

## MARKET REGULATION ADVISORY NOTICE

Exchange	CME & CBOT
Subject	Enforcement of Position Limits
Rule References	Rule 443
Advisory Date	December 12, 2007
Advisory Number	CME & CBOT – RA0706-3

Effective November 29, 2007, CME and CBOT adopted common rule language with respect to the enforcement of position limits under Rule 443 ("Position Limit Violations"). The related position limit requirements are addressed in each exchange's Rule 559 ("Position Limits and Exemptions"), and a Position Limit and Reportable Level Table that details position limits, position accountability levels and reportable position levels, by contract, is included in the Interpretations and Special Notices section at the conclusion of Chapter 5 in the rulebooks.

Rule 443 provides that a position which, at any time, is in excess of the specified position limits shall be deemed a position limit violation. **Additionally, the rule specifies that any person making a bid or offer that would, if accepted, cause the person to exceed the applicable position limit, is in violation of position limit rules.** Therefore, even those market participants who do not carry positions interday must be cognizant of the position limits in the products they are trading and should be particularly mindful of the dates on which position limits decrease for spot month contracts.

If a position that includes options exceeds position limits for passive reasons such as a market move or the assignment of exercised options, the person who owns or controls the position is allowed one business day to liquidate the excess position without being considered in violation of the limits. In addition, if at the close of trading, a position exceeds position limits when evaluated using the exchange's previous day's delta factors, but does not exceed the limits when evaluated using the current day's delta factors, then the position will not constitute a position limit violation.

A clearing member is not considered to be in violation of position limit rules if it carries positions for its customer in excess of the applicable position limits for such reasonable period of time, generally one business day, as the firm may require to discover and liquidate the excess positions or, if applicable, to file the appropriate hedge or exemption statements (see Rule 559.F.) for the customer account. However, the foregoing does not relieve the clearing member of responsibility for a position limit violation if the clearing member knowingly facilitates the violation by accepting an order that it knows, or should know, would result in the customer exceeding the applicable position limit; this applies as well to the associated person responsible for the account.

In addition to any other sanctions imposed, the failure to reduce positions in excess of position limits as instructed by the Market Regulation Department will result in the imposition of automatic fines of \$100 per contract per day assessed against the relevant member or associated person, and \$250 per contract per day assessed against the clearing member.

Clearing members and market participants also should be aware that a customer who exceeds the position limits as a result of maintaining positions at more than one clearing member is deemed to have waived confidentiality regarding his position and the identity of the clearing members at which they are maintained.

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

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