

May 31, 2005

## **Notice**

### **RE: Floor Performance Questions and Answers**

The trading community has raised a number of implementation and operational questions regarding the Floor Performance Standards modifications that are effective June 1, 2005. As fully discussed in the April 7, 2005 notice to the trading community, the Standards are separated into floor broker, floor trader and clearing firm requirements. Please refer to the following questions and answers for additional information.

1. **How have the standards changed for firms?** The firm standards are:
  - 100% of 20 contract or less orders must use order routing for either execution or endorsement. Headset/flushed orders when coupled with the COMET flash functionality meet the standard. Please contact Larry Ratner at 789-8983 for additional information regarding COMET flash functionality. The old standard was 90% of 10 contracts or less.
  - The minimum assessment level that must be met before an assessment is billed will be increased from \$100 to \$500. All monthly Floor Performance surcharges under \$500 will not be billed.
  - This applies to only agricultural futures and options. There are no current standards for Interest Rate and Equity products.

Firms can contact Floor Technology Support at 347-5611 for assistance in determining your firm's level of order routing use relative to the enhanced standard.

2. **What are all the standards floor brokers must meet?** The floor broker standards have not changed since June 2004. Therefore, the Standards are:
  - Achieve a 90% compliance rate for:
    - Accept orders within 2 minutes of receipt on the Electronic Clerk with the exception of opening orders and those orders affected by opening orders as detailed below;
    - All orders entered prior to the open and through the first 5 minutes of trading will be required to be accepted by the floor broker no later than 7 minutes after the open;
    - Confirm the fill price and quantity to the clearing firm within 15 minutes of execution for all EC trades. Please note this confirmation should be the actual execution price of the trade, not just notification of a fill using the order price for execution price.

- 100 % of all regular market orders filled in the Agricultural markets are required to be confirmed by the floor broker back to the customer within 5 minutes. This applies to market orders received 5 minutes after the open due to unique and rapid market conditions existing during the opening.

Please note that legged spreads are not included in Floor Performance Standards for Surcharge 3 and 7. Legged spreads are defined as those spread trades that are legged rather than executed as a package at a single price. Please contact Larry Ratner for additional information on marking trades as “L” in ECs and HHTs.

**3. What are the standards for Locals?**

- All flat price trades are required to be recorded/captured using the HHT device. This requirement can be met by having a clerk use the HHT to capture the trades shortly after execution.
- There will be a **10 cent per trade** Floor Performance surcharge for all trades that are not entered in the HHTs. Please note that the exchange fee waiver (5 cents) is per contract while the surcharge is per trade. The fee waiver has been extended through the end of 2005.
- Legged spreads. Type 6 spreads and SLED trades are not subject to the 10 cent per trade surcharge. Please note that these trades do qualify for the 5 cent per contract fee waiver.
- As noted below, similar to Floor Brokers treatment, monthly Floor Performance Surcharges of less than \$100 will not be billed.
- Asof trades are not encompassed in the standards.

Locals can contact Floor Technology Support at 347-5611 to determine how many trades they are executing that would be subject to the 10 cent surcharge.

**4. I am a dual trader, am I encompassed by the Floor Performance Standards?**

Yes, any EC trades you execute are covered under the Floor Broker Standards and any local (CTI 1) trades you execute are covered under the Floor Trader Standards. As with floor brokers standards, the floor trader will not be billed for any Floor Performance surcharges less than \$100 per month.

**5. I had two of my clerks call in sick today. Am I still subject to the floor performance standards?**

Please contact Larry Ratner to discuss circumstances of this nature that are beyond your normal control that detract from your ability to meet the standards on isolated days.

**6. I did not report an execution for a grouped market order within 5 minutes.**

**There were 6 orders within the grouped market orders. How is the surcharge computed?** Since you were filling the orders in group mode, the surcharge is calculated based on the grouped fill which means that only \$1.00 surcharge for the group is applied as opposed to \$1.00 per order. This is a change from past practices where the surcharge would have been per order within the group.

7. **What products are covered by these standards?** Only agricultural futures and options are covered by Floor Performance standards. Interest Rate and Equity products are exempt from the standards. However, futures local trades in any product recorded using the HHTs still receive the 5 cent fee waiver.
8. **Is the Exchange imposing a standard time for a floor broker to execute an order? Absolutely not. These standards do not change floor brokers' obligations to exercise due diligence in handling their customer orders. Floor brokers and firms are strictly prohibited from utilizing these standards in assessing whether an order should have or should not have been executed and the appropriate price for any executed orders.**
9. **What about orders that were for more than 20 contracts that were executed for 20 or less? The order did not utilize the order routing system because it was larger than the threshold, but it was executed for less. Will I be surcharged for this order?** Firms should enter a "1" in the override reason code field in their bookkeeping system. That will signify that the order was for more than the threshold quantity and was ultimately executed in total for equal to or less than the threshold quantity.
10. **When do the surcharges begin?** The new Standards become effective June 1.
11. **How are the floor performance surcharges assessed?** The surcharge will be assessed through the current floor performance system. Weekly reports are available via Floor Technology Support (FTS) at 347-5611. Monthly total surcharges less than \$100 (\$200 for oil, \$150 for spreaders and options) are waived, any surcharges over \$100 are billed through the normal monthly exchange billing process.
12. **How are Floor Brokers and Floor Traders notified of the orders that did not meet that standard and any related surcharges?** Floor broker summary and detail reports will be included in their monthly brokerage bill sent by the Exchange. Any surcharge will appear as a separate line item on that bill. Interested floor brokers can contact the Floor Technology group at 347-5611 for weekly reports.
13. **I currently receive a 5 cent per contract fee waiver for all trades entered into my HHT. Will that continue?** Yes, the Board of Directors has extended the fee waiver through the end of 2005. This fee waiver is handled through the normal exchange fee billing process.