

July 17, 2006

NOTICE

ORDER EXECUTION IN SIDE-BY-SIDE MARKETS

All members are reminded that the type of activity described in the following example violates Exchange trade practice regulations:

A floor broker receives an order to buy 50 Soybean futures at 6.27. The floor broker enters an order on e-cbot® to buy 50 at 6.27 or better for his own account and is filled. Upon receiving the e-cbot® fill, the floor broker simultaneously buys and sells 50 contracts opposite a local in the pit, the sell side offsetting the broker's e-cbot® position and the buy side filling the customer order.

In such a scenario, an Exchange disciplinary committee may find that the floor broker has traded for his own account prior to filling an executable customer order in his possession and/or has indirectly taken the other side of his customer's order for his own account. Individuals who engage in, or accommodate, such conduct may be subject to disciplinary action.

For contracts that are traded side-by-side, customers may choose to designate whether the order is to be executed in the open auction market or on e-cbot®. Prices traded on e-cbot® do not elect open auction orders, and floor brokers cannot be held to prices that are exclusively available in the e-cbot® market. Orders entered in the open auction market may, with the consent of the customer, be executed on e-cbot® and given up to the customer's clearing firm provided that appropriate give-up arrangements are in place.

Questions regarding this notice may be directed to Jennifer Baum ([341.3124](tel:341.3124) / jbaum@cbot.com) or Shelly Goodwin ([347.4123](tel:347.4123) / sgoodwin@cbot.com) of the Office of Investigations and Audits.

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