

**SUBMISSION COVER SHEET**

**IMPORTANT:** Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 15-027 (2 of 4)

Organization: The Board of Trade of the City of Chicago, Inc. ("CBOT")

Filing as a:  DCM  SEF  DCO  SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 01/22/15 Filing Description: Revisions to Rule 531 ("Trading Against Customers' Orders Prohibited")

Please note only ONE choice allowed per Submission.

**Organization Rules and Rule Amendments**

- |                                     |                                     |            |
|-------------------------------------|-------------------------------------|------------|
| <input checked="" type="checkbox"/> | Certification                       | § 40.6(a)  |
| <input type="checkbox"/>            | Approval                            | § 40.5(a)  |
| <input type="checkbox"/>            | Notification                        | § 40.6(d)  |
| <input type="checkbox"/>            | Advance Notice of SIDCO Rule Change | § 40.10(a) |
| <input type="checkbox"/>            | SIDCO Emergency Rule Change         | § 40.10(h) |

**Rule Numbers:** 531

**New Product**

Please note only ONE product per Submission.

- |                          |                                       |            |
|--------------------------|---------------------------------------|------------|
| <input type="checkbox"/> | Certification                         | § 40.2(a)  |
| <input type="checkbox"/> | Certification Security Futures        | § 41.23(a) |
| <input type="checkbox"/> | Certification Swap Class              | § 40.2(d)  |
| <input type="checkbox"/> | Approval                              | § 40.3(a)  |
| <input type="checkbox"/> | Approval Security Futures             | § 41.23(b) |
| <input type="checkbox"/> | Novel Derivative Product Notification | § 40.12(a) |
| <input type="checkbox"/> | Swap Submission                       | § 39.5     |

**Official Product Name:**

**Product Terms and Conditions (product related Rules and Rule Amendments)**

- |                          |   |                      |
|--------------------------|---|----------------------|
| <input type="checkbox"/> | Certification   | § 40.6(a)            |
| <input type="checkbox"/> | Certification Made Available to Trade Determination     | § 40.6(a)            |
| <input type="checkbox"/> | Certification Security Futures                          | § 41.24(a)           |
| <input type="checkbox"/> | Delisting (No Open Interest)                            | § 40.6(a)            |
| <input type="checkbox"/> | Approval  | § 40.5(a)            |
| <input type="checkbox"/> | Approval Made Available to Trade Determination          | § 40.5(a)            |
| <input type="checkbox"/> | Approval Security Futures                               | § 41.24(c)           |
| <input type="checkbox"/> | Approval Amendments to enumerated agricultural products | § 40.4(a), § 40.5(a) |
| <input type="checkbox"/> | "Non-Material Agricultural Rule Change"                 | § 40.4(b)(5)         |
| <input type="checkbox"/> | Notification  | § 40.6(d)            |

**Official Name(s) of Product(s) Affected:**

**Rule Numbers:**

January 22, 2015

**VIA ELECTRONIC PORTAL**

Christopher Kirkpatrick  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, D.C. 20581

**RE: CFTC Regulation 40.6(a) Certification. Revisions to CME/CBOT/NYMEX/COMEX Rule 531 (“Trading Against Customers’ Orders Prohibited”).  
CBOT Submission No. 15-027 (2 of 4)**

Dear Mr. Kirkpatrick:

Chicago Mercantile Exchange Inc. (“CME”), The Board of Trade of the City of Chicago, Inc. (“CBOT”), New York Mercantile Exchange, Inc. (“NYMEX”) and Commodity Exchange, Inc. (“COMEX”) (collectively, the “Exchanges”) are notifying the Commodity Futures Trading Commission (“CFTC” or “Commission”) that they are self-certifying revisions to Rule 531 (“Trading Against Customers’ Orders Prohibited”) to clarify that the exception to the general prohibition of trading against customer orders in Section B.5. of the Rule relates to transactions executed via open outcry only. The substance of the Rule remains unchanged.

The revisions to Rule 531 appear in Exhibit A, with additions underscored and deletions overstruck, and will become effective on February 6, 2015. As a result of these Rule amendments, the Exchanges are also notifying the Commission that they are self-certifying the issuance of Market Regulation Advisory Notice RA1501-5 (“RA1501-5”) concerning Rule 533 and Rule 531 (“Simultaneous Buy and Sell Orders for Different Beneficial Owners; Trading Against Customers’ Orders Prohibited”). RA1501-5 will be disseminated to the marketplace on Friday, January 23, 2015. RA1501-5 appears as Exhibit B.

The Exchanges reviewed the designated contract market core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“CEA” or “Act”). During the review, we have identified that the revisions to Rule 531 and RA1501-5 may have some bearing on the following Core Principles:

Availability of General Information: As required by this Core Principle, the Exchanges are publicly issuing RA1501-5 to ensure that the marketplace has notification of the revisions to Rule 531. The Advisory Notice will be available on the CME Group website.

Protection Of Market Participants: Rule 531.B.5. prevents a person from trading against his customer order in the open outcry venue for his own account, an account in which he has a direct or indirect financial interest, an account over which he has discretionary trading authority, or a proprietary account of his employer, unless certain conditions are met. The revisions being made to Rule 531 clarify that Section B.5. applies exclusively to trades made via open outcry.

The Exchanges certify that the revisions to Rule 531 comply with the Act and regulations thereunder. Additionally, the Exchanges certify that the issuance of RA1501-5 complies with the Act and regulations thereunder. There were no substantive opposing views to this proposal.

The Exchanges certify that this submission has been concurrently posted on the Exchanges’ website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

If you have any questions regarding this submission, please contact me at 212-299-2200, or via e-mail at [CMEGSubmissionInquiry@cmegroup.com](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A – Revisions to CME/CBOT/NYMEX/COMEX Rule 531  
Exhibit B – RA1501-5

# Exhibit A

## CME/CBOT/NYMEX/COMEX

### Chapter 5 Trading Qualifications and Practices

(additions underscored; deletions ~~everstruck~~)

#### 531. TRADING AGAINST CUSTOMERS' ORDERS PROHIBITED

[Section A. is unchanged.]

##### 531.B. Exceptions

The foregoing restriction shall not apply to the following:

[1 – 4 are unchanged.]

5. ~~Transactions where the customer has consented in writing no more than 12 months prior to the transaction to waive the application of Rule 531.A. Such transactions shall further be subject to the following requirements: (i) if the transaction was pit traded,~~ a person may knowingly trade against his customer order for his own account, an account in which he has a direct or indirect financial interest, an account over which he has discretionary trading authority, or a proprietary account of his employer, only if: (i) the customer has consented in writing to waive the application of Rule 531.A no more than 12 months prior to the transaction; (ii) the member complies with the requirements set forth in Rule 533 or Rule 549 ~~[the reference to Rule 549 appears solely in CME Rule 531]; (iii) the member clearly identifies, by appropriate descriptive words, all such transactions, and (iiiiv) if the transaction was pit traded,~~ the member ensures that it is reported to Exchange price reporting staff for entry into the Exchange Price Reporting System as a cross trade.

## **Exhibit B**

### **MARKET REGULATION ADVISORY NOTICE**

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<b>Exchange</b>	<b>CME, CBOT, NYMEX &amp; COMEX</b>
<b>Subject</b>	<b>Simultaneous Buy and Sell Orders for Different Beneficial Owners; Trading Against Customers' Orders Prohibited</b>
<b>Rule References</b>	<b>Rule 533 and Rule 531</b>
<b>Advisory Date</b>	<b>January 23, 2015</b>
<b>Advisory Number</b>	<b>CME Group RA1501-5</b>
<b>Effective Date</b>	<b>February 6, 2015</b>

This Advisory Notice is effective February 6, 2015 and supersedes CME Group Market Regulation Advisory Notice RA1409-5 from December 15, 2014. It is being reissued solely as a result of minor revisions to Rule 531 which clarify that the provisions of Section B.5. of the Rule apply exclusively to transactions executed via open outcry.

#### **Overview**

This Advisory Notice clarifies the proper procedures for the handling of simultaneous buy and sell orders for different beneficial owners in open outcry and electronic markets pursuant to Rules 533 and 531. The complete text of these rules begins on page 2 of this Advisory Notice.

Neither this Advisory Notice nor the rules referenced herein pertain to transactions on CME Globex that involve pre-execution communications. Pre-execution communications are addressed in each exchange's Rule 539 ("Prearranged, Pre-Negotiated and Noncompetitive Trades Prohibited") and in the Market Regulation Advisory Notice concerning Rule 539, which can be found on the Rulebook Harmonization page at the following link:

<http://www.cmegroup.com/rulebook/rulebook-harmonization.html>

#### **Open Outcry Markets**

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

A floor broker may not cross an order with a trade for his own account, an account in which he has a direct or indirect financial interest, or an account over which he has discretionary trading authority unless he complies with the requirements set forth in Section B. 5. of Rule 531. ("Trading Against Customers' Orders Prohibited").

A floor broker who executes a cross trade must ensure that it is reported to Exchange price reporting staff for entry into the Price Reporting System as a cross trade. Failure to identify the transaction to Exchange price reporting staff as a cross trade shall constitute a violation of the rule.

Market participants are reminded that pre-execution communications or any other form of prearrangement are prohibited with respect to all orders entered for execution in the open outcry venue with the single exception of Standard & Poor's 500 Stock Price Index options orders ("SP options") executed pursuant to CME Rule 549. Requirements concerning the execution of SP options pursuant to CME Rule 549 are set forth in CME Market Regulation Advisory Notice RA1301-2.

### **Electronic Markets**

In electronic markets, opposite orders for different beneficial owners that are simultaneously placed by a party with discretion over both accounts may be entered on the electronic platform provided that one order is exposed for a minimum of 5 seconds in the case of futures orders (including futures spreads) or for a minimum of 15 seconds in the case of options orders (including any spread with an option component). Similarly, an order allowing for price and/or time discretion, if not entered immediately upon receipt, may be knowingly entered opposite another order entered by the same firm only if the other order has been entered immediately upon receipt and has been exposed for a minimum of 5 seconds in the case of futures orders or for a minimum of 15 seconds in the case of options orders. Orders involving pre-execution communications are separately governed by each Exchange's Rule 539 or CME Rule 549, as applicable.

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

Erin Coffey, Senior Rules & Regulatory Outreach Specialist, 312.341.3286  
Jon Farrimond, Lead Rules & Regulatory Outreach Specialist, 44.20.3379.3966  
Robert Sniegowski, Senior Director, Rules & Regulatory Outreach, 312.341.5991

For media inquiries concerning this Advisory Notice, please contact CME Group Corporate Communications at 312.930.3434 or [news@cmegroup.com](mailto:news@cmegroup.com).

### **Text of Rules 533 and 531**

#### **533. SIMULTANEOUS BUY AND SELL ORDERS FOR DIFFERENT BENEFICIAL OWNERS**

A member who is in possession of both buy and sell orders for different beneficial owners for the same product and expiration month, and, for a put or call option, the same strike price, may execute such orders for and directly between such beneficial owners provided that in pit trading, a member executing such orders shall first bid and offer by open outcry three times at the same price, stating the number of contracts, and, thereafter, if neither the bid nor the offer is accepted, the orders may be matched in the presence, and with the approval, of a designated Exchange official. The foregoing shall not apply to LOX Orders executed in accordance with Rule 549. *[The reference to Rule 549 appears solely in CME Rule 533.]*

The member making such transactions shall, by appropriate descriptive words or symbols, clearly identify all such transactions on his trading card or other similar record made at the time of the execution. The member executing such trade must ensure that it is reported to Exchange price reporting staff for entry into the Exchange Price Reporting System. Failure to identify the transaction to Exchange price reporting staff as a cross trade shall constitute a violation of this

rule.

On the Globex platform, opposite orders for different beneficial owners that are simultaneously placed by a party with discretion over both accounts may be entered into the Globex platform provided that one order is exposed for a minimum of 5 seconds in the case of futures or swaps *[the reference to swaps appears solely in CBOT Rule 533]* orders or a minimum of 15 seconds in the case of options orders. An order allowing for price and/or time discretion, if not entered immediately upon receipt, may be knowingly entered opposite another order entered by the same firm only if this other order has been entered immediately upon receipt and has been exposed on the Globex platform for a minimum of 5 seconds for futures or swaps *[the reference to swaps appears solely in CBOT Rule 533]* orders or a minimum of 15 seconds for options orders.

## **531. TRADING AGAINST CUSTOMERS' ORDERS PROHIBITED**

### **531.A. General Prohibition**

No person in possession of a customer order shall knowingly take, directly or indirectly, the opposite side of such order for his own account, an account in which he has a direct or indirect financial interest, or an account over which he has discretionary trading authority.

### **531.B. Exceptions**

The foregoing restriction shall not apply to the following:

1. Transactions executed in accordance with Rule 527 to resolve bona fide outrades or errors;
2. Transactions executed pursuant to Rule 538;
3. Block trades executed pursuant to Rule 526;
4. On the Globex platform, a person may knowingly trade against his customer order for his own account, an account in which he has a direct or indirect financial interest, an account over which he has discretionary trading authority, or a proprietary account of his employer, only if the customer order has been entered immediately upon receipt and has first been exposed on the Globex platform for a minimum of 5 seconds in the case of futures or swap *[the reference to swaps appears solely in CBOT Rule 531]* orders or for a minimum of 15 seconds in the case of options orders; and
5. If the transaction was pit traded, a person may knowingly trade against his customer order for his own account, an account in which he has a direct or indirect financial interest, an account over which he has discretionary trading authority, or a proprietary account of his employer, only if: (i) the customer has consented in writing to waive the application of Rule 531.A no more than 12 months prior to the transaction; (ii) the member complies with the requirements set forth in Rule 533 or Rule 549 *[the reference to Rule 549 appears solely in CME Rule 531]*; (iii) the member clearly identifies, by appropriate descriptive words, all such transactions, and (iv) the member ensures that it is reported to Exchange price reporting staff for entry into the Exchange Price Reporting System as a cross trade.