

S-8253

November 2, 2018

**Amendments to CME/CBOT/NYMEX/COMEX Rules  
in Connection with the NYMEX and COMEX Trading Annex Closure**

The NYMEX and COMEX Trading Annex ("Annex") closure will occur upon the close of business on trade date Friday, November 30, 2018. In connection with the Annex closure, amendments are being made to various CME/CBOT/NYMEX/COMEX rules (the "Rule Amendments"), which will be effective on Sunday, December 2, 2018 for trade date Monday, December 3, 2018, pending all relevant CFTC regulatory review periods.

Information on the Rule Amendments is set forth below.

**NYMEX and COMEX Definitions**

The term "Electronic Device" is referenced solely in Rule 507. ("Electronic Devices") and is being eliminated.

The terms "Floor Broker" and "Floor Trader" are being eliminated as all NYMEX and COMEX members will have their registration as floor brokers and/or floor traders terminated after the close of business on November 30, 2018.

The term "Trading Annex" is being modified to denote that NYMEX and COMEX discontinued providing the Annex as of November 30, 2018.

**NYMEX and COMEX Chapter 1 ("Membership")**

The term qualifying clearing member will be eliminated from most of the rules as a NYMEX or COMEX member's qualification by a clearing member is directly tied to access to the Annex.

**NYMEX and COMEX Chapter 5 ("Trading Qualifications and Practices")**

Rule 500. ("Scope of Chapter") is being amended to remove references to the term Trading Annex. The rules within the Section of Chapter 5 titled "Trading Annex Access" are being eliminated.

Other rules referencing the Trading Annex and/or floor brokers and floor traders are also being amended or eliminated, including Rules 510. ("Requirements for Members and their Employees in the Trading Annex"), 511. ("Qualified Traders and Brokers"), 516. ("Error Accounts"), 527. ("Errors and Mishandling of Orders"), 530. ("Priority of Customers' Orders"), 535. ("Responsibility of Persons Acting in a Registered Capacity in the Trading Annex"), and 574. ("Globex Access Restrictions").

**CME, CBOT, NYMEX and COMEX Chapter 5 ("Trading Qualifications and Practices")**

In connection with the elimination of NYMEX and COMEX Rule 511., NYMEX and COMEX are adopting new Rule 509. ("Accounts of Members and Member Firms") to codify that all member and member firm accounts must be carried on a disclosed basis on the books of a clearing member firm.

CME and CBOT are also adopting new Rule 509. and amending Rule 511. to eliminate language that is duplicative to the language of new Rule 509.

NYMEX and COMEX Chapter 9 ("Clearing Member")

Rule 901. ("General Requirements and Obligations") is being amended to add a provision codifying that NYMEX and COMEX discontinued use of the term "qualified a member" effective at the close of business on November 30, 2018.

Rule 902. ("Clearing Membership Assignment Requirements") is being amended to eliminate a provision applicable to a valid claim by a clearing member against a member it qualified where the member's membership was assigned to a different clearing member firm.

Rule 903. ("Responsibility for Qualified Members") is being amended to add the same statement concerning qualification that is being added to Rule 901.

Rule 904. ("Funds in Trading Accounts Carried by Clearing Members") is being amended to eliminate references to qualifying clearing members and Rule 511.

Rule 984. ("Clearing Member Acceptance of Executed Customer Trades") is being modified to replace the capitalized term "Floor Broker" with the generic term "broker."

Questions regarding the Rule Amendments may be directed to the following individuals in the Market Regulation Department:

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For media inquiries concerning this Advisory Notice, please contact CME Group Corporate Communications at 312.930.3434 or corporate.communications@cmegroup.com.

The Rule Amendments are set forth below with additions underscored and deletions ~~overstruck~~.

**NYMEX and COMEX Rulebook**

**DEFINITIONS**

**~~ELECTRONIC DEVICE~~**

~~Any type of voice or data communications interface, including but not limited to a computer, headset, trading device, microphone, telephone or camera.~~

**~~FLOOR BROKER~~**

~~An Exchange member who is registered as a floor broker under the CEA.~~

**~~FLOOR TRADER~~**

~~An Exchange member who is registered as a floor trader under the CEA.~~

**TRADING ANNEX**

The term "Trading Annex" means the location provided by the Exchange, subject to availability and entry into an applicable Trading Annex license agreement, in which a Member may act in a registered capacity by soliciting or broking transactions in Exchange products or may trade as a principal. The Exchange discontinued the provision of the Trading Annex effective at the close of business on November 30, 2018.

**Chapter 1  
Membership**

**106. TRANSFERS, SECURITY TRANSACTIONS, AND AUTHORIZATIONS TO TRANSFER OR SELL**

Transfers of memberships may be made only in accordance with the following provisions. All of the applicable procedures and requirements for the sale and purchase of a membership as set forth in Chapter 1, including the provisions of Rule 110, shall apply to transfers made under this rule. A transfer, reinstatement or revocation of a transfer shall not be completed until all valid Rule 110 claims

against a member are satisfied unless ~~the clearing member firm qualifying such member as of the close of business on November 30, 2018, files a properly completed Indemnification Form-is filed by a member's qualifying clearing member.~~

[Sections A. and B. are unchanged.]

#### **106.C. Family Transfers**

A member or Non-Member Investor may temporarily transfer his membership to a member of his immediate family who shall be subject to all Exchange rules and regulations. For purposes of this rule, immediate family members shall be limited to parents, siblings, children, grandchildren, grandparents, fathers-in-law, mothers-in-law, sons-in law, daughters-in-law and spouses.

Rule 106.C transfers shall be subject to the following terms and conditions:

1. The transferor may revoke the transfer upon written notice filed with the Department.
2. ~~[Reserved]The transferor shall have the right at any time have the transferee disqualified from trading by giving notice to the transferee's qualifying clearing member, who in turn must notify the Exchange pursuant to Rule 511.A.~~
3. The transfer shall be revoked and the membership shall revert to the transferor's estate or conservator upon official notice of the death or formally declared incompetence of the transferor. However, the legal representative of a deceased member's estate may transfer his membership pursuant to this Rule 106.C. during the pendency of probate.
4. Upon a transferor's expulsion from the Exchange, the transfer shall be revoked and the membership shall revert to the transferor who must sell the membership within 30 days.
5. Upon approval for membership, the transferee shall be treated as a member for all purposes, except that the transferee shall have no authority to sell, transfer or assign the membership. The transferor shall be considered the member and an assignment of the membership for membership purposes pursuant to Rules 106.J. or 902 shall not be terminated by the transferee.
6. The transferor may sell the membership at any time in accordance with the provisions of Rule 104 or transfer the membership pursuant to Rule 106. The proceeds of the sale of the membership will be distributed to the transferor following the settlement of all claims pursuant to Rule 110.
7. The transferred membership may be sold in accordance with Rule 133, and the proceeds may be applied as provided in Rule 110, to satisfy financial obligations of the transferee to the Exchange, to another member or to a clearing member arising out of the transferee's use of the membership in the event that such financial obligations have not been otherwise satisfied.

#### **106.D. Futures Industry Transfers**

A member or Non-Member Investor may temporarily transfer his membership to another member who shall be subject to all Exchange rules and regulations.

Transfers under this section shall be subject to the following terms and conditions:

1. The transferor may revoke the transfer upon written notice filed with the Department.
2. ~~[Reserved]The transferor shall have the right at any time to withdraw the authority of the transferee to trade on the membership by giving notice to the transferee's qualifying clearing member and such clearing member must subsequently notify the Exchange pursuant to Rule 511.A.~~
3. The transfer shall be revoked and the membership shall revert to the transferor's estate or conservator upon official notice of the death or formally declared incompetence of the transferor. However, the legal representative of a deceased member's estate may transfer his membership pursuant to this Rule 106.D. during the pendency of probate.
4. ~~[Reserved]A transferor who does not hold another membership may not access the Trading Annex.~~
5. The transferor may sell the membership at any time in accordance with the provisions of Rule 104 or transfer the membership pursuant to Rule 106. The proceeds of the sale of the membership will be distributed to the transferor following the settlement of all claims pursuant to Rule 110.
6. The transferee's guarantor(s) shall have no right of indemnification against the transferor for any and all claims against the transferee which have been satisfied in accordance with the terms of the guarantee. The transferor shall neither be liable for nor shall the transferred membership be used to satisfy any and all claims against the transferee which have not been satisfied by the transferee and/or the transferee's guarantor(s). Transferees shall have continuing personal liability for any claims which accrued during the term of the transfer which were not satisfied by the transferee's

guarantor(s); for the payment of disciplinary fines assessed against the transferee which were not otherwise satisfied; and for any other financial obligations to the Exchange and/or its members that were not otherwise satisfied.

7. The transferor may not assign the membership for membership purposes pursuant to Rules 106.J. or 902.
8. ~~[Reserved] A transferee shall place all trades on the books of his qualifying clearing member unless written authorization to the contrary from said clearing member has been filed with the Department. Failure to adhere to the requirements of this rule and Rule 903.F. shall exclude a clearing member not qualifying the transferee from receiving proceeds under Rule 110.~~

#### **106.J. Member Firm**

A firm may qualify as a:

- NYMEX Rule 106.J. member firm if two NYMEX Division memberships and 20,000 CME Group Class A Shares or if the equity member firm is a fund, pool or other collective investment vehicle, 30,000 shares, are assigned for the firm's membership privileges. A member firm may pay an Equity Member Subscription Rate as published in the NYMEX fee schedule in lieu of holding CME Group Class A Shares. The Equity Member Subscription Rate will be applied per member, per month, per Exchange. Member firms choosing to pay the Equity Member Subscription Rate must file an application with the Department. The Exchange will have discretion regarding applying the appropriate rate.
- COMEX Rule 106.J. member firm if two COMEX Division memberships are assigned for the firm's membership privileges.
- COMEX Rule 106.J. member firm (Options only) if two COMEX Option Division memberships are assigned for the firm's membership privileges.

A NYMEX Rule 106.J. member firm (excluding a fund, pool or other collective investment vehicle) shall at all times have assigned to it at least 30,000 CME Group Class A Shares if it is also either: (a) a CME clearing member with shares or CME Rule 106.J. equity member firm or (b) a CBOT clearing member with shares or a CBOT member firm that has a 20,000 share requirement. If the CBOT member firm has an 8,750 share requirement, the combined share requirement will be 28,750.

A NYMEX Rule 106.J. member firm that is a fund, pool or other collective investment vehicle shall at all times have assigned to it at least 45,000 CME Group Class A Shares if it is also either: (a) a CME clearing member with shares or CME Rule 106.J. equity member firm or (b) a CBOT clearing member with shares or CBOT Rule 106.J. equity member firm.

A NYMEX Rule 106.J. member firm shall at all times have assigned to it at least 40,000 CME Group Class A Shares if it is also both: (a) a CME clearing member with shares or CME Rule 106.J. equity member firm and (b) a CBOT clearing member with shares or a CBOT member firm that has a 20,000 share requirement. If the CBOT member firm has a 8,750 share requirement, the combined share requirement will be 38,750.

A NYMEX Rule 106.J. member firm that is a fund, pool or other collective investment vehicle pool shall at all times have assigned to it at least 60,000 CME Group Class A Shares if it is also both: (a) a CME clearing member with shares or CME Rule 106.J. equity member firm and (b) a CBOT clearing member with shares or CBOT Rule 106.J. equity member firm.

For NYMEX Rule 106.J. member firms, at least one membership and 50% of the CME Group Class A Shares required for membership pursuant to this Rule must be owned by the member firm, principals or employees of the member firm or persons, including a parent company, with an acceptable proprietary interest in the member firm, or if the member firm is a fund, pool or other collective investment vehicle, the investment manager of the fund, pool or other collective investment vehicle. One membership and 50% of the CME Group Class A Shares required for membership may be independently assigned.

A member firm may pay an Equity Member Subscription Rate as published in the NYMEX fee schedule in lieu of holding CME Group Class A Shares referenced above.

For COMEX Rule 106.J. member firms and COMEX Rule 106.J. member firms (Options only), at least one membership in each Division required for membership pursuant to this Rule must be owned by the member firm, principals or employees of the member firm or persons, including a parent company, with an acceptable proprietary interest in the member firm, or if the member firm is a fund, pool or other

collective investment vehicle, the investment manager of the fund, pool or other collective investment vehicle. One membership in each Division required for membership may be independently assigned.

COMEX Option Memberships may be assigned solely for the purpose of trading those contracts which a COMEX Option Member is permitted to trade.

The memberships may be held in the name of the member firm, principals or employees of the member, or persons with an acceptable proprietary interest in the member firm. The owner of the membership may transfer the membership among such persons provided that: (1) the transfer is approved by Exchange staff; (2) the transferee is approved pursuant to the rules of the Exchange; and (3) the transfer is for the legitimate business purposes of the firm. The firm shall have the right, at any time, to withdraw the authority of the transferee to trade on the membership, but must withdraw such authority upon termination of his employment or other association with the firm. Notice of the withdrawal of the authority of the transferee to trade on the membership must be given to ~~his qualifying clearing member who in turn must notify the Exchange pursuant to Rule 511.A.~~ The member firm shall designate on a form provided by the Exchange a representative who shall be authorized to deal with the Exchange with respect to the membership transferred under this Section.

The proceeds of the sale of a membership which has been assigned in order to qualify a Rule 106.J. member firm shall be subject to Rule 110 claims against both the owner of the membership and the Rule 106.J. member firm.

A Rule 106.J. member firm membership may not be transferred pursuant to any other provision of Rule 106. The membership may not be assigned for membership purposes under Rule 902.

Rule 106.J. member firm benefits apply only to the firm's member firm trading and not to the trading of any affiliates, subsidiaries or customers. All positions of the member firm must be carried by a clearing member(s) in accounts separate from positions of affiliates, subsidiaries, customers and other entities.

~~Any holder or transferee of a Rule 106.J. membership may not solicit or contact customers from the Trading Annex, unless the member firm is an Introducing Broker or Futures Commission Merchant as those terms are defined in Section 1a of the Commodity Exchange Act and/or 17 C.F.R. 1.3.~~

A Rule 106.J. member firm may not hold itself out to the public as a clearing member.

Exchange staff may grant exemptions from the requirements of this Rule.

[The remainder of the rule is unchanged.]

**125.-126. [RESERVED]**

**126. MEMBERSHIP ETHICS STANDARDS**

~~Each Member who is licensed space in the Trading Annex must comply with the ethics standards set forth in Appendix B to Part 3 of the CFTC's Regulations Statement of Acceptable Practices, or any equivalent ethics training.~~

**127. BROKING AND SOLICITATION PRIVILEGES**

~~The Exchange shall designate the products that NYMEX and COMEX Members licensed space in the Trading Annex may broker or solicit from the Trading Annex. In order to broker or solicit customer business, at the member must have proper CFTC registration. All broking and solicitations must take place from the ~~Trading Annex or the~~ premises of an entity registered to conduct customer business. ~~Broking and solicitations occurring from the premises of an entity registered to conduct customer business must and~~ be on behalf of the entity or one of its properly registered affiliates and such entity or affiliate must be an NFA member if required by NFA rules.~~

## **Chapter 4**

### **Enforcement of Rules**

**402. BUSINESS CONDUCT COMMITTEE**

**[Section A. is unchanged.]**

**402.B. Sanctions**

If the Panel finds that a party, including a Member, has violated a Rule, the Panel may take one or more of the following actions:

1. Order the party to cease and desist from the conduct found to be in violation of these Rules or from conduct which would violate the rules of any other exchange owned or controlled by CME Group or the Commodity Exchange Act;
2. Order a party to liquidate such portion of the open contracts in the party's proprietary or customers' accounts, or both, as the Panel deems appropriate to ensure the integrity of Exchange contracts or to ensure an orderly and liquid market;
3. Order a party or its customer to deposit such additional performance bonds with the Clearing House as the Panel deems appropriate to protect the integrity of open contracts;
4. Prescribe such additional capital or other financial requirements as it deems appropriate;
5. Restrict the ability of the party to have a business affiliation with, be employed by or have a financial or beneficial interest in a Member or broker association;
6. Restrict, suspend or terminate the party's access to the Globex platform, ~~any~~ ~~the~~ ~~trading~~ ~~floor~~ or any other trading or clearing platform or facility owned or controlled by CME Group, or right to supervise the entry of any orders into such platforms by others;
7. Restrict the party's ability to trade, place, enter, accept or solicit orders in any or all products of any exchange owned or controlled by CME Group;
8. Suspend any or all of the Member's privileges of membership as defined in Rule 121;
9. Expel the Member from membership in any exchange owned or controlled by CME Group;
10. Impose a fine upon the party not to exceed \$5,000,000 per violation;
11. Order a party to disgorge any monetary benefit resulting from a violation of an Exchange Rule whether by that party or another party. For purposes of this provision benefit includes, without limitation, profit, whether realized or unrealized, and avoided losses;
12. Prescribe limitations on positions of the party as may be appropriate, including issuing an order that no Clearing Member accept new positions on behalf of any such party;
13. Impose advertising restrictions upon the Member pursuant to these Rules;
14. Order a party to make restitution to the account of anyone damaged by the conduct, or to the Clearing Member who has previously made restitution to the account of such party;
15. Order a party or its legal counsel or other representative to pay out of pocket expenses incurred by the exchange in connection with the matter if such party, counsel or representative engaged in vexatious, frivolous or bad faith conduct during the course of an investigation or enforcement proceeding;
16. Revoke the regularity status of a regular firm;
17. Order such action as is necessary to prevent a threat to the contract or violation of the Commodity Exchange Act or Exchange Rules; and/or
18. With the approval of the Market Regulation Department and the party, order any other sanction or undertaking to address or deter the underlying violative conduct pursuant to a supported offer of settlement.

When determining whether to impose any of the sanctions listed above, the Panel may consider any factors determined by the Panel to be relevant in the context of a particular case, including any of the factors described in the "Sanctioning Guidance to Self-Regulatory Organizations" in the CFTC Policy Statement Relating to the Commission's Authority to Impose Civil Money Penalties and Futures Self-Regulatory Organizations' Authority to Impose Sanctions: Penalty Guidelines (1994).

#### **402.C. Emergency Actions**

1. The BCC is authorized to determine whether an emergency exists and whether emergency action is warranted. The following events and/or conditions may constitute emergencies:
  - a. Any actual, attempted, or threatened market manipulation;
  - b. Any actual, attempted, or threatened corner, squeeze, congestion, or undue concentration of positions;
  - c. Any action taken or considered by the United States or any foreign government or any state or local government body, any other contract market, board of trade, or any other exchange or trade association (foreign or domestic), which may have an impact on trading on the Exchange;
  - d. The actual or threatened bankruptcy or insolvency of any Member or the imposition of any injunction or other restraint by any government agency, self-regulatory organization, court or arbitrator upon a Member which may affect the ability of that Member to perform on its contracts;



- e. Any circumstance in which it appears that a Member or any other Person or entity has failed to perform contracts or is in such financial or operational condition or is conducting business in such a manner that such Person or entity cannot be permitted to continue in business without jeopardizing the safety of customer funds, Members, or the Exchange; and/or
  - f. Any other circumstance which may have a severe, adverse effect upon the functioning of the Exchange, except that declarations of Force Majeure and actions taken with respect to such declarations will be governed by the provisions of Rule 701.
2. In the event that the BCC determines, in the good faith exercise of its sole discretion, that an emergency exists, it may take any of the following emergency actions or any other action that may be appropriate to respond to the emergency:
- a. Suspend, curtail or terminate trading in any or all contracts;
  - b. Restrict, suspend or terminate a party's access to the Globex platform, ~~any~~ ~~the~~ ~~Trading~~ ~~Floor~~ or any other trading or clearing platform or facility owned or controlled by CME Group, or right to supervise the entry of any orders into such platforms by others;
  - c. Limit trading to liquidation of contracts only;
  - d. Impose or modify position limits and/or order liquidation of all or a portion of a party's account;
  - e. Order liquidation or transfer of positions as to which the holder is unable or unwilling to make or take delivery;
  - f. Confine trading to a specific price range;
  - g. Modify price limits;
  - h. Modify the trading days or hours;
  - i. Modify conditions of delivery;
  - j. Establish the settlement price at which contracts are to be liquidated;
  - k. Require additional performance bond to be deposited with the Clearing House, and/or
  - l. Order any other action or undertaking to address or relieve the emergency.
3. All actions taken pursuant to subsections 1 and 2 above shall be by a majority vote of the Panel members present. The Market Regulation Department shall give appropriate notice of such action. As soon as practicable, the Board and the CFTC shall be notified of the emergency action in accordance with CFTC regulations. Nothing in this section shall in any way limit the authority of the Board, other committees, or other appropriate officials to act in an emergency situation as defined by these Rules.

**409.-410. [RESERVED] CONDUCT INFRACTIONS**

**~~409.A. General~~**

~~Individual members and their employees in the Trading Annex must at all times demonstrate commonly accepted standards of propriety and decorum.~~

**~~409.B. Sanctions~~**

~~The Chief Regulatory Officer or his designee shall have the authority to impose summary fines on individual members and their employees for violations of Rule 409.A. Summary fines shall not be less than \$1,000 per offense and shall not exceed \$10,000 per offense. Summary fines issued pursuant to this Rule shall be deemed final and may not be appealed.~~

~~Notwithstanding the above, the Market Regulation Department, may, at any time, refer matters that it deems egregious to the Probable Cause Committee.~~

**410. [RESERVED]**

**432. GENERAL OFFENSES**

It shall be an offense:

- A. to have an interest in, operate or knowingly act on behalf of a bucket-shop, or knowingly make any transaction with a bucket-shop;
- B.
  - 1. to engage, or attempt to engage, in fraud or bad faith;
  - 2. to engage in conduct or proceedings inconsistent with just and equitable principles of trade;
- C. to engage in dishonest conduct;
- D. to create or report a false or fictitious trade;
- E. to extort or attempt extortion;

- F. to buy or sell any Exchange futures or options contract with the intent to default on such purchase or sale;
- G. to prearrange the execution of transactions in Exchange products for the purpose of transferring equity between accounts;
- H. to engage in, or attempt to engage in, the manipulation of prices of Exchange futures or options contracts; to corner or squeeze, or attempt to corner or squeeze, the underlying cash market; to intentionally or recklessly use or employ, or attempt to use or employ, any manipulative device, scheme, or artifice to defraud; or to purchase or sell, or offer to purchase or sell Exchange futures or options contracts, or any underlying commodities or securities, for the purpose of upsetting the equilibrium of the market or creating a condition in which prices do not or will not reflect fair market values;
- I. to make a verbal or written material misstatement to the Board, a committee, or Exchange employees;
- J. to intentionally or recklessly deliver or cause to be delivered, or attempt to deliver or cause to be delivered, false, misleading or inaccurate information concerning crop or market information or conditions that affect or may affect the price of any Exchange futures or options contract or spot transaction in the underlying commodity;
- K. to trade or accept performance bonds after insolvency;
- L.
  - 1. to fail to appear before the Board, Exchange staff or any investigative or hearing committee at a duly convened hearing, scheduled staff interview or in connection with any investigation;
  - 2. to fail to fully answer all questions or produce all books and records at such hearing or in connection with any investigation, or to make false statements;
  - 3. to fail to produce any books or records requested by duly authorized Exchange staff, in the format and medium specified in the request, within 10 days after such request is made or such shorter period of time as determined by the Market Regulation Department in exigent circumstances;
- M. to use or disclose, for any purpose other than the performance of an individual's official duties as a member of any committee or the Board of Directors, any non-public information obtained by reason of participating in any Board of Directors or committee meeting or hearing;
- N. ~~[Reserved] to knowingly accept, directly or indirectly, a trade on the Exchange for the account of a non-member employed in the Trading Annex;~~
- O. for a Member to permit the use of facilities or membership privileges in a manner that is detrimental to the interest or welfare of the Exchange or results in a violation of Exchange Rules or the Commodity Exchange Act;
- P. for a Clearing Member to fail to maintain minimum financial requirements;
- Q. to commit an act which is detrimental to the interest or welfare of the Exchange or to engage in any conduct which tends to impair the dignity or good name of the Exchange;
- R. to fail to submit to arbitration any dispute which Exchange staff, an arbitration panel or the Board decides should be arbitrated pursuant to Chapter 6; or to fail to comply with a final arbitration award;
- S. to fail, after hearing, to comply with an order of the Board, Exchange staff or any hearing committee;
- T. to engage in dishonorable or uncommercial conduct;
- U. except where a power of attorney or similar document has been executed pursuant to Rule 956, for any party to accept or transmit a customer order which has not been specifically authorized;
- V. to be expelled from a U.S. or foreign designated commodities or securities exchange;
- W. for any party to fail to diligently supervise its employees and agents in the conduct of their business relating to the Exchange;
- X. to aid or abet the commission of any offense against the Exchange or any violation of an Exchange Rule; and/or
- Y. to use improperly the Globex platform or any electronic trading or clearing platform owned or controlled by CME Group or permit the unauthorized use of such platforms; ~~and/or.~~
- Z. ~~for a Member to fail to disclose to his qualifying Clearing Member that an involuntary bankruptcy petition has been filed against him or, in the case of a voluntary bankruptcy proceeding, that he has filed or has formed a definite intention to file for bankruptcy.~~



Unless otherwise determined by the committee with jurisdiction over such matters, a suspended or expelled Member shall not be entitled to any of the privileges of membership during the period of such suspension or expulsion, including, but not limited to, the right to:

- A. access any trading floor or facility owned or controlled by CME Group;
- B. direct and indirect access to the Globex platform or any other electronic trading or clearing platform or facility owned or controlled by CME Group;
- C. obtain member rates; and
- D. any applicable cross-exchange trading privileges.

~~A member who has been suspended or expelled may not license space in or access the Trading Annex.~~

A member who has been expelled may not lease out an owned membership in any exchange owned or controlled by CME Group and must relinquish ownership of such membership(s) within 30 days of the date that the expulsion becomes the final decision of the Exchange.

## 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.-508. ~~[RESERVED]~~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

### 509. ACCOUNTS OF MEMBERS AND MEMBER FIRMS

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

### 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.~~

**5103.-5195. [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]**

**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 ~~anthe error~~ account of the broker or firm responsible for the error or order mishandling. Any profits resulting from the liquidation of trades placed in ~~sucha~~ 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.

**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 ~~member~~~~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.

535. ~~[RESERVED] 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**

**[Sections A. – D. are unchanged.]**

**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.

**[Sections F. and G. are unchanged.]**

**536.H. Retention of Records**

Each member and member firm and employees of the foregoing must keep full, complete and systematic records, including records created or transmitted electronically, together with all pertinent data and memoranda, of all transactions relating to its business of dealing in commodity 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.

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.

**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.

[The remainder of the Rule is unchanged.]

**Chapter 9  
Clearing Members**

**901. GENERAL REQUIREMENTS AND OBLIGATIONS**

Membership in the Clearing House is a privilege and license granted by the Board and may be withdrawn by the Board for cause at any time. Clearing House staff may grant exemptions to the General Requirements and Obligations set forth below for Clearing Members if it is determined that such an exemption will not jeopardize the financial integrity of the Clearing House. Subject to such exemptions, each applicant for qualification as a clearing member must satisfy the following requirements:

- A. It shall be a corporation (defined by the Rules of the Exchange to include a limited liability company), partnership or other entity approved by Exchange staff. It shall agree to: 1) abide by all Exchange Rules and to cooperate in their enforcement; 2) be responsible, even after it has withdrawn as a clearing member, for any violations of Exchange Rules committed by it while it was a clearing member; and 3) continue to meet all requirements applicable to clearing members, including all financial requirements provided by these rules;
- B. It shall have an authorized representative (i.e., officer, principal, or partner) who shall represent the clearing member before the Exchange and its committees. Such authorized representative shall be responsible to the Exchange for any representations made to the Exchange as if such person were a member as defined by Rule 400.
- C. It shall be qualified to do business in the State of Illinois or the State of New York or have a valid agency agreement with an entity qualified to do business in the State of Illinois or the State of New York;
- D. It shall be engaged in or demonstrate immediate capacity to engage in the conduct of the business of a clearing member;
- E. It shall demonstrate such fiscal and moral integrity as would justify the Clearing House's assumption



of the risks inherent in clearing its trades;

F. It shall demonstrate financial capitalization commensurate with Exchange requirements as set by the Clearing House Risk Committee;

G. If any person directly or indirectly controls, owns 10% or more of, or has the right to 10% or more of the profits of two or more clearing members, then each such clearing member shall guarantee the obligations of the others to the Clearing House and shall execute a written guarantee to the Clearing House on a form approved by the Clearing House.

H. It shall notify the Exchange prior to any significant business transaction or significant change in operations which shall include, but is not limited to the following:

1. The merger, combination or consolidation between the clearing member and another person or entity;

2. The assumption or guarantee by the clearing member of all or substantially all of the liabilities of another in connection with a direct or indirect acquisition of all or substantially all of that person's or entity's assets;

3. The sale by the clearing member of a significant part of its business and/or assets to another person or entity;

4. A change in the direct or indirect beneficial ownership of 20% or more of the clearing member; and

5. Any change in the system provider used by the clearing member to process its trades; ~~and~~

~~6. A significant increase in the number of members that a clearing member qualifies.~~

~~Additionally, a clearing member that qualifies members must provide fifteen days notice to the Exchange of any proposal to terminate such business or any material part of such business.~~

The relevant committee or Exchange staff, upon such notice, may disapprove or approve, subject to certain conditions, such changes in structure or operations if it determines that the proposed change could jeopardize the financial or operational integrity of the Exchange or the Clearing House. For purposes of this Rule, the Clearing House Oversight Committee shall be the relevant committee with respect to corporate organization and structure changes and the Clearing House Risk Committee shall be the relevant committee with respect to all other changes.

I. It shall agree to guarantee and assume complete responsibility for the financial obligations attendant to: 1) all trades and orders executed or accepted for execution by a member it qualifies, including trades and orders executed, or which such member fails to execute, negligently, fraudulently or in violation of Exchange rules; 2) an unpaid arbitration award issued by a panel of the Arbitration Committee against a member it qualifies in circumstances where the dispute is related to a matter described in number 1) above; 3) an unpaid restitution order issued against a member it qualifies by a panel of the Business Conduct Committee, the Clearing House Risk Committee or a hearing panel of the Board of Directors; and 4) unpaid Exchange disciplinary fines imposed upon a member it qualifies if the member is also an employee of the clearing member or its affiliate, subject to a determination by the sanctioning entity.

The Exchange discontinued use of the term "qualifies a member" effective at the close of business on November 30, 2018. A clearing member's responsibility for a member it qualifies on or prior to the effective date shall continue in accordance with this Rule.

J. It shall notify the Financial and Regulatory Surveillance Department in a timely manner of any material change in key personnel who are responsible to act on behalf of the clearing member.

K. [Reserved]

L. [Reserved]

M. It shall guarantee and assume financial responsibility for all trading activity routed through a Globex portal, or routed through any other electronic trading system to CME for clearing of such transactions. Such activity is guaranteed to CME by the clearing member via any connection, terminal, link, telecommunications hub or handheld unit provided by the clearing member to a third party as well as any other applicable electronic trading systems and terminals that the clearing member provides to a third party to enter orders.

N. It shall be responsible for the acts of Globex terminal operators accessing the Globex system through its connections, including direct connections or other connections that it provides to firms that are under common ownership with it. It shall be the duty of the clearing member to supervise its employees and agents acting as Globex terminal operators to ensure such employees and agents comply with Exchange rules, and any violation of Exchange rules by such terminal operators shall be considered a violation by the clearing member.

O. [Reserved]

P. Each clearing member shall use systems and appropriate procedures to track accurately, and to provide to the Clearing House accurately, the positions and collateral of each of its cleared swaps customers.



Q. Requirement to Establish Uncommitted Repo. Each clearing member that is a U.S. Government Securities Broker-Dealer or has a U.S. Government Securities Broker-Dealer affiliate shall enter into (or arrange for such affiliate, or an affiliate that is a bank, to enter into) a master repurchase agreement with CME on terms substantially similar to those set out by the Clearing House. Each clearing member that has entered into such master repurchase agreement shall (or shall cause its affiliate that has entered into such master repurchase agreement to) periodically test repurchase transactions with the Clearing House when requested by the Clearing House.

R. Reserved

S. The obligation of a clearing member to pay settlement variation during each settlement cycle is satisfied when all required cash is credited as a settlement variation payment into the correct CME bank account at the relevant settlement bank. The obligation of a clearing member to post performance bond during each settlement cycle is satisfied when all required assets are deposited as performance bond into the correct CME bank account at the relevant custodial bank.

## **902. CLEARING MEMBERSHIP ASSIGNMENT REQUIREMENTS**

### **902.A. Assignment Requirement**

Subject to exemptions granted by Exchange staff, each clearing member shall have at least two Exchange memberships in each Division in which it desires clearing member privileges assigned to the Clearing House.

At least one membership required for clearing membership pursuant to this rule must be owned by the clearing member or a person, including a parent company, with an acceptable proprietary interest in such clearing member, if such clearing member was approved for membership after July 1, 2009. The second membership may be independently assigned.

A clearing member approved for membership on or before July 1, 2009, may continue to maintain the same number of independent membership assignments as the clearing member held on July 1, 2009. If a clearing member approved on or before July 1, 2009, or a person with an acceptable proprietary interest in the clearing member, subsequently purchases a membership and substitutes such asset for one which was previously an independent assignment, such membership must thereafter be owned by the clearing member or a person with an acceptable proprietary interest if necessary to meet the minimum requirements of the previous paragraph.

Upon default of a clearing member in meeting its obligations to the Clearing House or upon the Clearing House Risk Committee's determination that a clearing member's financial position jeopardizes the financial integrity of the Clearing House, the Clearing House may direct the sale of any or all of the clearing member's assigned memberships. The proceeds from the sale of the memberships shall be used to satisfy Rule 110 obligations.

### **902.B. [Reserved]**

### **902.C. Assignment Process**

A membership may be assigned upon the completion of an Exchange-approved form. A membership may be assigned on behalf of only one clearing member and may not be subject to any Rule 110 claims at the time of assignment. Upon submitting an assignment form to the Membership Services Department, the membership shall be notified of the assignment. Parties will have ten days after the notification of the assignment to submit any Rule 110 claims against the membership being assigned. After all Rule 110 claims have been resolved to the satisfaction of the Exchange, the membership shall be assigned.

### **902.D. Assignment Substitutions**

A clearing member may substitute a membership for an assigned membership provided that the clearing member continues to meet the assignment requirements of this Rule. ~~In the event a clearing member has a valid claim against a member that it qualifies and the member's membership is assigned to another clearing member, the clearing member utilizing the membership for assignment shall have 10 business days to substitute another membership to fulfill the assignment requirements of this Rule.~~

### **902.E. Assignment Withdrawal Disputes**

In the event a member wants to withdraw his assigned membership over the objection of the clearing member to which the membership is assigned, such member must request permission to do so from Clearing House staff. The request must be in writing with a copy delivered to the clearing member to which the membership is assigned.

### **902.F. Lien on Memberships**

Each Clearing Member hereby grants to the Clearing House a first priority and unencumbered lien against all memberships required for clearing membership by the Exchange.

**903. RESPONSIBILITY FOR QUALIFIED MEMBERS**

A. A clearing member that qualifies a member thereby guarantees and assumes complete responsibility for the financial obligations attendant to: 1) all trades and orders executed or accepted for execution by such member, including trades or orders executed, or which such member fails to execute, negligently, fraudulently or in violation of Exchange rules; 2) an unpaid arbitration award issued by a panel of the Arbitration Committee against such member in circumstances where the dispute is related to a matter described in number 1) above; 3) an unpaid restitution order issued against such member by a panel of the Business Conduct Committee, the Clearing House Risk Committee or a hearing panel of the Board of Directors; and 4) unpaid Exchange disciplinary fines imposed upon such member if the member is also an employee of the clearing member or its affiliate, subject to a determination by the sanctioning entity. The Exchange discontinued use of the term "qualifies a member" effective at the close of business on November 30, 2018. A clearing member's responsibility for a member it qualifies on or prior to the effective date shall continue in accordance with this Rule.

~~B. – F. [Reserved.] To qualify traders, a clearing member must have established systems in place for trade submission, clearing, and settlement/banking with the Clearing House.~~

~~C. No member may be qualified by more than one clearing member at one time.~~

~~D. A member may not transfer his qualification unless he has obtained a written release from the clearing member last qualifying him. A release shall not be withheld unless a member has an unsatisfied indebtedness to the clearing member last qualifying him where the indebtedness is due to a deficit arising from transactions on the Exchange or where the clearing member last qualifying him is the guarantor under an existing valid guarantee of a loan which had been made to the member exclusively for the purpose of financing the purchase of the member's membership. 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 as provided in Rule 511. Any other disputes between the parties shall be resolved, to the extent permitted by the rules, through the arbitration procedures set forth in Chapter 6.~~

~~E. A clearing member may, without prior notice, revoke a member's authorization to trade by written revocation filed with the Membership Services Department. Such revocation shall be effective and the member's qualification to trade shall terminate when notice of the disqualification is posted in a location determined by the Exchange. A member shall not appear in the Trading Annex until he has been requalified.~~

~~F. A member shall place all trades, including trades for his own account or any account which he controls, on the books of his qualifying clearing member unless written authorization to the contrary from said clearing member has been filed with the 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.~~

~~G. No clearing member shall provide access to Globex or ClearPort ~~Trading access to~~, or clear any trade for, an employee, ~~qualified trader~~ or other representative of another clearing member without the written consent of such other clearing member. No clearing member shall provide access to Globex or ClearPort ~~Trading access to~~, or clear any trade for, a person in a partnership with another clearing member without the written consent of all partners. Such written consent shall be filed with the Membership Services Department.~~

~~H. In the case of a member who has Globex access or ClearPort Trading 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 or ClearPort Trading by notifying the clearing member providing the member access to Globex or ClearPort Trading. The clearing member providing the access to Globex or ClearPort Trading will be responsible for ensuring that the member does not place orders through Globex or ClearPort Trading.~~

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

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

**984. CLEARING MEMBER ACCEPTANCE OF EXECUTED CUSTOMER TRADES**

The following provisions define the minimum responsibilities and obligations of those parties to the clearance of a customer trade.

The term "executing broker" as used in this Rule is the Member Firm or ~~Floor-B~~roker to whom the order is transmitted.

[The remainder of the Rule is unchanged.]

**CME and CBOT Rulebooks**

**Chapter 5**

**Trading Qualifications and Practices**

**509. ACCOUNTS OF MEMBERS AND MEMBER FIRMS**

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

**511. QUALIFIED TRADERS AND BROKERS**

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

A member shall place all trades 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.

[The remainder of the Rule is unchanged.]