

**NYBOT<sup>®</sup>**  
**FLOOR TRADING RULES**  
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# FLOOR TRADING RULES

## **Rule 4.01. Hours Exchange and Trading Floor are Open**

Unless otherwise provided in the Rules or by the Board, the Exchange and Trading Floor shall be open for business daily, except on Saturdays, Sundays and Exchange Holidays, during such hours as the Board shall direct from time to time.

## **Rule 4.02. Trading Floor Access; Trading Restrictions; and Authorized Representation**

(a) Access: Unless otherwise provided under the Rules, only the following individuals shall have access to the Trading Floor:

(i) A Member who has been granted floor trading privileges and wears his assigned Floor Broker identification badge in a prominent position at all times;

(ii) A Member who obtains a temporary floor trader's identification badge issued solely for the effectuation of an "AA" or "EFP" Transaction, in accordance with the Exchange's procedures and wears his temporary badge in a prominent position at all times;

(iii) An employee of a Member duly registered as a Clerk by such Member, in accordance with procedures established by the Board, and wearing an authorized Exchange identification badge in a prominent position at all times while on the Trading Floor;

(iv)(A) A Member who has not been granted floor trading privileges who wears an authorized Exchange pass in a prominent position at all times while on the Trading Floor; provided, however, that such Member shall not exercise or attempt to exercise floor trading privileges, and shall not conduct a business on the Trading Floor or be permitted to stay on the Trading Floor for extended periods of time. For the purposes of this Rule, extended periods of time shall mean more than two (2) consecutive days or repeated and systematic visits.

(B) Relief from the foregoing restrictions may be granted in the sole discretion of the Executive Floor Committee upon request in writing by a Member. The request would explain the reasons for the request and a statement of what the Member will be doing on the floor, and an acknowledgment that the Member will not be exercising floor trading privileges;

(v) A guest of a Member of the Exchange wearing an authorized visitor's pass in a prominent position at all times while on the Trading Floor; provided, however, that such guest shall not be permitted to make any Transaction, enter any order or execute any Trade during the course of any visit to the Exchange or its premises;

(vi) An Exchange employee wearing an authorized Exchange identification badge in a prominent position at all times while on the Trading Floor; and

(vii) CFTC officials and staff upon request wearing an authorized CFTC or Exchange identification badge in a prominent position at all times;

(b) Trading Restrictions: No one shall execute or attempt to execute any Transaction on the floor of this Exchange except a Floor Broker of the Exchange who:

(i) has been granted floor trading privileges pursuant to the Rules;

(ii) has been assigned a trading identification number by the Exchange;

(iii) has been assigned by the Exchange and wears in a prominent position a Floor Broker identification badge issued to such Member in accordance with this Exchange's procedures; and

(iv) has adequate clerical assistance as determined by the Board.

(c) Authorized Representation: Each Member transacting business on the Trading Floor must have an authorized representative on the floor by 8:00 AM, unless the President designates some other time, each Business Day to handle breaks and disputes. For this purpose, a non-member who is not employed by a Member is not an authorized representative of that Member.

(d) Member Responsibility: A Member shall be subject to disciplinary action for any violation of the Rules committed by such Member's employees or guests.

#### **Rule 4.03. Transactions, Bids and Offers**

(a) Unless otherwise provided in the Rules, each Transaction, bid and offer for Commodity Contracts shall be:

(i) made competitively by open outcry in the appropriate trading ring during the authorized hours of trading;

(ii) understood to be for one (1) Commodity Contract where no quantity is specified; provided, however, that with respect to FCOJ Contracts, a Floor Broker who fails to specify a quantity is obligated to accept a minimum of ten (10) FCOJ Contracts; and provided, further, that with respect to Cotton No. 2, FCOJ, Financial and Index Contracts, a Floor Broker showing two (2) hands is obligated to accept a minimum of ten (10) contracts;

(iii) open to the first (1<sup>st</sup>) Floor Broker immediately accepting such bid or offer;

(iv) binding upon the first (1<sup>st</sup>) Floor Broker accepting such bid or offer or part of such bid or offer at the price named by the bidding or offering Floor Broker; and

(v) deemed withdrawn if not immediately accepted.

(b) A bid or offer may be accepted for the whole or part of the quantity, but, in the case of simultaneous acceptances, a bid or offer for the whole quantity shall take precedence over that for part of quantity. No bid or offer for more than one (1) Commodity Contract may be limited to the acceptance to either all or none of the quantity being bid or offered.

(c) All Transactions executed between Associated Brokers must be executed pursuant to Rule 4.19, provided however, only the selling Floor Broker shall be responsible for complying with Rule 4.19(b)(iii).

(d)(i) In the absence of instructions from the principal to the contrary, a sell stop order shall become a market order when a Transaction or an offer is made at or below the stop price, and a buy stop order shall become a market order when a Transaction or a bid is made at or above the stop price.

(ii) In the absence of bids or offers in any delivery month or Options series, the previous day's Settlement Price or Premium shall apply to this Rule.

(e) All Transactions (including Pass-Out Transactions) in Commodity Contracts shall be submitted to the Clearing Organization on the day entered into for clearance in accordance with the Clearing Organization Rules.

#### **Rule 4.04. Opening Call for Exchange Futures Contracts**

(a) There shall be one (1) opening call for each Exchange Futures Contract at the opening of trading on all Business Days. With respect to Sugar No. 14, upon the completion of the opening call, trading in Sugar No. 14 Futures Contracts shall not recommence until completion of the Sugar No.11 opening call. There may be additional calls for such contracts on any Business Day in which trading has been suspended pursuant to the Rules.

(b)(i) Except for the Financial and Index Futures Contracts, all calls for Exchange Futures Contracts shall be conducted in sequence by months, one (1) delivery month at a time in sequence beginning with the then current delivery month and continuing through the list of months then open for trading.

(ii) With respect to the Financial and Index Futures Contracts, the first minute of trading shall be deemed the opening period, and all expiration months shall begin trading simultaneously.

(c) Bids and offers made in any delivery or expiration month during a call for an Exchange Futures Contract shall remain valid throughout the call provided, however, that (i) Transactions at a price above the previous bid vacate all previous bids and Transactions at a price below the previous offer vacate all previous offers; (ii) a bid shall be deemed withdrawn where any Floor Broker makes a subsequent bid above the previous bid and an offer shall be deemed withdrawn where any Floor Broker makes a subsequent offer below the previous offer; or (iii) the bid or offer is audibly withdrawn.

**Rule 4.05. Opening Call for Exchange Options Contracts**

(a) Cocoa, Coffee “C”, Ethanol and Sugar No. 11

(i) The Options Committee may, in its sole discretion, determine whether and in what manner there shall be an opening call or period for any of the above listed Options. In the event the Options Committee determines that an opening call shall be conducted for any Option, additional calls may be made on any Business Day in which trading has been suspended.

(b) Cotton No. 2

(i) As each futures month is called, the related Option Month shall be promptly called.

(ii) Trading in any Option Month that has been called may continue during the calls of subsequent Option Months.

(c) FCOJ

(i) Options trading may begin immediately after the completion of the futures call.

(d) Financial and Index

(i) Options trading shall begin at the same time and in the same manner as futures trading.

**Rule 4.06. Closing Call for Exchange Futures and Options Contracts**

(a) Cocoa, Coffee “C”, Ethanol, Sugar No. 11 and Sugar No. 14 Contracts

(i) The two (2) minute period prior to the close of trading shall be deemed the closing period for Coffee “C”, Ethanol and Sugar No. 11 Futures and Options Contracts.

(ii) During the two (2) minute closing period for Sugar No. 11 Futures and Options Contracts, trading in Sugar No. 14 Futures Contracts shall be suspended. The closing period for Sugar No. 14 will commence no earlier than noon and no later than 12:10 PM as determined by the Caller.

(ii) In the case of Cocoa Futures and Options contracts, the five (5) minute period prior to the close of trading shall be deemed the closing period.

(iii) No Member may accept an order for the contracts referred to in paragraph (a) of this Rule at any time during the day specifying execution of such order at a time certain which falls within the closing period.

(b) Cotton No. 2, FCOJ, Financial and Index Contracts

(i) The one (1) minute period prior to the close of trading shall be deemed the closing period for the Cotton No. 2, FCOJ, Financial and Index Futures and Options Contracts.

(ii) Any Cotton No. 2 Futures or Options stop order of any type that is first elected during the close and any market-if-touched (“MIT”) order that is first executable during the closing period shall be deemed accepted by the Floor Broker and given by the principal on a “not held” basis. Floor Brokers

must always act diligently with respect to any orders they accept including, but not limited to, such stops and MITs in accordance with the Rules.

(c) To facilitate the operation of this Rule, a warning signal shall be given at the commencement of the closing period and at the close of trading in each contract. Trading during the closing period for each contract shall be conducted under the provisions of Rule 4.03.

**Rule 4.07. Trading Hours**

(a) Unless otherwise directed by the Board, the trading hours of the Exchange shall be as follows:

(i) Agriculture Contracts Trading Hours

<b>CONTRACT</b>	<b>OPEN</b>	<b>CLOSE</b>
Cocoa Futures and Options	8:00 AM	11:50 AM Closing period commences at 11:45 AM
Coffee "C" Futures and Options	9:15 AM	12:30 PM Closing period commences at 12:28 PM
Mini Coffee "C" Futures	9:15 AM	12:30 PM Closing period commences at 12:28 PM
Cotton No. 2 Futures and Options	10:30 AM Pre-Open commences at 10:25 AM	2:15 PM Closing period commences at 2:14 PM
Ethanol Futures and Options	8:50 AM	12:00 PM Closing period commences at 11:58 AM
FCOJ Futures and Options	10:00 AM Pre-Open commences at 9:45 AM	1:30 PM Closing period commences at 1:29 PM
FCOJ Spot	12:45 PM	1:15 PM
Sugar No. 11 Futures and Options	9:00 AM	12:00 PM Closing period commences at 11:58 AM
Sugar No. 14 Futures	8:40 AM	Suspended at 11:58 AM, with a closing call commencing at 12:00 PM. In the case of a delayed closing call, as may be determined by the Caller, the Closing Call shall commence at 12:10 PM.

(A) An exception to the regular trading hours for Cotton No. 2 Futures and Options Contracts, if necessary, shall be made on the days when the United States Government publishes cotton reports, by temporarily ceasing trading before, during and after publication as the Board of Governors may decide, trading to be resumed with an opening call; this exception, however, shall not apply where the hour of publication coincides with the hour of closing the Cotton No. 2 Futures and Options Contracts, when the hour of ceasing trading shall be determined by the Board of Governors.

(B) Transactions in FCOJ Spot contracts shall be duly reported and recorded in the Exchange's records, showing the date, price, quantity, the time of execution, the names of the Floor Brokers executing the Trades, and the name of the Member or Member Firm handling the order.

(ii) Financial Contracts

(A) All Financial Futures and Options Contracts will commence trading with an opening call at 7:00 PM New York time on the New York Floor. Trading in all Financial Futures and Options Contracts will recess on the New York Floor at 10:00 PM.

(B) Trading in all Financial Futures and Options Contracts will reopen on the Dublin Floor at 3:00 AM New York time.

(C) Trading will recess at 8:05 AM New York time on the Dublin Floor for the following Financial Futures and Options Contracts: USDX, euro, small euro, dollar-yen, dollar-Swiss, dollar-Canadian, dollar-rand, dollar-Sweden, dollar-Norway, dollar-koruna, dollar-forint, small dollar-yen, small dollar-Swiss, small dollar-Canadian, Aussie-dollar and the Kiwi-dollar. Trading will reopen at 8:05 AM New York time on the New York Floor for all such Contracts.

(D) Trading will recess at 9:05 AM New York time on the Dublin Floor for the following Financial Futures and Options Contracts: euro-yen, euro-krona, euro-Swiss, euro-pound, euro-Norwegian krone, euro-Aussie, euro-koruna, euro-forint, euro-Canada, sterling-dollar, sterling-yen, sterling-Swiss, small sterling-dollar, Aussie-yen, Aussie-kiwi, Swiss franc-yen, Canadian dollar-yen and krone-krona. Trading will reopen at 9:05 AM New York time on the New York Floor for all such Contracts.

(E) Trading in all Financial Futures and Options Contracts will close at 3:00 PM New York time with the closing period commencing at 2:29 PM.

(F) On the Last Trading Day, trading in an expiring Financial Futures Contract month will cease at 10:16 AM New York time.

(iii) Index Contracts Trading Hours

<b>CONTRACT</b>	<b>OPEN</b>	<b>CLOSE</b>
Reuters CRB Futures and Options	10:00 AM	2:30 PM Closing period commences at 2:29 PM
NYSE Composite Futures and Options	9:30 AM	4:15 PM Closing period commences at 4:14 PM
Russell Complex Futures and Options	9:30 AM	4:15 PM Closing period commences at 4:14 PM

(b) Except as provided in the Rules, no Member may trade or offer to trade in Commodity Contracts on the floor of the Exchange after the close of the respective markets.

**Rule 4.08. Average Price Orders**

(a) Orders to buy or sell Cotton No. 2 Futures Contracts at prices to be determined by the respective price (or respective average price) on an opening call may be executed not earlier than ten (10) minutes prior to such opening call, and orders to buy or sell Cotton No. 2 Futures or Options Contracts at prices to be determined later by the respective Settlement Price on a close may be executed not earlier than fifteen (15) minutes prior to such close.

(b) Orders to buy or sell FCOJ Futures Contracts at prices to be determined by the respective price (or respective average price) on an opening call may be executed not earlier than fifteen (15) minutes prior to such opening call, and orders to buy or sell FCOJ Futures or Options Contracts at prices to be determined later by the respective Settlement Price on a close may be executed not earlier than fifteen (15) minutes prior to the close.

(c) Orders to buy or sell Financial Futures Contracts at prices to be determined by the respective price (or respective average price) on an opening call may be executed not earlier than fifteen (15) minutes prior to such opening call, and orders to buy or sell Financial Futures or Options Contracts at prices to be

determined later by the respective Settlement Price on a close may be executed not earlier than thirty (30) minutes prior to the close.

(d) The prices to be applied to orders so executed prior to the opening shall be the average of the opening, for futures, or for orders so executed prior to the close, the respective Settlement Price of the Exchange Futures or Options Contract involved.

(e) For purposes of this Rule, the average of any contract is determined by dividing the sum of all prices recorded in the Exchange's records in the applicable period for such contracts by the number of such prices recorded. When an average is a fraction, all such contracts shall be priced at the next full point above or below the respective fractional average depending on which is nearer to the last price recorded in the range.

(f) Such orders shall be known as Average Price Orders and be so identified in the records pertaining thereto. All such orders shall be executed competitively by bids or offers made openly and accepted openly by public outcry across the trading ring.

(g)(i) All orders to buy or sell Cotton No. 2, FCOJ and Financial Futures Contracts on an opening call, or Cotton No. 2, FCOJ and Financial Futures or Options Contracts on a close shall be regarded as permissive Average Price Orders unless otherwise specified by the Customer and may be executed as such. Unless otherwise instructed by the Customer, orders to buy or sell contracts which are limited as to price and which are received in time for execution on an opening call for futures may be executed in the manner prescribed for Average Price Orders in this Rule, provided the price limit of any such limited order is reached or bettered on such opening, and the execution shall be at such price limit or at the average price, whichever is better.

(ii) All orders executed pursuant to the provisions of this Rule shall be marked with an identifying symbol on the trading cards of the Floor Brokers executing such orders. Average Price Orders shall be offered for execution chronologically in the order received and any such orders which are unfilled at the expiration of the time periods specified in this Rule shall, in absence of instructions to the contrary, be executed at the best prices obtainable during the opening call for Cotton No. 2, FCOJ and Financial Futures Contracts or close for Cotton No. 2, FCOJ and Financial Futures or Options Contracts, as the case may be.

(h) In the event that a Customer's market order is matched under this Rule with a limit order, which limit is not executable promptly on the opening call, then the Floor Broker handling the market order calls off that match by open outcry and must bid or offer that market order independently for execution on the opening call.

(i) A Floor Broker who has executed an average price Transaction for his own account (including an account in which he has a proprietary interest) or for the account of a Customer (other than an FCM) shall use due diligence to avoid trading the identical contract on the opposite side of the market on the respective opening or close in a manner that would unduly affect the average price.

(j) Orders received for execution at the close shall be executed at prices within the range of those Transactions recorded during the last one (1) minute of trading before the close of the respective market.

#### **Rule 4.09. Post Close Trading Session**

The Exchange will conduct a post close trading session for each Commodity Contract as follows:

(a) Commencement

(i) Cocoa – The post close trading session will begin three (3) minutes following the close or closing period for each Cocoa Futures and Options Contract.



(ii) Coffee “C”, Ethanol, Sugar No. 11 and Sugar No. 14 - The post close trading session will begin fifteen (15) minutes following the close or closing period for each such futures and Options contract.

(iii) Cotton No. 2, FCOJ, the Financial and Index Contracts - The post close trading session will begin five (5) minutes following the determination of the Settlement Prices for each such futures or Options contract.

(b) Length of Session - Each post close trading session will be for a period of three (3) minutes.

(c) Price –

(i) Futures – The Trade price of all Exchange Futures Transactions executed during the post close trading session shall be limited as follows:

(A) if the delivery or expiration month trades during the closing period, prices are limited to the closing range of the closing period;

(B) if there are no Trades during the closing period for a particular delivery or expiration month, the prices for such month shall be limited to the range between the lowest bid and highest offer made for such month during the closing period;

(C) if there are no bids or offers made for a particular delivery or expiration month during the closing period, the prices for such month shall be limited to prices within the daily range;

(D) if there have been no Trades for a particular delivery or expiration month during the day, Trades for such month may not be executed during the post close trading session.

(ii) Options - The Trade price of all Exchange Options Transactions executed during the post close trading session shall be limited as follows:

(A) if the Strike Price trades during the closing period, Premiums are limited to the closing range of the closing period;

(B) if there are no Trades during the closing period for a particular Strike Price, the Premiums for such Strike Price shall be limited to the range between the lowest bid and highest offer made for such Strike Price during the closing period;

(C) if there are no bids or offers made for a particular Strike Price during the closing period, the Premiums for such Strike Price shall be limited to Premiums within the daily range; or

(D) if there have been no Trades for a particular Strike Price during the day, the Premiums for such Strike Price shall be limited to the range between the lowest bid and the highest offer made for such Strike Price during the day.

(d) Prohibitions - No cross Trades or spread Trades shall be executed during a post close trading session except that Options spreads that trade on the close may trade during the post-close trading session provided that all the legs of such spread involve the same Underlying Futures Contract delivery month.

(e) Except as otherwise specifically set forth in this Rule, all Transactions executed during the post close trading session shall be done in accordance with all applicable Exchange rules.

#### **Rule 4.10. Transactions Not at the Market Price**

Transactions made in any month at a price above that at which such month is offered or below that at which such month is bid, unless such bid or offer is timely satisfied, shall not be deemed made at the market price for such month, and shall not be reported or recorded in the trade register.

#### **Rule 4.11. Transfer Transactions Not Required to Be Made by Open Outcry**

(a) Notwithstanding the requirements of Rule 4.03, the following transfer Transactions need not be made by open outcry:

(i) transfers of open contracts from one (1) Member to another Member made at the request of a client;

(ii) transfers of open contracts made at the request of the original Carrying Member to another Member;

(iii) transfers of open contracts from one (1) account to another account on the books of the same Member made at the request of a client where no change in ownership is involved;

(iv) transfers of open contracts necessitated by the death of the only Member of a firm who held Membership in the Exchange; and

(v) transfers of open contracts following the close of trading on the Last Trading Day of a particular delivery month, as provided in paragraph (e) of this Rule.

Unless specifically authorized by the President with the concurrence of the Chairman, a Vice Chairman or the Treasurer of the Board, Cocoa, Coffee "C", Ethanol, Sugar No. 11 and Sugar No. 14 transfers referred to in subparagraph (a)(i) through (iv) may not occur on or after the first (1<sup>st</sup>) notice day of the delivery month for the contracts involved.

(b) All Cocoa, Coffee "C", Ethanol, Sugar No. 11 and Sugar No. 14 Transactions referred to in subparagraphs (a)(i)-(iv) may be effected at (i) the then current market price, (ii) the prior day's Settlement Price, (iii) the current day's Settlement Price, or (iv) at the original market price; provided, however, that the transferee must carry the transferred contracts on his or its books at the original dates and prices. Cotton No. 2, FCOJ, Financial Contracts and Index Contracts Transactions referred to in subparagraphs (a)(i)-(iv) may only be effected at the original price.

(c) Cocoa, Coffee "C", Ethanol, Sugar No. 11 and Sugar No. 14 Transactions referred to in subparagraph (a)(i)-(iv) shall not be permitted if, pursuant to the regulations of the CFTC or otherwise, such transfers would result in the liquidation of a trader's position with separate Clearing Members, unless the Clearing Organization which clears the Trade shall have been notified of the duplications within three (3) Business Days following the day the duplicating Trades were made; provided, however, that Positions which are not reported as duplications may be transferred and liquidated only if such Positions represent less than two percent (2%) of the open interest in the relevant contract month reported for the Business Day preceding the transfer. Each Futures and Option Contract transferred and liquidated by a Clearing Member which has not been reported as a duplicating Position shall be subject to fees as determined by the Board.

(d) All Transactions referred to in subparagraphs (a)(i) through (iv) shall not be permitted if there is any change in beneficial ownership of the contracts involved except for the following:

(i) transfers made for the purpose of combining the Positions held by two (2) or more commodity pools which are operated by the same commodity pool operator and traded by the same commodity trading advisor, pursuant to the same strategy, into a single account so long as the transfers do not result in the liquidation of any open positions, and the pro rata allocation of interests in the consolidating account does not result in more than a de minimis change in the value of the interest of any pool participant; and

(ii) such other transfer as the President, in his discretion, shall exempt in connection with, or as a result of, a merger, asset purchase, consolidation or similar non-recurring corporate transaction between two (2) or more entities where one (1) or several entities become the successor in interest of one (1) or several other entities.

(iii) For purposes of this Rule, a change in beneficial ownership shall not be deemed to have occurred with respect to (A) transfers between firms which are 100% owned by the same person and (B) transfers between any person and any entity owned 100% by such person.

(iv) Transactions referred to in subparagraph (a)(ii) shall not be considered a change of ownership if the transfer is necessitated by an error in the identification of the Carrying Member and:

(A) the original Carrying Member notifies the Exchange, in writing, of such error within twenty-four (24) hours of the occurrence of such error; and

(B) the receiving Member notifies the Exchange, in writing, that it will receive the transferred contracts in correction of such error.

(e) After the close of trading on the Last Trading Day of any delivery month in any Cocoa, Coffee “C”, Cotton No. 2, Ethanol, FCOJ, Sugar No. 11 and Sugar No. 14 Contract (but not later than noon for Cocoa, Coffee “C”, Cotton No. 2 and FCOJ and not later than 10:00 a.m. for Ethanol, Sugar No. 11 and Sugar No. 14 on the following Business Day), a Clearing Member carrying one (1) or more open contracts for that delivery month for its own account or the account of any other person as the result of an error may transfer any or all of such contracts to any other account carried by such Clearing Member or to any other Clearing Member (together with any delivery documents evidencing an intention to deliver or receive with respect to such contracts); provided that:

(i) for any delivery month in Cocoa, Coffee “C” and Sugar No. 14, no Clearing Member may so transfer for its own account or the account of any other person more than ten (10) contracts in the aggregate;

(ii) for any delivery month in Cotton No. 2 and FCOJ, no Clearing Member may so transfer for its own account or the account of any other person more than twenty (20) contracts in the aggregate;

(iii) for any delivery month in Ethanol, no Clearing Member may so transfer for its own account or the account of any other person more than eighty (80) contracts in the aggregate;

(iv) for any delivery month in Sugar No. 11, a Clearing Member may so transfer for its own account or the account of another person more than twenty (20)<sup>1</sup> contracts in the aggregate; and

(v) not later than noon of the Business Day following such Last Trading Day, the Clearing Member effecting the transfer shall deliver to the Clearing Organization written notification of such transfer (in such form as the Clearing Organization may prescribe), specifying the parties thereto and the prices at which such transfers were effected.

(vi) If a Clearing Member transferring purchase contracts pursuant to this paragraph (e) shall have received a Multiple Delivery Notice with respect to such contracts and:

(A) if the transfer is made to one (1) or more of the Deliverers identified in such Multiple Delivery Notice, then, after the transfer has been effected, such Multiple Delivery Notice shall be deemed amended to reflect the deletion of the contracts so transferred; or

(B) if the transfer is to any other person, then all of the rights and obligations of the transferor under the Multiple Delivery Notice with respect to the contracts transferred will become the rights and obligations of the transferee, and the transferee will immediately notify the Deliverer of the transfer, specifying the name and address of the transferee and identifying the contracts transferred.

#### **Rule 4.12. AA or EFP Transactions**

AA or EFP Transactions are not required to be made by open outcry as long as such Transactions comply with the following terms and conditions:

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<sup>1</sup>With the March 2006 Sugar No. 11 delivery, a clearing member will be able to transfer up to eighty (80) contracts.

(a) At the time such Transaction is effected, the buyer and the seller under the AA/EFP Transaction shall be the seller and the buyer, respectively, under one (1) or more contracts entered into off the Exchange for the delivery of a quantity of the Cash Commodity covered by the Commodity Contracts involved (or any derivative, by-product or related product) that is approximately equivalent to the quantity covered by such Contracts.

(b) The parties to an AA/EFP Transaction shall cause the Transaction to be reported to a Floor Broker present on the Trading Floor. The selling Floor Broker shall report the AA/EFP Transaction to a designated Exchange official on the Trading Floor.

(c)(i) All AA/EFP Transactions executed during Exchange trading hours must be reported to the designated Exchange official no later than fifteen (15) minutes after the close of the post close trading session, or, if there is no post-close trading session, no later than fifteen (15) minutes after the close of trading.

(ii) All AA/EFP Transactions executed after the close of trading but prior to the open of trading on the next Business Day must be reported to the designated Exchange official no later than fifteen (15) minutes after the completion of the opening call conducted on the next Business Day.

(iii) AA/EFP Transactions executed on the Last Trading Day for any delivery month in any Ethanol, Sugar No. 11 or Sugar No. 14 Futures Contract must be executed and reported before the final five (5) minutes of trading.

(iv) Such report shall specify the Commodity Contract involved, the number of contracts involved and the delivery months involved, and shall identify the Carrying Members and the Clearing Members through whom the Transactions will be cleared.

(d) All Commodity Contracts effected as part of AA/EFP Transactions shall be cleared in the usual manner.

(e) Any Member participating in an AA/EFP Transaction shall provide the Market Surveillance Department with such material and information with respect thereto as it may request, including without limitation copies of the documents evidencing title to, or the contract or contracts to buy or sell, the Cash Commodity (or the derivative, by-product or related product) involved in such Transaction.

(i) With respect to EFPs in foreign currency futures wherein the parties immediately offset the cash transaction (“transitory EFPs”), the Market Surveillance Department would expect to see confirmation statements issued by the bank/foreign exchange dealer party to the Transaction. These confirmation statements should be the type normally produced by the bank/foreign exchange dealer for confirmation of currency deals and should indicate, by name, the identity of the counter party principal to the Transaction. However, in circumstances where the EFP Transaction is between a bank/foreign exchange dealer and a CTA, account controller, or other person acting on behalf of a third party (such as a commodity pool or fund), the cash side confirmation statement must identify, at minimum, the name of the third party’s Carrying Clearing Member and the third party’s account number (or other account specific designation), but need not identify the third party by name.

(f) Every Floor Broker to whom an AA/EFP Transaction is reported must record the AA/EFP Transaction on his trading cards at the time the AA/EFP Transaction is reported to him.

(g) A Member may enter into an AA/EFP Transaction in which there is a purchase of the physical commodity and the sale of a quantity of Exchange Futures Contracts representing an approximately equivalent amount of the physical commodity and simultaneously grant to the same counterparty a nontransferable right to effectuate a second AA/EFP Transaction on a date certain in the future which will have the effect of reversing the original AA/EFP Transaction so long as both such Transactions are entered into by a producer, merchant or other user of the underlying physical commodity for the purpose of obtaining inventory financing on physical commodities.

#### **Rule 4.13. EFS Transactions**

EFS Transactions are not required to be made by open outcry as long as such Transactions comply with the following terms and conditions:

(a) An EFS Transaction shall consist of two (2) discrete but related transactions—a swap transaction and a futures Transaction. At the time such Transaction is effected, the buyer and seller of the futures must be, respectively, the seller and the buyer of the swap. The swap component shall involve the Commodity underlying the Exchange Futures Contract (or a derivative, by-product or related product of such Commodity). The quantity covered by the swap must be approximately equivalent to the quantity covered by the Exchange Futures Contracts. The swap component of an EFS Transaction must comply with the requirements of Title III of the Commodity Futures Modernization Act of 2000 ("2000 Act").

(b) The parties to an EFS Transaction shall cause the Transaction to be reported to a Floor Broker present on the Trading Floor. The selling Floor Broker shall report the EFS Transaction to a designated Exchange official on the Trading Floor.

(c)(i) All EFS Transactions executed during Exchange trading hours must be reported to the designated Exchange official no later than fifteen (15) minutes after the close of the post close trading session, or, if there is no post close trading session, no later than fifteen (15) minutes after the close of trading.

(ii) All EFS Transactions executed after the close of trading but prior to the open of trading on the next Business Day must be reported to the designated Exchange official no later than fifteen (15) minutes after the completion of the opening call conducted on the next Business Day.

(iii) EFS Transactions executed on the Last Trading Day for any delivery month in any Ethanol, Sugar No. 11 or Sugar No. 14 Futures Contract must be executed and reported before the final five (5) minutes of trading.

(iv) Such report shall specify the Commodity Contract involved, the number of contracts involved and the delivery months involved, and shall identify the Carrying Members and the Clearing Members through whom the Transactions will be cleared.

(d) Upon the request of the Market Surveillance Department, each buyer and seller must satisfy the Exchange that the Transaction is a legitimate EFS Transaction. Upon the request of the Market Surveillance Department, all documentary evidence relating to the EFS, including, but not limited to, a master swap agreement and any supplements thereto, shall be obtained by the Clearing Members from the buyer or seller and made available by the Clearing Members for examination by the Exchange.

(e) All Commodity Contracts effected as part of EFS Transactions shall be cleared in the usual manner and shall be identified in the same manner as AA/EFP Transactions.

(f) Every Floor Broker to whom an EFS Transaction is reported must record the EFS Transaction on his trading cards at the time the EFS Transaction is reported to him.

#### **Rule 4.14. Confirmation of Trades**

(a) Each Floor Broker shall confirm every execution of a Transaction on the floor promptly with the opposite Floor Broker. Such confirmation shall identify price, quantity and future or Option.

#### **Rule 4.15. Resolution of Disputes/Price Changes**

(a) The Caller shall have the authority during any call conducted under Rules 4.04, 4.05 and 4.06 to (i) decide immediately all disputes as to bids, offers, or Transactions and may void any Transaction, and the report or record thereof, which is not made in accordance with the Rules and (ii) suspend trading in any one (1) or more Commodity Contracts for such time as in his discretion may be necessary to facilitate an orderly market, provided, however, that no such suspension shall be for a period exceeding five (5)

minutes. The Caller shall not be precluded from seeking the consultation of the Floor Committee in resolving a dispute.

(b) Any one (1) or more members of the Floor Committee or the Executive Floor Committee shall have the authority at any time during the day, except during a call conducted under Rules 4.04, 4.05 and 4.06, to decide immediately all disputes as to bids, offers, or Transactions, to void any Transaction, and the report or record thereof, which is not made in accordance with the Rules and to change the report or record of Transactions to correct errors or omissions therein, provided that:

(i) an appropriate announcement is made to the ring prior to making any such change; and

(ii) any change that (A) establishes a new daily high or low price of a contract, (B) affects the opening or closing range of a contract or (C) is a result of an Exchange staff input error and occurs more than fifteen (15) minutes after the relevant Trade was entered or should have been entered, on the Exchange time and sales record, must be approved by two (2) Floor Committee members who must sign, initial or otherwise acknowledge a record thereof pursuant to Exchange procedures.

(c) No member of the Floor Committee or Executive Floor Committee may decide a dispute as to bids, offers or Transactions, void a Transaction and the report or record thereof, or change the report or record of a Transaction if such member has a direct financial, personal or other interest in the matter. For purposes of the preceding sentence, a member shall be deemed to have a direct financial, personal or other interest in any matter in which a member with whom he is associated has a direct financial, personal or other interest. In the event that each Floor Committee member present in a ring has an interest in a dispute which precludes him from resolving the dispute, the matter shall be resolved by consensus of all of the Floor Committee members then present in the ring, and their decision shall be reported to the Ring Supervisor who shall complete the appropriate records in accordance with Exchange procedures.

(d) After fifteen (15) minutes in the case of Exchange Futures Contracts and forty-five (45) minutes in the case of Exchange Options Contracts has elapsed from the time a price was disseminated, no change can be made with the exception of Exchange staff input errors made pursuant to subparagraph (b)(ii)(C).

#### **Rule 4.16. Dual Trading**

(a) Prohibited Purchases. A Floor Broker may not purchase any Exchange Futures Contract or any Exchange Call Option or sell any Exchange Put Option for his own account or for any account in which he has any direct or indirect interest while holding an order of another person for the same Commodity for the purchase of an Exchange Futures Contract or Exchange Call Option or sale of an Exchange Put Option, which is executable at the market price or at the price at which such purchase can be made for the Floor Broker's own account or for the account in which he has an interest.

(b) Prohibited Sales. A Floor Broker may not sell any Exchange Futures Contract or any Exchange Call Option or buy any Exchange Put Option for his own account or for any account in which he has any direct or indirect interest while holding an order of another person for the same Commodity for the sale of an Exchange Futures Contract or Exchange Call Option or purchase of an Exchange Put Option, which is executable at the market price or at the price at which such sale can be made for the Floor Broker's own account or for the account in which he has an interest.

#### **Rule 4.17. Discretionary Account**

(a) No Floor Broker shall execute any Transaction for any account of another Person for which buying and/or selling orders can be placed or originated, or for which Transactions can be executed, by such Floor Broker without the prior specific consent of the account owner/Customer, regardless of whether the general authorization for such orders or Transactions is pursuant to a written agreement.

(b) The foregoing requirement shall not apply with respect to orders originated on behalf of any one (1) or all of the following:

- (i) members of the Floor Broker's immediate family;
- (ii) Members;
- (iii) the proprietary accounts of Members.

provided that Customers' orders, including price, time and contract month discretion orders, are executed before the orders referred to in paragraphs (a) and (b).

(c) Orders referred to in paragraphs (a) and (b) may be placed with another Floor Broker for execution in which case the provisions of this Rule shall not apply.

#### **Rule 4.18. Disclosure of Orders**

No Floor Broker shall disclose or divulge the buy or sell orders of another Person except in order to execute the orders at the ring or except pursuant to Rule 4.17 or at the request of an authorized representative of the CFTC or the Exchange.

#### **Rule 4.19. Cross Trades**

(a) Subject to the conditions set forth in this Rule, a Floor Broker who has in hand at the same time both buying and selling or granting Exchange orders of different Principals for the same Commodity Contract in the same delivery month or Exchange Option series may execute such orders for and directly between such Principals at the market price; provided, however, that:

(i) with respect to Cotton No. 2, Index and Financial Futures and Options Contracts, if any one (1) of the accounts listed below in (A) through (D) is opposite a Customer's order, the Floor Broker has the prior written consent of such Customer to cross his order opposite any one (1) of the following accounts:

(A) the Floor Broker's own account or an account in which the Floor Broker has a direct or indirect interest;

(B) an account of another person for which buying and/or selling orders can be placed or originated, or for which Transactions can be executed, by such Floor Broker without the prior specific consent of the account owner;

(C) the account of an Associated Broker or an account controlled by such Associated Broker; or

(D) the account of any firm of which the Floor Broker is a partner, officer, or employee or any other affiliate of such firm, or the account of any partner, officer or employee of such firm or any other affiliate of such firm; for purposes of this Rule, the term "affiliate" means any firm or individual which controls, is controlled by, or is under common control with, another firm or individual; and for purposes of this Rule, the term "control" means the power to direct or cause the direction of the management or policies of a firm or individual, whether through ownership of securities, by contract, or otherwise.

(ii) with respect to Cocoa, Coffee "C", Ethanol, FCOJ, Sugar No. 11 and Sugar No. 14 Futures and Options Contracts, Transactions described in paragraph (a) of this Rule may be executed as long as neither of the orders is for:

(A) the account of a Floor Broker present on the floor of the Exchange, or an account controlled by such Floor Broker;

(B) the Floor Broker's own account or an account in which the Floor Broker has a direct or indirect interest;

(C) an account of another Person for which buying and/or selling orders can be placed or originated, or for which Transactions can be executed, by such Floor Broker without the prior specific consent of the account owner;

(D) the account of an Associated Broker or an account controlled by such Associated Broker; or

(E) the account of any firm of which the Floor Broker is a partner, officer or employee of such firm or any other affiliate of such firm; for purposes of this Rule, the term "affiliate" means any firm or individual which controls, is controlled by, or is under common control with, another firm or individual; and for purposes of this Rule, the term "control" means the power to direct or cause the direction of the management or policies of a firm or individual, whether through ownership of securities, by contract, or otherwise.

For the purposes of this Rule, the requirement of different Principals is satisfied when a firm which has separate operations with separate accounts (whose positions, even when exactly opposite, cannot be offset except by a Trade in the ring) and when there is in fact independent control of the decision-making with respect to Transactions for such accounts.

(b) A Floor Broker referred to in paragraph (a) shall:

(i) in an audible voice bid and offer for the full quantity involved to a point where such offer is higher than such bid by not more than the minimum permissible fluctuation and neither such bid nor such offer shall be accepted in whole or in part; and

(ii) in an audible voice announce the price at which such Transactions are to be executed after which he shall allocate such Principals' orders to satisfy such other bids and offers as may be open at the ring at such price in an amount equal to the lesser of:

(A) 50 percent of the quantity involved (or, if there be an uneven number of lots involved, one lot less than 50 percent), or

(B) the number of such other bids and/or offers open at the ring at such price; and

(iii) execute such cross trade Transaction in the presence of, and in a voice audible to, an Exchange employee stationed opposite him and who is dedicated to witnessing cross trade Transactions ("Dedicated Employee") and, by appropriate descriptive words or symbols, clearly identify all such cross trade Transactions on his trading card or other similar record made at the time of execution; note thereon the exact time of execution.

(c)(i) Upon witnessing a cross trade Transaction, the Dedicated Employee shall record on a cross trade slip provided by the Exchange, the identity of the executing Floor Broker and the quantity, delivery month and price for Transactions in Exchange Futures Contracts or, for Transactions in Exchange Option Contracts, the quantity, delivery month, Striking Price, Premium and whether a Put or a Call, thereafter time stamping the cross trade slip to reflect the time of execution to the nearest minute. In addition, the Dedicated Employee shall initial the cross trade slip, and, retaining one (1) copy of the cross trade slip, immediately distribute by means of another Exchange employee assigned to that function, a copy of the cross trade slip to the executing Floor Broker and the Exchange employee responsible for recording the trade;

(ii) If a cross trade Transaction is not witnessed by the Dedicated Employee, but it is asserted by a Floor Broker that a cross trade Transaction was executed, the Dedicated Employee shall prepare and time-stamp a cross trade slip provided by the Exchange for such purpose, initial it, but shall not submit the Trade for recordation. The Floor Broker shall then present the cross trade slip to two (2) members of the Floor Committee located in the opposite side of the ring from him who, if they witnessed the cross trade Transaction, shall initial it and note the time of their signature thereon. Such cross trade slip shall then be returned to the Dedicated Employee for distribution and reporting as provided in subparagraph (c)(i) above.



Only cross trade Transactions so time-stamped and initialed either by a Dedicated Employee or two (2) members of the Floor Committee may be submitted for clearance.

(iii) A Floor Broker executing a cross trade Transaction shall be responsible for promptly notifying the Dedicated Employee of any errors or other discrepancies in the cross trade slip. If the Dedicated Employee agrees that an error has been made, the Dedicated Employee must complete and thereafter time-stamp a cross trade correction slip provided by the Exchange. The Floor Broker shall, in addition, obtain the signature of two (2) Floor Committee members located in the opposite side of the ring, who have witnessed the cross trade Transaction, and submit such correction slip to the Dedicated Employee. In the event that the Dedicated Employee and the Floor Broker disagree on any detail of the cross trade Transaction, a correction may be made if the Floor Broker obtains signatures on a cross trade correction slip from two (2) Floor Committee members located in the opposite side of the ring from him who have witnessed the cross trade Transaction. Each Floor Committee member signing a cross trade correction slip shall also note thereon the time of his signature. Any such cross trade correction slip must then be submitted to the Dedicated Employee by the executing Floor Broker. The Dedicated Employee shall then distribute and report the cross trade Transaction as set forth in subparagraph (c)(i) above.

(iv) If a Floor Broker does not receive a cross trade slip for a cross trade Transaction he executed, he shall be responsible for promptly notifying the Dedicated Employee. If the Dedicated Employee witnessed the cross trade Transaction, he shall prepare, time-stamp, and initial a cross trade slip in accordance with subparagraph (c)(i) of this Rule. If the Dedicated Employee did not witness the cross trade transaction, the cross trade Transaction shall be documented in accordance with subparagraph (c)(ii) above.

(d) A Member cannot enter at the same time both buying and selling orders for the same Commodity for future delivery in the same delivery month unless such orders are for different Principals. For the purposes of this Rule, a Member or Member Firm which receives orders directly from a non-member(s) shall be deemed to be the Member that entered the orders as follows:

(i) If the orders are placed with a Futures Commission Merchant Member Firm ("FCM") which, in turn, places the orders with a Floor Broker or other Member for execution, the FCM has entered the orders;

(ii) If the orders are placed with a Member Firm on the floor of the Exchange and the Member Firm either hands the orders off for execution or has its own Floor Brokers execute the orders, the Member Firm has entered the orders; or

(iii) If the orders are placed directly with an independent Floor Broker and the Floor Broker either hands off the orders for execution or executes the orders himself, the Floor Broker has entered the orders.

(e) A Member may not cause to be sent to the floor and a Floor Broker may not accept a single order ticket with both buy and sell orders for the same Commodity Contract in the same delivery month. A Member may not instruct a Floor Broker and a Floor Broker may not accept instructions to cross any orders or attempt to execute a Transaction(s) as a cross trade and not to execute said Transaction(s) unless it can be executed as a cross trade.

#### **Rule 4.20. Allocation of Trades**

No Floor Broker shall allocate Trades among accounts except in the sequence in which the orders for such accounts have been received. The sequence of time stamping of orders when received on the floor shall be prima facie evidence of the sequence in which such orders were received by a Floor Broker. Trades executed for orders received at the same time shall be allocated on an equitable basis among the

orders received; provided, however, that all orders received after the close on one (1) trading day and prior to the opening on the next trading day shall be considered as received at the same time.

#### **Rule 4.21. Withdrawal of Orders**

No Floor Broker shall withhold or withdraw from the market any order or any part of an order for the convenience of another Member.

#### **Rule 4.22. Straddles**

(a) Floor Brokers are permitted to execute Exchange Futures or Options Contract orders to purchase one (1) Exchange Futures Contract and sell another Exchange Futures Contract in the same Commodity at a stated price difference (“Futures Straddle”) or to effect one (1) Exchange Options Transaction in conjunction with another Exchange Options Transaction in the same Commodity as set forth in paragraph (f) below (“Options Spread”). Such Transactions must be for the same account, and Floor Brokers may not combine separate orders for the same or different accounts in order to execute a Futures Straddle or Options Spread. These orders are to be executed competitively by public open outcry in the ring with at least one (1) side of the Futures Straddle or Options Spread at the market price prevailing at the time of the Trade.

(b) Notwithstanding the provisions of paragraph (a) of this Rule, with respect to Cocoa Futures Straddles and Options Spreads, such Transactions may only be offered, bid for, traded in and reported at prices for the respective months that are within the day's trading range.

(c) Notwithstanding the provisions of paragraph (a) of this Rule, with respect to Coffee “C”, Ethanol, Sugar No. 11 and Sugar No. 14 Futures Straddles and Options Spreads:

(i) If there have been Trades in either or both months involved at the time such Transaction is consummated, such Transactions may only be offered, bid, or traded and reported at prices for the respective months with the price for at least one (1) of such months within the day's actual trading range for that month.

(ii) If there have not been Trades in either month involved at the time such Transaction is consummated, but there have been Trades in one (1) or more other months, prices for both months involved in such Transaction must be at a reasonable relationship to the trading ranges of the month or months which are traded that day.

(iii) If there have been no Trades in any month at the time such Transaction is consummated, prices for both months involved in such Transaction must be at a reasonable relationship to the bids and/or offers then current for at least one (1) of these months.

(d) Notwithstanding the provisions of paragraph (a) of this Rule, with respect to FCOJ Futures Straddles, if either or both months involved in such Transaction are limit up or limit down, then one (1) side of the Transaction must be executed at a price within the daily quotation range then existing and the other side must be executed at a price within the daily trading limits then prevailing under Rule 13.08.

(e) It shall be the Floor Broker's responsibility to insure that Futures Straddle and Option Spread orders executed in accordance with this Rule be properly recorded in writing on the Floor Broker's trading card, permitting identification of these Transactions, and are posted and announced in such manner as the Exchange may direct.

(f) For purposes of this Rule, Options Spreads are Options Transactions all sides of which are executed in conjunction with one another and that fit into one (1) or more of the following definitions or multiples thereof:

(i) *Vertical and Horizontal Options Spreads*: Short one (1) Call (Put) and long another Call (Put) with a different Strike Price and/or expiration month.

(ii) *Options Straddles*: Short (long) Puts and Calls in a generally accepted spread ratio.

(iii) *Options Butterflies*: Two vertical spreads which share one (1) common Strike Price.

(iv) *Option Boxes*: Long a Call and short a Put at one (1) Strike Price and short a Call and long a Put at another Strike Price.

(v) *Option Ratio Spreads*: Long Calls (Puts) and short Calls (Puts) in a generally accepted spread ratio.

(vi) *Options Synthetic Futures*: Long Calls (Puts) and short Puts (Calls) in a generally accepted spread ratio.

(g) For the purposes of this Rule, the term "Inter-Exchange Transaction" means a Futures Straddle or Options Spread Transaction in which one (1) leg is executed on this Exchange and the remaining leg is simultaneously executed on any other exchange. Inter-Exchange Transactions are permitted provided that:

(i) the Floor Broker has current trading privileges on both exchanges; and

(ii) the Inter-Exchange Transaction is of a class and quantity authorized by the Exchange.

(h) Nothing contained herein shall prohibit any Futures Straddle or Option Spread Transaction effected pursuant to Rule 803 of the Clearing Organization from being priced in accordance with such Rule.

(i) Nothing in this Rule shall be construed to prevent the execution of Futures Straddles or Options Spreads by individual Transactions.

#### **Rule 4.23. Combination Transactions**

(a) For the purposes of this Rule, the term "Combination Transaction" shall mean two (2) or more Commodity Contracts traded simultaneously and comprised of an Exchange Options Position and a related Exchange Futures Position.

(b) Combination Transactions may be executed only by an Equity Member with floor trading privileges on the Exchange in an area of the Exchange designated for such purpose.

(c) Combination Transactions may only be executed when both the Exchange Futures Contract and its related Exchange Options Contract are listed for trading.

(d) All Commodity Contracts comprising the Combination Transaction must be for the same account.

(e) If a daily trading range has been established for any Commodity Contract in the Combination Transaction, at least one (1) Commodity Contract of the Combination Transaction must be priced within such range. Prices of Combination Transactions shall not establish daily trading ranges for any Commodity Contract in the Combination Transaction. The Exchange Futures Contract in a Combination Transaction must be priced within its respective daily price limits.

(f) Combination Transactions shall not set off any stop orders except for Combination Transaction stop orders.

(g) No Floor Broker, upon receiving separate orders for Exchange Futures Contracts and Exchange Option Contracts for the same or different Customers, may combine and execute such orders as a Combination Transaction but must execute each order separately.

(h) The futures position must offset the net Options position of the Combination Transaction.

(i) The number of Exchange Futures Contracts should not exceed the number of Exchange Options Contracts for the Combination Transaction.

#### **Rule 4.24 FCOJ Combination Transactions**

(a) Equity Members are permitted to execute the following FCOJ Combination Transactions:

- (i) long FCOJ-A and long Diff Futures; and
- (ii) short FCOJ-A and short Diff Futures.

(b) The delivery month must be the same for all Commodity Contracts in the FCOJ Combination Transaction.

(c) All Commodity Contracts comprising the FCOJ Combination Transaction must be for the same account.

(d) If a daily range has been established for any Commodity Contract in the Combination Transaction, at least one (1) Commodity Contract of the Combination Transaction must be priced within such range. Prices of FCOJ Combination Transactions shall not establish daily trading ranges for any Commodity Contract in the Combination Transaction. The Exchange Futures Contract in a FCOJ Combination Transaction must be priced within its respective daily price limits.

(e) FCOJ Combination Transactions shall not set off any stop orders except for FCOJ Combination Transaction stop orders.

(f) No Floor Broker, upon receiving separate orders for FCOJ Futures Contracts for the same or different Customers, may combine and execute such orders as a FCOJ Combination Transaction but must execute each order separately.

#### **Rule 4.25. Reporting of Trades**

(a) All selling Floor Brokers shall immediately report to designated Exchange employees all Transactions executed or registered on the Exchange floor. Such reports shall indicate the price at which each Transaction was made. Selling Floor Brokers are responsible for assuring that each Trade which they report is properly disseminated by the Exchange.

(b) All selling Floor Brokers shall report to the Caller promptly after the close of trading the aggregate number of Trades executed at each price in each contract month during the closing call or the closing period as the case may be.

#### **Rule 4.26. Trading Card Procedures**

(a) All Floor Brokers shall promptly record each Transaction executed on the Exchange floor in the exact chronological order of execution on a separate line, without skipping lines between Trades, or entering Trades anywhere other than on a numbered line, in non-erasable ink on trading cards provided by the Exchange. In addition, if lines remain after the last execution recorded on the trading card, the remaining lines shall be crossed through.

(b) A separate trading card shall be used for each open, close, closing, or bracket period. The trading cards shall be used in their printed sequential order for trading done each day. Each Floor Broker shall be held accountable to produce his trading cards in sequential order for each trading day upon the demand of the Exchange.

(c) All trading cards shall contain the following information:

- (i) executing Floor Broker and opposite Floor Broker;
- (ii) bracket code;
- (iii) date;
- (iv) written time of execution to the nearest minute for the first (1<sup>st</sup>) Trade appearing on each trading card;

- (v) for Exchange Futures Contracts quantity, delivery month, and price for each Transaction;
- (vi) for Exchange Options Contracts, quantity, Option Month, Striking Price, Premium and whether a Put or Call;
- (vii) identification of cross trade Transactions by an (x) symbol along with written time of execution;
- (viii) if a Trade is made by a Floor Broker for another Floor Broker present on the floor of the Exchange, identification of the Floor Broker for whom such Trade is made;
- (xi) identification of transactions made pursuant to Rule 4.17 by a (D) symbol;
- (x) signature or initials of designated Exchange employee where required by Rule; and
- (xi) identification of Transactions made pursuant to Rule 4.30(a)(ii) and (iii) by (E) symbol along with the written time of execution.

(d) Within fifteen (15) minutes of the end of each bracket open, close or closing period, Floor Brokers shall submit one (1) copy of each trading card used during such period, including any trading card as to which information is subsequently corrected or added, to designated Exchange employees who shall then timestamp the date and time, to the nearest minute, the trading card is collected.

(e) Trades executed during the open, close, or closing period of a Commodity Contract shall be recorded on a separate trading card which shall indicate the bracket period in which the open, close, or closing period occurs followed by the symbols "OP" (opening) or "CL" (close or closing period).

(f) Corrections or additions to the information recorded on trading cards shall be made in a manner that does not obliterate or otherwise make illegible the originally recorded information. Corrections or additions to the information recorded on trading cards for a prior bracket period shall be clearly and unambiguously recorded on trading cards submitted for a succeeding bracket period. Provided, however, that corrections and additions to information recorded on trading cards used during the last bracket period of the day shall be reported in writing to the Exchange Compliance Department.

(g) Accurate bracket identification codes and open, close, or closing period designations must be included with trade information submitted to the Clearing Organization clearing the trade, pursuant to the Rules. Said Clearing Organization will transfer the bracket identification codes to the Clearing Member trade register.

**Rule 4.27. Identity of Clearing Member**

(a) No Member (other than a Member present on the Trading Floor) may transmit an order to a Floor Broker, and no Floor Broker may execute an order received from any Person (other than a Floor Broker present on the Trading Floor), unless, prior to execution, such order includes the identity (by name or symbol) of the Clearing Member through whom any Transaction resulting from the execution of such order is to be cleared.

(b) Every Floor Broker shall, promptly after the execution of any Transaction, enter on his trading card the identity (by name or symbol) of the Clearing Member through whom such Transaction is to be cleared.

(c) Floor Brokers are prohibited from changing the identity of the Clearing Member specified on the trading card, except to correct a bona fide error. Every Transaction shall be submitted for clearance in the name of the Clearing Member so identified.

(d) With respect to Trades executed by a Floor Broker for a Customer who is a Member or Member Firm and who is engaged in the business of growing, purchasing, selling, shipping, manufacturing, and/or processing of cotton or by-products thereof but who is not a Floor Broker, and whose net worth is not less

than \$500,000, prompt identification of the Clearing Member shall not be required where the Customer requests the Floor Broker to mark his order "pending," provided that the Customer has executed and filed with the Exchange an agreement in form satisfactory to the Exchange under which the Customer guarantees to the Exchange that a Clearing Member will assume said contract on the day it is executed.

#### **Rule 4.28. Settlement Prices**

Settlement Prices for all Exchange Futures Contracts, other than expiring Cotton No. 2, FCOJ, Financial and Index Futures Contracts on the Last Trading Day and the last trading day of every month for the NYSE Composite Index and Russell Complex Futures Contracts, shall be determined as follows:

(a) The Settlement Price of each delivery or expiration month for each Exchange Futures Contract shall be the weighted average of all prices traded during the closing call or the closing period (hereinafter the "close"). When the average is a fraction, the Settlement Price shall be rounded to the nearest minimum permissible price fluctuation above or below the fractional average depending on which is nearer to the last price recorded for such contract. For purposes of this Rule, weighted average shall mean the average by volume of all such Exchange Futures Contracts traded in such month during the close as reported by selling Floor Brokers in accordance with Rule 4.25(b).

(b) If no Trades have been executed during the close in a delivery or expiration month:

(i) for Cocoa, Coffee "C", Ethanol, Sugar No. 11 and Sugar No. 14 Futures Contracts, the Settlement Price for such month shall be the average of the last bid and the last offer made during the close of each such month, provided, however, that:

(A) if both a bid and an offer have not been made during the close, the Settlement Price for such month shall be set at the prevailing differential between such month and the nearest active contract delivery month during the trading day; and,

(B) if a bid or bids have been made during the close which are higher than the Settlement Price would be if set using a price differential as set forth in subparagraph (A), or if an offer or offers have been made during the close which are lower than the Settlement Price would be if set using a price differential as set forth in subparagraph (A), the price of the highest bid so made or the lowest offer so made shall be the Settlement Price.

(ii) for Cotton No. 2, FCOJ, Financial and Index Futures Contracts, the Settlement Price for such month shall be the average of the highest bid and the lowest offer made during the close of each such month, provided, however, that a bid or offer which is out of line shall not be considered and, provided further that:

(A) if both a bid and an offer have not been made during the close, the Settlement Price for such month shall be determined by reference to the prevailing differential between such month and the nearest active contract delivery or expiration month during the trading day.

(c) In the event a contract delivery month for Cocoa, Coffee "C", Ethanol, Sugar No. 11 and Sugar No. 14 trades for the first (1<sup>st</sup>) time on a given Business Day and no Trades, bids or offers have been made during the close of a delivery month so that its initial Settlement Price cannot be determined as prescribed above, the Exchange staff shall compute and apply a differential as set forth below:

(i) If the last Trade of such contract delivery month was an outright Trade, the differential shall be calculated using that Trade price and the price of the last outright Trade, in any other contract delivery month, immediately preceding such Trade price recorded on the Exchange's time and sales record. The differential shall be applied to the Settlement Price of the contract delivery month of the Trade used to compute the differential to arrive at the initial Settlement Price of such contract delivery month.

(ii) If the last Trade of such contract delivery month was a Straddle, the differential between the prices of the contracts involved in the Straddle shall be applied to the Settlement Price of the other contract delivery month in the Straddle to arrive at the initial Settlement Price of such contract delivery month.

(d) On the last trading day of every month for the NYSE Composite Index and Russell Complex Futures Contracts:

(i) the Exchange will close the markets at 4:15 p.m. New York time;

(ii) the Exchange will survey market participants and review financial news media in order to determine the fair value for each of the NYSE Composite Index and Russell Complex Futures Contracts listed for trading at the Exchange; and

(iii) using the surveys and the financial news media information, Exchange staff will determine the fair value of each NYSE Composite Index and Russell Complex Futures Contract and settle each contract at the value.

(e) To determine the Settlement Price for an expiring Cocoa Futures Contract on the Last Trading Day, promptly after the close of Cocoa on that day, the Exchange Staff shall compute a differential between the value of the expiring contract and the value of the next expiring contract for the last minute of trading as follows which differential shall be applied to such next expiring contract's Settlement Price as computed in paragraphs (a), (b)(i) or (c) above.

(i) The differential shall equal the weighted average of the prices of the Straddles between the expiring contract and the next expiring contract for that period, or, if no such Straddles have traded, the differential between the weighted averages of the prices traded for such contracts during that period; provided, however, that if no Trade or Trades have been executed in either or both of the contracts during this period, and

(A) only a bid and an offer exists for the contract(s) not traded, the differential shall be calculated using the average of the bid and offer of the contract(s) not traded and the weighted average of the traded contract.

(B) neither a bid nor an offer exists for the expiring contract, the differential shall be calculated using the price of the last Trade of the expiring contract and the price of the Trade executed for the next expiring contract nearest in time to such expiring contract's Trade as recorded on the Exchange's time and sales record.

(C) if a bid or bids have been made for the last minute of trading which are higher than the price of the last Trade for the expiring contract, or, if an offer or offers have been made during that period which are lower than the price of the last Trade for the expiring contract, the price of the highest bid or the lowest offer so made shall be used to compute the differential between the expiring contract and next expiring contract.

(f) On the Last Trading Day in the expiring Cotton No. 2 Futures Contract, the Settlement Price for the expiring Cotton No. 2 futures month shall be determined in accordance with paragraphs (a) and (b)(ii) of this Rule at the close of trading in the expiring Cotton No. 2 futures month; the product thereof shall be referred to as the "closing" price. Differences shall be established between the "closing" price of the expiring Cotton No. 2 futures month and the price prevailing for the nearest active Cotton No. 2 futures month. Such difference shall be referred to hereinafter as the "Closing Difference". On the Last Trading Day and all succeeding days through and including the last delivery day, once the Settlement Price for the nearest active Cotton No. 2 futures month has been determined, the settlement price for the expiring Cotton No. 2 futures month shall be set at that price net of the Closing Difference.

(g) Notwithstanding paragraphs (a) through (f) of this Rule, if the Settlement Price Committee determines that the Settlement Price of any delivery or expiration month of an Exchange Futures Contract

does not fairly represent the market value of such contract delivery month relative to the Settlement Price of any other contract delivery months or is inconsistent with market information known to the Settlement Price Committee, the Committee may establish the Settlement Price of such contract delivery month at a level consistent with such other Settlement Prices or market information. Whenever the Committee so establishes a Settlement Price, the Committee shall document the reasons therefor and file such documentation with the Exchange and such price shall not cause a broker to be held on a resting order.

(h) Notwithstanding the authority of the Settlement Price Committee as specified above, the Exchange can override any price established by the Settlement Price Committee and, if there is not a quorum of Committee members present, shall establish Settlement Prices upon authorization of the President, the Senior Executive Vice President-Floor Operations or the Senior Vice President-Floor Operations of the Exchange. Any officer acting in accordance with this paragraph shall document the reasons therefor and file such documentation with the Exchange.

#### **Rule 4.29. Settlement Premiums**

(a) Promptly after the close of trading in each Exchange Option Contract, the Settlement Price Committee shall establish the Settlement Premium for each Striking Price of each Option Month of each Option listed for trading that has open interest. The Committee may elect to establish a Settlement Premium for any Strike Price that has no open interest.

(b) Each such Settlement Premium shall be established by the Committee after consideration of the following criteria:

(i) the weighted average price of all Trades executed during the closing period which shall mean the average by volume of all Trades executed during the closing period for all Trades in a single Strike Price rounded to the nearest minimum permissible price fluctuation of such contract;

(ii) bids and offers continuously made during the closing period;

(iii) the Option's intrinsic value;

(iv) the implied volatility of the (A) corresponding Call or Put of the same Strike Price, (B) nearest active prices of the particular contract, and (C) Trades in that Strike Price executed during the day, including the volume of the Trades, bids and offers used to calculate such implied volatility.

(v) the differential between the implied volatility of a Strike Price and the implied volatilities for Strike Prices of nearby contract months.

(vi) any other market information known to the Committee.

(c) The Settlement Premiums established by the Committee shall then be verified as to their reasonableness by the Exchange's Option Settlement Program. Whenever the Exchange's Option Settlement Program queries a Settlement Premium, the Committee shall review such Premium and, if no change is made thereto, shall document and file with the Exchange an explanation of the basis on which the Settlement Premium was established.

(d) Notwithstanding the authority of the Settlement Price Committee as specified above, the Exchange can override any Premium established by the Settlement Price Committee and, if there is not a quorum of Committee members present, shall establish Settlement Premiums upon authorization of the President, the Senior Executive Vice President-Floor Operations or the Senior Vice President-Floor Operations of the Exchange. Any officer acting in accordance with this paragraph shall document the reasons therefor and file such documentation with the Exchange.

(e) Any Settlement Premium established under this Rule shall not affect the validity of a Trade or cause a Floor Broker to be held on a resting order.

#### **Rule 4.30. Correction of Errors**



(a) If a Floor Broker discovers an error in the handling of an order, and the order cannot be executed in the market at a price which is better than or equal to that which the order should have received, the Floor Broker may do one (1) or more of the following:

(i) Execute the order in the market and adjust the Customer if the price is worse than that which the Customer should have received had the error not occurred.

(ii) Execute a Straddle Transaction in the market whereby one leg of the Straddle is for the Customer's order and the other leg is for the account of the Floor Broker, notwithstanding any Rule to the contrary. The order must receive a price better than or equal to the price it should have received had the error not occurred.

(iii) Take the opposite side of the order (notwithstanding any Rule to the contrary), at a price which is better than or equal to the price the order should have received had the error not occurred. If such price cannot be obtained in the market, or the Floor Broker discovers the error after the close of such market, the Floor Broker may assign the opposite side of the order to the Floor Broker's own account at a price which is better than or equal to the price which the order should have received had the error not occurred, notwithstanding any Rule to the contrary. Any such assignment made after the close of the market must be promptly effected but in no event later than 5:00 p.m. on such trading day.

(b) In no case may a Customer receive a price which is worse than that which the Customer should have received had the error not occurred. Any Transaction or Straddle Transaction executed pursuant to subparagraphs (a)(ii) and (iii) above shall be within such day's trading range, reported to the Compliance Department and submitted for clearance in accordance with the Rules and the Clearing Organization Rules and procedures regarding errors.

(c) The Board may provide by resolution such other procedures as it may from time to time deem necessary or appropriate to allow for the correction of errors.

#### **Rule 4.31. Block Trading**

(a) Members may enter into privately negotiated Transactions with respect to Commodity Contracts designated by the Exchange for such purpose (hereinafter referred to as "Block Trades"), provided that all of the following conditions are satisfied:

(i) Each party to a Block Trade must be an eligible Contract Participant as that term is defined in Section 1a(12) of the Act; provided that, if the Block Trade is entered into on behalf of Customers by a commodity trading advisor registered under the Act ("CTA"), including without limitation any investment advisor registered as such with the Securities and Exchange Commission that is exempt from regulation under the Act or CFTC regulations with total assets under management exceeding US\$25 million, or by a foreign entity performing a similar role or function to a CTA or investment advisor that is subject to foreign regulation with total assets under management exceeding US\$50 million, the individual Customers need not so qualify.

(ii) Each buy or sell order underlying a Block Trade must:

(A) state explicitly that it is to be, or may be, executed by means of a Block Trade; and

(B) be for at least the applicable minimum threshold as specified by the Exchange; provided that only a CTA, including without limitation any investment advisor registered with the Securities and Exchange Commission that is exempt from regulation under the Act or Commission regulations, with total assets under management exceeding US\$25 million or a foreign entity performing a similar role or function to a CTA or investment advisor that subject to a foreign regulation with total assets under management exceeding US\$50 million, may satisfy this requirement by aggregating orders for different accounts.

(iii) The price at which a Block Trade is executed must be fair and reasonable in light of (A) the size of such Block Trade, (B) the price and size of other Trades in the same contract at the relevant time; (C) the price and size of Trades in other relevant markets, at the relevant time, and (D) the circumstances of the parties of such Block Trade.

(iv) Block Trades shall not set off conditional orders, including but not limited to, stop orders, limit orders or market-if-touched orders, or otherwise affect orders in the regular market.

(v) All Block Trades must be reported by the selling Floor Broker to a designated Exchange official within two (2) minutes of the time of execution, or, in case of Block Trades executed after the close of the particular futures or Options contract but before the open of such futures or Options contract on the next Business Day in New York, during the opening call of such futures or Options contract on the next Business Day in New York. The report must include the contract, contract month, price and quantity of the Trade. The Exchange shall immediately publish such information separately from the reports in the regular market.

(vi) Floor Brokers executing Block Trades must record such Block Trades on their trading cards along with the time of execution. All executed Block Trades must be cleared through Clearing Members.

(b) Block Trades may be executed in the following Exchange Futures and Options Contracts and must meet the following applicable minimum threshold:

<i>Contract</i>	<i>Minimum Threshold</i>
(i) NYSE Composite Index Futures Contract	75
(ii) NYSE Composite Index Options Contract	75
(iii) Russell Complex Futures Contracts	75
(iv) Russell Complex Options Contract	75

#### **Rule 4.32. Submission of Trade Data for Clearing Purposes**

(a) With respect to any Transaction in any contract of this Exchange ("Exchange Transaction") which is to be cleared by the Clearing Organization which clears Exchange Transactions, no Person except a Clearing Member or a duly authorized representative of a Clearing Member acting on behalf of that Clearing Member may submit any information or reports for the purpose of clearing such transactions ("Clearing Submission") to the Clearing Organization. Every Clearing Submission must be made in accordance with applicable Exchange and Clearing Organization Rules. It is the responsibility of each Clearing Member to insure that every Clearing Submission in its name is reviewed and authorized. A Clearing Member must make a Clearing Submission for each Exchange Transaction for which it has received information or reports required by the Clearing Organization for such purpose from a non-clearing member or notify such Member that such submission will not be made.

(b) Every Clearing Submission must be input into the Trade Input Processing System ("TIPS") as follows:

(i) Trade data shall be input into TIPS no later than thirty (30) minutes after the end of the bracket period in which the Trade was executed. No new Floor Broker input of trade data can be made after 5 PM each trading day.

(ii) Outtrades shall be resolved throughout the trading day but in no event later than the opening of the following trading day.

(iii) Floor Broker advisories concerning errors or other discrepancies must be reported by the Clearing Member to the executing Floor Broker no later than 9 AM of the Business Day following the day on which the Trade was accepted for clearance.

(iv) Once a Trade has been matched, any changes to price and quantity can only be made by providing the Data Control Center with a cancellation form, the trading cards (Floor Broker copy), and the approval of the Floor Brokers involved.

(v) Any Member using TIPS shall be required to have a representative available on the floor of the Exchange until the TIPS' system shutdown of that trading day.

(vi) Clearing Member designations must be made no later than one (1) hour after the close of the contract market in which the Trade was made. Whenever possible, the Clearing Member designation shall be assigned upon Trade entry.

(vii) Floor Brokers may change a Clearing Member designation for a Trade twice before 5 PM of the day the Trade was executed.

(viii) Trades allocated to Clearing Members will be deemed accepted by such Clearing Member unless such Trade has been challenged by 6 PM of the day the Trade was submitted for clearance.

(ix) Any Trade executed by a Floor Broker and matched in TIPS shall automatically be cleared to the account of the Clearing Member guarantor of such Floor Broker on the date executed, unless such Trade is otherwise accepted for clearance by a Clearing Member on such trade date.

(x) All mechanical adjustments shall be made through TIPS. Any Member submitting a mechanical adjustment shall include all information required by TIPS to process such mechanical adjustment.

#### **Rule 4.33. Clerk Qualification Requirements, Registration Procedures, and Trading Prohibitions**

The following Clerk qualification, registration procedures and trading prohibitions apply to all clerical staff of Members or Member Firms trading in Commodity Contracts on the Trading Floor of the Exchange:

(a) Qualification Requirements: Unless otherwise provided under the Rules, clerical staff shall:

(i) include every person a Member or Member Firm employs or wishes to employ on the Trading Floor of this Exchange, whether on a temporary or permanent basis, and regardless of whether such person is a Member of another exchange;

(ii) be limited to runners, communication operators, telephone clerks, write-up clerks, TIPS clerks, supervisors, analysts and any other category which the President may specify from time to time;

(iii) attend a Sexual Harassment Awareness and Ethics Course sponsored by or acceptable to the Exchange as may be determined by the President, in his sole discretion, within three (3) months of being registered as a Clerk. Failure to attend such course within the prescribed time shall cause the automatic suspension of such registration until compliance with this provision of the Rule has been satisfied; provided, however, that the President may, in his sole discretion, extend such time to attend the course;

(iv) not consist of any other Member whose rights and privileges of Membership are suspended or any individual who has been expelled from Membership, where such employment or registration is in contravention of any term or condition of such suspension or expulsion which the Exchange, the Board or any Committee may impose or to which the suspended Member or expelled person may have agreed.

(b) Registration Procedure: All clerical staff must file with the Exchange an application for Clerk registration in the form supplied by the Exchange before they will be permitted on the Trading Floor.

Such application shall be deemed approved upon filing with the Exchange unless the application discloses that the applicant:

(i) has ever been or is suspended or expelled from any commodity or securities exchange, clearing organization, registered futures association, the National Association of Securities Dealers, Inc., or any other self-regulatory organization or other business or professional association for violation of any rule of such organization; or

(ii) has been convicted of any felony or misdemeanor involving, arising from, or related to, the purchase or sale of any commodity, commodity contract, security or option, or is or has been permanently or temporarily enjoined by order, judgment or decree of any court of competent jurisdiction or the CFTC from engaging in or continuing any conduct or practice in connection with the purchase or sale of commodities or securities or is or has been subject to an order of the CFTC denying trading privileges on any contract market to such person, or suspending or expelling such person from membership on any contract market, or has been convicted of any felony involving or arising from fraud or moral turpitude; or

(iii) has a disciplinary record at any exchange; or

(iv) has any unsatisfied debts to Members; or

(v) had his Membership terminated pursuant to the sale of Membership provisions of Rule 21.36.

Any application for registration as a Clerk, regardless of whether the applicant has been registered with the Exchange before shall be presented to the Executive Floor Committee and the President for their review within two (2) weeks of its submission to the Exchange if the application discloses that any of the events contained in subparagraphs (b)(i) through (b)(v) of this Rule has occurred. In the case of a previously registered applicant, the application shall only be presented to the Executive Floor Committee and the President if that information is disclosed in an application for re-registration. Upon review of such application or upon learning of facts and circumstances suggesting that the continued registration of a Clerk is contrary to the best interests of the Exchange, the Executive Floor Committee and the President in their sole discretion shall determine whether to permit registration of the applicant or, in the case of a registered Clerk, to permit the registration of the Clerk to continue, or to refer the matter to the Executive Floor Committee for a hearing and decision, in accordance with the procedures specified in paragraph (d) of this Rule.

Members and Member Firms are required to advise the Exchange of any changes in status of registered clerical staff, including additions and deletions of clerical staff.

It shall be the responsibility of each Member and Member Firm employing such clerical staff to assure that identification badges issued to his or its clerical staff are withdrawn promptly upon termination of their employment.

Registration of all clerical staff will be in conjunction with Security Department requirements.

The Security Department will issue new clerical staff badges only after clerks have been duly registered.

(c) Denial, Suspension and Termination of Registration: The Executive Floor Committee may deny an application to be registered as a Clerk and suspend and/or terminate the registration of any Clerk if it determines, in its sole discretion, after notice and an opportunity to be heard, that the registration of such applicant or the continued registration of such Clerk is contrary to the best interests of the Exchange.

(d) Denial, Suspension and Termination Procedures:

(i) Any action taken pursuant to paragraph (c) of this Rule shall be taken after notice to the applicant or Clerk against whom the action is taken and to the Member or Member Firm who or

which seeks to register the applicant or has registered such Clerk on the Exchange and an opportunity for such applicant or Clerk to be heard.

(ii) The powers of the Executive Floor Committee pursuant to paragraph (c) of this Rule may be delegated to a subcommittee of at least three (3) members, as the Chairman of the Executive Floor Committee may decide in his sole discretion. The names of the members of the Executive Floor Committee or any subcommittee appointed to hear the matter shall be included in the written notice provided to the Clerk or applicant. Any objection to a member hearing the matter shall be made in writing to the Chairman of the Committee within three (3) Business Days of being so advised, and shall include the basis for the objection. The Committee Chairman shall rule on any such objections.

(iii) The notice given to an applicant or Clerk shall state (A) the situation which it is believed may give rise to the need for action by the Executive Floor Committee; and (B) the date, time and place of the hearing to be held before the Executive Floor Committee.

(iv) At any hearing conducted under this Rule, the Executive Floor Committee shall determine the procedures to be followed, except that the following shall apply in every case: (A) the case in support of the action or proposed action against the applicant or Clerk shall be presented by the Compliance staff; (B) the applicant or Clerk shall be allowed to be represented by legal counsel or any other representative of his choosing and, either personally or through such representative, to present witnesses and documentary evidence and to cross-examine witnesses; (C) no formal rules of evidence shall apply, and the Executive Floor Committee shall be free to accept or reject any and all evidence it considers proper; (D) a substantially verbatim record capable of being accurately transcribed shall be made of the hearing, provided, however that such record need not be transcribed unless the decision is appealed by the applicant or registrant to the CFTC; and (E) the notice of the hearing, any stenographic transcript of the hearing, the documentary evidence and any other material presented to the Executive Floor Committee by either party with notice to the other shall constitute the record of the hearing.

(v) Promptly following any hearing, the Executive Floor Committee shall render a written decision based on the weight of the evidence contained in the record of the hearing and shall provide a copy of the decision to the applicant or Clerk and the Member who or which sought to register or has registered such person with the Exchange. The decision shall include: (A) a brief summary of the evidence produced at the hearing; (B) the findings and conclusions of the hearing body; and (C) a declaration of any action to be taken pursuant to the determination referred to in clause (B), hereof, the effective date and duration of such action and the date upon which such decision becomes final.

(vi) Any action taken by the Executive Floor Committee pursuant to paragraph (c) shall become effective and final fifteen (15) days after notice of the action taken is given to the applicant or Clerk. The decision of the Executive Floor Committee shall constitute the final action of the Exchange.

(e) Trading Prohibitions: Unless otherwise provided under the Rules:

(i) The clerical staff of a Member may not trade in any Commodity Contract either in his own name or in any account in which he has a direct or indirect interest.

(ii) No Member shall execute an order for, accept for clearance, or maintain a position in any Commodity Contract if such Member knows, or with the exercise of reasonable care should know, that such order, clearance, or position is for the direct or indirect benefit of any clerical staff registered hereunder.

(iii) The foregoing trading prohibitions shall not apply to individual Members in good standing of this Exchange.

#### **Rule 4.34. Portable Electronic Devices**

(a) For purposes of this Rule, the following definitions shall apply:

(i) "Electronic Device" shall mean any portable equipment supplied to a Member or Member Firm by the Exchange for use in connection with receiving orders, recording the execution of Trades, reporting execution of Trades and/or submitting trade data to TIPS.

(ii) "Electronic Information" shall mean the data made available to each Member or Member Firm by virtue of such Member's or Member Firm's access to any Electronic Device, including, without limitation, (A) the identity of other Persons transacting business on, with or through the Exchange and the price and quantity of pending or filled orders and (B) any database, software, programs, protocols, displays and manuals relating thereto, including the selection, arrangement and sequencing of the contents thereof.

(b) No Electronic Device may be used by any Person except in accordance with this Rule and such terms and conditions of use as may be established from time by the Board, any committee appointed by the Board or Exchange staff empowered to establish and review terms and conditions of use. Each Member and Member Firm shall pay any fees and/or other charges assessed by the Exchange for the use of an Electronic Device.

(c) In addition to the specific terms and conditions of use established for a particular Electronic Device pursuant to paragraph (b) above, the use of every Electronic Device shall be subject to the following terms and conditions:

(i) The Member or Member Firm shall properly secure and safeguard the Electronic Device so as to prevent damage, loss or theft, and shall be liable for any damage beyond normal wear and tear, until it is returned to the Exchange.

(ii) The Member or Member Firm shall implement appropriate procedures to ensure the only Persons authorized by the Member or Member Firm have access to and/or use of the Electronic Device.

(iii) Upon termination for any reason of a Member's or Member Firm's right to use an Electronic Device, it shall be returned to the Exchange in working condition. The Member or Member Firm shall pay to the Exchange the replacement cost for any Electronic Device that is lost, stolen, damaged or destroyed while in the Member's or Member Firm's possession or while it is otherwise responsible for the Electronic Device.

(iv) The Board and/or the relevant committee or Exchange staff responsible therefor may impose restrictions on the use of any Electronic Device by a Member or Member Firm without prior notice and without liability to any Person.

(v) Electronic Information that is disclosed to, or otherwise obtained by a Member or Member Firm while accessing an Electronic Device, shall be deemed to constitute a trade secret of the Exchange (or its licensors), as to which copyright and patent rights of the Exchange may also exist. The Member or Member Firm shall keep all such Electronic Information confidential, and shall utilize such Electronic Information solely for such Member's or Member Firm's own trading activities and the trading activities of Persons for whom the Member or Member Firm is authorized to act. All copies and expressions of such trade secrets, works, processes, and methods are the exclusive property of the Exchange, and shall be returned to the Exchange upon termination of such Member's or Member Firm's right to use the Electronic Device for any reason whatsoever. Each Member or Member Firm shall take all reasonable precautions to maintain the secrecy and confidentiality of such Electronic Information. Except as otherwise permitted elsewhere in the Rules, the Member or Member Firm shall not disclose and shall use reasonable efforts not to permit the disclosure of, any part of such Electronic Information to any other Person.

(vi) Except as authorized by the Board and/or the applicable committee or Exchange staff responsible for establishing the terms and conditions of use of any Electronic Device, a Member or Member Firm shall not make, and shall not permit others to make any alterations, additions, subtractions, upgrades or improvements to, or affix or attach any foreign object to, in or on, any Electronic Device.

(vii) The Exchange shall have a continuing right to audit the use of any Electronic Device by any Member or Member Firm.

#### **Rule 4.35. Communications Between Members**

The Exchange has no responsibility for any act, error or omission of its employees in connection with the receipt or transmission of messages or other communications between Members, or between Members and their offices or other Persons, all of which is entirely at the risk of the Member receiving or sending such message or communication, or for whom the same may be intended.

#### **Rule 4.36. Fast Market Quotations**

(a) Solely with respect to the Cocoa, Coffee "C", Ethanol, Sugar No. 11 and Sugar No. 14 Futures and Options Contracts, whenever price fluctuations of such Commodity Contracts are rapid and the volume of business is large (hereinafter a "Fast Market"), it is of common occurrence that different prices or Premiums are bid and offered for the same delivery month or Option Series in different parts of the ring at the same time. The normal result of such condition is, at times, the execution by Floor Brokers of orders at prices or Premiums not officially quoted, or the inability of a Floor Broker to execute an order at a limited price. This is unavoidable, but is in no wise the fault of anyone.

(b) The following procedure is adopted to identify the occurrence of a Fast Market to be used in conjunction with the dissemination of Market Quotations for the Cocoa, Coffee "C", Ethanol, Sugar No. 11 and Sugar No. 14 Futures and Options Contracts.

(i) Whenever in the discretion of a majority of those Executive Floor or Floor Committee members present in a ring a Fast Market exists, those Executive Floor or Floor Committee members shall initial a Declaration of Fast Market form designating the Commodity Contract or Contracts affected and the time at which the Fast Market began.

(ii) The Executive Floor or Floor Committee shall present the Declaration of Fast Market form to the Exchange employees on the floor who shall immediately turn on the Fast Market light located at the top of the podium at the ring in question, and simultaneously transmit a ticker message and wallboard text stating the time, the Commodity Contract or Contracts in question, and the words "Fast Market."

(iii) When, in the discretion of a majority of those Executive Floor or Floor Committee members present in the ring where a Fast Market has been declared, such condition has ceased to exist, those Committee members shall inform the Exchange employees on the floor to turn off the Fast Market light and to transmit a ticker message and wallboard text stating the time the Fast Market ended and the Commodity Contract or Contracts in question.

(iv) An Exchange employee will record on the original Declaration of Fast Market form the time at which the Fast Market was declared ended. At the end of the day all Declaration of Fast Market forms will be delivered to the Compliance Department, which will attach the form(s) to the time and sales transcript for that day.

#### **Rule 4.37. Breaks**

In the event that a Member claims to have bought or sold, or has bought or sold, a contract and the Member with whom the Trade has been made, or is claimed to have been made, is absent or cannot be

found, the Trade shall be closed at the opening call of the Exchange on the next following Business Day, and notice of such closing of the trade shall be filed with the Secretary of the Exchange, and the resulting loss, if any, shall, if the Trade is disputed, be subject to arbitration, and if not disputed, shall be immediately paid.

#### **Rule 4.38. Member Responsibility for Quotations**

No Member or Member Firm shall be liable for money damages arising from a request to quote the market for the purpose of price fixing (spotting the Board) or for other purposes, when no correlative purchase or sale of futures is made. Where a purchase or sale of futures is made, liability, if any, may apply only to the extent of the number of futures so bought or sold.

#### **Rule 4.39. Stop Orders**

(a) Stop Order or Stop Loss Order—An order to buy or sell when the market reaches a specified point. A stop order to buy becomes a market order when the contract sells (or is bid) at or above the stop price. A stop order to sell becomes a market order when the contract sells (or is offered) at or below the stop price.

(b) Members may accept FCOJ stop orders provided that such orders fall within at least one (1) of the following categories:

- (i) Stop limit orders;
- (ii) Market if touched orders without contingencies; or
- (iii) Other stop orders without contingencies.

#### **Rule 4.40. Offers to Buy or Sell Index Options Contracts**

Members may submit bids and/or offers for Index Options Contracts via the Exchange's electronic reporting system. Only the best bid and offer, whether made electronically or by open outcry, shall be displayed, and, in any event, Transactions may only be made by open outcry pursuant to Rule 4.03.

### **Resolutions**

#### **No. 1. Time & Sales Register—Out-of-Sequence Trade Policy**

WHEREAS, compilation of the Time & Sales Register is dependent upon Exchange employees utilizing hand-held recordation devices as the input source for information on the prices at which trades are occurring in each of the Exchange's trading rings; and

WHEREAS, the simultaneous input of trade data from multiple sources can result in the sequence of prices within any 10 second increment on the Time & Sales Register being different than the sequence in which such prices traded; and

WHEREAS, to the extent that this may occur it is in no way the fault of any Member or employee of the Exchange,

NOW THEREFORE, it is hereby resolved that, in any arbitration between a Customer and a Member, the Member shall not be found to have failed to exercise due diligence in the execution of the Customer's order solely on the basis of the sequence of prices reflected within any ten (10) second increment on the Time & Sales Register unless the Customer also presents compelling evidence which corroborates such sequence.

#### **No. 2. Flat Markets**

WHEREAS, certain situations may arise where a Floor Broker must simultaneously bid and offer at the same price for the same contract delivery month to diligently seek the execution of his Customers'



orders where at least one (1) order is for an account that cannot be executed as a cross trade (hereinafter referred to as making a "flat market"); and

WHEREAS, the making of a flat market is not prohibited by the Rules, and

WHEREAS, making a flat market would be inconsistent with the Rules (a) where the Floor Broker wants to execute a cross trade, because Rule 4.19 expressly requires a Floor Broker to bid and offer to a point where the offer is higher than the bid by an amount equal to the minimum increment in which bids and offers may be made, and (b) where making a flat market would result in bidding into an offer, offering into a bid or otherwise violating another Floor Broker's bid or offer; and

WHEREAS, questions have arisen about the propriety of Associated Brokers making flat markets;

NOW THEREFORE, BE IT RESOLVED, that Associated Brokers cannot make a flat market by one (1) Floor Broker bidding and the other offering the same contract delivery month and that only one (1) such Member of the broker association can make a flat market in a contract delivery month at any one time.

### **No. 3. Trade Policy During Trade Data Display Interruption**

WHEREAS, circumstances may occur during trading such that trade data displayed to the Trading Floor is interrupted or is not commonly accessible to all Floor Brokers of a particular ring; and

WHEREAS, it is recognized that different prices or Premiums may be bid or offered for the same delivery month or Option series in different parts of the ring at the same time during such interruption; and

WHEREAS, it is also recognized that during such interruption Trades may be executed at prices or Premiums not officially quoted or a Floor Broker may be unable to execute an order;

NOW THEREFORE, BE IT RESOLVED, to the extent an interruption in the display of trade data to the Trading Floor may occur, a Floor Broker shall not be found to have failed to exercise due diligence in the execution of a Customer's order where such an interruption has occurred and had an adverse effect on the Floor Broker's ability to execute the order; and

FURTHER RESOLVED, that the following procedure is adopted to identify the occurrence of a Trade Data Display Interruption on the Trading Floor:

(a) Whenever in the discretion of the President, or such other officer as he may designate, an interruption in the display of trade data on the Trading Floor is declared, an announcement and simultaneous ticker and wallboard text message will be transmitted stating the time the interruption began and the commodity contracts affected.

(b) When in the discretion of the President, or his designee, such interruption has ceased to exist, an announcement and simultaneous ticker and wallboard text message will be transmitted stating the time the interruption ended and the commodity contracts affected.

(c) An Exchange employee will record on a Declaration of Trade Data Display Interruption on the Trading Floor form the time during which the interruption was declared. At the end of the day, all Declaration of Trade Data Display Interruption on the Trading Floor forms will be delivered to the Compliance Department, which will attach the form(s) to the time and sales transcript for that day.

### **No. 4. Visitors Policy**

WHEREAS, Rule 4.02 restricts access to the Trading Floor to authorized individuals among whom guests of a Member are included; and

WHEREAS, the Board of Governors wishes to formalize the Exchange's visitors policy concerning access to the Trading Floor;

NOW, THEREFORE, BE IT RESOLVED, that the following restrictions shall apply to all visitors to the Exchange;

1. No one under 14 years of age shall be permitted on the Trading Floor.
2. Any visitor to the Exchange Trading Floor must be issued a pass by Security at the request of a Member which request may not be made by an employee of a Member.
3. Guests of Members gaining access to the Trading Floor shall be limited to twenty (20) minutes.
4. No more than a total of five (5) guests may gain access to the Trading Floor at any one (1) time.
5. No unauthorized individuals or children, which shall include any guest of a Member, shall have access to the Write-Up Room.

#### **No. 5. Not Held Policy for CTI 3 and CTI 5 Orders**

WHEREAS, it is sometimes the case that a Floor Broker (the "Executing Broker") may hold an order for (a) another Floor Broker on the Trading Floor (CTI 3 order) or (b) another Floor Broker with whom he is associated and who is off the floor (CTI 5 order) and the only participant in the ring at the price at which such order can be executed is the Executing Broker or a Floor Broker with whom he is associated; and

WHEREAS, Rule 4.19 prohibits the Executing Broker, and Floor Brokers with whom he is associated from executing in a cross trade a CTI 3 order or a CTI 5 order as described in the preceding paragraph; and

WHEREAS, there may be times when the Executing Broker cannot execute such a CTI 3 or CTI 5 order because the sole interests in the ring at the price at which the order can be executed is the Executing Broker or a Floor Broker with whom he is associated; and

WHEREAS, to the extent this may occur, it is in no way the fault of the Executing Broker;

NOW, THEREFORE, IT IS HEREBY RESOLVED, that a Floor Broker cannot hold an Executing Broker liable for the fill of a CTI 3 order or a CTI 5 order that is for the account of a Floor Broker associated with the Executing Broker, when the market conditions are such that the only market participant in the ring at the price at which such order can be executed is the Executing Broker or a Floor Broker with whom he is associated.

#### **No. 6. Stock Index EFP Resolution - Using ETFs as the Cash Component of an EFP**

WHEREAS, Rule 4.12 provides for EFP Transactions, and

WHEREAS, an Exchange Traded Fund ("ETF") allows an investor to buy an interest in a portfolio of stocks that tracks a particular stock index and evidences a high correlation to the particular stock index;

NOW, THEREFORE BE IT RESOLVED, that the Board shall permit the use of ETFs as an acceptable cash or physical component of an EFP; and, be it further

RESOLVED, that the Board shall determine which ETFs are an acceptable cash or physical component of an EFP transacted in a particular stock index futures contract.