



Special Executive Report

S-7645

April 18, 2016

Amendments to CME/CBOT/NYMEX/COMEX Rule 536.C.
(Bunched Orders and Orders Eligible for Post Execution Allocation)

Effective Tuesday, September 6, 2016, and pending all relevant CFTC regulatory review periods, Chicago Mercantile Exchange Inc. ("CME"), The Board of Trade of the City of Chicago, Inc. ("CBOT"), New York Mercantile Exchange, Inc. ("NYMEX") and Commodity Exchange, Inc. ("COMEX") (collectively, the "Exchanges") will adopt amendments to CME/CBOT/NYMEX/COMEX Rule 536.C. ("Bunched Orders and Orders Eligible for Post Execution Allocation") to eliminate the ability to enter bunched non-discretionary orders into CME Globex.

The revisions to Rule 536.C. eliminate a legacy practice, the use of suspense accounts for the entry of certain types of non-discretionary orders into CME Globex. The provision was adopted at a time when electronic trading via CME Globex was available solely outside of open outcry trading hours. At that time, most of the volume was executed via open outcry and groups of orders were often ported from the trading floor venue to CME Globex in the event they had not been filled during the open outcry trading session. With the shift in volume to electronic trading via CME Globex, the legacy provision is being eliminated.

The amendments to each Exchange's Rule 536.C. appear in below, with additions underscored and deletions overstruck.

For additional information, please see Market Regulation Advisory Notice Regarding Rule 536 [here](#).

If you have any questions regarding the dual trading restrictions, please contact:

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CME/CBOT/NYMEX/COMEX

Chapter 5

Trading Qualifications and Practices

(Additions are underscored; deletions are ~~overstruck~~.)

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

[Sections A. and B. are unchanged.]

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.

A bunched order for pit execution does not require the specific account number to be recorded at the time of order placement or upon the report of execution provided that 1) the order is being placed by an eligible account manager for multiple accounts eligible

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for post execution allocation or 2) a written, pre-determined allocation scheme has been provided to the futures commission merchant accepting or clearing the order prior to the time the order has been placed. Additionally, at the time of receipt on the trading floor, bunched orders that do not contain specific account numbers must contain a series, group, or suspense account indicator which relates directly to the group of accounts for which the order has been placed. A bunched order may be initially cleared into a suspense account provided that the final account-specific allocations are submitted to the clearing system no later than the end of each trading day.

Bunched orders for non-discretionary accounts may be entered for pit execution; however, only the following order types may be bunched: Market on Open, Market on Close, same priced Limit Orders and same priced Stop Orders. Such non-discretionary orders may only be bunched in the following instances:

- a. Each order underlying the bunched order must be reduced to writing and include the information required pursuant to Section A.1. above;
- b. Allocation of the executions for the bunched orders must be fair and equitable in accordance with the NFA's Interpretive Notice related to Compliance Rule 2-10; and
- c. In circumstances where the order is bunched in a member firm's sales office, the party accepting the order must, contemporaneously with the order placement, transmit the individual account numbers and quantities associated with the bunched order to the clearing member firm. Such transmission shall be maintained by the clearing member firm along with the bunched order.

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.

~~Bunched orders for non-discretionary accounts may be entered either for pit execution or through Globex; however, only the following order types may be bunched: Market on Open, Market on Close, same priced Limit Orders and same priced Stop Orders. Such non-discretionary orders may only be bunched in the following instances:~~

- ~~a. Each order underlying the bunched order must be reduced to writing and include the information required pursuant to Section A.1. above;~~
- ~~b. Allocation of the executions for the bunched orders must be fair and equitable in accordance with the NFA's Interpretive Notice related to Compliance Rule 2-10; and~~
- ~~c. In circumstances where the order is bunched in a member firm's sales office, the party accepting the order must, contemporaneously with the order placement, transmit the individual account numbers and quantities associated with the bunched order to the clearing member firm. Such transmission shall be maintained by the clearing member firm along with the bunched order.~~

[The remainder of the Rule is unchanged.]