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## **Chapter 5 Trading Qualifications and Practices**

### **500. SCOPE OF CHAPTER**

This chapter prescribes rules concerning Trading Annex access and trading practices. For the avoidance of doubt, the Trading Annex is being provided by the Exchange in its sole discretion and the ability to license space in the Trading Annex is not a privilege of membership in the Exchange; the Exchange may discontinue the provision of the Trading Annex at any time.

### **TRADING ANNEX ACCESS**

### **501. EMPLOYEES OF MEMBERS**

Non-member employees of members may act as communicators and clerks. Such employees shall not be permitted to solicit customers or benefit from the production of orders. Such employees shall not trade or have any interest in an account trading in any NYMEX or COMEX futures or options contracts. Employees must wear a prescribed identification badge. Any member permitting trading by such employee shall be guilty of an offense against the Exchange.

Members shall be responsible for ensuring that their employees comply with all Exchange rules and may, subject to a determination by an Exchange disciplinary committee, be liable for any fines imposed upon such employees by the Exchange. The Exchange may, in its sole discretion, notify a member of the existence of an Exchange investigation and the conduct which is the subject of the investigation involving one of the member's employees when the Market Regulation Department interviews such employee or, if no such interview occurs, when charges are issued against the employee by the Probable Cause Committee.

No person shall be registered as an employee pursuant to this rule if such person is determined by Exchange staff not to be of good moral character or if it is determined that such registration may be detrimental to the interest or welfare of the Exchange.

### **502. [RESERVED]**

### **503.-504. [RESERVED]**

### **505. BOOTH SPACE IN THE TRADING ANNEX**

Booth space in the Trading Annex may be licensed and assigned pursuant to policies established by the Exchange. Available booth space will be assigned by Exchange staff in accordance with the policies established by the Exchange and the decisions of Exchange staff regarding the assignment of booth space shall be final.

Orders may be accepted at or relayed from the booth space assigned to a member or member firm only by the member, employees of the member or member firm and members qualified by the member firm.

### **506. [RESERVED]**

### **507. ELECTRONIC DEVICES**

#### **507.A. General Provisions**

Members using an electronic device in the Trading Annex for permissible business purposes must retain any required audit trail data in accordance with applicable Exchange rules and CFTC regulations.

#### **507.B. [Reserved]**

### **507.C. Electronic Surveillance**

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

**508. [RESERVED]**

**509. [RESERVED]**

## **TRADING QUALIFICATIONS AND REGULATIONS**

### **510. REQUIREMENTS FOR MEMBERS AND THEIR EMPLOYEES IN THE TRADING ANNEX**

All members seeking to license space in and access the Trading Annex must be registered in accordance with applicable CFTC regulations.

A member shall be prohibited from engaging in activities requiring registration under the Commodity Exchange Act or from representing himself to be a registrant under the Commodity Exchange Act or the representative or agent of any registrant if such member's registration is suspended by the CFTC or if the Exchange has suspended such member's privilege to act in a registered capacity on the Exchange.

All members registered with the CFTC must report any changes to such status in accordance with applicable CFTC regulations and must promptly notify the Shareholder Relations and Membership Services Department of any such changes.

### **511. QUALIFIED TRADERS AND BROKERS**

No member with access to the Trading Annex shall be permitted to execute an allowable privately negotiated transaction on the Exchange unless he is qualified to do so by a clearing member.

A member shall place all 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.

All trades initiated for a member's account, an account which he controls or an account in which he has a proprietary interest shall be disclosed on the books of a clearing member.

A member who believes his qualifying clearing member is unreasonably withholding a release necessary to permit the member to be qualified by a different clearing member may request a hearing before a Panel of the Business Conduct Committee ("Panel") pursuant to the applicable provisions of Rule 408. The Panel may, in its sole discretion, remand a dispute concerning the validity of a signed non-compete agreement between the parties to arbitration pursuant to Rule 600.A. Either party may petition the arbitration chairman for expedited handling of the matter pursuant to Rule 613.

The Panel may assess attorneys' fees and the administrative costs of the proceeding against one or both of the parties if it determines that a claim or defense was frivolous or filed in bad faith.

#### **511.A. Trading Annex**

A qualifying clearing member may, without prior notice, revoke a member's authorization to execute transactions in the Trading Annex by written revocation filed with the Shareholder Relations and Membership Services Department. Such revocation shall be effective and the member's qualification to appear in the Trading Annex and to execute transactions shall terminate when notice of the disqualification is posted in the Trading Annex or otherwise delivered to the member. A member shall not appear in the Trading Annex until he has been requalified. A member who has been disqualified shall promptly return his membership badge

to the Shareholder Relations and Membership Services Department.

**511.B. Globex Trading**

In the case of a member who has Globex access guaranteed by a clearing member other than his qualifying clearing member, the qualifying clearing member may terminate the member's ability to place orders through Globex by notifying the clearing member providing the member access to Globex. The clearing member providing the access to Globex will be responsible for ensuring that the member does not place orders through Globex.

**512. REPORTING INFRACTIONS**

**512.A. General**

All data, records and other information required by the rules to be reported to the Exchange or the Clearing House, as applicable, must be submitted in an accurate, complete and timely manner.

**512.B. Sanctions**

1. Except as otherwise provided in Rule 536, the Chief Regulatory Officer or his designee shall have the authority to impose summary fines on parties who have consented to the jurisdiction of the Exchange. Summary fines shall not be less than \$1,000 per offense and shall not exceed \$5,000 per offense for individuals or \$10,000 per offense for firms for the inaccurate, incomplete or untimely submission of data, records or information required to be submitted to the Exchange or the Clearing House.

2. Individuals and firms shall have 15 days following receipt of the notice of a summary fine to present evidence to the Market Regulation Department that the fine should be rescinded or reduced. Absent the submission of such evidence within the designated time period, the fine shall be deemed final and may not be appealed.

**512.C. Hearings and Appeals**

If the Chief Regulatory Officer or his designee determines that evidence submitted by an individual or firm pursuant to Section B.2. is insufficient to support the requested rescission or reduction of the fine, the individual or firm may, within 10 days of the decision, file a written appeal with the Market Regulation Department. A written appeal that fails to specify the grounds for the appeal and the specific error or impropriety of the original decision shall be dismissed. The appeal shall be heard by a Panel of the Business Conduct Committee ("BCC Panel") whose decision shall be final. The appellant shall be entitled to be represented by counsel, appear personally before the BCC Panel and present evidence that he may have in support of his appeal. The BCC Panel shall not set aside, modify or amend the appealed decision unless it determines, by a majority vote, that the decision was:

1. Arbitrary, capricious, or an abuse of the Exchange staff's discretion;
2. In excess of the Exchange staff's authority or jurisdiction; or
3. Based on a clearly erroneous application of Exchange rules.

Notwithstanding the provisions of Sections B.1. and B.2. above, the Market Regulation Department, may, at any time, refer matters that it deems egregious to the Probable Cause Committee.

**513.-515. [RESERVED]**

**516. ERROR ACCOUNTS**

Each member who acts as a Floor Broker must maintain a designated error account with his qualifying clearing member into which he places brokerage errors. This requirement shall not apply to a Floor Broker who initiates trades or enters orders solely on behalf of a member firm's proprietary account.

Each qualifying clearing member which carries an error account agrees, without qualification, to accept and clear the broker's trades involving brokerage errors.

**517.- 519. [RESERVED]**

**TRADING PRACTICES**

**520. TRADING CONFINED TO EXCHANGE FACILITIES**

All trading in Exchange products must occur on or through Exchange facilities and in accordance with Exchange rules.

**521. [RESERVED]**

**522. ACCEPTANCE OF BIDS AND OFFERS**

In 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.

**523. [RESERVED]**

**524. TRADING AT SETTLEMENT (“TAS”) AND TRADING AT MARKER (“TAM”) TRANSACTIONS**

The Exchange shall determine the products, contract months and time periods during which TAS and TAM transactions shall be permitted. Specific products, contract months and spreads eligible for pricing as TAS or TAM transactions are set forth in the TAS Table (“Table”) at the end of Chapter 5.

**524.A. Trading at Settlement (“TAS”) Transactions**

The following shall govern TAS transactions:

1. A TAS order may be entered on Globex at any time the applicable contract is available for TAS trading on Globex and during such TAS-eligible contract’s prescribed pre-open time period. The initiation of any TAS order on Globex outside these time periods is prohibited.
2. Unless otherwise specified in the Table, a TAS-eligible product and contract month may be executed as a block trade pursuant to the requirements of Rule 526.
3. Unless otherwise specified by the Exchange, a TAS transaction may be executed at the current day’s settlement price or at any valid price increment ten ticks higher or lower than the settlement price.

**524.B. Trading at Marker (“TAM”) Transactions**

The following shall govern TAM transactions:

1. A TAM order may be entered on Globex at any time the applicable contract is available for TAM trading on Globex and during such TAM-eligible contract’s prescribed pre-open time period. The initiation of any TAM order on Globex outside these time periods is prohibited.
2. Unless otherwise specified in the Table, a TAM-eligible product and contract month may be executed as a block trade pursuant to the requirements of Rule 526.
3. Unless otherwise specified by the Exchange, a TAM transaction may be executed at the current day’s applicable marker price or at any valid price increment ten ticks higher or lower than the applicable marker price.

**525. [RESERVED]**

**526. BLOCK TRADES**

The Exchange shall designate the products in which block trades shall be permitted and determine the minimum quantity thresholds for such transactions. The following shall govern block trades:

- A. A block trade must be for a quantity that is at or in excess of the applicable minimum threshold. Orders may not be aggregated in order to achieve the minimum transaction size, except by those entities described in Sections I. and J.
- B. Each party to a block trade must be an Eligible Contract Participant as that term is defined in Section 1a(18) of the Commodity Exchange Act.



- C. A member shall not execute any order by means of a block trade for a customer unless such customer has specified that the order be executed as a block trade.
- D. The price at which a block trade is executed must be fair and reasonable in light of (i) the size of the block trade, (ii) the prices and sizes of other transactions in the same contract at the relevant time, (iii) the prices and sizes of transactions in other relevant markets, including without limitation the underlying cash market or related futures markets, at the relevant time, and (iv) the circumstances of the markets or the parties to the block trade.
- E. Block trades shall not set off conditional orders (e.g., Stop Orders and MIT Orders) or otherwise affect orders in the regular market.
- F. Unless otherwise agreed to by the principal counterparties to the block trade, the seller, or, in the case of a brokered transaction, the broker handling the block trade, must ensure that each block trade is reported to the Exchange within the time period and in the manner specified by the Exchange. The report must include the contract, contract month, price, quantity of the transaction, the respective clearing members, the time of execution, and, for options, strike price, put or call and expiration month. The Exchange shall promptly publish such information separately from the reports of transactions in the regular market.
- G. Block trades must be reported to the Clearing House in accordance with an approved reporting method.
- H. Clearing members and members involved in the execution of block trades must maintain a record of the transaction in accordance with Rule 536.
- I. A commodity trading advisor ("CTA") registered or exempt from registration under the Act, including, without limitation, any investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, shall be the applicable entity for purposes of Sections A., B., C., and D., provided such advisors have total assets under management exceeding \$25 million and the block trade is suitable for the customers of such advisors.
- J. A foreign Person performing a similar role or function to a CTA or investment adviser as described in Section I, and subject as such to foreign regulation, shall be the applicable entity for purposes of Sections A., B., C., and D., provided such Persons have total assets under management exceeding \$25 million and the block trade is suitable for the customers of such Persons.

## **527. ERRORS AND MISHANDLING OF ORDERS**

If a broker overbuys or oversells for an order, the customer is not entitled to any of the quantity executed in excess of the order quantity. A position that has been established as a result of an erroneous execution or mishandling of an order must be placed in the error account of the broker or firm responsible for the error or order mishandling. Any profits resulting from the liquidation of trades placed in a broker's or firm's error account belong to the relevant broker or firm, and any such profits may be retained or disbursed at the broker's or firm's discretion.

### **1. Unfilled or Underfilled Orders**

If a broker fails to execute an order or underbuys or undersells for an order, the broker shall do one of the following:

- a. Execute the order or the remainder of the order in the market and adjust the customer by check if the customer is filled at a price less favorable than that to which he was entitled due to the broker's error or mishandling of the order. If the order is filled at a more favorable price, the customer is entitled to the better price.

Execute the order or the remainder of the order in the market. If the order, or the remainder of the order, is filled at a worse price than that to which the customer was entitled but for the error or mishandling, the broker may allocate the fill to his error account, pursuant to Section C.1. above, provide the customer a fill at the price to which the customer was entitled, and place the opposite side of the customer fill into his error account. If the order is filled at a more favorable price, the customer is entitled to the better price.

### **2. Wrong Contract Month, Wrong Strike, or Wrong Commodity Executions**

When an order has been executed in the wrong contract month, wrong strike price, or wrong commodity, and the erroneous transaction has been placed in the relevant broker's or firm's

error account, the error may be corrected by one of the following:

- a. Execution of the order in accordance with its terms, with an adjustment to the customer by check if the order is executed at a worse price as a result of the error or mishandling of the order.
- b. Execution of a spread or combination transaction to execute the order and liquidate the position arising from the initial erroneous execution of the order, whereby one leg of the spread or combination transaction represents the correct execution of the order and the other leg offsets the erroneous position in the broker's or firm's error account. The broker or firm must clearly identify such transactions by appropriate designation, clearly document in writing the circumstances surrounding the nature of the error and promptly provide such documentation to the Market Regulation Department upon request.

### 3. Wrong Side of Market Executions

When an order has been executed on the wrong side of the market and the erroneous execution has been placed in the relevant broker's or firm's error account, the order shall be executed in accordance with its terms, with an adjustment to the customer by check if the order is executed at a worse price as a result of the error or mishandling of the order.

## **528. [RESERVED]**

## **529. WITHHOLDING ORDERS PROHIBITED**

A Member (as defined in Rule 400), or any person entering orders on the Globex platform, shall not withhold or withdraw from the market any order, or any part of an order, for the benefit of any person other than the person placing the order.

## **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 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 foregoing shall not apply to DRT orders provided that the customer has previously consented in writing and evidence of such general consent is indicated on the order with the "WP" (with permission) designation. In the case of a Floor Broker holding a discretionary order for an account described in Rule 547, a "WP" designation on the order shall constitute sufficient evidence of prior consent.

No person shall enter an order into the Globex platform 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, including, without limitation, an order allowing discretion as to time and price, when such person is in possession of any order for another person that the Globex platform is capable of accepting.

## **531. TRADING AGAINST CUSTOMERS' ORDERS PROHIBITED**

### **531.A. General Prohibition**

No person in possession of a customer order shall knowingly take, directly or indirectly, the opposite side of such order 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.

### **531.B. Exceptions**

The foregoing restriction shall not apply to the following:

1. Transactions executed in accordance with Rule 527 to resolve bona fide errors;
2. Transactions executed pursuant to Rule 538;
3. Block trades executed pursuant to Rule 526; and
4. On the Globex platform, a person may knowingly trade against his customer order for his own account, an account in which he has a direct or indirect financial interest, an account over

which he has discretionary trading authority, or a proprietary account of his employer, only if the customer order has been entered immediately upon receipt and has first been exposed on the Globex platform for a minimum of 5 seconds in the case of futures orders or for a minimum of 15 seconds in the case of options orders.

**532. DISCLOSING ORDERS PROHIBITED**

With the exception of transactions executed in accordance with the requirements of Rules 526, 538 and 539, no person shall disclose another person's order to buy or sell except to a designated Exchange official or the CFTC, and no person shall solicit or induce another person to disclose order information. No person shall take action or direct another to take action based on non-public order information, however acquired. The mere statement of opinions or indications of the price at which a market may open or resume trading does not constitute a violation of this rule.

**533. SIMULTANEOUS BUY AND SELL ORDERS FOR DIFFERENT BENEFICIAL OWNERS**

On the Globex platform, opposite orders for different beneficial owners that are simultaneously placed by a party with discretion over both accounts may be entered into the Globex platform provided that one order is exposed for a minimum of 5 seconds in the case of futures orders or a minimum of 15 seconds in the case of options orders. An order allowing for price and/or time discretion, if not entered immediately upon receipt, may be knowingly entered opposite another order entered by the same firm only if this other order has been entered immediately upon receipt and has been exposed on the Globex platform for a minimum of 5 seconds for futures orders or a minimum of 15 seconds for options orders.

**534. WASH TRADES PROHIBITED**

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

**535. RESPONSIBILITY OF PERSONS ACTING IN A REGISTERED CAPACITY IN THE TRADING ANNEX**

Any member acting in a registered capacity under the Commodity Exchange Act in the Trading Annex shall assist his clearing member in the clearing of his trades. Any such member must leave contact information with the clearing member through which or for which he has traded in order that he may be contacted during the balance of the day in the event there is a discrepancy in the clearing of his trades.

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

**536.A. [Reserved]**

**536.B. Globex Order Entry**

**1. General Requirement**

Each Globex terminal operator entering orders into Globex shall accurately input for each [Application Message](#) all fields required to be populated by the CME iLink® Message Specifications set forth in the [CME Group Client Systems Wiki](#) in effect at the time, including, but not limited to the: operator's user ID (Tag 50 ID); price; quantity; product; expiration month; CTI code; automated or manual indicator (Tag 1028); and account number (except as provided in Section C), and, for options, put or call and strike price. The Globex terminal operator's user ID must be present on each Application Message, including order messages, submitted to Globex. For a Globex terminal operator with access pursuant to Rule 574, the clearing member that guarantees such access to Globex will be responsible for the Globex terminal operator's compliance with this rule with respect to the following fields: operator's user ID, CTI code, automated or manual indicator and account number. Notwithstanding, and in accordance

with Rule 574, a clearing member must take appropriate action if it has actual or constructive knowledge that a Globex terminal operator has failed to accurately input for each Application Message fields required to be populated by this rule.

With respect to orders received by a Globex terminal operator which are capable of being immediately entered into Globex, no record other than that set forth above need be made. However, if a Globex terminal operator receives an order which cannot be immediately entered into Globex, the Globex terminal operator must prepare a written order and include the account designation, date, time of receipt and other information required pursuant to section A.1. above. The order must be entered into Globex when it becomes executable.

## **2. Electronic Audit Trail Requirements for Electronic Order Routing/Front-End Systems**

Entities certified by the Exchange to connect an order routing/front-end system to the Globex platform through the CME iLink® gateway are responsible for creating an audit trail of each message entered into Globex. Clearing members guaranteeing a connection to Globex are responsible for maintaining or causing to be maintained the electronic audit trail for such systems. This electronic audit trail must be maintained for a minimum of 5 years, and clearing members must have the ability to produce this data in a standard format upon request of Market Regulation.

Each such electronic audit trail must be complete and accurate and account for every electronic communication such system receives or generates, including any electronic communication such system receives from Globex.

This electronic audit trail must contain all order receipt, order entry, order modification, and response receipt times to the highest level of precision achievable by the operating system, but at least to the millisecond. The times captured must not be able to be modified by the person entering the order. The data must also contain all Fix Tag information and fields which should include, but is not limited to the following: a record of all fields relating to order entry, including transaction date, product, Exchange code, expiration month, quantity, order type, order qualifier, price, buy/sell indicator, stop/trigger price, order number, unique transaction number, account number, session ID, Tag 50 ID, automated or manual indicator (Tag 1028), self-match prevention ID (Tag 7928) where applicable, host order number, trader order number, clearing member, type of action, action status code, customer type indicator, origin, and timestamps. For executed orders the audit trail must record the execution time of the trade along with all fill information.

In the case where the guaranteeing Clearing Firm has a direct connect client that is another Clearing Firm or an Equity Member Firm, the Clearing Firm may notify the client Clearing Firm or Equity Member Firm that it is their obligation to maintain the electronic audit trail. Upon execution of this written notice, it shall be the duty of the client Clearing Firm or Equity Member Firm to maintain an electronic audit trail pursuant to this rule. Nothing herein relieves any of the above-referenced firms from compliance with the applicable recordkeeping provisions of CFTC Regulations, including Regulations 1.31 or 1.35.

### **536.C. Bunched Orders and Orders Eligible for Post Execution Allocation**

Bunched orders must be allocated and recorded in accordance with CFTC Regulation 1.35(b) and the NFA's Interpretive Notice related to Compliance Rule 2-10.

With respect to bunched Globex orders, such orders may be entered using a series designation or suspense account number provided that 1) the order is being placed by an eligible account manager for multiple accounts eligible for post execution allocation or 2) a written, pre-determined allocation scheme that defines the series has been provided to the futures commission merchant accepting or clearing the order prior to the time that such order is entered. In the latter case, if such information has not been provided to the futures commission merchant prior to the time of order entry, each specific account number must be entered into Globex. Additionally, for all such bunched orders executed on Globex, the final account specific allocations must be submitted to the clearing system no later than the end of each trading day.

### **536.D. Customer Type Indicator (CTI) Codes**

Each clearing member must identify each transaction 1) executed on the Globex platform or 2) privately negotiated as a block trade pursuant to Rule 526 or an EFRP pursuant to Rule 538 on the record of the transaction submitted to the Exchange with the correct customer type indicator (CTI) code. The CTI codes are as follows:

CTI 1: Electronic Trading and Privately Negotiated – Applies to transactions initiated and executed by an individual member for his own account, for an account he controls, or for an account in which he has an ownership or financial interest. However, transactions initiated and executed by a

member for the proprietary account of a member firm must be designated as CTI 2 transactions.

CTI 2: Electronic Trading and Privately Negotiated – Applies to orders entered or trades executed for the proprietary accounts of a member firm.

CTI 3: Electronic Trading – Applies to orders entered by a member or a nonmember terminal operator for the account of another individual member or an account controlled by such other individual member.

CTI 3: Privately Negotiated – Applies to orders that a member executes on behalf of another individual member, or for an account such other member controls or in which such other member has an ownership or financial interest.

CTI 4: Electronic Trading and Privately Negotiated – Applies to all orders and transactions not included in CTI categories 1, 2 or 3. These typically are orders entered by or on behalf of nonmember entities.

#### **536.E. Negotiated Trades**

At the time of execution, every order received from a customer for execution pursuant to Rule 526 (“Block Trades”) and Rule 538 (“Exchange for Related Positions”) 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 in the Trading Annex, 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, returned, confirmed or cancelled.

#### **536.F. Audit Trail Violations**

A Member’s failure to comply with any provision of this rule may result in the imposition of summary penalties by the Market Regulation Department.

A letter of warning may be issued for a first infraction. Subsequent infractions within a rolling 12-month period shall result in automatic fines starting at \$1,000, and then increasing to \$2,500 and \$5,000 for each subsequent infraction. Fifth and subsequent offenses within a 12 month period will be referred to the Probable Cause Committee by the Market Regulation Department.

A member will have 15 days after receipt of a letter of warning or a fine to present evidence to the Market Regulation Department in support of having the letter of warning or fine dismissed. If the member does not submit such evidence, or if the Market Regulation Department determines that the evidence submitted is insufficient to warrant a rescission, the letter of warning or fine shall be final and may not be appealed.

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.

#### **536.G. [Reserved]**

#### **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 interests and related cash or forward transactions in accordance with CFTC Regulation 1.35. Written and electronic records must be retained for a minimum of five years in permanent form. Oral communications required to be recorded pursuant to CFTC Regulation 1.35(a) must be retained for a minimum of one year past the date on which the oral communication occurred. Oral communications recorded by the Exchange pursuant to Section G. will be maintained by the Exchange for a minimum of one year past the date on which the oral communication occurred.

All records required to be retained 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. DATA SUBMITTED TO THE EXCHANGE**

a) Subject to each market participant’s rights with respect to its own data, the Exchange shall own all rights, title and interest, database rights and trade secret rights in and to all trade data and related information submitted in connection with trading on the Exchange, and which is not collected or received for the purpose of fulfilling regulatory obligations. The Exchange has the exclusive right to use, distribute, sub-license, disclose and sell anonymized trade data and derivative works in any manner, media and jurisdiction. Market participants shall not redistribute

trade data or derivative works based thereon unless licensed by the Exchange. The restriction on redistribution shall not apply to a market participant's own data.

b) Proprietary data or personal information collected or received by the Exchange for the purpose of fulfilling regulatory obligations shall not be disclosed publicly other than on an aggregated or anonymized basis, or in a manner that does not directly or indirectly identify any market participant who has submitted such data. Regulatory data may not be used by the Exchange for business or marketing purposes unless the market participant has clearly consented to the use of such data in such manner. Access to the Exchange will not be conditioned upon a market participant's consent to data collected or received for the purpose of fulfilling regulatory obligations being used for business or marketing purposes. Nothing in this Rule shall preclude the Exchange from disclosing data pursuant to a valid subpoena or court order, or as otherwise required by law.

## **538. EXCHANGE FOR RELATED POSITIONS**

An Exchange for Related Position ("EFRP") transaction involves a privately negotiated off-exchange execution of an Exchange futures or options contract and, on the opposite side of the market, the simultaneous execution of an equivalent quantity of the cash product, by-product, related product, or OTC derivative instrument corresponding to the asset underlying the Exchange contract.

The following types of EFRP transactions are permitted to be executed outside of the Exchange's centralized market in accordance with the requirements of this rule:

Exchange of Futures for Physical ("EFP") – the simultaneous execution of an Exchange futures contract and a corresponding physical transaction or a forward contract on a physical transaction.

Exchange of Futures for Risk ("EFR") – the simultaneous execution of an Exchange futures contract and a corresponding OTC swap or other OTC derivative transaction.

Exchange of Option for Option ("EOO") – the simultaneous execution of an Exchange option contract and a corresponding transaction in an OTC option.

For purposes of this rule, EFPs, EFRs and EOOs shall collectively be referred to as EFRP transactions.

### **538.A. Parties to an EFRP**

One party to the EFRP must be the buyer of the Exchange contract and the seller of (or the holder of the short market exposure associated with) the related position; the other party to the EFRP must be the seller of the Exchange contract and the buyer of (or the holder of the long market exposure associated with) the related position. The Exchange contract and the corresponding related position must be executed for accounts with the same beneficial ownership.

A third party may facilitate, as principal, the related position component of an EFRP on behalf of a customer. Except for immediately offsetting foreign currency EFPs executed pursuant to Section K., such third party must be able to demonstrate that the related position was passed through to the customer who received the Exchange contract as part of the EFRP.

Specifically with respect to the execution of immediately offsetting foreign currency EFPs pursuant to Section K. by CTAs, account controllers, or other Persons acting on behalf of another party, the initiating and offsetting cash legs are not required to be passed through to the customer who received the Exchange contract as part of the EFRP. However, in a circumstance where the futures leg of the transaction fails to clear, the underlying customer must receive the profit or loss, if any, attendant to the offset of the offsetting cash leg.

Parties to an EFR or EOO transaction must comply with all relevant CFTC regulations governing eligibility to participate in the related position component of such transactions.

### **538.B. Independently Controlled Accounts**

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

For EFRP transactions between accounts with common beneficial ownership, the parties to the trade must be able to demonstrate the independent control of the accounts and that the transaction had economic substance for each party to the trade.

**538.C. Related Position**

The related position component of an EFRP must be the cash commodity underlying the Exchange contract or a by-product, a related product or an OTC derivative instrument of such commodity that has a reasonable degree of price correlation to the commodity underlying the Exchange contract. The related position component of an EFRP may not be a futures contract or an option on a futures contract.

Each EFRP requires a bona fide transfer of ownership of the underlying asset between the parties or a bona fide, legally binding contract between the parties consistent with relevant market conventions for the particular related position transaction.

The execution of an EFRP transaction may not be contingent upon the execution of another EFRP or related position transaction between the parties where the transactions result in the offset of the related position without the incurrence of market risk that is material in the context of the related position transactions.

The facilitation of the execution of an EFRP by any party that knows such EFRP is non bona fide shall constitute a violation of this Rule.

**538.D. EFPs in Connection with Inventory Financing of Storable, Non-Financial Commodities**

A party providing inventory financing for a storable agricultural, energy or metals commodity may, through the execution of an EFP, purchase the commodity and sell the equivalent quantity of futures contracts to a counterparty, and grant to the counterparty the non-transferable right, but not the obligation, to execute a second EFP during a specified time period in the future which will have the effect of reversing the original EFP.

**538.E. Quantity Equivalence**

The quantity of the related position component of the EFRP must be approximately equivalent to the quantity of the Exchange component of the EFRP. Appropriate hedge ratios between the Exchange and related position components of the EFRP may be used to establish equivalency.

**538.F. Prices and Price Increments**

The Exchange component of the EFRP transaction must be priced in accordance with the applicable futures price increments or option premium increments as set forth in the rules governing the Exchange contract.

EFRPs may be transacted at such commercially reasonable prices as are mutually agreed upon by the parties to the transaction. EFRPs may not be priced to facilitate the transfer of funds between parties for any purpose other than as the consequence of legitimate commercial activity.

**538.G. EFRPs Following the Termination of Trading in Exchange Contracts**

EFRP transactions in certain Exchange contracts may be executed for a defined period of time following the termination of trading in accordance with the applicable product rules governing each Exchange contract. Such transactions may be executed only to liquidate Exchange positions.

**538.H. Recordkeeping**

Parties to an EFRP transaction must maintain all records relevant to the Exchange contract and the related position transaction, including order tickets, records customarily generated in accordance with relevant market practices, records reflecting payments between the parties and, where appropriate, transfer of title, as well as any other records required to be kept pursuant to CFTC Regulation 1.35. Brokers who facilitate EFRP transactions must maintain all records corresponding to their facilitation of the transactions.

Records related to EFRP transactions must be provided to the Exchange upon request. It shall be the responsibility of the carrying clearing member firm to obtain and submit the requested records of their clients to the Exchange on a timely basis.

**538.I. Submission to the Clearing House**



Each EFRP transaction shall be submitted to the Clearing House within the time period and in the manner specified by the Exchange and the Clearing House. In all cases, the record submitted to the Clearing House must reflect the correct EFRP transaction type and must reflect the accurate date and time at which the relevant terms of the transaction were agreed upon by the parties to the trade.

An EFRP transaction submitted to the Clearing House shall not be considered accepted by the Clearing House until the transaction has cleared and the first payment of settlement variation and performance bond has been confirmed.

**538.J. EFRP Volumes Required to be Reported with Daily Large Trader Positions**

Each clearing member, omnibus account and foreign broker responsible for submitting daily large trader positions in accordance with Rule 561 must submit for each reportable account the EFRP volume bought and sold in the reportable instrument. This information must be included in the daily Large Trader report to the Exchange.

**538.K. Immediately Offsetting EFPs in Foreign Currency Futures**

EFPs in foreign currency futures wherein the parties immediately offset the cash transaction are permitted and the Exchange would expect to see confirmation statements issued by the bank/foreign exchange dealer party to the Transaction. These confirmation statements should be the type normally produced by the bank/foreign exchange dealer for confirmation of currency deals and should indicate, by name, the identity of the counter party principal to the Transaction. However, in circumstances where the EFP Transaction is between a bank/foreign exchange dealer and a CTA, account controller, or other Person acting on behalf of a third party (such as a commodity pool or fund), the cash side confirmation statement must identify, at minimum, the name of the third party's Carrying Clearing Member and the third party's account number (or other account specific designation), but need not identify the third party by name. These transactions are only permissible as EFPs in foreign currency futures and not in any other asset class or in EFRs or EOOs in foreign currency futures.

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

**539.A. General Prohibition**

No person shall prearrange or pre-negotiate any purchase or sale or noncompetitively execute any transaction, except in accordance with Sections B. and C. below.

**539.B. Exceptions**

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

**539.C. Pre-Execution Communications Regarding Globex Trades**

Parties may engage in pre-execution communications with regard to transactions executed on the Globex platform where one party (the first party) wishes to be assured that a contra party (the second party) will take the opposite side of the order under the following circumstances:

1. A party may not engage in pre-execution communications with other market participants on behalf of another party unless the party for whose benefit the trade is being made has previously consented to permit such communications.
2. Parties to pre-execution communications shall not (i) disclose to a non-party the details of such communications or (ii) enter an order to take advantage of information conveyed during such communications except in accordance with this rule.
3. Permissible Entry Methods for Orders

The following order entry methods for futures, options, spreads and combinations vary by product, as set forth in the Rule 539.C. Crossing Protocols Table ("Table") in the Interpretations Section at the end of Chapter 5.

- a. Globex Cross ("G-Cross")



The first party's order is entered into the Globex platform first. The second party's order may not be entered into the Globex platform until a period of 5 seconds has elapsed from the time of entry of the first order.

b. Agency Cross ("A-Cross")

A Cross Sequence ("CS") is used by a broker to enter the buy and the sell orders into Globex. Following the pre-execution communication, a Request for Quote ("RFQ") for the particular futures, options, spread or combination is entered into the Globex platform. Thereafter, a Cross Sequence, which is defined as the entry of a day-limit order followed immediately by the entry of a day-fill-and-kill order, must be entered into the Globex platform no less than five (5) seconds and no more than thirty (30) seconds after the entry of the RFQ in order to proceed with the trade. The first party's order must be entered first as a day-limit order, followed immediately by the entry of the second order as a day-fill-and-kill order. The CS must occur within the same trading session. Failure to enter the buy and sell orders within 30 seconds after the entry of the RFQ will require a new CS to be initiated in order to proceed with the trade.

c. Committed Cross ("C-Cross")

Following the pre-execution communication, a Request for Cross ("RFC") order which contains both the buy and the sell orders must be entered into the Globex platform. Upon entry of the RFC, the Globex platform will display an indication that a cross will occur in five (5) seconds. In certain products as set forth in the Table in the Interpretations Section at the end of Chapter 5, a certain percentage of the quantity on the RFC will cross if the price of the RFC represents a new best price level at the time of submission of the RFC to the Globex platform and a better price for either the buy or sell order has not been entered into the Globex platform during the five (5) second period between entry of the RFC and the cross occurring.

d. RFQ + RFC Cross ("R-Cross")

Following the pre-execution communication, a Request for Quote ("RFQ") for the particular option or option spread or combination must be entered into Globex. Thereafter, the RFC order must be entered no less than fifteen (15) seconds and no more than thirty (30) seconds after the entry of the RFQ in order to proceed with the trade. The RFQ and the RFC order must be entered within the same trading session. Failure to enter the RFC order within 30 seconds after the entry of the RFQ will require a new RFQ to be entered prior to the entry of the RFC order, which must be entered in accordance with the time parameters described above in order to proceed with the trade.

## **540. RESPONSIBILITY FOR CUSTOMER ORDERS**

### **540.A. Standard of Responsibility**

A Member (as defined in Rule 400) shall exercise due diligence in the handling and execution of customer orders. Failure to act with due diligence shall constitute negligence. In the case of a dispute as to whether a Member has exercised due diligence, the appropriate arbitration or disciplinary committee is authorized to determine whether the Member was negligent and, if so, whether an adjustment is due to the customer. The committee may take into consideration the nature of the order and existing market conditions at the time the Member acted or failed to act. However, no market condition nullifies a Member's responsibility to exercise due diligence.

A Member is prohibited from directly or indirectly guaranteeing the execution of an order or any of its terms such as the quantity or price. A Member may only report an execution that has been effected through the Globex platform, or has been executed as a permissible privately negotiated transaction. This rule shall not be construed to prevent a Member from assuming or sharing in the losses resulting from an error or the mishandling of an order.

### **540.B. Liability for Negligence**

A Member may not adjust the price at which an order was executed or be held responsible for executing or failing to execute an order unless such Member was negligent or is settling a bona-fide dispute regarding negligence.

A member firm may not compel an adjustment from a Member in the absence of a bona-fide dispute regarding negligence.

Clearing members shall document all adjustments. Clearing members shall make and retain a

record which contains the date the adjustment was received, the name of the Member making the adjustment, the account to which the adjustment was credited, the amount of the adjustment, the order number and the reason for the adjustment. Such records must be provided to the Market Regulation Department upon request.

**541. [RESERVED]**

**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.

Spread or combination transactions shall not set off conditional orders in any contract except for an identical spread or combination conditional order. All simultaneous spread or combination transactions must be reported to a designated Exchange official who shall record and publish the differentials or combination prices in addition to the quantities of such trades. The brokers executing any spread or combination transaction must maintain a record of the transaction in accordance with Rule 536.

- B. Any spread or combination transaction involving cabinet options may trade, provided that the traded price of the combination is zero or cabinet.

Spread or combination transactions involving cabinet options other than those transactions explicitly defined in this rule are not allowed.

C.-E. [Reserved]

- F. On Globex, spread or combination transactions shall be made by inputting the spread differential or combination price into the Globex system.

For combinations traded on Globex in price terms, the Exchange will allocate the combination trade price among the individual options in the combination for clearing purposes.

**543. RESTRICTIONS ON ACCESS FOR SANCTIONED PARTIES AND JURISDICTIONS**

The following parties (defined individually as a "Sanctioned Party" and collectively as "Sanctioned Parties") are not permitted to access the Exchange, whether directly or indirectly: parties that are (i) identified on the Specially Designated Nationals and Blocked Persons List of the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") ("Restricted Persons"), (ii) 50% or more owned by Restricted Persons, (iii) located in a country or territory subject to comprehensive economic sanctions administered by OFAC ("Restricted Country or Territory" or "Restricted Countries or Territories"), (iv) owned or controlled by the governments of Restricted Countries or Territories, (v) subject to OFAC restrictions where such restriction prohibits a specific activity which would in turn prohibit the party from trading on the Exchange or settling a transaction at the Exchange, (vi) subject to restrictions administered or imposed by a state or government authority authorized to issue economic sanctions and blocking measures that has jurisdiction over a Clearing Member (each a "Sanctioning Body") or (vii) acting on behalf of any of the foregoing.

Unless permitted (either not restricted or specifically authorized) by OFAC and/or any Sanctioning Body, as applicable, (a) any Clearing Member that maintains positions or carries an account actively trading on the Exchange for a Person that is or becomes a Sanctioned Party or (b) any Clearing Member becomes aware, or has documentary information, that it maintains positions or carries an account actively trading on the Exchange on behalf of a Sanctioned Party, shall immediately take steps to (i) cancel all direct and indirect access and authorizations issued to such Sanctioned Party and provide written notice to the Exchange of such cancellations; or (ii) provide written instructions to the Exchange directing the Exchange to assist and coordinate in the cancellation of all access and authorizations for the Sanctioned Party at the Exchange as may be applicable.

**544.-546. [RESERVED]**

**547. DISCRETIONARY ORDERS**

Other than DRT orders, no Member (as defined in Rule 400) shall accept an order that gives more latitude than price and time in execution of the order, except in accordance with the provisions of Rule 956.

The above restriction shall not apply to those orders:

1. placed by another member for an account owned by such member;
2. placed by the member's immediate family which includes a spouse, parent, child, grandparent, grandchild, brother, sister, aunt, uncle, nephew, niece or in-law; and
3. placed for proprietary accounts of member firms.

#### **548. PRIORITY OF EXECUTION**

A member shall not execute a discretionary order, including, without limitation, an order allowing the member discretion as to time and price, while in possession of an executable customer order. No person shall allocate executions in any manner other than an equitable manner.

Non-discretionary customer orders received by a Globex terminal operator shall be entered into Globex in the sequence received. Non-discretionary orders that cannot be immediately entered into Globex must be entered when the orders become executable in the sequence in which the orders were received.

#### **549.-552. [RESERVED]**

#### **553. AVERAGE PRICE SYSTEM**

##### **553.A. Application of Average Prices**

A clearing member may employ the Exchange's Average Price System or a proprietary average pricing system to calculate an average price when multiple execution prices are received on an order or series of orders for futures, options or combination transactions. An order or series of orders executed during the same trading day at more than one price may be averaged pursuant to this Rule only if each order is for the same account or group of accounts and for the same product and expiration month for futures, or for the same product, expiration month, put/call and strike price for options.

##### **553.B. Average Price System Requirements**

The requirements enumerated below must be met for transactions that are average priced.

1. The customer must have requested average price reporting prior to order entry.
2. Each individual trade must be submitted and cleared by the Exchange at the executed price. The average price must be confirmed to each customer account.
3. The clearing member carrying the account(s) must submit final account specific allocations in the Exchange's clearing system no later than the end of each trading day.
4. If a clearing member computes average prices internally, it must:
  - a. Compute the weighted mathematical average price, as set forth in Section C.;
  - b. Subsequently employ the Exchange's Average Price System to 1) facilitate the allocations and 2) ensure that final account specific allocations are submitted to the Exchange's clearing system no later than the end of each trading day; and
  - c. Create records to support the calculations and allocations to customer accounts and maintain these records pursuant to CFTC regulations.
5. Proprietary trades of a clearing member may not be average priced with customer trades.

##### **553.C. Computation of Average Price**

Upon receipt of an execution or match at multiple prices for an order that is to be average priced, the weighted mathematical average must be computed by: (a) multiplying the number of contracts purchased or sold at each execution price by that price, (b) adding the results together and (c) dividing by the total number of contracts. An average price for a series of orders will be computed based on the average prices of each order in that series. The actual average price or the average price rounded to the next price increment may be confirmed to customers. If a clearing member confirms the rounded average price, the clearing member must round the average price up to the next price increment for a buy order or down to the next price increment for a sell order. The residual created by the rounding process must be paid to the customer. An average pricing system may produce prices that do not conform to whole cent increments. In such cases, any

amounts less than one cent may be retained by the clearing member.

**553.D. Disclosure**

Each clearing member that confirms an average price to a customer must indicate on the confirmation and monthly statement that the price represents an average price.

**554.-558. [RESERVED]**

**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 (Bona fide hedging transactions and positions for excluded commodities), 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. RESERVED
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 five (5) business days after assuming the position except in circumstances where the Market Regulation Department requires a person to file prior to the fifth business day. 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 in CFTC Regulation §1.3.

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.

**559.D. Aggregation of Positions**

For the purpose of applying the position limits in the Table, all positions in accounts for which any person, by power of attorney or otherwise, directly or indirectly controls trading or holds a 10 percent of greater ownership or equity interest must be aggregated with the positions held and trading done by such person. For the purpose of determining the positions in accounts for which any person controls trading or holds a 10 percent or greater ownership or equity interest, positions or ownership or equity interests held by, and trading done or controlled 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, or the trading were done or controlled by, a single person.

Any person that, by power of attorney or otherwise, holds or controls the trading of positions in more than one account or pool with substantially identical trading strategies, must aggregate all such positions in accordance with the provisions of CFTC Regulation 150.4(a)(2).

**559.E. Exemptions from Aggregation**

Exemptions from aggregation in all products subject to Exchange position limits must comply with the provisions of CFTC Regulation 150.4 (b).

Any person claiming an exemption from Exchange position limits under the provisions of CFTC Regulation 150.4(b)(1)(ii), (b)(2), (b)(3), (b)(4), or (b)(7) must provide a notice to the Market Regulation Department which sets forth 1) a description of the relevant circumstances that warrant disaggregation and 2) a statement by a senior officer or executive of the entity certifying that the conditions set forth in the applicable CFTC aggregation exemption provision have been met.

Upon request by the Market Regulation Department, any person claiming an exemption from aggregation under this Section E. must provide any requested information that demonstrates the person meets the applicable requirements for the exemption. Market Regulation, in its sole discretion, may amend, suspend, terminate, or otherwise modify a person's exemption from aggregation for failure to comply with the provisions of this Section E.

In the event of a material change to the information provided in any notice filed under this Section E., an updated or amended notice must be promptly filed with the Market Regulation Department detailing the material change.

**559.F. Conditional Limit in NYMEX Last Day Financial Natural Gas Contracts**

The Market Regulation Department may grant a Conditional limit in Last Day Financial Natural

Gas contracts of up to the equivalent of five thousand (5,000) NYMEX Physical Natural Gas Contracts (NG) during the period that position limits are applicable. Any participant seeking such exemption must agree: (1) not to hold a position in the NG contract during the last three days of trading; (2) provide the Exchange information on the complete book of all positions related to the Henry Hub; and (3) any other information /documentation required by the Exchange

#### **559.G. Violations**

Violations of position limits and approved exemption limits are subject to the provisions of Rule 562.

### **560. POSITION ACCOUNTABILITY**

A person who owns or controls positions in excess of reportable levels or where such Person otherwise holds substantial positions in contracts traded on the Exchange or cleared by the Clearing House shall keep records, including records of their activity in the underlying commodity and related derivative markets, and make such records available, upon request, to the Exchange.

Upon request by the Market Regulation Department, such person shall also 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.

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.

If the person from whom such records or information is requested fails to comply as directed, the Market Regulation Department may order the reduction of such position, in addition to taking disciplinary action as a result of such failure.

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 aggregate positions in excess of 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.

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 positions must be initiated and liquidated in an orderly manner.

### **561. SUBMISSION OF LARGE TRADER POSITIONS AND VOLUME THRESHOLD ACCOUNTS**

#### **561.A. Large Trader Reporting**

Clearing members, omnibus accounts and foreign brokers shall electronically submit to the Exchange a daily large trader position 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 or above the reportable level in a particular expiration month of a futures contract, or in all puts or in all calls of a particular option contract expiration month, are required to be reported. For an account with reportable positions in a particular contract, all positions, regardless of size, in any contract month and in any contract that aggregates with that contract must be reported.

The daily large trader position report submitted to the Exchange must also 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.

In addition to the large trader position report, clearing members, omnibus accounts and foreign brokers must electronically provide the Exchange with the required CFTC Form 102A ("Identification of Special Accounts") accurately identifying the owners, controllers, controlled accounts and any additional information required for each reportable account within three business days of the first day that the account in question becomes a reportable account. Notwithstanding the three business day submission requirement, on the first day that an account becomes reportable, clearing members, omnibus accounts and foreign brokers must, at the direction of the Exchange, provide the following information: account type, reportable account number and names and addresses of the owners and controllers of the account.

The Exchange may require that more than one large trader position report be electronically submitted daily. The Business Conduct Committee or the Market Regulation Department may require reports or additional account identification from any clearing member, omnibus account or foreign broker on a lesser number of positions than reflected in the Position Limit, Position Accountability and Reportable Level Table.

If any material change causes the information previously submitted to the Exchange to become inaccurate, then such clearing member, omnibus account or foreign broker must electronically submit to the Exchange an updated form reflecting the accurate information within three business days of such changes becoming effective. Additionally, in the absence of any material changes, the Exchange may require the electronic submission of a new form on an annual basis for the maintenance of accurate records. A material change includes, but is not limited to, change of account name, address, controllers or controlled accounts.

#### **561.B. Volume Threshold Reporting**

A volume threshold account is any account that meets the volume threshold of contracts traded in a single trading day as defined in CFTC Regulation 15.04. Clearing members, shall electronically submit to the Exchange the required CFTC Form 102B ("Identification of Volume Threshold Accounts") accurately identifying account information for volume threshold accounts, including the owners, controllers, controlled accounts and any additional information required by the report within three business days of the first day that the account in question becomes a volume threshold account. Notwithstanding the three business day submission requirement, on the first day that an account becomes reportable, clearing members, omnibus accounts and foreign brokers must, at the direction of the Exchange, provide the following information: account type, reportable account number and names and addresses of the owners and controllers of the account.

If any material change causes the information previously submitted to the Exchange to be inaccurate, then such clearing member, omnibus account or foreign broker must electronically submit to the Exchange an updated form reflecting the accurate information within three business days of such changes becoming effective. Additionally, in the absence of any material changes, the Exchange may require the submission of a new form on an annual basis for the maintenance of accurate records. A material change includes, but is not limited to, change of account name, address, controllers or controlled accounts.

#### **561.C. Obligations of Omnibus Accounts and Foreign Brokers**

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. Clearing firms must require their clients to provide accurate and timely owner and control information, including any material changes.

Upon request from the Exchange, clearing members, omnibus accounts and foreign brokers must provide CFTC Form 40.

#### **561.D. Reportable Levels**

The large trader 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.

Any trading account with a trading volume of 50 or more contracts during a single trading day, in a particular expiration month of a futures contract or in all puts or in all calls of a particular options contract expiration month is a reportable volume threshold account.



*[Notwithstanding the foregoing, please see CFTC No-Action Letter [17-45](#) issued on September 25, 2017.]*

## **562. POSITION LIMIT VIOLATIONS**

Any positions, including positions established intraday, in excess of those permitted under the rules of the Exchange shall be deemed position limit violations.

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 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. 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.

## **563.-569. [RESERVED]**

## **570. RESTRICTION ON SALE OF EXCHANGE PRODUCTS IN THE EUROPEAN UNION TO EUROPEAN UNION RETAIL INVESTORS UNDER PRIIPs [PACKAGE RETAIL AND INSURANCE BASED INVESTMENT PRODUCT]**

(a) No member shall offer, sell or arrange a transaction in an Exchange Contract for, on behalf of, or with a retail investor in the European Union ("EU Retail Investor"), or otherwise make an Exchange Contract available to an EU Retail Investor, unless (1) a key information document ("KID") has been produced for the product by the Exchange in accordance with the requirements of Regulation (EU) No 1286/2014 (the "PRIIPs Regulation") and (2) the KID has been provided to the EU Retail Investor by the intermediary accepting the order from or clearing the transaction on behalf of the EU Retail Investor.

(b) For the purposes of this rule, "retail investor" shall be defined as any person or entity that does not qualify as a "professional client" as defined in Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments as may be amended, restated or superseded from time to time.

## **571.-572. [RESERVED]**

### **GLOBEX ELECTRONIC TRADING SYSTEM RULES**

## **573. GLOBEX OPENING**

Each business day, Globex will open with a single price for each instrument unless otherwise designated by the Exchange.

Prior to the opening of each Globex Session, Globex will provide an indicative opening price or prices, based on the Globex equilibrium price algorithm described below, and on all pending orders that may be executed on the opening. During the 30-second period prior to the opening, no previously entered orders may be modified or cancelled, although new orders may be entered.

Globex will establish an equilibrium price that will be the opening price. The equilibrium price is the calculated price between sell pressure and buy pressure where the largest volume of trading can occur. The price will be determined in accordance with the following methodology:

1. Any bid at a given price may also be executed at a lower price.



2. Any offer at a given price may also be executed at a higher price.
3. The bid volume at any price is the quantity bid at that price plus the sum of the quantities bid at all higher prices.
4. The offer volume at any price is the quantity offered at that price plus the sum of the quantities offered at all lower prices.
5. Sell pressure occurs when the offer volume exceeds the bid volume at a particular price.
6. Buy pressure occurs when the bid volume exceeds the offer volume at a particular price.
7. The trade volume at any price is the smaller of the bid volume or the offer volume.
8. The price overlap is the range of prices where trades are possible.
9. The equilibrium is the price range within the price overlap where buy pressure changes to sell pressure.
10. The equilibrium price is one of the following:
  - (a) The price within the equilibrium that has the largest trade volume and the lowest unmatched volume at that price remaining after the opening.
 or
  - (b) If more than one price has the same trade volume and the same unmatched volume at that price, the equilibrium price is the one nearest the previous day's settlement price.
11. If there is no equilibrium (there is only buy pressure or sell pressure), there will be no opening price until a trade occurs unless there is a bid higher than, or an offer lower than, the previous day's settlement price.
12. After the provisional opening price is determined as set forth above for all orders excluding stop and stop limit orders, the calculations are repeated with any such orders that would be triggered at such price included until a new provisional opening price is determined. If such new price would trigger additional stop or stop limit orders, the process is repeated until no more orders are triggered.
13. Bids and offers will be selected for matching at the opening price based on price and time priority.

#### **574. GLOBEX ACCESS RESTRICTIONS**

All connections to the Globex system must be guaranteed by a clearing member that assumes financial responsibility for all activity through the connection. With respect to transactions given up to other clearing members, such guarantee is effective only until such time that the other clearing member accepts the trade.

All individuals entering non-member customer orders in other than a clerical capacity must have appropriate CFTC registration. Non-member customer orders may be entered only from the Trading Annex or from the premises of an entity registered to conduct customer business.

Clearing members shall assist the Exchange in any investigation into potential violations of the rules or the Act which occur through or with respect to a Globex connection guaranteed by the clearing member. Such assistance must be timely and may include, but not be limited to, requiring any Person to produce documents, to answer questions from the Exchange, and/or to appear in connection with an investigation.

Clearing members shall suspend or terminate a Person's Globex access if the Exchange determines that the actions of the Person threaten the integrity or liquidity of any contract or violate any Exchange rule or the Act, or if the Person fails to cooperate in an investigation.

If a clearing member has actual or constructive notice of a violation of Exchange rules in connection with the use of Globex by any Person for which it has authorized a direct connection and the clearing member fails to take appropriate action, the clearing member may be found to have committed an act detrimental to the interest or welfare of the Exchange.

#### **575. DISRUPTIVE PRACTICES PROHIBITED**

All orders must be entered for the purpose of executing bona fide transactions. Additionally, all non-actionable messages must be entered in good faith for legitimate purposes.

- A. No person shall enter or cause to be entered an order with the intent, at the time of order entry, to cancel the order before execution or to modify the order to avoid execution;

- B. No person shall enter or cause to be entered an actionable or non-actionable message or messages with intent to mislead other market participants;
- C. No person shall enter or cause to be entered an actionable or non-actionable message or messages with intent to overload, delay, or disrupt the systems of the Exchange or other market participants; and
- D. No person shall enter or cause to be entered an actionable or non-actionable message with intent to disrupt, or with reckless disregard for the adverse impact on, the orderly conduct of trading or the fair execution of transactions.

To the extent applicable, the provisions of this Rule apply to open outcry trading as well as electronic trading activity. Further, the provisions of this Rule apply to all market states, including the pre-opening period, the closing period and all trading sessions.

#### **576. IDENTIFICATION OF GLOBEX TERMINAL OPERATORS**

Each Globex terminal operator shall be identified to the Exchange, in the manner prescribed by the Exchange, and shall be subject to Exchange rules. If user IDs are required to be registered with the Exchange, it is the duty of the clearing member to ensure that registration is current and accurate at all times. Each individual must use a unique user ID to access Globex. In no event may a person enter an order or permit the entry of an order by an individual using a user ID other than the individual's own unique user ID.

#### **577. [RESERVED]**

#### **578. LIMITATION OF LIABILITY, NO WARRANTIES**

A. EXCEPT AS PROVIDED BELOW, THE EXCHANGE, CHICAGO MERCANTILE EXCHANGE INC. ("CME") AND THE BOARD OF TRADE OF THE CITY OF CHICAGO, INC. ("CBOT"), (INCLUDING EACH OF THEIR RESPECTIVE SHAREHOLDERS, SUBSIDIARIES AND AFFILIATES), THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, CONSULTANTS, LICENSORS, MEMBERS, AND CLEARING MEMBERS, SHALL NOT BE LIABLE TO ANY PERSON FOR ANY LOSSES, DAMAGES, COSTS OR EXPENSES (INCLUDING, BUT NOT LIMITED TO, LOSS OF PROFITS, LOSS OF USE, AND DIRECT, INDIRECT, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES), ARISING FROM:

(i) ANY FAILURE, MALFUNCTION, FAULT IN DELIVERY, DELAY, OMISSION, SUSPENSION, INACCURACY, INTERRUPTION, TERMINATION, OR ANY OTHER CAUSE, IN CONNECTION WITH THE FURNISHING, PERFORMANCE, OPERATION, MAINTENANCE, USE OF OR INABILITY TO USE ALL OR ANY PART OF ANY OF THE SYSTEMS AND SERVICES OF THE EXCHANGE, CME OR CBOT, OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS AND SERVICES, INCLUDING WITHOUT LIMITATION ELECTRONIC ORDER ENTRY/DELIVERY, TRADING THROUGH ANY ELECTRONIC MEANS, ELECTRONIC COMMUNICATION OF MARKET DATA OR INFORMATION, WORKSTATIONS USED BY MEMBERS AND AUTHORIZED EMPLOYEES OF MEMBERS, PRICE REPORTING SYSTEMS AND ANY AND ALL TERMINALS, COMMUNICATIONS NETWORKS, CENTRAL COMPUTERS, SOFTWARE, HARDWARE, FIRMWARE AND PRINTERS RELATING THERETO; OR

(ii) ANY FAILURE OR MALFUNCTION, FAULT IN DELIVERY, DELAY, OMISSION, SUSPENSION, INACCURACY, INTERRUPTION OR TERMINATION, OR ANY OTHER CAUSE, OF ANY SYSTEM OR SERVICE OF THE EXCHANGE, CME OR CBOT, OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS OR SERVICES, CAUSED BY ANY THIRD PARTIES INCLUDING, BUT NOT LIMITED TO, INDEPENDENT SOFTWARE VENDORS AND NETWORK PROVIDERS; OR

(iii) ANY ERRORS OR INACCURACIES IN INFORMATION PROVIDED BY THE EXCHANGE, CME OR CBOT OR ANY EXCHANGE, CME OR CBOT SYSTEMS, SERVICES OR FACILITIES; OR

(iv) ANY UNAUTHORIZED ACCESS TO OR UNAUTHORIZED USE OF ANY EXCHANGE, CME OR CBOT SYSTEMS, SERVICES OR FACILITIES BY ANY PERSON.

THE FOREGOING LIMITATION OF LIABILITY SHALL APPLY WHETHER A CLAIM ARISES IN CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY, CONTRIBUTION OR OTHERWISE

AND WHETHER THE CLAIM IS BROUGHT DIRECTLY OR AS A THIRD PARTY CLAIM.

THE FOREGOING LIMITATION OF LIABILITY SHALL BE SUBJECT TO THE COMMODITY EXCHANGE ACT AND REGULATIONS THEREUNDER. A PARTY WHO HAS BEEN FINALLY ADJUDICATED TO HAVE ENGAGED IN WILLFUL OR WANTON MISCONDUCT MAY NOT AVAIL ITSELF OF THE PROTECTIONS IN THIS RULE.

- B. THERE ARE NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS (INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE OR USE) PROVIDED BY THE EXCHANGE, CME OR CBOT (INCLUDING THEIR RESPECTIVE SUBSIDIARIES AND AFFILIATES), THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, CONSULTANTS, AND LICENSORS RELATING TO ANY SYSTEMS OR SERVICES OF THE EXCHANGE, CME OR CBOT OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS OR SERVICES, INCLUDING THE GLOBEX SYSTEM.
- C. ANY DISPUTE ARISING OUT OF THE USE OF SYSTEMS OR SERVICES OF THE EXCHANGE, CME OR CBOT OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS OR SERVICES IN WHICH THE EXCHANGE, CME OR CBOT (INCLUDING THEIR RESPECTIVE SUBSIDIARIES AND AFFILIATES), OR ANY OF THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, CONSULTANTS OR LICENSORS IS A PARTY SHALL BE ARBITRATED PURSUANT TO EXCHANGE RULES. ANY ARBITRATION SHALL BE BROUGHT WITHIN THE PERIOD PRESCRIBED BY EXCHANGE RULES. ANY OTHER ACTIONS, SUITS OR PROCEEDINGS AGAINST ANY OF THE ABOVE MUST BE BROUGHT WITHIN TWO YEARS FROM THE TIME THAT A CAUSE OF ACTION HAS ACCRUED. THIS PARAGRAPH C SHALL IN NO WAY BE CONSTRUED TO LIMIT A PARTY'S OBLIGATION TO ARBITRATE ITS CLAIM OR TO CREATE A CAUSE OF ACTION AND SHALL NOT AUTHORIZE AN ACTION THAT WOULD OTHERWISE BE PROHIBITED BY EXCHANGE RULES. IF FOR ANY REASON, A COURT OF COMPETENT JURISDICTION FINDS THAT SUCH DISPUTE IS NOT ARBITRABLE, SUCH DISPUTE MAY ONLY BE LITIGATED IN THE COUNTY OF COOK IN THE STATE OF ILLINOIS AND WILL BE GOVERNED BY THE LAWS OF THE STATE OF ILLINOIS WITHOUT REGARD TO ANY PROVISIONS OF ILLINOIS LAW THAT WOULD APPLY THE SUBSTANTIVE LAW OF A DIFFERENT JURISDICTION.
- D. THE EXCHANGE, CME AND CBOT MAY, IN THEIR SOLE DISCRETION, ASSUME RESPONSIBILITY FOR DIRECT, OUT-OF-POCKET LOSSES DIRECTLY CAUSED BY THE NEGLIGENCE OF GLOBEX CONTROL CENTER OR OTHER EXCHANGE, CME OR CBOT STAFF AND/OR ORDER STATUS ERRORS PROVIDED BY THE GLOBEX CONTROL CENTER AND/OR THE CLEARING CUSTOMER SERVICE DESK. IF SUCH LIABILITY IS ACCEPTED, THE TOTAL AGGREGATE OBLIGATIONS FOR THE EXCHANGE, CME AND CBOT SHALL NOT EXCEED \$200,000 FOR ALL LOSSES SUFFERED FROM ALL CAUSES IN A SINGLE CALENDAR MONTH, EXCEPT FOR LOSSES CAUSED BY PHANTOM ORDERS WHICH ARE SUBJECT TO THE PROVISIONS OF PARAGRAPHS F. AND G. BELOW. ANY DISPUTED CLAIM MADE UNDER THIS RULE MUST BE ARBITRATED PURSUANT TO EXCHANGE RULES.
- E. IN NO EVENT SHALL THE COLLECTIVE TOTAL AGGREGATE LIABILITY FOR THE EXCHANGE, CME AND CBOT FOR ALL CLAIMS ARISING OUT OF ANY NEGLIGENCE, FAILURES, MALFUNCTIONS, FAULTS IN DELIVERY, DELAYS, OMISSIONS, SUSPENSIONS, INACCURACIES, INTERRUPTIONS, TERMINATIONS, ORDER STATUSING ERRORS OR ANY OTHER CAUSES, EXCEPT FOR PHANTOM ORDERS WHICH ARE SUBJECT TO THE PROVISIONS OF PARAGRAPHS F. AND G. BELOW, IN CONNECTION WITH THE FURNISHING, PERFORMANCE, OPERATION, MAINTENANCE, USE OF OR INABILITY TO USE ALL OR ANY PART OF ANY OF THE EXCHANGE'S, CME'S OR CBOT'S SYSTEMS OR SERVICES, OR SERVICES, EQUIPMENT OR FACILITIES USED TO SUPPORT SUCH SYSTEMS AND SERVICES, OR THE NEGLIGENCE OF EXCHANGE, CME OR CBOT STAFF, EXCEED \$200,000 IN ANY CALENDAR MONTH.

IF THE NUMBER OF ALLOWED CLAIMS ARISING OUT OF ANY FAILURES OR MALFUNCTIONS IN A SINGLE CALENDAR MONTH CANNOT BE FULLY SATISFIED BECAUSE OF THE MONTHLY LIABILITY LIMITATION, ALL SUCH CLAIMS SHALL BE LIMITED TO A PRO RATA SHARE OF THE MAXIMUM AMOUNT AVAILABLE FOR THAT MONTH.

- F. NOTWITHSTANDING THE FOREGOING, THE EXCHANGE, CME AND CBOT MAY, IN THEIR SOLE DISCRETION, ASSUME RESPONSIBILITY FOR DIRECT, OUT-OF-POCKET NET LOSSES DIRECTLY CAUSED BY PHANTOM ORDERS (AS DEFINED BELOW). IF SUCH LIABILITY IS ACCEPTED, THE TOTAL AGGREGATE OBLIGATIONS FOR THE EXCHANGE, CME AND CBOT SHALL NOT EXCEED \$5,000,000 FOR ALL SUCH LOSSES SUFFERED IN A SINGLE CALENDAR MONTH. ANY DISPUTED CLAIM MADE UNDER THIS RULE MUST BE ARBITRATED PURSUANT TO EXCHANGE RULES.

FOR THE PURPOSES OF THIS RULE AND RULE 588, A PHANTOM ORDER IS AN ORDER: 1) THAT WAS NOT AUTHORIZED BY A PERSON BUT WAS CAUSED BY A FAILURE, MALFUNCTION OR NEGLIGENT OPERATION OF GLOBEX OR ANY OTHER EXCHANGE, CME OR CBOT SYSTEM, SERVICE OR FACILITY, OR 2) WHOSE TERMS (E.G. CONTRACT, CONTRACT MONTH, QUANTITY, PRICE OR DIRECTION) WERE CHANGED WITHOUT AUTHORIZATION OF THE PERSON PLACING THE ORDER SOLELY AS A RESULT OF A FAILURE, MALFUNCTION, OR NEGLIGENT OPERATION OF GLOBEX OR ANY OTHER EXCHANGE, CME OR CBOT SYSTEM, SERVICE OR FACILITY.

- G. IN NO EVENT SHALL THE COLLECTIVE TOTAL AGGREGATE LIABILITY FOR THE EXCHANGE, CME AND CBOT FOR DIRECT, OUT-OF-POCKET NET LOSSES DIRECTLY CAUSED BY PHANTOM ORDER(S) EXCEED \$5,000,000 IN A SINGLE CALENDAR MONTH. COMPLIANCE WITH THE TERMS OF RULE 588.F., IS REQUIRED IN ORDER FOR LOSSES TO BE CONSIDERED BY THE EXCHANGE PURSUANT TO THIS RULE.

IF THE AMOUNT OF DIRECT, OUT-OF-POCKET NET LOSSES DIRECTLY CAUSED BY PHANTOM ORDERS IN A SINGLE CALENDAR MONTH CANNOT BE FULLY SATISFIED BECAUSE OF THE MONTHLY LIABILITY LIMITATION, ALL SUCH LOSSES SHALL BE LIMITED TO A PRO RATA SHARE OF THE MAXIMUM AMOUNT AVAILABLE FOR THAT MONTH.

A CLAIM AGAINST THE EXCHANGE, CME OR CBOT ARISING OUT OF ANY FAILURE, MALFUNCTION OR PHANTOM ORDER SHALL BE STRICTLY SUBJECT TO THE RESPECTIVE LIABILITY LIMITS OF THIS RULE.

## **579. GLOBAL COMMAND CENTER (“GCC”)**

### **579.A. GCC Authority**

The GCC has the authority to take any action deemed appropriate to preserve market integrity in CME Group markets. Such actions include, but are not limited to, the halting of trading, modifying risk-mitigating parameters including price bands, velocity logic and special price fluctuation limits as described in Rule 589, restricting customer access to Globex or any other actions deemed to be in the best interest of the Exchange. In the event any action taken pursuant to this Rule is in response to an emergency as defined in CFTC Regulation 40.1(h), the CFTC shall be notified of the emergency action in accordance with CFTC Regulations.

### **579.B GCC Services**

The GCC provides production support and problem management to all market participants. In addition to this support, the GCC also provides critical assistance to registered contacts. Critical assistance includes, but is not limited to, inquiries and/or actions involving order status and order cancellations. Exchange liability for GCC services is subject to the limitations and conditions of Rule 578.

### **579.C Order Status**

A person who believes he has received an incorrect order status or does not receive an appropriate status shall immediately notify the GCC. In the event that the GCC and an Exchange system, service or facility provide conflicting information relating to an order status, a person may only reasonably rely on the information received from the GCC. Additionally, such person shall take any necessary and appropriate market action to mitigate any potential losses arising from the incorrect order status or lack of appropriate order status immediately after the person knew or should have known that the order status information was incorrect or should have been received.

## **580. CME GLOBEX TRADE MATCHING ALGORITHMS**

The CME Globex platform employs multiple predefined sets of matching algorithms used to match

trades on the platform. Information concerning the matching algorithm applicable to a particular product is set forth on the GCC Product Resources page on the CME Group website available [here](#). Information on the operation of the matching algorithms is available [here](#).

**581.-586. [RESERVED]**

**587. [RESERVED]**

**588. TRADE CANCELLATIONS AND PRICE ADJUSTMENTS**

**588.A. Global Command Center Authority Regarding Trade Cancellations and Price Adjustments**

The following shall be applied to balance the adverse effects on market integrity of executing trades and publishing trade information inconsistent with prevailing market conditions while preserving legitimate expectations of trade certainty by market participants. This rule authorizes the Global Command Center (“GCC”) to adjust trade prices or cancel trades where, in its absolute and sole discretion, the GCC believes such action is necessary to mitigate market disrupting events caused by the improper or erroneous use of the electronic trading system or by system defects. Notwithstanding any other provisions of this rule, the GCC may, in its absolute and sole discretion, adjust trade prices or cancel any trade if it believes that allowing the trade(s) to stand as executed could have a material, adverse effect on the integrity of the market. All decisions of the GCC shall be final. Subject to the limitations and conditions of Rule 578, and irrespective of the terms of any order entered into Globex, the Exchange shall not have any liability for losses resulting from price adjustments or trade cancellations by the GCC under this Rule.

**588.B. Review of Trades**

The GCC may determine to review a trade based on its independent analysis of market activity or upon request for review by a user of the electronic trading system. A request for review must be made to the GCC via telephone within eight minutes of the execution of the trade. Any other form of communication with the GCC will not constitute a request for review as set forth in this Section. GCC phone numbers are available on the CME Group [website](#).

The GCC shall determine whether or not a trade will be subject to review. In the absence of a timely request for review, during volatile market conditions, upon the release of significant news, or in any other circumstance in which the GCC deems it to be appropriate, the GCC may determine, in its sole discretion, that a trade shall not be subject to review.

Upon deciding to review a trade, the GCC will promptly issue an alert indicating that the trade is under review.

**588.C. Price Adjustments and Cancellations**

Upon making a determination that a trade will be subject to review, the GCC will first determine whether the trade price is within the Non-Reviewable Range for futures or within the Bid/Ask Reasonability Allowance for options, as described in Section H. The Bid/Ask Reasonability Allowance for an option is the maximum width of the bid/ask range which will be considered reasonable for use in applying the parameters necessary to establish the Non-Reviewable Range for the option. In applying the Non-Reviewable Range, the GCC shall determine the fair value market price for that contract at the time the trade under review occurred. The GCC may consider any relevant information, including, but not limited to, the last trade price in the contract or a better bid or offer price on the electronic trading system, a more recent price in a different contract month, the price of the same or related contract established in another venue or another market, the market conditions at the time of the trade, the theoretical value of an option based on the most recent implied volatility and responses to a Request for Quote (RFQ).

**1. Trade Price Inside the Non-Reviewable Range**

If the GCC determines that the price of the trade is inside the Non-Reviewable Range, the GCC will issue an alert indicating that the trade shall stand.

**2. Trade Price Outside the Non-Reviewable Range**

**a. Futures Contracts**

If the GCC determines that a trade price is outside the Non-Reviewable Range for a futures contract (including futures spreads), the trade price shall be adjusted to a price that equals the fair value market price for that contract at the time the trade under review occurred, plus or minus the Non-Reviewable Range. In the event there are multiple

parties, prices and/or contracts involved in the transactions at issue, the GCC has the authority, but not the obligation, to cancel rather than price adjust such transactions. The GCC will issue an alert regarding its decision.

b. Option Contracts

If the GCC determines that a trade price is outside the applicable Non-Reviewable Range for an option contract, the trade price shall be adjusted. In the case of a buy (sell) error, the price will be adjusted to the determined ask (bid) price set forth in the Bid/Ask Reasonability Allowance in Section H. plus (minus) the Non-Reviewable Range. In the event there are multiple parties, prices and/or contracts involved in the transactions at issue, the GCC has the authority, but not the obligation, to cancel rather than price adjust such transactions. The GCC will issue an alert regarding its decision.

Cancelled trade prices and any prices that have been adjusted shall be cancelled in the Exchange's official record of time and sales. Trades that are price adjusted shall be inserted in the time and sales record at the adjusted trade price.

**588.D. Alternative Resolution by Agreement of Parties**

With the approval of the GCC, parties to a trade that is price adjusted may instead mutually agree to cancel the trade. With the approval of the GCC, parties to a trade that is cancelled may instead mutually agree to price adjust the trade to a price consistent with the adjustment provisions of Section C.

Parties to a trade that is cancelled or price adjusted may mutually agree to a cash adjustment provided that such adjustments are reported to the GCC and the parties maintain a record of the adjustment.

An executed trade may not be reversed via transfer except where such trade is determined by GCC to be outside of the Non-Reviewable Range but not reported timely, subject to agreement of the parties and approval of the GCC. Any such transfer must occur at the original trade price and quantity; however the parties may mutually agree to a cash adjustment.

A trade that is not cancelled may not be reversed via a prearranged offsetting transaction unless such transactions are permitted and effected in accordance with Rule 539.C.

**588.E. Liability for Losses Resulting from Price Adjustments or Cancellations and Prohibition on Claims for Losses Arising From Error Trades Executed Within the Non-Reviewable Range**

A party entering an order that results in a price adjustment or trade cancellation shall be responsible for demonstrated claims of realized losses incurred by persons whose trade prices were adjusted or cancelled provided, however, that a claimant shall not be entitled to compensation for losses incurred as a result of the claimant's failure to take reasonable actions to mitigate the loss.

A claim for a loss pursuant to this section must be submitted to the Exchange on an Exchange claim form within five business days of the event giving rise to the claim. The Exchange shall reject any claim that is not filed in a timely manner or is not permitted by this section and such decisions shall be final. Eligible claims shall be forwarded by the Exchange to the party responsible for the order(s) that resulted in a trade cancellation or a price adjustment and to the clearing member through which the trade was placed. Such party, or the clearing member on behalf of the party, shall, within ten business days of receipt of the claim, admit or deny responsibility in whole or in part. Failure to respond to the claim within ten business days shall be considered a denial of liability.

To the extent that liability is admitted, payment shall be made within ten business days. Unless otherwise agreed upon in writing by the parties, failure to make the payment within ten business days shall be considered a denial of liability for purposes of this rule. A copy of any such written agreement must be provided to the Exchange.

To the extent that liability is denied, the party making the claim may submit the claim to arbitration in accordance with Rule 622. Such claims must be submitted to the Market Regulation Department within ten business days of the date the party was issued notification that liability was denied.

Claims for losses incurred as a result of trades executed in error at prices within the non-reviewable range may not be submitted for arbitration pursuant to the provisions of Chapter 6.

**588.F. Permissible Responses to Phantom Orders**

If the GCC has reason to believe that Phantom Orders as defined in Rule 578 have been or are

being entered into any Exchange system, service or facility, the GCC shall be empowered to take appropriate action to protect the integrity of the market, including, without limitation, suspending trading and/or canceling unfilled orders. The GCC shall also be empowered, in its sole discretion, to cancel transactions or adjust the trade prices of transactions that were directly or indirectly caused by Phantom Orders, whether or not such transactions were executed at prices outside of the non-reviewable range specified in this Rule.

If Phantom Orders directly cause transactions to be executed on any Exchange system, service or facility and such transactions are not canceled, the GCC shall promptly direct the clearing member carrying positions resulting from such transactions to liquidate the positions in a commercially reasonable manner. Such positions shall be liquidated within 30 minutes of such notification or within 30 minutes of the time the clearing firm knew or should have known that it had been assigned transactions resulting from Phantom Orders, whichever is sooner. The GCC, in its sole discretion, may waive the 30 minute liquidation requirement if it determines that such requirement may have a material, adverse impact on the integrity of the market.

The GCC shall provide notification to the marketplace regarding any action taken or to be taken with respect to the entry of Phantom Orders or execution of a transaction as a result of Phantom Orders, and, in the event transactions are not otherwise canceled or price adjusted by the GCC, any actions required to be taken by clearing members. Such notification(s) shall be made as soon as practicable, but in no event more than 30 minutes after the time that the GCC has accurate information regarding the Phantom Orders that is sufficient to support the necessary notification(s).

Any Exchange, CME or CBOT liability for losses resulting from Phantom Orders shall be subject to the limitations of Rule 578.

#### **588.G. Schedule of Administrative Fees**

When GCC cancels or price adjusts a trade, the party responsible for entering the order into the electronic trading system that gave rise to the trade cancellation or price adjustment shall pay an administrative fee to the Exchange in the amount of \$1,000 for each such occurrence. If the party is not deemed a Member as defined in Rule 400 and fails to pay the fee, the clearing member through which the trade was placed shall be responsible for payment of the fee. Administrative fees for this Rule are set forth in the Rule 588.H. table.

#### **588.H. Globex Non-Reviewable Trading Ranges**

[View table here \(XLS\)](#)

##### **Partner Exchanges**

Please access below links for Non-Reviewable Ranges for our Partner Exchange contracts.

MGEX - <http://www.mgex.com/nrr.html>

BMD - <http://www.bursamalaysia.com/market/derivatives/trading/trading-parameters/>

DME - <http://www.dubaimerc.com/no-bust-ranges>

### **589. SPECIAL PRICE FLUCTUATION LIMITS**

The special price fluctuation limits applicable to those contracts with special price fluctuation limits are set forth in the Special Price Fluctuation Limits and Daily Price Limits Table ("Table") in the Interpretations Section at the end of Chapter 5.

#### **589.A. Initial Price Fluctuation Limits for All Contract Months**

At the commencement of each trading day, there shall be initial price fluctuation limits in effect for each futures contract month of the primary futures contract (as identified in the Table) above or below the previous day's settlement price for such contract month set at the first special price fluctuation limit level as provided in the Table.

#### **589.B. Triggering Events and Temporary Trading Halts**

##### **1. First Triggering Event and Temporary Trading Halt**

If the lead contract month (as identified by the Exchange) of the primary futures contract is bid or offered via Globex at the upper or lower price fluctuation limit at the first special price fluctuation limit level, as applicable, it will be considered a triggering event that will begin a two (2) minute



monitoring period in the lead contract month. If, at the end of the two (2) minute monitoring period, the lead contract month of the primary futures contract is not bid or offered at the applicable special price fluctuation limit, the special price fluctuation limits shall be expanded an additional increment above and below the previous day's settlement price for all contract months of the primary futures contract and all contract months of associated products of the primary futures contract as provided in the Table. If, however, at the end of the two (2) minute monitoring period, the lead contract month of the primary futures contract is bid or offered at the applicable special price fluctuation limit, a two (2) minute temporary trading halt will commence in all contract months of the primary futures contract and in all contract months of associated products of the primary futures contract as provided in the Table. In addition, trading in any associated product that is an option related to the primary futures contract or in an option contract related to any other associated product of the primary futures contract that may be available for trading on Globex or on the trading floor shall be subject to a coordinated temporary trading halt.

## 2. Expansion of Limits Following Temporary Trading Halt

Following the end of a temporary trading halt, the affected markets shall re-open simultaneously in all contract months of the primary futures contract and in all contract months of associated products of the primary futures contract. When trading resumes, the special price fluctuation limits shall be expanded an additional increment above and below the previous day's settlement price for all contract months of the primary futures contract and all contract months of associated products of the primary futures contract as provided in the Table.

In each instance in which a triggering event occurs, a two (2) minute monitoring period will commence as provided in Section B.1. of this Rule. In each instance, the special price fluctuation limits shall be expanded by an additional increment above and below the previous day's settlement price for all contract months of the primary futures contract and all contract months of associated products of the primary futures contract as provided in the Table. Following the fourth triggering event on a trading day, there shall be no further special price fluctuation limits.

## 3. Metals Contracts

The GCC shall designate a lead primary contract month for purposes of this Rule. Additionally, an expiring contract month of a primary futures contract shall have no special price fluctuation limits from the contract's first position day through its last delivery day.

On each trading day, there shall be no temporary trading halts or expansion of special price fluctuation limits in the primary futures contract or in any associated products of the primary futures contract during the five (5) minutes preceding the end of the primary futures contract's settlement price determination period. If a triggering event occurs during this five (5) minute period, trading will continue with the current price limit in effect until the conclusion of the five (5) minute period, at which time a monitoring period, temporary trading halt or special price fluctuation limit expansion, as applicable, will occur.

On each trading day, there shall be no temporary trading halts or expansion of special price fluctuation limits in the primary futures contract or in any associated products of the primary futures contract during the five (5) minute period preceding the close of trading. If a triggering event occurs during this five (5) minute period, trading will continue with the current price limit in effect until the close of trading.

## 4. Energy Contracts

The GCC shall designate a lead primary contract month for purposes of this Rule. Additionally, there shall be no special price fluctuation limits on the expiration day of an expiring primary futures contract month.

On each trading day, there shall be no temporary trading halts or expansion of special price fluctuation limits in the primary futures contract or in any associated products of the primary futures contract during the five (5) minutes preceding the end of the primary futures contract's settlement price determination period. If a triggering event occurs during this five (5) minute period, trading will continue with the current price limit in effect until the conclusion of the five (5) minute period, at which time a monitoring period, temporary trading halt or special price fluctuation limit expansion, as applicable, will occur.

On each trading day, there shall be no temporary trading halts or expansion of special price fluctuation limits in the primary futures contract or in any associated products of the primary futures contract during the five (5) minute period preceding the close of trading. If a triggering



event occurs during this five (5) minute period, trading will continue with the current price limit in effect until the close of trading.

**POSITION LIMIT, POSITION ACCOUNTABILITY AND REPORTABLE LEVEL TABLE**

[View table here \(XLS\)](#)

**SPECIAL PRICE FLUCTUATION LIMITS AND DAILY PRICE LIMITS TABLE**

[View table here \(XLS\)](#)

**TRADING AT SETTLEMENT (“TAS”) TABLE**

[View table here \(XLS\)](#)

**RULE 539.C. CROSSING PROTOCOLS TABLE**

[View table here \(XLS\)](#)

(End Chapter 5)