circumstances where a person holds or controls positions in excess of position accountability levels or in excess of position limits pursuant to an approved exemption if the Chief Regulatory Officer or his designee determines that such action is necessary to maintain an orderly market. Additionally, the Market Regulation Department will be able to order a reduction of positions in circumstances where a party owning or controlling positions in products subject to position limits or position accountability rules fails to provide information requested by the Market Regulation Department concerning the positions.

CME and CBOT will also adopt several existing NYMEX provisions for dealing with position limit violations, including the existing NYMEX automatic fining schedule for position limit violations after a party has received a letter or warning for an initial position limit violation. The fines will be \$5,000 if an account is 25% or less over the applicable limit and \$15,000 if the account is more than 25% over the limit.

Additional information on these changes will be communicated in an upcoming Market Regulation Advisory Notice.

### **Rule 507 – Electronic Devices**

Rule 507 (“Electronic Devices”) will be revised to prohibit a member on the trading floor from placing an order for his account using a personal electronic device, including a cell phone. Members currently using personal devices to place orders for their accounts will need to obtain an exchange-issued telecommunication device or otherwise place such orders verbally or through order desks on the trading floor.

### **CME Rule 515 – Registration and Identification of Broker Associations (CME Only)**

CME will adopt revisions to Rule 515 (“Registration and Identification of Broker Associations”) in order to harmonize broker association rules across CME, NYMEX and COMEX. The new rule will prohibit members of a broker association from sharing personal trading profits and losses with others, with the exception that broker association members will continue to be allowed to share the profits and losses associated with bona fide error trades and their liquidations. Additional details, including the requirement that all existing CME broker associations complete a mandatory re-registration no later than September 28, 2009, is set forth revised CME Market Regulation Advisory Notice RA0902-2, which has also been released today. CBOT Rule 515 is not being modified at this time.

### **Rule 536.H. – Retention of Records**

Section H. will be added to Rule 536 (“Recordkeeping Requirements for Pit, Globex and Negotiated Trades”), harmonized with existing language in NYMEX and COMEX rules. Rule 536.H. requires that members, member firms and employees of the foregoing retain complete records concerning their activity in commodity futures, options and cash transactions in accordance with CFTC Regulations. These records must be retained for a minimum of five years. The adoption of Section H. codifies the existing CFTC Regulations currently in place concerning retention of records.

### **Rule 538 – Exchange for Related Positions**

Rule 538 (“Exchange for Related Positions”) (“EFRP”) will be modified to allow for the exchange of an exchange option position for a corresponding Over-the-Counter (“OTC”) option in the same or related commodity (“EOO”), a type of negotiated trade currently allowable at NYMEX. Additionally, CME and CBOT will adopt an existing NYMEX provision requiring that EFRP volume be included and uniquely identified in the daily Large Trader reporting to the Exchange for each customer maintaining a reportable position. Additional information on these changes, including the date by which EFRP volume will need to be included and uniquely identified in the daily Large Trader reports to the Exchange, will be communicated in an upcoming Market Regulation Advisory Notice.

### **Rule 550 – Post Close Session**

Rule 550 (“Post Close Session”) will be modified to eliminate pricing restrictions during the post close session, except that the prices must be within the daily price limits for contracts with such limits. This change harmonizes to existing NYMEX and COMEX post close practices. Additional information on this change is set forth in today’s release of CME Group Market Regulation Advisory Notice RA0906-5.

## **Chapter 7 (“Delivery Facilities and Delivery Procedures”)**

CME will modify existing Rules 716 (“Duties of Clearing Members”) and 770 (“Alternative Delivery Procedures”) and the revised rules will be adopted by CBOT. Rule 716 requires clearing members to assess an account owner’s ability to make or take delivery prior to the last day of trading in physically delivered contracts. Absent satisfactory information, the firm is responsible for ensuring the orderly liquidation of such open positions.

Rule 770 will be applicable in any physically delivered contract and will allow for a member or clearing member to request a delivery offset through the Clearing House if a delivery obligation is the result of **a bona fide error or outtrade discovered on or after the last day of trading**. In these limited circumstances, the Clearing House will attempt to identify a party with an offsetting position willing to accommodate the liquidation of the position resulting from the error or outtrade. If a party is identified, the delivery obligations of both parties will be extinguished via the position offset. In a circumstance where the Clearing House is unable to identify a party with an offsetting position, delivery must take place pursuant to exchange rules. The rule provides the Clearing House an additional safeguard as a means of avoiding a delivery default.

Questions concerning these changes may be directed to Robert Sniegowski, Associate Director, Market Regulation, at 312.341.5991 or Greg Benbrook, Associate Director, Market Regulation, at 312.341.7619. Specific questions concerning the changes to the Position Rules may be directed to Jerry O’Connor, Associate Director, Market Surveillance, at 312.341.7048.

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### **Text of Rule Changes**

Unless otherwise specified, the changes apply to both the CME and CBOT versions of the cited rules.

## **CBOT Chapter 2 Government**

### **230. GENERAL**

The Board shall, subject to applicable provisions in the relevant corporate charter and bylaws:

[a.-i. are unchanged.]

- j. (i). Make and amend the Rules of the Exchange; provided, the Board has also delegated such authority to make and amend the Rules of the Exchange to the Chairman and Vice Chairman of the Board and the Chief Executive Officer acting together, provided, further, that the CBOT Directors (as defined in the Certificate of Incorporation) retain their rights for advance notice of such new and amended Rules and their right to submit such new and amended Rules to the Rule Change Committee (as defined in the Certificate of Incorporation) as set forth in Article IV, Section D(2)(e) of the Certificate of Incorporation prior to approval by the Chairman and Vice Chairman of the Board and the Chief Executive Officer;
- (ii). Notwithstanding Rule 230.j.(i)., the Chairman and Vice Chairman of the Board and the Chief Executive Officer acting together may amend Rule 403 and the rules in Chapters 8 and 9, with the exception of the following rules, without providing the CBOT Directors with advance notice of any such amendments and without providing the CBOT Directors with any right to submit such amendments to the Rule Change Committee, as set forth in Article IV, Section D(2)(e) of the Certificate of Incorporation: Rules 800, 807, 813, 850-851, 853-855, 900, 904, 931-932, 950-954, 956-958, 960.B. and 974.B.; and

[The remainder of the rule is unchanged.]

## Chapter 4 Enforcement of Rules

### 443. POSITION LIMIT VIOLATIONS

The Market Regulation Department and the BCC shall have the authority to enforce the position limit rules of the Exchange. For purposes of this rule, any positions in excess of those permitted under the rules of the Exchange shall be deemed position limit violations. Additionally, any person making a bid or offer that would, if accepted, cause such person to exceed the applicable position limits shall be in violation of this rule.

If a position exceeds position limits as a result of an option assignment, the person who owns or controls such position shall be allowed one business day to liquidate the excess position without being considered in violation of the limits. Additionally, if, at the close of trading, a position that includes options exceeds position limits when evaluated using the delta factors as of that day's close of trading, but does not exceed the limits when evaluated using the previous day's delta factors, then the position shall not constitute a position limit violation.

A clearing member shall~~A customer who exceeds the position limits as a result of maintaining positions at more than one clearing member shall be deemed to have waived confidentiality regarding his position and the identity of the clearing members at which they are maintained.~~

A clearing member will not be in violation of this rule if it carries positions for its customers in excess of the applicable position limits for such reasonable period of time as the firm may require to discover and liquidate the excess positions, or, if applicable, to file the appropriate hedge or exemption statements for the customer accounts in question. For the purposes of this rule, a reasonable period of time shall generally not exceed one business day.

A customer who exceeds the position limits as a result of maintaining positions at more than one clearing member shall be deemed to have waived confidentiality regarding his positions and the identity of the clearing members at which they are maintained. A clearing member carrying such positions shall not be in violation of this rule if, upon notification by the Market Regulation Department, it liquidates its pro-rata share of the position in excess of the limits or otherwise ensures the customer is in compliance with the limits within a reasonable period of time.

~~In addition to any other sanctions imposed pursuant to this rule, the failure to reduce any positions as instructed by the Market Regulation Department shall result in the imposition of automatic fines in accordance with the fine schedule maintained by the Market Regulation Department. Sanctions issued pursuant to this rule may be appealed to the BCC which may modify or overturn the sanction for good cause shown.~~

#### 443.A. First Violation

The first ~~occurrence violation~~ of a position limit ~~violation shall may~~ result in a warning letter ~~to be~~ issued by the Market Regulation Department to the ~~party in violation of customers and Members, including the limit, with a copy provided to the carrying associated persons and/or clearing member(s). In circumstances where the carrying clearing member has also committed a firm involved.~~

#### 443.B. Subsequent Violations Following a Warning Letter

~~A subsequent~~ position limit violation as set forth in this rule by carrying such positions, a warning letter will be issued to the clearing member(s).

#### 443.B. Second Violation, Sanctions and Appeals

A second position limit violation by a nonmember customer within 24~~24~~ months of the issuance of a warning letter ~~shall may~~ result in the ~~imposition issuance of an automatic fine cease and desist order~~ by the Market Regulation Department to the ~~nonmember customer as set forth below. Such fines will be payable to the Exchange by the clearing member(s) carrying the nonmember customer's account(s).~~

A second position limit violation by a member or member firm within 24 months of the issuance of a warning letter shall result in the imposition of an automatic fine by the Market Regulation Department to the member ~~Members, including the associated persons and/or member firm as set forth below and the issuance of a cease and desist order.~~

The automatic fine for a position exceeding the applicable limit by up to 25% shall be \$5,000. The automatic fine for a position exceeding the applicable limit by more than 25% shall be \$15,000.

Parties may, within 10 business days of being provided clearing members involved. A notice of sanctions issued pursuant to this section, request an appeal to a Panel of the Business Conduct

Committee ("BCC Panel").

Upon receiving a written request for appeal, the Chairman of the BCC Panel shall determine whether there is a reasonable basis to conclude that the appellant might be able to meet one of the standards identified below that would permit the BCC Panel to set aside, modify or amend the appealed decision. The BCC Chairman's determination shall be based solely upon the written request for appeal, ~~such~~ ~~cease~~ and any written response of the Market Regulation Department. The BCC Chairman's determination of whether to hold a hearing on an appeal shall be final. If the BCC Chairman grants the appellant's request for a hearing, the chairman shall allow the filing of briefs in connection with the appeal.

The BCC Panel hearing the appeal shall not set aside, modify or amend the appealed decision unless it determines by a majority vote that the decision was:

A. Arbitrary, capricious, or an abuse of the Market Regulation Department's discretion;

B. In excess of the Market Regulation Department's authority or jurisdiction; or

C. Based on a clearly erroneous application or interpretation of Exchange rules.

The BCC Panel shall issue a written decision which shall include a statement of findings with respect to the decision from which the appeal was taken and the Panel's determination that such initial decision is affirmed, set aside, modified or amended in whole or in part and, with respect to any initial decision that is not affirmed in whole, the BCC Panel's determination of the ~~exist~~ order or penalty to be imposed, if any, and the effective date. The decision of the BCC Panel shall be final and may not be appealed. ~~shall be posted.~~

~~If a customer exceeds the position limits after having received a warning letter for a previous violation of this rule, the customer will be issued a second warning letter, with copies sent to the appropriate parties.~~

**443.C. Referral to the Probable Cause Committee**

~~Any third or ,~~ subsequent ~~and/or egregious~~ position limit violation within 24 months of the issuance of a warning letter period shall may be referred by the Market Regulation Department to the PCC for consideration of the issuance of charges. Additionally, notwithstanding Sections A. and B. of this rule, the Market Regulation Department, in its sole discretion, may refer any position limit violation it deems egregious to the PCC for consideration of the issuance of charges.

**443.D. ~~Alternate Risk Factor Evaluation~~**

~~If a position that includes options exceeds position limits for passive reasons such as a market move or exercise assignment, the person who owns or controls such position shall be allowed one business day to liquidate the excess position without being considered in violation of the limits. In addition, if at the close of trading, a position that includes options exceeds position limits when evaluated using the previous day's delta factors, but does not exceed the limits when evaluated using the delta factors of that day's close of trading, then the position shall not constitute a position limit violation.~~

## Chapter 5 Trading Qualifications and Practices

### 507. ELECTRONIC DEVICES

#### 507.A. General Provisions

The use of any electronic device on the trading floor is prohibited unless such device and/or usage has been ~~permitted~~ ~~authorized~~ by the Exchange. For purposes of this rule, the term "electronic device" shall mean any type of voice or data communications interface, including but not limited to a computer, headset, hand-held device, microphone ~~or~~, telephone, ~~or two-way radio~~. No Member (as defined in Rule 400) shall permit others to use any electronic device unless such use has been ~~permitted~~ ~~authorized~~ by the Exchange. Members ~~In using an~~ permitted electronic device on the trading floor for permissible business purposes must, such Member shall retain any required audit trail data in accordance with applicable Exchange rules and CFTC regulations.

#### 507.B. Terms and Conditions of Use

The Exchange may, in its sole discretion, impose restrictions on the use of any ~~permitted~~ ~~authorized~~ electronic device by any Member. The Exchange may limit, suspend or terminate any Member's right to use any ~~permitted~~ ~~authorized~~ electronic device at any time, without prior notice and without any liability to the Exchange.

The Exchange shall have the right, at any time, to audit the use of any ~~permitted~~authorized electronic device by any Member.

The Exchange accepts no responsibility for loss, theft or damage to any equipment ~~permitted~~authorized for use by a Member on Exchange premises.

Electronic devices that are not issued by the Exchange must not interfere with any Exchange system.

**507.C. Electronic Surveillance**

The Exchange may intercept and record any electronic communication received or sent from the trading floor to ensure compliance with Exchange Rules. Exchange members, their employees, and all others who are granted access to the trading floor consent, as a condition of their membership, employment, or access to the floor, to the interception, recording, and use of any such communication.

**507.D. Personal Electronic Devices**

Unless permitted pursuant to Section A. above, p~~Personal electronic handheld information~~ devices including, but not limited to, cell phones, personal digital assistants (PDAs) and other devices with ~~email, instant messaging or other similar capabilities~~ may be used on the trading floor only for non-business purposes, ~~except that members may use such devices to place orders for their own account provided the member complies with all audit trail requirements. Such devices must not interfere with any Exchange system.~~

**507.E. Cameras and Video Equipment**

Unless ~~expressly permissioned~~authorized by the Exchange, the use of any type of camera or video equipment on the trading floor is prohibited.

**511. QUALIFIED TRADERS AND BROKERS**

No member shall be permitted to execute a pit, spot call or allowable privately negotiated transaction on the Exchange unless he is qualified to do so by a clearing member.

A member shall place all trades, ~~including trades~~ for his own account or any account which he controls, on the books of his qualifying clearing member unless written authorization to the contrary from said clearing member has been filed with the Shareholder Relations and Membership Services Department. Regardless of such authorization, a member in a deficit position with any clearing member shall place trades only through his qualifying clearing member. Any non-qualifying clearing member that carries a member's account in a deficit position shall promptly notify the clearing member that is qualifying such member.

[The remainder of the rule is unchanged.]

**~~515. REGISTRATION AND IDENTIFICATION OF BROKER ASSOCIATIONS(CME)~~**

**~~515.A. Definitions~~**

~~1. Floor Brokerage Activity - The execution or pre-execution handling of orders on the trading floor.~~

~~2. Broker Association - A broker association shall include the following associations between two or more members with trading floor access privileges, of whom at least one is engaged in floor brokerage activity:~~

~~— a. Clearing Member "For Profit" Association: A clearing member and its salaried or commissioned member employees engaged in floor brokerage activity;~~

~~— b. Non-Clearing "For Profit" Employer/Employee Association: An employer and each employee engaged in floor brokerage activity;~~

~~— c. Other Non-Clearing "For Profit" Association: Other non-clearing members who share and/or allocate fees, revenues, expenses, profits or losses arising out of floor brokerage activity.~~

~~For the purposes of d. and e. below, Independent Broker Affiliations are defined as two or more members (of whom at least one is engaged in floor brokerage activity) who regularly share a desk (customer orders) and/ or employee salary expenses. Additionally, two or more members who share the profits and/or losses resulting from order execution errors caused by a member or non-member clerk, but who do not share and/or allocate other fees, revenues, expenses, profits or losses arising out of floor brokerage activity, shall be deemed Independent Broker Affiliations for purposes of registration under this rule.~~

~~— d. Small Independent Broker Affiliation: A group of two to four members meeting the criteria in the definition above;~~

~~— e. Large Independent Broker Affiliation: A group of five or more members meeting the criteria in~~

~~the definition above.~~

- ~~f. Trading Group Associations: An association of at least one member engaged in floor brokerage activity and any other member(s) sharing, directly or indirectly, revenue resulting from trading their own account(s).~~

~~Additionally, a Trading Group Association shall be deemed a member of and subject to the intra-association trading restrictions (set forth in Section E) of each broker association to which a member of that Trading Group Association belongs;~~

- ~~g. Any other group or combination deemed by the Board of Directors to be a broker association.~~

- 3. ~~"For Profit" Broker Association—Broker associations defined by A.2.a., A.2.b. and A.2.c. above shall be considered "For Profit" Associations. A "For Profit" Association registered pursuant to A.2.b. and A.2.c. must designate a principal to represent the association in connection with its registration obligations set forth in Section B.~~

- 4. ~~Principal of a "For Profit" Broker Association—Each individual who has (i) formal and/or de facto control over the affairs of a "For Profit" Association; or, (ii) a ten percent or more ownership interest in a "For Profit" Association. Each principal must own an IOM, IMM, or CME membership. Each principal assumes the registration, supervision and financial responsibilities set forth in Sections B., C., and D.~~

- 5. ~~Spokesperson of an Independent Broker Affiliation, Trading Group or Clearing Member Association—An individual authorized to represent an Independent Broker Affiliation, Trading Group or Clearing Member Association in connection with its registration obligations set forth in Section B.~~

- 6. ~~Investor—An individual who has a direct beneficial interest in a "For Profit" Broker Association but is not a principal as defined in A.4. above.~~

- 7. ~~Associate of a Broker Association—Any Exchange member who is employed by or engaged in floor brokerage activity on behalf of a "For Profit" Broker Association and who is not a principal or investor of such broker association or any Exchange member who is engaged in floor brokerage activity on behalf of an Independent Broker Affiliation and who is not a spokesperson of such broker association.~~

#### **515.B. Registration Requirements**

- 1. ~~A member of a broker association shall not handle or execute an order unless that association has registered with the Exchange.~~
- 2. ~~Information Required—Registration shall be accomplished by filing the appropriate registration forms with the Market Regulation Department and shall include the following information:~~
  - a. ~~Name of broker association;~~
  - b. ~~Classification of each broker association member as a principal, spokesperson, associate, or investor;~~
  - c. ~~Names and account numbers of all principals, spokespersons, associates, and investors in the association;~~
  - d. ~~Identification, by account number, of each Trading Group Association in which a principal, spokesperson or associate of the broker association has a financial interest;~~
  - e. ~~Legal form of association;~~
  - f. ~~Category registered under pursuant to Section A.2. above;~~
  - g. ~~Name of the principal or spokesperson authorized to represent the association in connection with its registration obligations.~~
- 3. ~~Requirement of Keeping Registration Current—It shall be the responsibility of the broker association and its principals or spokespersons to ensure that the association is properly registered. Any additions, deletions or other changes to the information already reported must be provided to the Market Regulation Department within two business days after the event giving rise to such changes.~~
- 4. ~~The Exchange may request any additional information from a broker association as deemed appropriate.~~

#### **515.C. Supervision**

~~Each principal must supervise his associates and employees diligently to prevent unsound business practices and to ensure compliance with all Exchange rules.~~

~~Any principal of a "For Profit" Broker Association, who directly or indirectly controls any person who has~~



~~violated any rule of the Exchange in connection with his duties or responsibilities to the association may be held liable for such violation to the same extent as such controlled person. Regardless of whether the principal was held responsible for the act or acts constituting the violation, each principal of a "For Profit" broker association is jointly liable for the payment of any fines assessed against another principal, associate or employee of the association provided the violation occurred while that person was acting or performing his duties on behalf of the association.~~

**~~515.D. Financial Responsibility~~**

~~Each principal of a "For Profit" Broker Association, jointly agrees to guarantee and assume complete financial responsibility for all trades executed by members of his association, including errors, outrades or omissions in connection with that member's duties or responsibilities to the association.~~

**~~515.E. Intra-Association Trading~~**

~~The Chairman and Vice Chairman of the Board and the Chief Executive Officer shall jointly establish limits on the percentage of personal trades that a member of a broker association may trade opposite other members of broker associations with which he is affiliated.~~

~~The Chairman and Vice Chairman of the Board and the Chief Executive Officer shall jointly establish limits on the percentage of orders that a member of a broker association may fill opposite other members of broker associations with which he is affiliated.~~

~~A member of a "For Profit" Broker Association may not trade for his personal account with other members of the same broker association executing orders in markets to which the percentage trading restrictions apply.~~

~~Additionally, different "For Profit" Broker Associations, which are linked by having one or more principals in common across all of the linked associations ("calculation group"), shall be deemed a single association for the purpose of this section.~~

~~The liquidity of a contract and any other conditions determined to be relevant will be considered when determining to impose the trading restrictions set forth above. The trading restrictions shall apply only during Regular Trading Hours to the most active month or months of any contract. Compliance shall be measured separately for each full calendar month.~~

~~The Market Regulation Department may grant exceptions to the trading restrictions in circumstances where a broker association can demonstrate that compliance with the limits may reduce liquidity or impede the creation of new business in the affected market.~~

**~~515.F. Broker Association Enforcement Program~~**

**~~Percentage Restrictions on Personal Trading and the Execution of Orders~~**

~~A letter of warning shall be issued for a first occurrence of exceeding the percentage restriction on personal trading or the execution of customer orders in contracts subject to the trading restrictions in Section E. Subsequent occurrences within 24 months shall result in automatic fines in accordance with the following schedule:~~

<del>Second occurrence</del>	<del>\$1,000</del>
<del>Third occurrence</del>	<del>\$5,000</del>
<del>Subsequent occurrence(s)</del>	<del>\$10,000</del>

**~~"For Profit" Broker Association Personal Trading Ban~~**

~~A letter of warning shall be issued for a first occurrence by a member of a "For Profit" Broker Association trading for his personal account with other members of the same broker association executing orders in contracts subject to the trading restrictions in Section E. Subsequent occurrences within 24 months shall result in automatic fines in accordance with the following schedule:~~

<del>Second occurrence</del>	<del>\$500</del>
<del>Third occurrence</del>	<del>\$1,000</del>
<del>Subsequent occurrence(s)</del>	<del>\$5,000</del>

~~Letters of warning and fines issued pursuant this section are final and may not be appealed, however members will have 15 days after receipt of a letter of warning or a fine to present evidence to the Market Regulation Department that administrative, clerical or other errors caused the apparent rule violation.~~

~~Notwithstanding the provisions of this section, the Market Regulation Department may, at any time,~~



~~refer matters that it deems egregious to the Probable Cause Committee.~~

**515. REGISTRATION AND IDENTIFICATION OF BROKER ASSOCIATIONS(CME)**

**515.A. Definitions**

1. Floor Brokerage Activity - The execution or pre-execution handling of orders on the trading floor.
2. Broker Association - A broker association shall include the following associations between two or more members with trading floor access privileges, at least one of whom is engaged in floor brokerage activity:
  - a. Revenue Sharing Association: Associations between members who:
    - i. share profits or losses associated with their brokerage and/or error account activity; and/or
    - ii. have an employer and employee relationship which relates to floor brokerage activity;
  - b. Non-Revenue Sharing Association: Associations between members who:
    - i. regularly share a deck of orders; and/or
    - ii. share employee salary expenses.
  - c. Any other group or combination deemed by the Exchange to be a broker association.
3. Principal of a Revenue Sharing Association – Each individual who has formal or de facto control over the affairs of, or has a ten percent or greater ownership interest in, a Revenue Sharing Association not owned by a clearing member firm.
4. Spokesperson of a Non-Revenue Sharing Association and Revenue Sharing Associations owned by a clearing member firm – An individual authorized to represent a Non-Revenue Sharing Association or Clearing Firm owned Revenue Sharing Association in connection with its registration obligations set forth in Section B.
5. Investor – An individual who has a direct beneficial interest in a Revenue Sharing Association but is not a principal as defined in A.3. above.

**515.B. Registration Requirements**

1. A member of a broker association shall not handle or execute an order unless that association has registered with the Exchange.
2. Members or Member Firms must have majority ownership interest in any broker association.
3. Principals involved in floor brokerage activity must have trading privileges in the membership division required for access to the products handled by the members of the association. Principals who are not involved in floor brokerage activity must own a membership in the membership division required for access to the products handled by the members of the association. Notwithstanding the above, principals not regularly involved in floor brokerage activity may hold a membership in any division in circumstances where the association is owned by a Member Firm and such Member Firm owns a membership in the membership division required for access to the products handled by the members of the association.
4. No registered broker association or member thereof shall permit a party to have any direct or indirect profit or ownership interest in a broker association unless such party is registered in the association in accordance with this rule.
5. Registration shall be accomplished by filing the appropriate registration forms with the Market Regulation Department.
6. It shall be the responsibility of the broker association and its principals or spokespersons to ensure that the association is properly registered. Any additions, deletions or other changes to the information already reported must be provided to the Market Regulation Department within two business days after the event giving rise to such changes.
7. The Exchange may request any additional information from a broker association as deemed appropriate.

**515.C. Prohibition on Sharing of Personal Trading Profits**

Registrants in a broker association may not share profits or losses associated with their personal trading activity by direct or indirect means, except for profits and losses related to brokerage errors.

**515.D. Supervision**

Each principal of a Revenue Sharing Association must diligently supervise the association's member registrants and non-member employees and may be held directly liable for violations of any rule of the Exchange by such registrants and employees. Regardless of whether the principal is held responsible

for the act or acts constituting the violation, each principal is jointly liable for the payment of any fines assessed against another principal, registrant or employee of the association provided that the violation occurred while that person was functioning in his capacity with the association.

#### **515.E. Trading Restrictions**

The Exchange may impose limits on the percentage of personal trading and/or brokerage volume that members of a broker association may execute with one another. Violations of such restrictions will result in summary action according to the following schedule on a rolling 24 month period:

<u>First Occurrence</u>	<u>Letter of Warning</u>
<u>Second Occurrence</u>	<u>\$1,000 fine</u>
<u>Third Occurrence</u>	<u>\$5,000 fine</u>
<u>Subsequent Occurrence</u>	<u>\$10,000 fine</u>

The Exchange may restrict a member of a Revenue Sharing Association from trading for any account such member owns, controls or in which such member has a financial interest opposite other members of the association executing orders. Violation of such restrictions will result in summary action according to the following schedule on a rolling 24 month period:

<u>First Occurrence</u>	<u>Letter of Warning</u>
<u>Second Occurrence</u>	<u>\$500 fine</u>
<u>Third Occurrence</u>	<u>\$1,000 fine</u>
<u>Subsequent Occurrence</u>	<u>\$5,000 fine</u>

Actions taken pursuant to this section are final and may not be appealed; however members will have 15 days following receipt of notification of the action to present evidence to the Market Regulation Department that administrative, clerical or other errors caused the apparent rule violation.

Notwithstanding the provisions of this section, the Market Regulation Department may, at any time, refer matters that it deems egregious to the Probable Cause Committee.

#### **521. PIT TRADING REQUIREMENTS FOR OPEN OUTCRY TRADES**

In open outcry trading, bidding and offering practices must at all times be conducive to the competitive execution of transactions. All ~~pit~~open outcry transactions, including spread and combination transactions, shall be made openly and competitively in the pit designated for the trading of the particular transaction. No bid or offer shall be specified for acceptance by a particular trader. Transactions may take place only at the best price available in the open outcry market at the time the trade occurs.

~~A. A bid may be made only when it is the best bid available in the pit. A bid is made by stating the price followed by the quantity and by holding a hand outstretched with the palm facing toward the member bidding.~~

~~— An offer may be made only when it is the best available offer in the pit. An offer is made by stating the quantity followed by the price and by holding a hand outstretched with the palm facing away from the member offering.~~

~~— A member who seeks to accept the prevailing bid or offer of another member in the pit shall openly convey his response to such bid or offer and shall indicate the quantity he desires to buy or sell.~~

~~B. All-Or-None Transactions: The Exchange shall determine the minimum thresholds for and the commodities in which All-Or-None transactions shall be permitted. The following shall govern All-Or-None trading:~~

~~— 1. A member may request an All-Or-None bid and/or offer for a specified quantity at or in excess of the applicable minimum threshold. Such request shall be made in the pit designated for the trading of the particular transaction.~~

~~2. A member may respond by quoting an All-Or-None bid or offer price. A bid or offer in response to an All-Or-None request shall be made only when it is the best bid or offer in response to such request, but such price need not be in line with the bids and offers currently being quoted in the regular market.~~

~~3. A member shall not execute any order by means of an All-Or-None transaction unless the order includes specific instructions to execute an All-Or-None transaction or the All-Or-None bid or offer is the best price available to satisfy the terms of the order.~~

~~4. An All-Or-None bid or offer may be accepted by one or more members provided that the entire~~

~~quantity of the All or None order is executed at a single price and that each counterparty to the order accepts a quantity at or in excess of the designated minimum counterparty threshold. Each order executed opposite an All or None order must be for a quantity that meets or exceeds the minimum counterparty threshold. Separate orders may not be bunched to meet the minimum counterparty threshold.~~

~~5. All Or None transactions shall not set off conditional orders (e.g., Stop Orders and MIT Orders) or otherwise affect orders in the regular market.~~

~~6. All Or None transactions must be reported to a designated Exchange official who shall record and publish the quantity and prices separately from reports of transactions in the regular market. The brokers executing All Or None transactions must maintain a record of said transaction in accordance with Rule 536.~~

~~C. Confirmation of Trades:~~ It shall be the duty of both traders to confirm their trades as to the price, quantity, commodity, contract month, respective clearing members and, for options, strike price, put or call and expiration month. Confirmation shall take place as soon as possible, but in no event more than 15 minutes after the trade.

## 522. ~~[RESERVED]~~**ACCEPTANCE OF BIDS AND OFFERS (CME Rulebook)**

~~In open outcry and electronic trading, while outstanding, all or any part of any bid or offer is subject to immediate acceptance by any trader. Members are required to honor all bids or offers which have not been withdrawn from the market. The price at which a trade is executed shall be binding, unless such trade is cancelled by Exchange officials in accordance with Exchange rules.~~

## 522. ~~CHANGERS~~**ACCEPTANCE OF BIDS AND OFFERS (CBOT Rulebook)**

~~In open outcry and electronic trading, while outstanding, all or any part of any bid or offer is subject to immediate acceptance by any trader. Members are required to honor all bids or offers which have not been withdrawn from the market. The price at which a trade is executed shall be binding, unless such trade is cancelled by Exchange~~

~~The Exchange shall permit a clearing firm to act as a changer, subject to the provisions below, for the purpose of engaging in changing transactions involving CBOT mini-sized Corn, mini-sized Soybean or mini-sized Wheat futures contracts and their full-sized counterparts. A changing transaction involves the purchase or sale of a commodity between a changer and another member, which on the part of the changer is part of a spreading transaction between a mini-sized contract and its corresponding full-sized contract.~~

### ~~522.A.~~ **Application and Notices**

~~1. A clearing member firm desiring to act as a changer for one or more of the mini-sized contracts specified in this Rule, shall make an application to the Exchange, in the manner prescribed by the Exchange. The Exchange may approve changers consonant with the needs of the Exchange, considering such matters as liquidity in the relevant contracts, space and physical facilities required for changing, financial capability of the applicant, the number and character of the relevant contracts, and the number and capacity of changers already in a particular commodity.~~

~~2. A changer shall notify the Exchange of the names of its changer's representatives who will accept orders for changing transactions, and any changes thereto.~~

~~3. A changer shall file with the Exchange, notice of any limitations on the extent to which it will make its services available, and of any changes to such limitations, one day prior to their effective date. The Exchange may disapprove any such limitations.~~

### ~~522.B.~~ **Execution of Changing Transactions**

~~1. A changer shall maintain a representative on the trading floor at all times during open outcry trading hours to accept orders for changing transactions.~~

~~2. A member may give an order to a changer's representative, who shall immediately place such order for execution in the pit for the relevant full-sized contract. A changer may not unreasonably refuse to accept any order that is consistent with its authorization to act as a changer.~~

~~3. If filled, the member placing the order and the changer's representative shall be deemed to have executed a changing transaction wherein the full-sized commodity purchased (sold) has been sold to (bought from) the member placing the order, on and subject to the rules of the Exchange.~~

~~4. When a changer purchases (sells) a full-sized commodity, it may mark up (down) the price of the purchase (sale) when making the corresponding sale to (purchase from) the member placing the~~

~~order, by the amount of its changing fee. The changer shall disclose the amount of its current changing fee, prior to accepting any particular order for a changing transaction.~~

- ~~5. The provision of Rule 523 that any part of any bid or offer is subject to immediate acceptance by any trader shall not apply to the execution of a changing transaction.~~

**522.C. ~~Recordkeeping and Clearing~~**

- ~~1. An order for a changing transaction must be documented and time-stamped in the same manner as a customer order, in accordance with Rule 536.~~
- ~~2. A changer shall clear its changing transactions through an account exclusively designated for such purpose. This changing account at all times shall be evenly spread between the relevant mini-sized contracts and their full-sized counterparts. However, changer accounts which have Globex transactions pending for clearing on the next trade date are exempted from the evenly spread requirement.~~
- ~~3. All changing transactions shall be clearly identified as such by appropriate accounts or symbols on all records of the changer and on the records submitted for clearing.~~

**522.D. ~~Fees~~**

~~Changers may be obligated to pay changer transaction fees to the Exchange, at such times, and in such manner as the Exchange may prescribe.~~

**522.E. ~~Miscellaneous~~**

- ~~1. No changer's representative shall enter into a changing transaction in which he appears as the executing member on each side of the transaction.~~
- ~~2. If applicable, a member futures commission merchant shall disclose to its customers that the price at which a trade is executed on the Exchange may include a changer's fee, and, that the amount of the changing fee, if included in a transaction price, shall be disclosed to a customer upon request.~~
- ~~3. No member or employee of a member shall require, induce or attempt to induce, either directly or indirectly, a floor broker or member to execute any transaction through a changing transaction or to utilize the services of a particular changer or changer's representative.~~
- ~~4. No member may give a market order, a priced order, or a discretionary order, to a changer's representative except by open outcry, nor without first seeking a bid or offer, nor without executing as much as possible in the pit at prices which such member reasonably expects to be the best available. Members may not enter priced orders with a changer that are off the current market in both the mini-sized contract and its corresponding full-sized contract.~~
- ~~5. No member shall give orders to a changer's representative for quantities that he could reasonably expect to execute in the pit for the relevant mini-sized contract.~~

**523. ACCEPTANCE OF BIDS AND OFFERS ALL-OR-NONE TRANSACTIONS**

~~In pit and electronic trading, any bid or offer may be withdrawn at any time before acceptance, but while outstanding all or any part of any bid or offer is subject to immediate acceptance by any trader. No bid or offer shall be specified for acceptance by a particular trader. The price at which a trade is executed shall be binding, unless such trade is cancelled by Exchange officials in accordance with Exchange rules.~~

~~The Exchange shall determine the minimum thresholds for and the commodities in which All-or-None transactions shall be permitted. The following shall govern All-or-None trading:~~

- ~~1. A member may request an All-or-None bid and/or offer for a specified quantity at or in excess of the applicable minimum threshold. Such request shall be made in the pit designated for the trading of the particular transaction.~~
- ~~2. A member may respond by quoting an All-or-None bid or offer price. A bid or offer in response to an All-or-None request shall be made only when it is the best bid or offer in response to such request, but such price need not be in line with the bids and offers currently being quoted in the regular market.~~
- ~~3. A member shall not execute any order by means of an All-or-None transaction unless the order includes specific instructions to execute an All-or-None transaction or the All-or-None bid or offer is the best price available to satisfy the terms of the order.~~
- ~~4. An All-or-None bid or offer may be accepted by one or more members provided that the entire quantity of the All-or-None order is executed at a single price and that each counterparty to the order accepts a quantity at or in excess of the designated minimum counterparty threshold. Each order executed opposite an All-or-None order must be for a quantity that meets or exceeds the~~

minimum counterparty threshold. Separate orders may not be bunched to meet the minimum counterparty threshold.

5. All-or-None transactions shall not set off conditional orders (e.g., Stop Orders and MIT Orders) or otherwise affect orders in the regular market.
6. All-or-None transactions must be reported to a designated Exchange official who shall record and publish the quantity and prices separately from reports of transactions in the regular market. The brokers executing All-or-None transactions must maintain a record of said transaction in accordance with Rule 536.

**524. FUNDS IN TRADING ACCOUNTS CARRIED BY CLEARING MEMBERS~~[RESERVED]~~**

~~If a Member (as defined in Rule 400) trades in excess of written limits prescribed by his qualifying or guaranteeing clearing member or a clearing member through which such Member is authorized by his qualifying clearing member to trade pursuant to Rule 511 without sufficient funds in his account to margin the position, or if the Member is alleged to have engaged in reckless and unbusinesslike dealing inconsistent with just and equitable principles of trade, and such trades are profitable, the disposition of any and all funds in the applicable trading account(s) may be suspended by the carrying clearing member. The claim of a carrying clearing member to such profits shall be submitted to arbitration pursuant to the provisions of Chapter 6. The Member may request a hearing to be held as soon as practicable before a Chairman of the Arbitration Committee to determine the amount of any profits that should remain subject to a continued suspension pending an arbitration hearing on the full merits of the claim.~~

**525. ~~[RESERVED]~~CHANGERS (CBOT ONLY. CME RULE 525 REMAINS RESERVED)**

The Exchange shall permit a clearing firm to act as a changer, subject to the provisions below, for the purpose of engaging in changing transactions involving CBOT mini-sized Corn, mini-sized Soybean or mini-sized Wheat futures contracts and their full-sized counterparts. A changing transaction involves the purchase or sale of a commodity between a changer and another member, which on the part of the changer is part of a spreading transaction between a mini-sized contract and its corresponding full-sized contract.

**525.A. Application and Notices**

1. A clearing member firm desiring to act as a changer for one or more of the mini-sized contracts specified in this Rule, shall make an application to the Exchange, in the manner prescribed by the Exchange. The Exchange may approve changers consonant with the needs of the Exchange, considering such matters as liquidity in the relevant contracts, space and physical facilities required for changing, financial capability of the applicant, the number and character of the relevant contracts, and the number and capacity of changers already in a particular commodity.
2. A changer shall notify the Exchange of the names of its changer's representatives who will accept orders for changing transactions, and any changes thereto.
3. A changer shall file with the Exchange, notice of any limitations on the extent to which it will make its services available, and of any changes to such limitations, one day prior to their effective date. The Exchange may disapprove any such limitations.

**525.B. Execution of Changing Transactions**

1. A changer shall maintain a representative on the trading floor at all times during open outcry trading hours to accept orders for changing transactions.
2. A member may give an order to a changer's representative, who shall immediately place such order for execution in the pit for the relevant full-sized contract. A changer may not unreasonably refuse to accept any order that is consistent with its authorization to act as a changer.
3. If filled, the member placing the order and the changer's representative shall be deemed to have executed a changing transaction wherein the full-sized commodity purchased (sold) has been sold to (bought from) the member placing the order, on and subject to the rules of the Exchange.
4. When a changer purchases (sells) a full-sized commodity, it may mark up (down) the price of the purchase (sale) when making the corresponding sale to (purchase from) the member placing the order, by the amount of its changing fee. The changer shall disclose the amount of its current changing fee, prior to accepting any particular order for a changing transaction.
5. The provision of Rule 523 that any part of any bid or offer is subject to immediate acceptance by any trader shall not apply to the execution of a changing transaction.

**525.C. Recordkeeping and Clearing**

1. An order for a changing transaction must be documented and time-stamped in the same manner as a customer order, in accordance with Rule 536.
2. A changer shall clear its changing transactions through an account exclusively designated for such purpose. This changing account at all times shall be evenly spread between the relevant mini-sized contracts and their full-sized counterparts. However, changer accounts which have Globex transactions pending for clearing on the next trade date are exempted from the evenly spread requirement.
3. All changing transactions shall be clearly identified as such by appropriate accounts or symbols on all records of the changer and on the records submitted for clearing.

**525.D. Fees**

Changers may be obligated to pay changer transaction fees to the Exchange, at such times, and in such manner as the Exchange may prescribe.

**525.E. Miscellaneous**

1. No changer's representative shall enter into a changing transaction in which he appears as the executing member on each side of the transaction.
2. If applicable, a member futures commission merchant shall disclose to its customers that the price at which a trade is executed on the Exchange may include a changer's fee, and, that the amount of the changing fee, if included in a transaction price, shall be disclosed to a customer upon request.
3. No member or employee of a member shall require, induce or attempt to induce, either directly or indirectly, a floor broker or member to execute any transaction through a changing transaction or to utilize the services of a particular changer or changer's representative.
4. No member may give a market order, a priced order, or a discretionary order, to a changer's representative except by open outcry, nor without first seeking a bid or offer, nor without executing as much as possible in the pit at prices which such member reasonably expects to be the best available. Members may not enter priced orders with a changer that are off the current market in both the mini-sized contract and its corresponding full-sized contract.
5. No member shall give orders to a changer's representative for quantities that he could reasonably expect to execute in the pit for the relevant mini-sized contract.

**530. PRIORITY OF CUSTOMERS' ORDERS**

A member shall not buy (sell) a futures contract, buy (sell) a call option or sell (buy) a put option for his own account, an account in which he has a direct or indirect financial interest, or an account over which he has discretionary trading authority when he is in possession of an executable order for another person to buy (sell) a futures contract, buy (sell) a call option or sell (buy) a put option in the same product, regardless of the venue of execution. All contract months in a given futures product and all options on the futures product, in addition to any corresponding ~~alternative mini-sized~~ (mini or micro) futures or options contracts on a given product, shall be considered the same product for the purposes of this rule.

[The remainder of the rule is unchanged.]

**536. RECORDKEEPING REQUIREMENTS FOR PIT, GLOBEX, AND NEGOTIATED TRADES**

[The introduction portion of Section A. remains unchanged.]

**1. Customer Orders**

At the time of execution, every order received from a customer must be in the form of a written or electronic record and include an electronic timestamp reflecting the date and time such order was received on the floor of the Exchange and, except as provided in Section C., must identify the specific account(s) for which the order was placed. Such record shall also include an electronic timestamp reflecting the date and time such order was modified, returned, ~~or, in the case of a flashed transaction, when~~ confirmed or cancelled.

Upon request, a clearing firm must provide its broker, in an expeditious and reasonable manner, with a copy of every floor order such broker is asked to execute.

Upon request, a clearing firm must provide its broker, in an expeditious and reasonable manner, with a copy of every floor order such broker is asked to execute.

**2. Individual Member Orders**

- a. A member on the trading floor who enters a ~~n-flashed or verbal~~ order with another member



shall record the order instructions and the time of placement to the nearest minute in sequence with the other trades recorded on his pre-sequenced trading cards, unless such order is immediately entered into an approved electronic device or recorded pursuant to Section 2.b. below. Orders that involve options-futures combinations and other spread trades where the initiating member personally executes at least one leg of the spread shall not be subject to this requirement.

[The remainder of Section 2.a. is unchanged.]

- b. Every written order that is initiated by a member for his own account while on the trading floor must include an electronic timestamp reflecting the date and time such order was transmitted for execution and when such order was modified, be dated and timestamped upon transmission for execution and when returned, or, in the case of a flashed transaction, when confirmed or cancelled.
- c. A member or his employee standing in a trading pit receiving an order directly over a headset for pit execution from an off-floor member for his account must simultaneously make a written record of the order on a trading card or other document including the identification of the member calling in the order unless such order is immediately entered into an approved electronic device. The member executing the order must record the time of execution to the nearest minute for each execution made for the order on any trading card or other document used to record the trade(s) and must return this card or document to the initiating member's clearing member.

3. Proprietary Orders of Clearing Members and Certain Member Entities

Upon receipt on the floor of the Exchange, an order placed for the proprietary account of a member firm must be in the form of a written or electronic record that includes an electronic timestamp reflecting the date and time such order was received on the floor and must identify the specific account(s) for which the order was placed. Such record shall also include an electronic timestamp reflecting the date and time such order was modified, be timestamped when the order is returned, or, in the case of a flashed transaction, when confirmed or cancelled.

[The remainder of Section A.3. Through Section G. is unchanged.]

**536.H. Retention of Records**

Each member and member firm and employees of the foregoing must keep full, complete and systematic records, including records created or transmitted electronically, together with all pertinent data and memoranda, of all transactions relating to its business of dealing in commodity futures, options and cash transactions in accordance with CFTC Regulation 1.35. Such records must be retained for a minimum of five years in permanent form, and shall at all times be open to inspection by Exchange staff or any representative of the CFTC or the United States Department of Justice.

**537. SUBSTITUTION OF FUTURES FOR FORWARDS (SUB) (CME Only. CBOT Rule 537 remains reserved.)**

~~(Ex-Pit or Ex-CME Globex Transactions)~~—A Substitution of futures contracts for over-the-counter (OTC) forward instruments shall be permitted by arrangement between eligible contract participants and comprised of two discrete transactions, where, the buyer and seller of the futures contract must be, respectively, the buyer and seller of the forward instrument. The forward instrument component shall involve the commodity underlying the futures contract (or a derivative, by-product or related product of such commodity). The quantity covered by the forward instrument must be approximately equivalent to the quantity covered by the futures contract. The parties to the transaction shall maintain a record of the transaction together with all pertinent memoranda. The forward instrument component of a Sub transaction must comply with applicable CFTC forward regulatory requirements, if any. The Exchange~~CME~~ shall determine eligible futures contracts and over-the-counter instruments.

**538. EXCHANGE OF FUTURES FOR RELATED POSITIONS**

~~The following transactions shall be permitted by arrangement between parties in accordance with the requirements of this rule:~~

- ~~1. Exchange for Physical ("EFP") — A privately negotiated and simultaneous exchange of a futures position for a corresponding cash position.~~
- ~~— Exchange for Risk ("EFR") — A privately negotiated and simultaneous exchange of a futures position for a corresponding agricultural commodity swap or other OTC instrument.~~
- ~~— For purposes of this rule, all EFPs and EFRs shall be referred to as Exchanges of Futures for~~



Related Positions ("EFRP"):

- ~~2. Options on futures are not a permissible component of an EFRP.~~
- ~~3. The related position (cash, swap, or OTC derivative) must involve the commodity underlying the futures contract, or must be a derivative, by product or related product of such commodity that has a reasonable degree of price correlation to the commodity underlying the futures contract.~~
- ~~4. An EFRP consists of two discrete, but related simultaneous transactions. One party must be the buyer of (or have the long market exposure associated with) the related position and the seller of the corresponding futures, and the other party must be the seller of (or have the short market exposure associated with) the related position and the buyer of the corresponding futures. However, a member firm may facilitate, as principal, the related position on behalf of a customer, provided that the member firm can demonstrate that the related position was passed through to the customer who received the futures position as part of the EFRP transaction.~~
- ~~5. The accounts involved in the execution of an EFRP must be (a) independently controlled accounts with different beneficial ownership; or (b) independently controlled accounts of separate legal entities with the same beneficial ownership, provided that the account controllers operate in separate business units; or (c) independently controlled accounts within the same legal entity provided that the account controllers operate in separate business units; or (d) commonly controlled accounts of separate legal entities provided that the separate legal entities have different beneficial ownership. However, on or after the first day on which delivery notices can be tendered in a physically delivered contract, an EFRP may not be executed for the purpose of offsetting concurrent long and short positions in the expiring contract when the accounts involved in the transaction are owned by the same legal entity and when the date of the futures position being offset is not the same as the date of the offsetting transaction.~~
- ~~6. The quantity covered by the related position must be approximately equivalent to the quantity covered by the futures contracts.~~
- ~~7. An EFRP may be entered into in accordance with the applicable trading increments set forth in the rules governing such futures contracts, at such prices as are mutually agreed upon by the two parties to the transaction.~~
- ~~8. Subject to approval by the Clearing House, EFRP transactions may be permitted during the contract month after termination of the contract. Such transactions shall not establish new futures positions.~~
- ~~9. Clearing firms on opposite sides of an EFRP must subsequently approve the terms of the transaction, including the clearing firm (division), price, quantity, commodity, contract month and date prior to submitting the transaction to the Clearing House. All EFRP transactions must be submitted to the Clearing House by a clearing firm acting on its own behalf or for the beneficial account of a customer who is a party to the transaction. Clearing firms are responsible for exercising due diligence as to the bona fide nature of EFRP transactions submitted on behalf of customers.~~
- ~~10. Each EFRP transaction shall be designated as such, and cleared through the Clearing House. Each such transaction shall be submitted to the Clearing House within the time period and in the manner specified by the Exchange.~~
- ~~11. The time of execution of an EFRP must be recorded on the futures order ticket, and on the record submitted to the Clearing House.~~
- ~~12. Parties to any EFRP transaction must maintain all documents relevant to the futures and the cash, swap, or OTC transactions, including all documents customarily generated in accordance with cash or other relevant market practices and any documents reflecting payment and transfer of title. Any such documents must be provided to the Exchange upon request and it shall be the responsibility of the carrying clearing firm to provide the requested documentation on a timely basis.~~

**538. EXCHANGE FOR RELATED POSITIONS**

The following transactions shall be permitted by arrangement between parties in accordance with the requirements of this rule:

Exchange for Physical ("EFP") – A privately negotiated and simultaneous exchange of an Exchange futures position for a corresponding cash position.

Exchange for Risk ("EFR") – A privately negotiated and simultaneous exchange of an Exchange futures position for a corresponding OTC swap or other OTC instrument.

Exchange of Options for Options ("EOO") – A privately negotiated and simultaneous exchange of an Exchange option position for a corresponding OTC option position or other OTC instrument with similar characteristics.

For purposes of this rule, an EFP, EFR or EOO shall be referred to as an Exchange for Related Position ("EFRP").

**538.A. Nature of an EFRP**

An EFRP consists of two discrete but related simultaneous transactions. One party to the EFRP must be the buyer of (or the holder of the long market exposure associated with) the related position and the seller of the corresponding Exchange contract. The other party to the EFRP must be the seller of (or the holder of the short market exposure associated with) the related position and the buyer of the corresponding Exchange contract.

However, a member firm may facilitate, as principal, the related position on behalf of a customer, provided that the member firm can demonstrate that the related position was passed through to the customer who received the Exchange contract position as part of the EFRP.

**538.B. Related Positions**

The related position (cash, OTC swap, OTC option, or other OTC derivative) must involve the commodity underlying the Exchange contract, or must be a derivative, by-product, or related product of such commodity that has a reasonable degree of price correlation to the commodity underlying the Exchange contract.

**538.C. Quantity**

The quantity covered by the related position must be approximately equivalent to the quantity covered by the Exchange contracts.

**538.D. Prices and Price Increments**

An EFRP transaction may be entered into in accordance with the applicable price increments or option premium increments set forth in the rules governing the pertinent Exchange contracts, at such prices as are mutually agreed upon by the two parties to the transaction.

**538.E. Date and Time of Transaction**

The date and the time of execution of all EFP transactions must be denoted on the record of the transaction required to be created pursuant to Rule 536.E. Notwithstanding the preceding sentence, EFRP transactions entered into CME ClearPort do not need a separate record of the transaction or time of execution provided that such transactions are entered immediately after the relevant terms have been determined, but in no event later than the earlier of the next business day or the end of the following permissible posting period for EFRP transactions following the expiration of the underlying futures contract.

**538.F. Termination of Trading in Exchange Contracts**

EFRP transactions may be permitted after termination of trading in expiring Exchange contracts, as prescribed in the applicable rules governing such Exchange contracts. Such transactions shall not establish new positions.

**538.G. Identification and Submission to the Clearing House**

Each EFRP transaction shall be designated as such and shall be cleared through the Clearing House. Each such transaction shall be submitted to the Clearing House within the time period and in the manner specified by the Exchange. Clearing member firms are responsible for exercising due diligence as to the bona fide nature of EFRP transactions submitted on behalf of customers.

**538.H. Documentation**

Parties to any EFRP transaction must maintain all documents relevant to the Exchange contract and the cash, OTC swap, OTC option, or other OTC derivatives, including all documents customarily generated in accordance with relevant market practices and any documents reflecting payment and transfer of title. Any such documents must be provided to the Exchange upon request, and it shall be the responsibility of the carrying clearing member firm to provide such requested documentation on a timely basis.

**538.I. Account Requirements**

The accounts involved in the execution of an EFRP transaction must be (a) independently controlled accounts with different beneficial ownership; or (b) independently controlled accounts of separate legal entities with the same beneficial ownership, provided that the account controllers operate in separate business units; or (c) independently controlled accounts within the same legal entity, provided that the

account controllers operate in separate business units; or (d) commonly controlled accounts of separate legal entities, provided that the separate legal entities have different beneficial ownership.

However, on or after the first day on which delivery notices can be tendered in a physically delivered Exchange futures contract, an EFRP transaction may not be executed for the purpose of offsetting concurrent long and short positions in the expiring Exchange futures contract when the accounts involved in such transaction are owned by the same legal entity and when the date of the Exchange futures position being offset is not the same as the date of the offsetting transaction.

#### **538.J. Large Trader Requirements for EFRP Transactions**

Each clearing member, omnibus account and foreign broker submitting large trader positions in accordance with Rule 561 must submit for each reportable account the EFRP volume bought and sold in the reportable instrument, by contract month, and additionally for EEOs, by put and call strike. The information must be included in the daily Large Trader report to the Exchange.

### **539. PREARRANGED, PRE-NEGOTIATED AND NONCOMPETITIVE TRADES PROHIBITED**

[Section A. is unchanged.]

#### **539.B. Exceptions**

The foregoing restriction shall not apply to block trades pursuant to Rule 526 or Exchange ~~of Futures~~ for Related Positions transactions pursuant to Rule 538.

[The remainder of the rule is unchanged.]

### **542. SIMULTANEOUS SPREAD AND COMBINATION TRANSACTIONS**

A. All spread or combination transactions in which all sides are acquired simultaneously must be for the same account or accounts with the same ownership, except as provided by Rule 527. Each of the respective legs of the spread or combination transaction must be priced within the daily price limits for those contracts that have limits.

~~In the event a spread or combination transaction executed in the pit involves one or more contracts which have not established a price range during that trading session, the price(s) recorded for such contract(s) shall not establish a price range.~~

[The remainder of the rule is unchanged.]

### **550. POST CLOSE SESSION**

As soon as practicable, ~~trading may resume for a period of three but in no event more than 15~~ minutes after the close of Regular Trading Hours for pit traded futures and designated options contracts. Such trading must begin with 15 minutes after the close of Regular Trading Hours unless a later start time is approved by an Exchange Official. ~~may resume for a period of three minutes.~~ The post close session for related products shall commence simultaneously.

During the post close session, members are obligated to bid or offer any orders that: ~~(1) were received prior to or after the close; (2) were executable in the closing range; and (3) which~~ are executable in the post close session. ~~In addition, members are obligated to bid or offer any orders, including customer orders, that were received after the close and are executable in the post close session.~~

Outright futures and options trades during the post close session may ~~only~~ occur at ~~any the settlement price, provided such prices within the closing range, or any valid intervening price between the settlement price and the closing range.~~ During the post close session, outright options trades may occur at any price except that options contracts with daily price limits must be traded at prices is within the daily limits ~~for contracts with daily price limits.~~

~~A simultaneous spread or combination transaction executed pursuant to Rule 542 may be transacted during the post close session provided that the spread has previously traded during the Regular Trading Hours session or the legs comprising the spread have previously opened during the Regular Trading Hours session. The differential or combination price at which a spread trades during the post close session may establish a new high or low for the spread. Spreads or combination transactions during the post close session may occur at any price, provided must be priced so that one both legs are priced within the range of prices eligible to trade in the post close session and one leg is priced within the daily price limits for contracts with price limits. If a spread is used to correct an erroneous transaction during the post close session, then the legs may be priced outside of the range of prices eligible to trade during the post close session, but must be within the daily price limits for contracts with price limits. The price assignment conventions and conditions set forth in Rule 542 shall apply to any simultaneous spread or~~

~~combination transaction executed in the post close session.~~

~~The prices at which trades occur during the post close session may establish a new high or low in the outright contract month or spread or combination.~~

Except as otherwise specifically set forth in this rule, the rules applicable to trading during Regular Trading Hours shall be applicable to trading during the post close session.

#### **559. POSITION LIMITS AND EXEMPTIONS(CME)**

~~The position limits applicable in those contracts with position limits are set forth in the Position Limit and Reportable Level Table in the Interpretations Section at the end of Chapter 5. A person seeking an exemption from the position limits shall apply to the Market Regulation Department on forms provided by the Exchange, pursuant to Section F. below. The person shall identify the exemption sought, explain the nature and extent of his business, and affirm under oath that:~~

~~1. the intended positions will be either:~~

~~a. bona fide hedges~~

~~i) that are economically appropriate and necessary or advisable as an integral part of his business; and~~

~~ii) that comply with all applicable federal requirements relating to hedging and have been approved for this purpose by the CFTC where necessary;~~

~~b. risk management positions; or~~

~~c. arbitrage or spread positions~~

~~2. the applicant will comply with whatever limitations are imposed by the Market Regulation Department with regard to such positions; and~~

~~3. the applicant will promptly submit a supplemental statement whenever there is a material change to the information provided in the person's most recent application.~~

~~Except as provided in Section F. below, a clearing member shall not carry a position that exceeds the position limits on behalf of an account unless the clearing member has confirmed that the owner or controller of such account has received an exemption from the Market Regulation Department.~~

##### **559.A. Bona Fide Hedging Positions**

~~The Market Regulation Department may grant exemptions from the position limits for positions qualifying as bona fide hedge positions as defined by CFTC Regulation 1.3(z).~~

~~Approved hedgers may be exempted from emergency orders reducing position limits or restricting trading.~~

##### **559.B. Risk Management Positions**

~~For the purposes of this rule, risk management positions are defined as futures and options positions which are held by or on behalf of a commercial entity or an affiliate of a commercial entity, which typically buys, sells or holds positions in the underlying cash market, a related cash market, or a related over the counter market and for which the underlying market has a high degree of demonstrated liquidity relative to the size of the positions and where there exist opportunities for arbitrage which provide a close linkage between the futures or options market and the underlying market in question.~~

~~The Market Regulation Department may grant exemptions from the position limits in debt-based, equity-based, commodity index-based and foreign currency-based futures and options for risk management positions as described in this rule. Exemptions related to indexed positions in the over the counter market may include corresponding commodity index-based futures and options and/or individual commodity futures and options used as components in replicating an index.~~

~~In order to qualify for an exemption, such positions must meet one or more of the following three sets of criteria:~~

~~1. Long positions in futures, long calls, or short puts whose futures equivalent value does not exceed the sum of cash set aside in an identifiable manner, or any of the following unencumbered instruments so set aside, with maturities of less than 1 year: U.S. Treasury obligations; U.S. agency discount notes; commercial paper rated A2 or better by Standard & Poor's and P2 or better by Moody's; banker's acceptances; or certificates of deposit, plus any funds deposited as performance bond on such positions and accrued profits on such positions held at the clearing member.~~

~~2. Long positions in futures, long calls, or short puts whose futures equivalent value does not exceed the sum of the value of fully hedged positions in equity securities, debt securities, commodities or~~

~~currencies, provided that the fluctuations in the value of the position used to hedge such securities, commodities or currencies are substantially related to the fluctuations in the value of the securities, commodities or currencies themselves, and accrued profits on such positions held at the clearing member.~~

~~3. Short calls whose futures equivalent value does not exceed the sum of:~~

- ~~a. The value of securities, commodities or currencies underlying the futures contract upon which the option is based or underlying the option itself and which securities, commodities or currencies are owned by the trader holding such option position; or~~
- ~~b. The value of securities, commodities or currencies whose price fluctuations are substantially related to the price fluctuations of the securities, commodities or currencies underlying the futures contract upon which the option is based or underlying the option itself and which securities, commodities or currencies are owned by the trader holding such option position.~~

**559.C. Arbitrage and Spread Positions**

~~The Market Regulation Department may grant exemptions from the position limits for arbitrage, intracommodity spread, intercommodity spread, and eligible option/option or option/futures spread positions.~~

~~For exemptions from the spot month position limits for cash-settled agricultural contracts, the prospective arbitrageur or spreader shall specify the extent of his current and/or planned activity in the cash market underlying the contract for which such exemption is requested. Upon receiving an exemption from the spot-month position limit, the arbitrageur or spreader agrees to disclose, upon request by the Market Regulation Department, any cash market activity involving the underlying commodity, including any activity during the period when the contract's cash settlement price is determined.~~

**559.D. Aggregation of Positions**

~~In determining whether 1) any person has exceeded the position limits set forth in the Position Limit and Reportable Level Table in the Interpretations Section at the end of Chapter 5 or, where applicable, those limits determined pursuant to an exemption granted by the Market Regulation Department pursuant to Rule 559, or 2) a position is a reportable position pursuant to Rule 561, all positions in accounts for which such person by power of attorney or otherwise directly or indirectly holds positions or controls trading, except as set forth in Section E. below, shall be included with the positions held by such person. Such limits upon positions shall apply to positions held by two or more persons acting pursuant to an expressed or implied agreement or understanding, the same as if the positions were held by, or the trading of the positions were done by, a single person.~~

~~Except as set forth in Section E. below, any person holding positions in more than one account, or holding accounts or positions in which the person by power of attorney or otherwise directly or indirectly has a 10% or greater ownership or equity interest, must aggregate all such accounts or positions, unless such person is a limited partner, shareholder, member of a limited liability company, beneficiary of a trust or similar type of pool participant in a commodity pool. However, this exception does not apply if the person is the commodity pool operator, controls the pool's trading decisions, or has an ownership or equity interest of 25% or greater in a commodity pool the operator of which is exempt from registration with the Commodity Futures Trading Commission.~~

**559.E. Independently Controlled Positions**

~~An eligible entity as defined in CFTC Regulation §150.1(d) shall not be considered to have violated the position limits based on the positions established on its behalf by one or more independent account controllers as defined in CFTC Regulation §150.1(e) if each such account controller does not exceed position limits, and if the positions are not held in a spot month if there is a position limit that applies to individual trading months during their expiration.~~

~~If an independent account controller is affiliated with the eligible entity or another independent account controller, each of the affiliated entities must comply with the requirements set forth in CFTC Regulation §150.3(4)(i)(A-D).~~

~~The position limits shall apply to all positions held by futures commission merchants or their separately organized affiliates in customer discretionary accounts or in guided account programs unless the accounts are controlled by independent traders and meet the standards set forth in CFTC Regulation 150.4(d).~~

~~Any person claiming an exemption from position limits under this Section must, upon request by the Market Regulation Department, provide information relating to the positions owned or controlled by that~~

~~person; trading done pursuant to the claimed exemption; the futures, options or cash market positions which support the claimed exemption; and the relevant business relationships supporting the claimed exemption.~~

**~~559.F. Application to Exceed Hedge, Risk Management, Arbitrage or Spread Position Limits~~**

~~Except as provided below, a person intending to exceed position limits or limits established pursuant to a previously approved exemption must file the required application and receive approval by the Market Regulation Department prior to exceeding such limits.~~

~~A person who establishes an exemption-eligible position in excess of position limits may file the required application after exceeding such limits. A person who has not previously received approval to exceed position limits must file the application within five business days. A person exceeding a previously approved exemption limit must file the application within ten business days. The Market Regulation Department shall have the authority to require the submission of the application within a shorter period of time.~~

~~The Market Regulation Department shall, on the basis of any application and requested supplemental information, determine whether the applicant will be approved for exemption pursuant to the foregoing sections. The Market Regulation Department may impose such limitations on the approval as are commensurate with the applicant's business needs, financial ability and personal integrity, as well as the liquidity, depth and volume of the market for which the exemption is sought. The Market Regulation Department may review exemption approvals at any time, and, for cause, revoke such approvals or place limitations thereon if it is determined that the applicant's status or the market conditions have changed. The applicant may appeal any decision of the Market Regulation Department pursuant to this Section to the Business Conduct Committee.~~

~~In all cases, entities granted relief pursuant to any of the foregoing sections must comply with all other Exchange rules and requirements. Additionally, all parties approved to exceed position limits must initiate and liquidate such positions in an orderly manner consistent with sound commercial practices, and must not initiate or liquidate such positions in a manner calculated to cause unreasonable or unwarranted price changes or fluctuations, violate or avoid Exchange rules, or otherwise impair the good name of the Exchange.~~

~~Except as provided above, a clearing member that permits a customer to establish a position in excess of position limits without prior approval by the Market Regulation Department may be found responsible for the violation of the limit.~~

**~~559.G. Violations~~**

~~Violations of position limits and approved exemption limits are subject to the provisions of Rule 443.~~

**~~559. POSITION LIMITS AND EXEMPTIONS(CBOT)~~**

~~The position limits applicable in those contracts with position limits are set forth in the Position Limit and Reportable Level Table in the Interpretations Section at the end of Chapter 5. A person seeking an exemption from the position limits shall apply to the Market Regulation Department on forms provided by the Exchange, pursuant to Section F. below. The person shall identify the exemption sought, explain the nature and extent of his business, and affirm under oath that:~~

- ~~1. the intended positions will be either:
  - ~~a. bona fide hedges
    - ~~i) that are economically appropriate and necessary or advisable as an integral part of his business; and~~
    - ~~ii) that comply with all applicable federal requirements relating to hedging and have been approved for this purpose by the CFTC where necessary;~~~~
  - ~~b. risk management positions; or~~
  - ~~c. arbitrage or spread positions~~~~
- ~~2. the applicant will comply with whatever limitations are imposed by the Market Regulation Department with regard to such positions; and~~
- ~~3. the applicant will promptly submit a supplemental statement whenever there is a material change to the information provided in the person's most recent application.~~

~~Except as provided in Section F. below, a clearing member shall not carry a position that exceeds the position limits on behalf of an account unless the clearing member has confirmed that the owner or~~

~~controller of such account has received an exemption from the Market Regulation Department.~~

**~~559.A. — Bona Fide Hedging Positions~~**

~~The Market Regulation Department may grant exemptions from the position limits for positions qualifying as bona fide hedge positions as defined by CFTC Regulation 1.3(z).~~

~~Approved hedgers may be exempted from emergency orders reducing position limits or restricting trading.~~

**~~559.B. — Risk Management Positions~~**

~~For the purposes of this rule, risk management positions are defined as futures and options positions which are held by or on behalf of a commercial entity or an affiliate of a commercial entity, which typically buys, sells or holds positions in the underlying cash market, a related cash market, or a related over the counter market and for which the underlying market has a high degree of demonstrated liquidity relative to the size of the positions and where there exist opportunities for arbitrage which provide a close linkage between the futures or options market and the underlying market in question.~~

~~The Market Regulation Department may grant exemptions from the position limits in debt-based, equity-based, commodity index-based and foreign currency-based futures and options for risk management positions as described in this rule. Exemptions related to indexed positions in the over the counter market may include corresponding commodity index-based futures and options and/or individual commodity futures and options used as components in replicating an index.~~

~~In order to qualify for an exemption, such positions must meet one or more of the following three sets of criteria:~~

- ~~1. Long positions in futures, long calls, or short puts whose futures equivalent value does not exceed the sum of cash set aside in an identifiable manner, or any of the following unencumbered instruments so set aside, with maturities of less than 1 year: U.S. Treasury obligations; U.S. agency discount notes; commercial paper rated A2 or better by Standard & Poor's and P2 or better by Moody's; banker's acceptances; or certificates of deposit, plus any funds deposited as performance bond on such positions and accrued profits on such positions held at the clearing member.~~
- ~~2. Long positions in futures, long calls, or short puts whose futures equivalent value does not exceed the sum of the value of fully hedged positions in equity securities, debt securities, commodities or currencies, provided that the fluctuations in the value of the position used to hedge such securities, commodities or currencies are substantially related to the fluctuations in the value of the securities, commodities or currencies themselves, and accrued profits on such positions held at the clearing member.~~
- ~~3. Short calls whose futures equivalent value does not exceed the sum of:
  - ~~a. The value of securities, commodities or currencies underlying the futures contract upon which the option is based or underlying the option itself and which securities, commodities or currencies are owned by the trader holding such option position; or~~
  - ~~b. The value of securities, commodities or currencies whose price fluctuations are substantially related to the price fluctuations of the securities, commodities or currencies underlying the futures contract upon which the option is based or underlying the option itself and which securities, commodities or currencies are owned by the trader holding such option position.~~~~

**~~559.C. — Arbitrage and Spread Positions~~**

~~The Market Regulation Department may grant exemptions from the position limits for arbitrage, intracommodity spread, intercommodity spread, and eligible option/option or option/futures spread positions.~~

~~Exemptions from position limits for Corn, Oats, Soybean, Wheat, Soybean Oil and Soybean Meal futures and options contracts traded on the Exchange shall be governed by Commodity Futures Trading Commission Regulation 150.3.~~

**~~559.D. — Aggregation of Positions~~**

~~In determining whether 1) any person has exceeded the position limits set forth in the Position Limit and Reportable Level Table in the Interpretations Section at the end of Chapter 5 or, where applicable, these limits determined pursuant to an exemption granted by the Market Regulation Department pursuant to Rule 559, or 2) a position is a reportable position pursuant to Rule 561, all positions in accounts for which such person by power of attorney or otherwise directly or indirectly holds positions or controls trading, except as set forth in Section E. below, shall be included with the positions held by such person. Such limits upon positions shall apply to positions held by two or more persons acting pursuant to an expressed or implied agreement or understanding, the same as if the positions were~~



~~held by, or the trading of the positions were done by, a single person.~~

~~Except as set forth in Section E. below, any person holding positions in more than one account, or holding accounts or positions in which the person by power of attorney or otherwise directly or indirectly has a 10% or greater ownership or equity interest, must aggregate all such accounts or positions, unless such person is a limited partner, shareholder, member of a limited liability company, beneficiary of a trust or similar type of pool participant in a commodity pool. However, this exception does not apply if the person is the commodity pool operator, controls the pool's trading decisions, or has an ownership or equity interest of 25% or greater in a commodity pool the operator of which is exempt from registration with the Commodity Futures Trading Commission.~~

**~~559.E. ——— Independently Controlled Positions~~**

~~An eligible entity as defined in CFTC Regulation §150.1(d) shall not be considered to have violated the position limits based on the positions established on its behalf by one or more independent account controllers as defined in CFTC Regulation §150.1(e) if each such account controller does not exceed position limits, and if the positions are not held in a spot month if there is a position limit that applies to individual trading months during their expiration or if the positions are Treasury futures positions.~~

~~If an independent account controller is affiliated with the eligible entity or another independent account controller, each of the affiliated entities must comply with the requirements set forth in CFTC Regulation §150.3(4)(i)(A-D).~~

~~Additionally, Treasury futures positions carried in independently controlled accounts owned by different legal entities, irrespective of whether the entities qualify as eligible entities, may exceed the position limits provided that affiliated legal entities must comply with the requirements set forth in CFTC Regulation §150.3(4)(i)(A-D) and provided that the overall positions held or controlled by each such independent account controller may not exceed position limits.~~

~~The position limits shall apply to all positions held by futures commission merchants or their separately organized affiliates in customer discretionary accounts or in guided account programs unless the accounts are controlled by independent traders and meet the standards set forth in CFTC Regulation 150.4(d).~~

~~Any person claiming an exemption from position limits under this Section must, upon request by the Market Regulation Department, provide information relating to the positions owned or controlled by that person; trading done pursuant to the claimed exemption; the futures, options or cash market positions which support the claimed exemption; and the relevant business relationships supporting the claimed exemption.~~

**~~559.F. ——— Application to Exceed Hedge, Risk Management, Arbitrage or Spread Position Limits~~**

~~Except as provided below, a person intending to exceed position limits or limits established pursuant to a previously approved exemption must file the required application and receive approval by the Market Regulation Department prior to exceeding such limits.~~

~~A person who establishes an exemption-eligible position in excess of position limits may file the required application after exceeding such limits. A person who has not previously received approval to exceed position limits must file the application within five business days. A person exceeding a previously approved exemption limit must file the application within ten business days. The Market Regulation Department shall have the authority to require the submission of the application within a shorter period of time.~~

~~The Market Regulation Department shall, on the basis of any application and requested supplemental information, determine whether the applicant will be approved for exemption pursuant to the foregoing sections. The Market Regulation Department may impose such limitations on the approval as are commensurate with the applicant's business needs, financial ability and personal integrity, as well as the liquidity, depth and volume of the market for which the exemption is sought. The Market Regulation Department may review exemption approvals at any time, and, for cause, revoke such approvals or place limitations thereon if it is determined that the applicant's status or the market conditions have changed. The applicant may appeal any decision of the Market Regulation Department pursuant to this Section to the Business Conduct Committee.~~

~~In all cases, entities granted relief pursuant to any of the foregoing sections must comply with all other Exchange rules and requirements. Additionally, all parties approved to exceed position limits must initiate and liquidate such positions in an orderly manner consistent with sound commercial practices, and must not initiate or liquidate such positions in a manner calculated to cause unreasonable or unwarranted price changes or fluctuations, violate or avoid Exchange rules, or otherwise impair the~~

~~good name of the Exchange.~~

~~Except as provided above, a clearing member that permits a customer to establish a position in excess of position limits without prior approval by the Market Regulation Department may be found responsible for the violation of the limit.~~

**~~559.G. Violations~~**

~~Violations of position limits and approved exemption limits are subject to the provisions of Rule 443.~~

**559. POSITION LIMITS AND EXEMPTIONS**

The position limit levels applicable to those contracts with position limits are set forth in the Position Limit, Position Accountability and Reportable Level Table ("Table") in the Interpretations Section at the end of Chapter 5.

A person seeking an exemption from position limits must apply to the Market Regulation Department on forms provided by the Exchange. In order to obtain an exemption from position limits, a person must:

1. Provide a description of the exemption sought, including whether the exemption is for bona fide hedging positions as defined in CFTC Regulation §1.3(z)(1), risk management positions or arbitrage/spread positions;
2. Provide a complete and accurate explanation of the underlying exposure related to the exemption request;
3. Agree to promptly provide, upon request by the Market Regulation Department, information or documentation regarding the person's financial condition;
4. Affirm that the requested exemption complies with any applicable CFTC requirements and, for those contracts with Federal limits, that the exemption request has been approved by the CFTC; (This will show reserved in CME Rule 559)
5. Agree to comply with all terms, conditions or limitations imposed by the Market Regulation Department with respect to the exemption;
6. Agree that the Market Regulation Department may, for cause, modify or revoke the exemption at any time;
7. Agree to initiate and liquidate positions in an orderly manner;
8. Agree to comply with all Exchange rules; and
9. Agree to promptly submit a supplemental statement to the Market Regulation Department whenever there is a material change to the information provided in the most recent application.

A person intending to exceed position limits, including limits established pursuant to a previously approved exemption, must file the required application and receive approval from the Market Regulation Department prior to exceeding such limits. However, a person who establishes an exemption-eligible position in excess of position limits and files the required application with the Market Regulation Department shall not be in violation of this rule provided the filing occurs within one (1) business day after assuming the position except in circumstances where the Market Regulation Department has expressly approved a later filing which may not exceed five (5) business days. In the event the positions in excess of the limits are not deemed to be exemption-eligible, the applicant and clearing firm will be in violation of speculative limits for the period of time in which the excess positions remained open.

The Market Regulation Department shall, on the basis of the application and any requested supplemental information, determine whether an exemption from position limits shall be granted. The Market Regulation Department may approve, deny, condition or limit any exemption request based on factors deemed by the Department to be relevant, including, but not limited to, the applicant's business needs and financial status, as well as whether the positions can be established and liquidated in an orderly manner given characteristics of the market for which the exemption is sought.

Nothing in this rule shall in any way limit (i) the authority of the Exchange to take emergency action; or (ii) the authority of the Market Regulation Department to review at any time the positions owned or controlled by any person and to direct that such position be reduced to the position limit provided for in the Table.

A person who has received written authorization from the Market Regulation Department to exceed position limits must annually file an updated application not later than one year following the approval date of the most recent application. Failure to file an updated application will result in expiration of the exemption.

**559.A. Bona Fide Hedging Positions**

The Market Regulation Department may grant exemptions from position limits for bona fide hedge positions as defined by CFTC Regulation §1.3(z)(1).

Approved bona fide hedgers may be exempted from emergency orders that reduce position limits or restrict trading.

**559.B. Risk Management Positions**

The Market Regulation Department may grant exemptions from the position limits for risk management positions. For the purposes of this rule, risk management positions are defined as futures and options positions which are held by or on behalf of an entity or an affiliate of an entity which typically buys, sells or holds positions in the underlying cash market, a related cash market, or a related over-the-counter market and for which the underlying market has a high degree of demonstrated liquidity relative to the size of the positions and where there exist opportunities for arbitrage which provide a close linkage between the futures or options market and the underlying market in question. Exemptions related to indexed positions in the over-the-counter market may include corresponding commodity index-based futures and options and/or individual commodity futures and options used as components in replicating an index.

**559.C. Arbitrage and Spread Positions**

The Market Regulation Department may grant exemptions from the position limits for arbitrage, intracommodity spread, intercommodity spread, and eligible option/option or option/futures spread positions.

Spread and arbitrage exemptions from position limits for Corn, Oats, Soybean, Wheat, Soybean Oil and Soybean Meal futures and options contracts traded on the Exchange shall be governed by CFTC Regulation §150.3(a)(3). (This paragraph will appear only in Section C. of CBOT Rule 559)

**559.D. Aggregation of Positions**

1. Positions to be Aggregated - The position limits in the Table shall apply to all positions in accounts for which a person by power of attorney or otherwise directly or indirectly owns the positions or controls the trading of the positions. The position limits in the Table shall also apply to positions held by two or more persons acting pursuant to an expressed or implied agreement or understanding, the same as if the positions were held by, or the trading of the positions was done by, a single person.

2. Ownership of Accounts – Except as set forth in Section E. below, any person holding positions in more than one account, or holding accounts or positions in which the person by power of attorney or otherwise directly or indirectly has a 10% or greater ownership or equity interest, must aggregate all such accounts or positions unless such person is a limited partner, shareholder, member of a limited liability company, beneficiary of a trust or similar type of pool participant in a commodity pool. The foregoing exception for pool participants shall not apply if the person is a commodity pool operator, controls the commodity pool's trading decisions, or has an ownership or equity interest of 25% or more in a commodity pool whose operator is exempt from registration with the CFTC.

**559.E. Limited Exceptions to Aggregation for Independently Controlled Positions (CME version)**

Positions carried for an eligible entity as defined in CFTC Regulation §150.1(d) in the separate account or accounts of independent account controllers as defined in CFTC Regulation §150.1(e) shall not be aggregated for position limit purposes provided that the positions are not held in the spot month during such time that a spot month position limit is applicable. If an independent account controller is affiliated with the eligible entity or another independent account controller, each of the affiliated entities must comply with the requirements set forth in CFTC Regulation §150.3(4)(i)(A-D).

Positions held by futures commission merchants or their separately organized affiliates in customer discretionary accounts or in guided account programs shall not be aggregated for position limit purposes provided that the accounts are controlled by independent traders and meet the standards set forth in CFTC Regulation §150.4(d).

Any person claiming an exemption from position limits under this Section must, upon request by the Market Regulation Department, provide any information deemed necessary to support the exemption.

**559.E. Limited Exceptions to Aggregation for Independently Controlled Positions (CBOT version)**

Positions carried for an eligible entity as defined in CFTC Regulation §150.1(d) in the separate account or accounts of independent account controllers as defined in CFTC Regulation §150.1(e) shall not be aggregated for position limit purposes provided that the positions are not held in the spot month during such time that a spot month position limit is applicable, or if the positions are Treasury futures positions. If an independent account controller is affiliated with the eligible entity or another independent account controller, each of the affiliated entities must comply with the requirements set forth in CFTC Regulation §150.3(4)(i)(A-D).

Treasury futures positions carried in independently controlled accounts owned by different legal entities, irrespective of whether the entities qualify as eligible entities, shall not be aggregated for position limit

purposes provided that affiliated legal entities must comply with the requirements set forth in CFTC Regulation §150.3(4)(i)(A-D).

Positions held by futures commission merchants or their separately organized affiliates in customer discretionary accounts or in guided account programs shall not be aggregated for position limit purposes provided that the accounts are controlled by independent traders and meet the standards set forth in CFTC Regulation §150.4(d).

Any person claiming an exemption from position limits under this Section must, upon request by the Market Regulation Department, provide any information deemed necessary to support the exemption.

#### **559.F. Violations**

Violations of position limits and approved exemption limits are subject to the provisions of Rule 443.

### **560. POSITION ACCOUNTABILITY**

The Market Regulation Department may, at any time, require a person who owns or controls positions in contracts traded on or cleared by the Exchange and which are subject to position limit or position accountability rules to provide information relating to such person's position. For purposes of this rule, all positions in accounts for which a person, by power of attorney or otherwise, directly or indirectly holds positions or controls trading shall be included with the positions held by such person. Additionally, positions held by two or more persons acting pursuant to an expressed or implied agreement or understanding shall be treated the same as if the positions were held by a single person.

Upon request by the Market Regulation Department, such person shall provide information relating to the positions owned or controlled by that person including, but not limited to, the nature and size of the position, the trading strategy employed with respect to the position, and hedging information, if applicable. If the person from whom such information is requested fails to provide the information as directed, the Market Regulation Department may order the reduction of such position.

A person who exceeds position accountability or position limit levels as a result of maintaining positions at more than one clearing firm shall be deemed to have waived confidentiality regarding his position and the identity of the clearing members at which the positions are maintained.

A person who holds or controls, ~~or a member firm that carries for another person,~~ aggregate positions in excess of ~~these~~ specified position accountability levels or in excess of position limits pursuant to an approved exemption shall be deemed to have consented, when so ordered by the Market Regulation Department, not to further increase the positions, to comply with any prospective limit which exceeds the size of the position owned or controlled, or to reduce any open position which exceeds position accountability or position limit levels. Any order to reduce an open position shall be issued by the Chief Regulatory Officer or his designee, if he determines in his sole discretion, that such action is necessary to maintain an orderly market. ~~in the Position Accountability column in the Position Limit and Reportable Level Table in the Interpretations Section at the end of Chapter 5,~~ shall be subject to the following provisions:

a. ~~Such person shall provide, in a timely manner upon request by the Market Regulation Department, information regarding the nature of the position, trading strategy, and hedging information, if applicable.~~

b. ~~Such person shall be deemed to have consented, when so ordered by the Exchange, not to further increase the positions which exceed the levels specified in the Position Accountability column in the Position Limit and Reportable Level Table in the Interpretations Section at the end of Chapter 5.~~

c. ~~A clearing member that carries positions for another person shall be responsible for taking reasonable and diligent actions to effect the timely compliance with any order issued pursuant to this rule upon notification of such order by the Market Regulation Department.~~

All ~~Such~~ positions must be initiated and liquidated in an orderly manner.

For purposes of this rule, all positions in accounts for which a person, by power of attorney or otherwise, directly or indirectly controls trading shall be included with the positions held by such person. The provisions of this rule shall apply to positions held by two or more persons acting pursuant to an expressed or implied agreement or understanding, the same as if the positions were held by a single person.

### **561. REPORTS OF LARGE POSITIONS**

#### **561.A. General Provisions**

Clearing members, omnibus accounts and foreign brokers shall submit to the Exchange a daily report of all positions required to be reported as set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations Section at the end of Chapter 5. Positions at ~~individuals~~ or above the entities which own, control, or carry reportable level positions in a particular expiration single

~~contract month of a for one~~ futures contract or ~~in all puts or in all calls of a particular option contract a~~ single expiration month trigger reportable status. For a person in reportable status in a particular contract, all positions ~~for a put or call option,~~ regardless of size, in any futures contract month and in any put or call on that futures contract must be reported.

Additionally, the daily Large Trader submission to the Exchange must include for each reportable account 1) the EFRP volume bought and sold in the reportable instrument, by contract month, and for EOOs by put and call strike and 2) the number of delivery notices issued and the number of deliveries stopped in the reportable instrument.

Failure by an omnibus account or foreign broker to submit required information may result in a hearing by the Business Conduct Committee and result in limitations, conditions or denial of access of such omnibus account or foreign broker to any Exchange market. Notwithstanding the above, clearing members carrying such accounts remain responsible for obtaining and providing to the Exchange information regarding the ownership and control of positions in circumstances where an omnibus account or foreign broker has failed to provide the information to the Exchange.

All large trader reports shall be submitted in a form acceptable to the Market Regulation Department. ~~price.~~ The Exchange may require that more than one large trader report be submitted daily. ~~Such report shall be in a form acceptable to the Market Regulation Department and shall contain the account numbers and the number of open contracts in each month for a futures contract or in each expiration month for a put or call option in which any individual or other entity owns, controls, or carries open positions in a single contract month that equals or exceeds the reporting level for such contract pursuant to Section B. Furthermore, with respect to any individual or entity owning, controlling, or carrying a position that meets or exceeds the reportable level in any month of a futures or options contract, the clearing member must submit a report for that individual or entity in all months of that futures contract and all corresponding options contracts, regardless of position size. The Business Conduct Committee or the Market Regulation Department may, at its discretion, require reports from anyone or more clearing member, omnibus account or foreign broker members on a lesser number of positions than reflected in the Position Limit, Position Accountability and Reportable Level Table.~~ owned, controlled, or carried.

Clearing members, omnibus accounts and foreign brokers must provide ~~shall also furnish~~ the Market Regulation Department with the required CFTC Form 102 ("Identification of Special Accounts") ~~reports~~ identifying the owner, ~~and any controlling parties and any additional~~ for accounts required to be disclosed in accordance with the preceding paragraph.

It shall be the responsibility of the clearing member to obtain the information for each reportable required above relative to ownership and control of positions within any account. The form must be submitted to ~~carried on an omnibus basis, unless such omnibus account has been specifically exempted by the Market Regulation Department no later than the business day following the date on which the account becomes reportable. Additionally, any material changes to the information previously provided to the Market Regulation Department will require the submission of a revised form within three business days of such changes becoming effective.~~

#### **561.B. Reportable Levels**

The reportable levels for all contracts are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations Section at the end of Chapter 5.

## **INTERPRETATIONS & SPECIAL NOTICES RELATING TO CHAPTER 5**

### **ACCESS, CONDUCT AND APPEARANCE CODE**

It is imperative that persons who utilize the Exchange Trading Floors ("trading floor") maintain a proper and businesslike atmosphere on the trading floor. This is not only for the benefit of the thousands of visitors (ranging from U.S. government officials to foreign dignitaries to the general public) who come to the Exchange each year, but also to maintain and enhance the reputation and dignity of the Exchange as an international marketplace.

Accordingly, the Exchange has established rules governing access to and conduct on the trading floor as well as standards of appearance. These rules and standards apply to members and their employees, member firm employees, Exchange employees and visitors.

#### **I. Access**

A. To gain access to the trading floor, every member, member's employee, member firm

employee, and Exchange employee must use only his own personal access card to ~~gain access~~~~pass through the turnstiles leading~~ to the trading floor ~~entrance~~. Exchange trading floor employees, other Exchange employees routinely on the trading floor and members must display their personal access card or their Exchange issued identification badge. Non-member employees of members and member firms must display their personal access cards on the upper front of their jackets with the picture side facing outward. Broker assistants must also wear a badge provided by the Exchange that identifies them as broker assistants.

- B. Members are required to register and accompany their visitors and are responsible for their actions while they are on the trading floor. Visitors must wear appropriate attire that is clean and presentable and are not allowed in any pit during trading hours. Visitors' overcoats, packages, umbrellas or briefcases are not permitted on the trading floor.
- C. Members may not request trading floor access privileges for the same visitor on more than three days of the same calendar month without the permission of designated Exchange staff of the Security Department.
- D. Visitors are prohibited from soliciting employment or from acting as employees of members, member firms or the Exchange on the trading floor.
- E. No one under the age of 1~~36~~ will be admitted to the trading floor during trading hours.

## II.

### Conduct

Commonly accepted standards of propriety and decorum apply to everyone on the trading floor. The following behavior, speech or actions are expressly prohibited on the trading floor.

- A. Possessing any weapon (including, but not limited to, firearms, knives, stun guns or pepper spray);
- B. Carrying or consuming food or drink. Individually-wrapped (non-chocolate) hard candy and gum, however, are permissible.
- C. Reckless throwing of trading cards or any other material;
- D. Excessive speed in moving around the trading floor;
- E. Use of emergency exits without proper justification;
- F. Smoking or use of tobacco products, including chewing tobacco, ~~except where explicitly permitted~~;
- G. Use of members-only facilities by non-members;
- H. Failure to give member priority to quotation machines, news tickers, monitors and other facilities where such member priority is so designated;
- I. Engaging in any activity that is disruptive to trading;
- J. The sale or solicitation of goods or services without consent of the Exchange;
- K. Having outer coats or umbrellas on the trading floor;
- L. Use of cameras or video equipment, unless authorized by the Exchange. Flash photography, however, is never permitted.

In addition, the following activities are prohibited anywhere on Exchange premises:

- M. Any behavior, speech or actions that are detrimental to the interests and good name of the Exchange (this includes any conduct which is a violation of any local, state or federal law);
- N. Profanity, vulgarity (including wearing buttons with crude or offensive slogans or pictures) or any speech or action that tends to intimidate, degrade or endanger others;
- O. Defacing or otherwise damaging: 1) an Exchange-issued badge or jacket; 2) Exchange facilities or property; or 3) any facility or property regardless of ownership;
- P. Possessing a firearm or other weapon ~~(except that pepper spray and pocket knives may be brought onto Exchange premises, so long as they are not carried onto the trading floor)~~;
- Q. Discarding refuse on escalators or in elevators or in hallways or lobbies; and



- R. ~~Garrying open containers of food or drink on escalators or in elevators;~~
- S. ~~Consuming food or drink in the trading floor lobbies; and~~
- T. ~~Sexual harassment related to race/color, sex/gender, sexual orientation, age, religion, veteran status, national origin and disability/medical condition~~ is expressly prohibited. ~~Sexual harassment consists of unlawful verbal or physical conduct directed at a person when that conduct is based on that person's sex and has a substantial adverse effect on him or her in the workplace. Such conduct includes, but is not limited to, i) requests for sexual favors, ii) verbal, written or graphic communications of a sexual nature, and iii) patting, pinching, hitting or any other unnecessary contact with another person's body or threats to take such action.~~

### III. Appearance

- A. All apparel should be neat, clean, presentable and in keeping with the businesslike atmosphere of the trading floor.
- B. Jackets: Where required, Every member, member's employee, member firm employee and Exchange trading floor employee must wear a jacket provided by the Exchange or their employer, or, in the case of members, a jacket of their own choosing. All jackets must conform to Exchange standards. Guests may not wear trading jackets on the trading floor during trading hours.
- C. Shirts ~~and ties~~: All men must wear shirts with a collar suitable for a necktie or bow tie. Shirts must be buttoned to at least the second button from the collar. Golf-type shirts are permitted. ~~The following kinds of shirts are not acceptable: sweatshirts, tie-dye shirts and T-shirts.~~ Shirttails must be tucked in. Turtleneck sweaters are not allowed for men. Crewneck sweaters are allowed if a conventional collar suitable for a necktie or bow tie is visible. Sweatshirts, tie-dye shirts and T-shirts are prohibited.
- D. Shoes: Shoes must be clean, safe and not torn or frayed. ~~Athletic shoes that meet these criteria are acceptable.~~ The following footwear is specifically prohibited: all shoes without backs, sandals or flip-flops, canvas slippers, moccasins, ~~work boots, snow boots,~~ rubber boots, rubber overshoes, ~~fur boots,~~ clogs, bedroom slippers, ~~platform shoes~~ and shoes without backs platforms over 2 inches. All shoes must be tied with laces or appropriately fastened. ~~Pants may be tucked into boots that are mid-calf height or lower; boots higher than mid-calf height must be worn under pants, skirts or dresses.~~
- E. Pants: The following pants are specifically prohibited~~are not acceptable~~: blue jeans, ~~fatigues, stone-washed corduroys, tie-dyed pants, leisure pants, mid-calf pants, shorts, and~~ sweat pants, ~~athletic pants, pants with stripes on the sides, pants with patch or bulging pockets, decorative zippers or work loops, and leg warmers.~~ Tight-fitting stretch pants are allowed only when worn with blouse or shirt at mid-thigh or lower.
- F. Skirts and dresses: Skirts and dresses must reach mid-thigh or lower.
- G. Headwear: All headgear or head coverings are prohibited, except for religious or medical reasons.
- H. Miscellaneous: The following are specifically prohibited: ~~S~~unglasses, ~~whether worn as glasses or on top of the head, are not allowed, nor are~~ ornaments, pendants or similar items that are distracting or ~~not un~~businesslike. Clothing or accessories~~Anyone wearing clothing that draws unusual attention (e.g., bare midriffs or revealing blouses, dresses, skirts or pants) will be deemed unbusinesslike and not permitted on~~ not be admitted to the trading floor.

### IV. Drug and Alcohol Abuse

In order to maintain a safe, healthful, and productive working environment, the Exchange has established the following policy prohibiting drug and alcohol use on Exchange premises.

The following activities are prohibited and may result in disciplinary action, including immediate and permanent bar of access to Exchange premises:

- A. Possession of open containers or use of alcohol, except as expressly authorized by the Exchange.
- B. Being under the influence of alcohol on Exchange premises.



- C. Use, sale, purchase, transfer, or possession of any illegal drug on Exchange premises.
- D. Failure on the part of non-members to submit to a reasonable search by authorized Exchange personnel of lunch boxes, bags, parcels, packages, purses, briefcases, pockets or coats, etc.

Members and Member Firms are responsible for their employees' strict adherence to these requirements.~~ALL MEMBERS AND MEMBER FIRMS SHALL BE RESPONSIBLE FOR THEIR EMPLOYEES' ADHERENCE TO THESE REQUIREMENTS.~~

## QUOTATION CHANGES

### I. GENERAL PROCEDURES

- A. ~~On-Screen~~ Corrections requested up to 15 minutes from the time the bid, offer or trade occurred or reportedly occurred: Changes must be authorized by a member of the Pit Committee or an Exchange ~~Official~~Supervisor.
- B. ~~On-Screen~~ Corrections requested more than 15 minutes from the time the bid, offer or trade occurred or reportedly occurred ~~and All Off-Screen Corrections~~: Changes must be authorized by:
  - 1. 15-30 Minutes ~~(On-Screen) and 0-30 Minutes (Off-Screen)~~: ~~A Pit Committee Vice-Chairman or his designee, a~~ member of the Pit Committee and one Exchange ~~Official~~Supervisor.
  - 2. Over 30 Minutes: A member of the Pit Committee ~~Vice-Chairman or his designee~~, a member of the Floor Conduct Committee ~~member~~ and a Senior Exchange Official.
- C. Unanimous Approval Required: Unanimous approval among the individuals participating in the quote change consideration is required to effectuate the requested change. In the absence of unanimity, the proposed quote adjustment shall not be made.
- D. A request for a quote change which results in a new high or low for the day must be made within 5 minutes (futures) or 10 minutes (options) of the time the bid, offer or trade occurred or reportedly occurred.

A request for a quote change which affects an established opening range must be made within 15 minutes after the posting of the range, or, in the case of a request for a quote change which affects an established closing range, within 10 minutes of the posting of the closing range. Such requests shall be considered by a member of the Pit Committee ~~Vice-Chairman or his designee~~, a Floor Conduct Committee member and a Senior Exchange Official. Failure to make such a timely request will bar consideration of the quote change.

The time limitations described in this Section D will not apply in the case of options strikes or futures contracts deemed by a Senior Exchange Official to be inactive or illiquid or in the case of a fast market designation. These requests may be considered by a member of the Pit Committee ~~Vice-Chairman or his designee~~, a Floor Conduct Committee member and a Senior Exchange Official at any time during the same day's trading session.

- E. A decision to adjust a quote must be made within 15 minutes after a quote change request has been made. However, in the event a fast market has been declared while the quote adjustment is under consideration, the period for consideration may continue for 15 minutes after the end of the fast market. To the extent practicable, quote change adjustments shall be announced to the pit.
- F. Reconsideration: Once a request for a particular quote change has been resolved, or if no decision is reached within the allotted time pursuant to paragraph 5 above, a subsequent request for reconsideration involving the original quote or adjustment may be considered if a Senior Exchange Official deems that new relevant information pertaining to the original request is now available. Such request for reconsideration must be considered by the same individuals who ruled on, or failed to reach a timely resolution of, the original request. In the event one or more of the individuals who participated in the consideration of the original quote change request is unavailable to consider the request for reconsideration, a Senior Exchange Official shall designate a substitute. However, this reconsideration process may not be utilized for a correction involving a quote change which results in a new high or low for the day, with the exception of option strikes or futures contracts deemed by a Senior Exchange Official to be inactive or illiquid, or in declared fast markets.

- G. ~~OPTION SPREADS AND COMBINATIONS~~Requests for Next Day Corrections

If an ~~options spread or combination~~ quote has been inadvertently omitted from the price reporting system and such omission is not discovered until after the trading session ~~and the insertion of the quote would not affect an opening or closing range or a high or low~~, trades may be allowed to clear at the

~~omitted price~~the Time and Sales record of the affected trade data may be corrected by inserting the ~~missing options spread or combination quote~~ at any time prior to the opening of the affected market the next day, provided that all of the following requirements are satisfied:

1. ~~The trade was executed at a differential;~~
2. The parties to the trade can reasonably show that they properly ~~reported~~~~called out~~ the trade price~~options spread or combination~~ and had a reasonable basis for believing that the trade price would be posted;
23. The parties to the trade produce documentation of: a) the contemporaneous recordation of the trade; b) the confirmation of the trade to the customer of the member firm representing the order; and c) the submission of the trade to the Exchange Clearing House and its failure to clear the trade due to a price edit;
34. The change is authorized by a ~~Pit Committee Vice-Chairman or his designee, a Floor Conduct Committee member and a~~ Senior Exchange Official; and
45. The change is documented pursuant to Section II.B below.

## II. DOCUMENTATION NEEDED FOR QUOTATION CHANGES

- A. In the case of ~~on-screen~~ quote changes requested pursuant to Section I.A., a record shall be made of all committee members or Exchange employees approving the quote change and the change will be recorded on Time and Sales.
- B. In the case of ~~off-screen~~ quote changes requested pursuant to Section I.B.1., a hard copy record of the quote change shall be made by Exchange staff. The individuals approving the change shall promptly sign the record. The record shall be time-stamped upon request and again upon approval and shall include the reason for the change, and, in the case of ~~a request for a quote change requested pursuant to Section I.B.2 over 30 minutes from the time the bid, offer or trade occurred or reportedly occurred,~~ the reason for the delay. For all approved quotation changes other than next day corrections pursuant to Section I.G above, ~~the~~ the quotation change will be recorded on Time and Sales.

## III. CONFLICTS OF INTEREST

No ~~Pit Committee or Floor Conduct Committee member~~individual may authorize any quotation change, insertion or cancellation if such individual has a personal or financial interest in such change, insertion or cancellation.

## IV. AUTHORITY OF SENIOR EXCHANGE OFFICIALS WITH RESPECT TO QUOTATION CHANGES

Senior Exchange Officials may review and authorize any request for a quotation change in circumstances where the individuals specified in Sections I and II are otherwise not available or where the change is not encompassed by Section I or II. Notwithstanding the procedures set forth in Sections I and II, Senior Exchange Officials are empowered to authorize or deny any requested change only in circumstances where such action is necessary to ensure the integrity or promote the orderly functioning of the market. Such decisions by Senior Exchange Officials shall be documented and signed by the Senior Exchange Official and except for next day corrections pursuant to Section I.G above, the quotation change will be recorded on Time and Sales.

## POSITION LIMIT, POSITION ACCOUNTABILITY AND REPORTABLE LEVEL TABLE

[The only change is to the title of the CME and CBOT Tables. The remainder of the Tables are unchanged.]

# CME Chapter 7 Delivery Facilities and Procedures

## 716. DUTIES OF CLEARING MEMBERS

Prior to the last day of trading in a physically delivered contract, each clearing member shall be responsible for assessing the account owner's ability to make or take delivery~~require evidence~~ for each account on ~~its~~his books with open positions in the expiring contract~~that all futures positions which will not be offset on the last day of trading will be completed by delivery.~~ Absent satisfactory information from the account owner~~If a customer is unwilling or unable to provide such evidence,~~ the clearing member is responsible for ensuring that the open positions are liquidated in an orderly manner prior to the expiration~~must liquidate the position on or before the last day~~ of trading.

**770. ~~ALTERNATIVE DELIVERY PROCEDURES~~ DELIVERY OFFSET PROCEDURES**

~~In Live Cattle futures and Random Length Lumber futures, a~~ member or clearing member who, as the result of an error in the execution of an order or an outtrade discovered on or after the last day of trading, has a position in a contract which has expired and who is obligated either to make or take physical delivery in that contract, may, with the consent of the account owners or controllers, request to offset such position against an opposite position of a member or clearing member whether or not such position exists as a result of an error or outtrade; provided, however, that the parties to any such error or outtrade shall exercise the utmost diligence to resolve the error or outtrade.

~~The Clearing House shall accept such request, up to the full quantity of the initial request, upon receiving offset acceptance from an account(s) with different beneficial ownership. No new positions can be created pursuant to this rule. A clearing member desiring to offset such positions must notify the Clearing House by reporting its final open interest and submitting an Alternative Delivery Notice in accordance with the schedule established by the Clearing House Risk Committee and posted in the Clearing House Manual of Operations. Upon receipt of an Alternative Delivery Notice, the Clearing House shall randomly assign available offsetting positions to each member or clearing member submitting an Alternative Delivery Notice request, thereby extinguishing each party's obligation to make or take physical delivery; provided, however, that in the event the Clearing House is unable to assign offsetting positions due to an insufficient number of available offsetting positions, delivery shall take place as required under Exchange rules. All positions offset pursuant to this rule shall be liquidated at the final settlement price of the contract.~~

~~A clearing member desiring to offset such positions must notify the Clearing House by reporting its final open interest and submitting a request in accordance with the schedule established by the Exchange.~~

The assignment of offsetting positions shall release clearing members and the Exchange from their respective obligations under the contracts.

~~The alternative delivery procedures set forth in this rule may not be used for the purpose of avoiding delivery.~~

**CBOT**  
**Chapter 7**  
**Delivery Facilities and ~~Delivery~~ Procedures**

**716. DUTIES OF CLEARING MEMBERS**

Prior to the last day of trading in a physically delivered contract, each clearing member shall be responsible for assessing the account owner's ability to make or take delivery for each account on its books with open positions in the expiring contract. Absent satisfactory information from the account owner, the clearing member is responsible for ensuring that the open positions are liquidated in an orderly manner prior to the expiration of trading.

**770. DELIVERY OFFSET PROCEDURES**

A member or clearing member who, as the result of an error in the execution of an order or an outtrade discovered on or after the last day of trading, has a position in a contract which has expired and who is obligated either to make or take physical delivery in that contract, may, with the consent of the account owners or controllers, request to offset such position against an opposite position of a member or clearing member whether or not such position exists as a result of an error or outtrade; provided, however, that the parties to any such error or outtrade shall exercise the utmost diligence to resolve the error or outtrade.

The Clearing House shall accept such request, up to the full quantity of the initial request, upon receiving offset acceptance from an account(s) with different beneficial ownership. The Clearing House shall randomly assign available offsetting positions to each member or clearing member submitting a request, thereby extinguishing each party's obligation to make or take physical delivery; provided, however, that in the event the Clearing House is unable to assign offsetting positions due to an insufficient number of available offsetting positions, delivery shall take place as required under Exchange rules. All positions offset pursuant to this rule shall be liquidated at the final settlement price of the contract.

A clearing member desiring to offset such positions must notify the Clearing House by reporting its final open interest and submitting a request in accordance with the schedule established by the Exchange.

The assignment of offsetting positions shall release clearing members and the Exchange from their respective obligations under the contracts.

## Chapter 8 Clearing House and Performance Bonds

### 813. SETTLEMENT PRICE

Settlement prices shall be determined each business day for each product pursuant to one or more of the procedures set forth below. The settlement price shall be a price consistent with the minimum tick increment for the product; if the calculated settlement price is not a standard tick increment, the calculated settlement price will be rounded either to the nearest tick or to the tick closer to the previous day's settlement price. The procedure used to determine the settlement price of a product will depend on the product group, level of activity and liquidity during the defined closing time period, and the trading venue(s) used to derive the settlement.

[1.-5. are unchanged.]

6. For all products that are settled with the delivery of, or by reference to, the same underlying instrument but which are offered in alternative contract sizes (mini or micro)~~trade as both full-sized and mini-sized contracts~~, a single settlement price will be applicable to ~~both the full-sized and mini-sized~~ all such contracts, with necessary adjustments made to round to the nearest tradable price increment eligible in ~~all such~~both contracts.

[The remainder of the rule is unchanged.]

## Chapter 9 Clearing Members

### 904. FUNDS IN TRADING ACCOUNTS CARRIED BY CLEARING MEMBERS

If a Member (as defined in Rule 400) trades in excess of written limits prescribed by his qualifying or guaranteeing clearing member or a clearing member through which such Member is authorized by his qualifying clearing member to trade pursuant to Rule 511 without sufficient funds in his account to margin the position, or if the Member is alleged to have engaged in reckless and unbusinesslike dealing inconsistent with just and equitable principles of trade, and such trades are profitable, the disposition of any and all funds in the applicable trading account(s) may be suspended by the carrying clearing member. The claim of a carrying clearing member to such profits shall be submitted to arbitration pursuant to the provisions of Chapter 6. The Member may request a hearing to be held as soon as practicable before a Chairman of the Arbitration Committee to determine the amount of any profits that should remain subject to a continued suspension pending an arbitration hearing on the full merits of the claim.