



## Special Executive Report

S-9037

August 5, 2022

### **Elimination of CME Rule 552. ("Dual Trading Restrictions") and CME Rule 555. ("Top Step Trading Restrictions")**

Effective on trade date August 19, 2022, and pending all relevant CFTC regulatory review periods, Chicago Mercantile Exchange Inc. ("CME") will eliminate CME Rule 552. ("Dual Trading Restrictions") and CME Rule 555. ("Top Step Trading Restrictions").

The restrictions outlined in CME Rule 552. and Rule 555. were applicable to open outcry trading of certain contract months of the Options on Eurodollar Futures contract (the "Contract"). Such restrictions were suspended when the trading floor was temporarily closed due to the Covid-19 pandemic. Certain trading pits were subsequently reopened in August of 2020 without these restrictions and trading floor activity continues without them. Given the Exchange's Market Regulation Department's ability to detect and deter regulatory issues associated with dual trading, and the absence of any dual trading violations in the Contract for many years, there is minimal risk to allowing dual trading in mature and liquid contract months of the Contract. Therefore, the CME is eliminating Rule 552. and Rule 555. entirely.

The eliminations are set forth in with deletions ~~everstruck~~

Questions regarding the Rule Amendments may be directed to Erin Middleton, Manager, Rules & Regulatory Outreach, at 312.341.3286.

**CME Rulebook**  
**Chapter 5**  
**("Trading Qualifications and Practices")**  
(deletions are ~~everstruck~~)

**549.-55~~24~~ [RESERVED]**

**~~552. DUAL TRADING RESTRICTIONS~~**

~~552.A. Definitions~~

~~1. Dual Trading: The term "dual trading" shall mean trading or placing an order for one's own account, an account in which one has a direct or indirect financial interest or an account which one controls, in any contract month in which such person previously executed, received or processed a customer order on the Exchange floor during the same Regular Trading Hours session.~~

~~2. Customer: The term "customer" means the ultimate (end) customer or originator of the order, not the clearing member.~~

~~3. Mature Liquid Contract: The term "mature liquid contract" means a contract month by position in relation to the front month contract at any given point in time that has had during the prior six calendar months an average daily pit-traded volume of 10,000 or more contracts; provided, however, that the Board of Directors may exempt from or include in this definition specific contracts and hours of trading during which such contracts will be deemed not to be mature liquid contracts, taking into account any market conditions which, in the Board's opinion, would justify such action.~~

~~552.B. Prohibition~~

~~Dual trading shall be prohibited in any contract month which is deemed a mature liquid contract by management subject to the exceptions in Section C. below.~~

~~552.C. Exceptions~~

~~1. Customer Permission. A member may engage in dual trading in any contract month if each customer for whom such member executes or processes orders in that contract month grants prior written permission to such member.~~

~~2. Member Customers. A member may engage in dual trading in any contract month if the customer for whom such member executes or processes orders in that contract month is a member of the Exchange.~~

~~3. Errors.~~

~~\_\_\_\_\_ a. A member taking a position into his error account as a result of the erroneous execution of an order shall not be considered to be dual trading provided that such member creates an accurate record evidencing that the position was the result of an error.~~

~~\_\_\_\_\_ b. A member may engage in dual trading to offset a position resulting from the erroneous execution of a customer order provided that such member (1) creates an accurate, contemporaneous record evidencing that the transactions for such member's account were the result of the correction of the error and (2) records the time of each trade to the nearest minute on his trading card.~~

~~\_\_\_\_\_ c. A member may engage in dual trading to spread a position resulting from an order execution error against a contract in which the member is dual trading restricted. The member must create an accurate contemporaneous record evidencing that the original position was the result of an error and create a record to clearly identify any trades made for the purpose of spreading against the original position. When spreading an error position, any trading in a dual trading restricted component of the spread may only be for offset purposes. The member may not add to the position or reestablish a position in a dual trading restricted component once the position has been offset. The member must create an accurate, contemporaneous record identifying the offsetting transaction and must record the time of execution to the nearest minute for each such transaction.~~

~~4. Spread Brokers. A member whose primary business is the execution of spread orders may engage in dual trading. Members executing options/futures spread or combination orders (in which the futures side is a dual trading restricted contract) at a differential or combination value, while in the options pit, will not be considered in violation of the dual trading restrictions if such members subsequently trade for their personal accounts in that dual trading restricted futures contract. This exemption only applies to members executing the aforementioned options/futures spreads or combinations. Members are still prohibited from trading for their personal accounts in dual trading restricted futures contracts after executing outright customer orders in such contracts.~~

[Rule 553. Remains unchanged.]

**554. [RESERVED]**

**555. TOP STEP TRADING RESTRICTIONS**

**555.A. Definitions**

~~1. Restricted Contract Month: The term "restricted contract month" means a mature liquid contract month subject to the dual trading provisions of Rule 552.~~

~~2. Contract Month Position: The term "contract month position" means the area of the pit designated by the Pit Committee for trading a specific contract month or months.~~

~~3. Personal Account: The term "personal account" means a member's own account, an account in which the member has a direct or indirect financial interest, or an account which the member controls.~~

**555.B. Top Step Restrictions**

~~While standing on the top step, a member shall not execute a trade or place an order for his personal account in any restricted contract months which are traded in the contract month position where such member stands.~~

~~After a member has conducted business on the top step, including, executing, receiving or processing an order, neither the member nor anyone else shall thereafter during the same RTH session execute a trade or place an order for such member's personal account in any restricted contract month eligible for trading in the contract month position where such member conducted business. However, a member may trade or place orders in such restricted contract months prior to his standing on the top step, and such orders may be executed by another individual even after the member placing the orders has conducted business on the top step, provided the execution of such orders on behalf of such member is not otherwise prohibited by Rule 552.~~

~~A restricted contract month shall be deemed to be restricted, for the purposes of this rule only, through the last day of trading of such restricted contract month.~~

~~555.C. Exceptions~~

~~1. Errors: Taking a position resulting from the erroneous execution of a customer order and liquidating such position will not be a violation of the top stop restrictions provided the member creates an accurate record evidencing that such transactions were the result of an error or the correction of an error.~~

~~2. Intermarket Spreaders: A member may trade from the top stop provided such transactions are made exclusively to facilitate intermarket spreads or combinations.~~

~~3. Trading with Discretion for the Proprietary Account of a Clearing Member: A member who fills orders from the top stop for the proprietary account of a clearing member, where such trading requires sightlines to the pit for arbitrage, may also trade with discretion for such account provided that all such trades constitute part of an arbitrage transaction to another market and the member has received authorization to do so by the Market Regulation Department.~~

~~4. The Board of Directors may exempt any contract or contract months from the provision of this rule taking into account any market conditions which, in the Board's opinion, would justify such action.~~

~~5. The Floor Conduct Committee shall have the authority to: a. Exempt specific top-stop areas deemed unsuitable for order filling; and b. Grant individual exceptions where the application of the rule would work a hardship on the execution of customer orders, provided such exceptions are consistent with Rule 552.~~

~~555.D. Violations~~

~~A single violation of this rule may be deemed a trading infraction under Rule 514.A.9. subject to the jurisdiction and fining authority of the Floor Conduct Committee, except for those violations involving Rule 552. Multiple or egregious violations of this rule may be referred to the Chief Regulatory Officer for the consideration of charges.~~

**556.- 558. [RESERVED]**