Chapter 8A
Mutual Offset System

8A70. SCOPE OF SECTION
This section governs the rights and responsibilities of clearing members participating in the Mutual Offset System. The procedures for trading, clearing, etc., including the duties of a clearing member to its customer and the rights of such customer that are not specifically covered herein shall be governed by the rules of the Exchange that are consistent with this section.

8A71. CONTRACT ELIGIBILITY
The Mutual Offset System may be utilized for the following futures contracts: Nikkei Stock Average and Yen Denominated Nikkei Stock Average.

8A72. DEFINITIONS
8A72.A. Mutual Offset System.
The process of substitution between Participating Exchanges whereby a trade executed on one exchange liquidates or establishes a position on another such exchange.

8A72.B. Inter-Exchange Transfer.
The transfer to one Participating Exchange of a position established as a result of a trade on another Participating Exchange.

An exchange that is a party to the Mutual Offset System. (Chicago Mercantile Exchange Inc. and the Singapore Exchange Derivatives Trading Limited are parties to the Mutual Offset System.)

8A72.D. Originating Clearing Member.
A clearing member of a Participating Exchange that initiates an order for execution pursuant to the Mutual Offset System.

8A72.E. Executing Clearing Member.
A clearing member of a Participating Exchange that accepts and is responsible for executing an order received from an Originating Clearing Member pursuant to the Mutual Offset System.

8A73. CLEARING MEMBER ELIGIBILITY
A clearing member of the Exchange may not participate in the Mutual Offset System as an Originating or Executing Clearing Member unless it has been approved by Exchange staff. Exchange staff shall have the sole discretion in determining the qualifications of an applicant for participation in the Mutual Offset System. If Exchange staff has reason to believe that the continued participation of a clearing member in the Mutual Offset System may, or has the potential to, adversely affect the Exchange or the Mutual Offset System, the Clearing House Risk Committee may summarily revoke the approval. The clearing member shall be entitled to a hearing within 10 days of such revocation.
A violation of this Rule may be a major offense.

8A74. CUSTOMER AUTHORIZATION
A. All orders for execution on another Participating Exchange shall be deemed to be for the Mutual Offset System and the resulting position shall be automatically transferred to the Exchange unless upon receipt of an order the clearing member receives instructions to the contrary.

B. Non-discretionary orders for execution on the Exchange shall not be transferred to a Participating Exchange unless specifically authorized by the account holder in accordance with CFTC Regulation 166.2.

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2 Revised November 2000.
3 Revised November 2000.
C. A violation of this rule may be a major offense.

8A75. INTER-EXCHANGE MEMORANDUM

All trades originated or executed subject to the Mutual Offset System shall be promptly reported to and on a form of memorandum provided by the Clearing House.

8A76. PREREQUISITES FOR INTER-EXCHANGE TRANSFER

So long as the Mutual Offset System is in effect, a trade will be transferred between Participating Exchanges if all of the following conditions are satisfied:

1. The trade has cleared in the ordinary course on the Participating Exchange where executed.
2. An Inter-Exchange Transfer memorandum has been duly delivered to the Clearing House.
3. The Clearing House has received confirmation of the Inter-Exchange trade data from the other Participating Exchange.

8A77. INTER-EXCHANGE TRANSFER

8A77.A. Clearing Members

The Executing Clearing Member with respect to a trade executed on CME pursuant to the Mutual Offset System shall have the same responsibilities to the Clearing House for such trade as for any other trade made on CME until the trade is transferred to a Participating Exchange.

After a trade executed on CME is transferred to another Participating Exchange, the Executing Clearing Member shall have no further responsibility to the Clearing House for such trade and shall have no further responsibility to or relationship with the Originating Clearing Member with respect to the position created by such trade.

After a trade executed on a Participating Exchange, other than CME, is transferred to CME, the Originating Clearing Member shall have no further responsibility to or relationship with the Executing Clearing Member of the other Participating Exchange with respect to the position created by the trade, and the Originating Clearing Member shall have a position on CME and the same responsibilities to the Clearing House for such position as it would have had if the trade creating the position had been executed on CME.

8A77.B. Other Participating Exchanges

At such time as a trade executed on CME is transferred to another Participating Exchange, the other Participating Exchange shall be substituted for the Executing Clearing Member with respect to the position created by such trade.

At such time as a trade executed on a Participating Exchange, other than CME, is transferred to CME, the other Participating Exchange will have a position equal and opposite to such position subject to the Inter-Exchange Transfer.

8A78. TRADE NOT TRANSFERRED BETWEEN PARTICIPATING EXCHANGES

If a trade executed on the CME is not transferred between Participating Exchanges prior to the opening of trading on the next business day, the Executing Clearing Member shall remain responsible to the Clearing House to the full extent as with any trade.

(End Chapter 8-A)
INTERPRETATIONS & SPECIAL NOTICES
RELATING TO CHAPTER 8-A

REPEAL OF RULE 879

(Special Executive Report S-1575, December 9, 1985)

The CFTC has approved the repeal of Rule 879 OMNIBUS ACCOUNT RESTRICTIONS. The repeal is effective immediately.

Rule 879 had prohibited clearing members from accepting or carrying positions executed pursuant to the Mutual Offset System in an omnibus account of a non-member FCM, unless the account was a proprietary account of the non-member FCM. The repeal of the rule means that clearing members may accept and carry positions executed through the mutual offset system in an omnibus account of a non-member firm.