

MARKET REGULATION ADVISORY NOTICE

Exchange	CME
Subject	Compliance with Valid Price Increments in Open Outcry Trading
Rule References	Rule 512, Rule 522, Rule 528, and Rule 542
Advisory Date	March 16, 2026
Advisory Number	CME RA2601-2
Effective Date	March 30, 2026

This Advisory Notice is being issued in connection with the reduction of the minimum price increment in certain SOFR Options contracts (see [SER-9596](#)) to remind market participants that the execution of transactions via open outcry on the Chicago Mercantile Exchange, Inc. (“CME” or “Exchange”) trading floor must be done in accordance with Exchange Rule 512 (“Reporting Infractions”), Rule 522 (“Acceptance of Bids and Offers”), Rule 528 (“Price Reporting”), and Rule 542 (“Simultaneous Spread and Combination Transactions”), effective trade date March 30, 2026, and pending all relevant CFTC regulatory review periods.

Bidding, offering, executing a trade, or reporting a trade at an invalid price increment is expressly prohibited by Exchange rules. Rule 528 requires parties to a pit transaction to accurately and properly notify the designated Exchange official of the price at which trades have been consummated. This price reporting, as well as all other data, records, and other information required to be reported to the Exchange or the Clearing House must be submitted or reported in an accurate manner, pursuant to Rule 512.

Rule violations described in this advisory, including those associated with bidding, offering, executing a trade, or reporting a trade at an invalid price or aiding or abetting the commission of such rules, may result in disciplinary action. Rule 512 authorizes Exchange staff to impose summary fines up to \$5,000 per reporting offense for individuals or \$10,000 per reporting offense for firms. The Exchange’s Business Conduct Committee is also authorized to impose fines up to \$5 million per violation, among other sanctions including disgorgement of commissions and profits, for violations of Exchange rules identified in this advisory.

Floor traders, brokers, members on the floor, their employees, or other market participants are encouraged to report to the Exchange rule violations they observe. Reports of violations or other complaints can be submitted on the CME Group website ([here](#)), by calling the Market Regulation Department at **312.341.7970**, or by reporting to Market Regulation Department staff present on the trading floor. Anonymous complaints will be accepted over the phone. Note, all correspondence, information, and documentation obtained during the course of a Market Regulation Department investigation is treated as non-public and confidential and shall not be disclosed by any party, except as necessary to further an Exchange investigation or as required by law.

Questions regarding this Advisory Notice should be directed to one of the following individuals in Market Regulation:

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Barry Schauer, 312.341.7640 (desk), 312.296.1022 (cell)
Erin Middleton, 312.341.3286 (desk), 312.632.9862 (cell)

Frequently Asked Questions

Q1: What are my responsibilities as a pit broker if I receive a customer order with a price below the valid price increment for a product (e.g., at 1/8th of a tick)?

A1: As a broker, you are responsible for full compliance with Exchange rules. You are strictly prohibited from bidding, offering, executing, or reporting a trade to the Exchange at an invalid price increment. While you may accept an order that has an invalid price increment, you are strictly prohibited from directly or indirectly guaranteeing the execution of an order or any of its terms, including a price below the valid price increment. Further, you are responsible for exercising due diligence in the handling and execution of customer orders. To reduce regulatory scrutiny, it may therefore be prudent or necessary for you to clarify the terms of the order with the customer and inform the customer that the order can only be executed at valid price increments.

Q2: As a broker, is it a violation of Exchange rules to work a customer's order in a way where the fill prices on individual components or legs would average to an invalid price increment?

A2: Fills on an order that average to a price below the minimum tick increment would not violate Exchange rules if: a) each component or leg of the order is independently executed at a valid price increment; b) each separate component is competitively executed independent of and not contingent on the execution of any other component of the order; and c) each separate component is accurately reported to the Exchange.

In reviewing transactions for compliance with Exchange rules, Market Regulation may examine communications between the customer(s), desks, brokers and their clerks, communications from the trading floor, trading records, and patterns of trading activity of the parties. To the extent a fill on any individual component or leg of the order was contingent on the fill of any other component, order, or leg, through express or implied agreement between the parties to the trades, the trades will be deemed noncompetitively executed in violation of Exchange Rule 539. (Prearranged, Pre-negotiated and Noncompetitive Trades Prohibited).

Q3: As a broker, am I allowed to simultaneously bid or offer components of an order at valid price increments where, if filled, the executions of each component would achieve an average price at an invalid price increment?

A3: Yes, so long as the execution of one component is not contingent on the execution of another component. Brokers should be aware, however, that bidding and offering in this fashion could create an appearance that orders, if traded opposite the same counterparty, were done in a contingent and non-competitive manner. Further, each bid and offer must be honored independently pursuant to Rule 522, which states that, while outstanding, all or any part of any bid or offer is subject to immediate acceptance by any trader.

Q4: Is it a violation of Exchange rules for a broker or market maker to bid, offer, or execute an order or trade via open outcry at an invalid price increment using terms such as "on legs," "synthetic," or "package" to imply that the bid, offer, or trade consists of multiple orders each at valid price increments?

A4: Yes, it is a violation of Exchange rules to bid, offer, or execute trades in this manner. Any communication in the trading pit that could be construed as a bid or offer must be at a valid price increment. Floor traders and brokers are prohibited from bidding, offering, executing, or reporting a trade at an invalid price increment. A bid or offer at an invalid price increment using terms like "on legs" infers that the execution of one component or leg is contingent on the execution of another component or leg as a means of achieving an invalid price increment. The execution of a trade in this manner is noncompetitive and would violate Exchange Rule 539.

Q5: I am a market maker on the trading floor. Can I make markets or quote at prices below the valid price increment?

A5: No. All bids, offers, executions, and reports of trades must be at valid price increments.

Q6: If I execute a customer order as separate, independent, competitively executed trades that average to an invalid price increment, how should those transactions be reported to the designated Exchange official?

A6: Each trade must be reported to the designated Exchange official or market reporter with the price at which the trade was executed in the pit. If an order is executed in the pit at an invalid price increment, the rule violation is not cured by reporting the trade to the market reporter as having been executed as separate trades at valid prices. This conduct would violate Rule 542 since the combination was traded at an invalid price, Rules 528 and 512 since the price report to the Exchange was not accurate, and potentially other Exchange rules.

CME Rule Texts

Rule 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 their 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 their 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 they may have in support of their 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 Chief Regulatory Officer for consideration of charges.

Rule 522. ACCEPTANCE OF BIDS AND OFFERS

In open outcry and 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.

Rule 528. PRICE REPORTING

Parties to a pit transaction shall properly notify the designated Exchange official of the price at which trades have been consummated. Both parties to a pit trade are required to ensure that such price is properly posted. Whenever a member makes a trade with another member and such trade constitutes a price infraction, they shall 1) immediately break the trade; or 2) satisfy all bids or offers which were adversely affected; or 3) adjust the price of the trade to the price which existed when the price infraction occurred, provided that both parties agree to adjust the price and the terms of any affected orders are satisfied.

The Exchange will report all swap trades as required by applicable CFTC Regulations to CME SDR. Parties to swap trades will be required to provide the Exchange with information, as specified by the Exchange from time to time, to facilitate the Exchange's reporting obligations. In all cases, however, the parties to every trade on the Exchange will be separately responsible for compliance with their own reporting obligations, if any, with respect to such trades under applicable CFTC Regulations.

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.

For the purposes of this rule, a whole integer price is an option price that is divisible by one tick without remainder (e.g., one tick, two ticks, three ticks, etc.). For the purposes of this rule, a non-integer tick price is an option price that is not divisible by one tick without remainder (i.e., one-half tick or cabinet, one and one-half ticks, and two and one-half ticks). In addition, the rule in an option's contract specifications defining that given option contract's minimum fluctuations also defines that option contract's whole integer and non-integer tick prices for the purposes of this rule.

Spread or combination transactions involving options on interest rate futures contracts trading at non-integer tick prices other than those transactions explicitly defined in this rule are not allowed.

- B. Any spread or combination transaction involving cabinet options may trade, provided that the traded price of the combination is zero, cabinet, or 1 tick, as defined by that product's minimum fluctuations.

For the purposes of this rule, a cabinet option is an option trading at a price of one-half tick (except for options on Three-Month Euroyen futures), and a one-tick option is an option trading at a price of one tick. In addition, the rule in an option's contract specifications defining that given option contract's minimum fluctuations also defines that option contract's one-tick price and one-half tick price for the purposes of this rule. Also, the rule in an option's contract specifications defining that given option contract's underlying futures contract also defines that underlying futures contract for the purposes of this rule.

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

- C. [Reserved]

- D. Trading is allowed in simultaneous spread or combination transactions involving options on FX futures contracts trading at whole integer and non-integer tick prices, subject to the conditions applying to other spread or combination transactions and also subject to the following respective additional conditions:

1. Spread and combination transactions may trade at a non-integer tick price provided that the net absolute price differential or aggregate combination price, as applicable, is five ticks or less.

2. Conversion and reversal transactions involving the purchase and sale of options and futures are also allowed to trade at one-half tick provided that each component futures is assigned an integer price.

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.