

MARKET REGULATION ADVISORY NOTICE

Exchange	CME & CBOT
Subject	Simultaneous Buy and Sell Orders for Different Beneficial Owners; Trading Against Customers' Orders Prohibited
Rule References	Rule 533 and Rule 531
Advisory Date	December 3, 2007
Advisory Number	CME & CBOT – RA0703-3

Effective November 29, 2007, CME and CBOT adopted common rule language related to the handling of simultaneous buy and sell orders for different beneficial owners in open outcry and electronic markets. Neither this advisory nor the rules referenced herein pertain to transactions on the electronic platform that involve pre-execution communications. CME and CBOT have unique rules in regard to such transactions which are separately addressed in each exchange's Rule 539 ("Prearranged, Pre-Negotiated and Noncompetitive Trades Prohibited").

Open Outcry Markets

Rule 533 ("Simultaneous Buy and Sell Orders for Different Beneficial Owners") allows for the direct crossing of orders by a floor broker provided that the orders are for the accounts of different beneficial owners and the floor broker executing the orders first openly bids and offers the price and quantity three times in a manner that is transparent to the pit. If neither the bid nor the offer is accepted, then the floor broker may match the orders, or any remaining portion of the orders, in the presence of, and with the approval of, a Floor Operations staff member.

A floor broker may not cross an order in the manner described in the preceding paragraph with a trade 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 unless the customer has consented in writing within the previous 12 months to waive the application of Rule 531 ("Trading Against Customers' Orders Prohibited").

A floor broker who executes cross transactions or directly takes the other side of a customer order pursuant to these rules must complete a cross trade form which shows the date, product, floor broker, price, quantity and time of execution. The form may be obtained from the Floor Operations staff and the completed form must be presented to the Floor Operations staff member who approved the trade. Failure to accurately complete the cross trade form shall constitute a violation of the rule.

Electronic Markets

In electronic markets, opposite orders for different beneficial owners that are simultaneously placed by a party with discretion over both accounts may be entered on the electronic platform provided that one order is exposed for a minimum of 5 seconds in the case of futures orders (including futures spreads) or for a minimum of 15 seconds in the case of options orders (including any spread with an option component).

An order allowing for price and/or time discretion, if not entered immediately upon receipt, may be knowingly entered opposite another order entered by the same firm only if the other order has been entered immediately upon receipt and has been exposed for a minimum of 5 seconds in the case of futures orders (including futures spreads) or for a minimum of 15 seconds in the case of options orders (including any spread with an option component).

Independently initiated orders on opposite sides of the market for different beneficial account owners that are immediately executable against each other may be entered without delay provided that each of the orders is entered immediately upon receipt.

In accordance with Rule 531.B.4. ("Exceptions") a person may knowingly trade against his customer order for his own account, an account in which he has a direct or indirect financial interest, an account over which he has discretionary trading authority, or a proprietary account of his employer, only if the customer order has been entered immediately upon receipt and has first been exposed for a minimum of 5 seconds in the case of futures orders (including futures spreads) or for a minimum of 15 seconds in the case of options orders (including any spread with an option component).

Questions regarding this advisory may be directed to the following individuals in Market Regulation:

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