

July 21, 2005

NOTICE

RE: Revised Error Trade Policy for Electronically Traded Options

The CBOT Board of Directors has determined to adopt the following revised Error Trade Policy for electronically traded options based on recommendations from a cross section of options participants including the Options Task Force, Active Professional Traders Committee, FCM Committee and Electronic Market Makers. The new policy eliminates the ability to bust error trades in options executed on e-cbot and instead provides a process for adjusting the prices of trades that are deemed to be error trades.

This policy will be effective beginning Sunday, July 24, 2005 (trade date July 25, 2005).

Identification of Potential Error Trades

CBOT Market Operations will identify potential error trades either by:

1. Receiving notification from market participants within five minutes of the execution time of the asserted error trade; or
2. Determining that the price of an option or option strategy is greater than the designated number of ticks (as outlined below) from the theoretical price.

Products	Ranges-Potential Errors
U.S. Treasury	3 ticks
30 Day Fed Funds	6 ticks
CBOT Dow & mini-sized Dow	10 ticks
Commodity	6 ticks

Determination of Error Trade Reference Price

CBOT Market Operations will calculate a bid price or an offer price in order to identify the reference price against which the potential error trade will be evaluated in order to determine whether it should be considered an error.

The bid or the offer price of an option or an option strategy will be determined by using one or more of the following four procedures:

1. Market Operations will observe the bid and the offer prices that were active on e-cbot prior to the occurrence of the potential error.

2. Market Operations will submit RFQs using delta neutral strategies at the futures level that was active at the time of the potential error.
3. Market Operations will attempt to contact at least three market makers who were not involved in the potential error trade in order to determine their bids and offers prior to the potential error occurring.
4. During regular trading hours (which are defined as the hours of open auction), Market Operations may also obtain bid and offer prices from the open auction platform using delta neutral strategies at the futures level that was active at the time of the potential error trade.

CBOT Market Operations will determine the average bid or offer price based upon the size of the error trade and the market depth. The average price will be calculated by:

1. Determining the true average (weighted average) bid or offer price.
2. Rounding the true average to the nearest tick value, up for buy orders and down for sell orders.

If the depth of the market in response to the first RFQ is less than the size of the order, CBOT Market Operations will submit a second RFQ for the size of the error trade. CBOT Market Operations will calculate the average bid or offer price based upon the size of the error trade. If the depth of the response to the second RFQ is less than the size of the trade, CBOT Market Operations will calculate an average bid or offer based upon the depth of the market.

Error Trade Determination

CBOT Market Operations will consider an option trade an error if it determines that:

1. The trade has been executed at a price at least two ticks below the bid price in the case of a sell error.
2. The trade has been executed at a price at least two ticks above the determined offer price in the case of a buy error.

Determination of Adjusted Trade Price

Error trades will be adjusted to the price either one tick less than the determined bid price in the case of a sell error or one tick greater than the determined offer price in the case of a buy error. To accomplish such an adjustment, the user must misclear the initial trade and re-enter the trade at the adjusted price using appropriate clearinghouse procedures.

The Board of Directors believes that the revised policy more effectively reflects the intricacies and dynamics associated with trading options on the electronic platform.

Furthermore, the revised policy reinforces trade certainty by not permitting options transactions to be busted and instead requiring trades to be price adjusted based upon transparent and straightforward criteria.

Recognizing that there may still be financial disputes as a result of an error trade, amendments to Rulebook Appendix 9B-2 make it clear that such disputes may be referred to the Arbitration Committee for consideration.

Rulebook Appendixes 9B-2 and 9B-3 have been amended to reflect these changes which become effective on July 24, 2005. Copies of the revised Appendixes are available from the Secretary's Office.

Questions regarding this policy may be directed to Brian Wolf at (312) 347-5609 or Jonathan Kronstein at (312) 435-7162.

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Vice President and Secretary