SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested ☐

Registered Entity Identifier Code (optional): <u>17-126 (4 of 4)</u>

Organization: <u>Commodity Exchange, Inc. ("COMEX")</u>

Filing as a: ☒**DCM**   ☐**SEF**   ☐**DCO**   ☐**SDR**

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): <u>4/4/17</u>

Filing Description: <u>Issuance of CME Group Market Regulation Advisory Notice RA1702-5 Regarding Pre-Execution Communications Pursuant to Rule 539. ("Prearranged, Pre-Negotiated and Noncompetitive Trades Prohibited").</u>

SPECIFY FILING TYPE

Please note only ONE choice allowed per Submission.

Organization Rules and Rule Amendments

☒	Certification	§ 40.6(a)
☐	Approval	§ 40.5(a)
☐	Notification	§ 40.6(d)
☐	Advance Notice of SIDCO Rule Change	§ 40.10(a)
☐	SIDCO Emergency Rule Change	§ 40.10(h)

Rule Numbers: <u>539.</u>

New Product   Please note only ONE product per Submission.

☐	Certification	§ 40.2(a)
☐	Certification Security Futures	§ 41.23(a)
☐	Certification Swap Class	§ 40.2(d)
☐	Approval	§ 40.3(a)
☐	Approval Security Futures	§ 41.23(b)
☐	Novel Derivative Product Notification	§ 40.12(a)
☐	Swap Submission	§ 39.5

Official Product Name:

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

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

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

April 4, 2017

VIA ELECTRONIC PORTAL

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

> **Re:** **CFTC Regulation 40.6(a) Certification. Issuance of CME Group Market Regulation Advisory Notice RA1702-5 Regarding Pre-Execution Communications Pursuant to CME/CBOT/NYMEX/COMEX Rule 539. ("Prearranged, Pre-Negotiated and Noncompetitive Trades Prohibited").**
> **COMEX Submission No. 17-126 (4 of 4)**

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission ("CFTC" or "Commission") Regulation 40.6(a), 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") hereby notify the Commission that they are self-certifying the issuance of CME Group Market Regulation Advisory Notice RA1702-5 ("RA1702-5") concerning Rule 539. ("Prearranged, Pre-Negotiated and Noncompetitive Trades Prohibited") to notify the marketplace of changes to the products eligible for permissible pre-execution communications pursuant to Rule 539.C. ("Pre-Execution Communications Regarding Globex Trades"). Specifically:

- CBOT will begin to permit pre-execution communications in grain and oilseed covered options, which are delta-neutral instruments that combine an option or options spread with one or more underlying futures instruments, during the current time period when CBOT grain and oilseed option pre-execution communications are permitted, from 7:00 p.m. to 7:45 a.m. Central Time ("CT") each trading day via the R-Cross protocol; and
- CME will begin to permit pre-execution communications in volatility-quoted FX options via the G-Cross protocol.

Additionally, the Exchanges are self-certifying amendments to the Rule 539.C. Crossing Protocols Table ("Table") in the Interpretations & Special Notices Relating to Chapter 5 ("Trading Qualifications and Practices") Section of each Exchange's Rulebook to codify the above-referenced changes.

The addition of R-Cross and G-Cross to the above-referenced products, the revised Table and RA1702-5 will be effective on Sunday, April 23, 2017, for trade date Monday, April 24, 2017.

A copy of the revised Table appears in Exhibit A, with additions underscored. The Exchanges will issue RA1702-5 to the marketplace on April 5, 2017. A copy of RA1702-5 appears in Exhibit B.

The Exchanges reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("CEA" or "Act") and identified that the issuance of RA1702-5 may have some bearing on the following Core Principles:

- <u>Compliance with Rules</u>: As required under this Core Principle, the addition of R-Cross to CBOT

grain and oilseed covered options and G-Cross to CME volatility-quoted FX options will be enforced by the Market Regulation Department by the team responsible for the review of trades resulting from pre-execution communications.

- Availability of General Information: The Table and RA1702-5 will be posted publicly on the CME Group website in satisfaction of this core principle. In addition, the Exchanges will issue RA1702-5 to the marketplace on April 5, 2017.
- Execution of Transactions: R-Cross and G-Cross remain competitive executions on CME Globex. R-Cross is based on the algorithm applied by the match engine to the handling of the Request for Cross ("RFC") message and G-Cross requires a 5-second waiting period between the order entries.

There were no substantive opposing views to this proposal.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.6(a), the Exchanges certify that the revision to the Table and the issuance of RA1702-5 comply with the Act and regulations thereunder.

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 require any additional information regarding this submission, please contact the undersigned at 212.299.2200 or via email at CMEGSubmissionInquiry@cmegroup.com.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A: Rule 539.C. Crossing Protocols Table (attached under separate cover) (blackline format)
                 Exhibit B: RA1702-5

EXHIBIT A

CME/CBOT/NYMEX/COMEX Rule 539.C. Crossing Protocols Table

(additions <u>underlined</u>)

(attached under separate cover)

EXHIBIT B

MARKET REGULATION ADVISORY NOTICE
_____

Exchange	**CME, CBOT, NYMEX & COMEX**
Subject	**Pre-Execution Communications**
Rule References	**Rule 539**
Advisory Date	**April 5, 2017**
Advisory Number	**CME Group RA1702-5**
Effective Dates	**April 24, 2017**

Effective on trade date April 24, 2017, and pending all relevant CFTC regulatory review periods, this Market Regulation Advisory Notice will supersede CME Group Market Regulation Advisory Notice RA1611-5R from August 16, 2016. Effective on April 24, 2017:

- CBOT will permit pre-execution communications in grain and oilseed covered options, which are delta-neutral instruments that combine an option or options spread with one or more underlying futures instruments. Pre-execution communications concerning covered options will be permitted solely during the current time period when CBOT grain and oilseed option pre-execution communications are permitted, from 7:00 p.m. to 7:45 a.m. Central Time ("CT") each trading day. Trades in CBOT grain and oilseed covered options that result from pre-execution communications must be entered via the R-Cross protocol.
- CME will permit pre-execution communications in volatility-quoted FX options via the G-Cross protocol.

Please note that pre-execution communications in CBOT EU Wheat futures are permitted for trades on CME Globex ("Globex") pursuant to the G-Cross protocol. Additionally, pre-execution communications in CBOT EU Wheat options will be permitted at all times for trades on Globex pursuant to the R-Cross protocol.

A complete list of eligible products and associated crossing protocols may be found here:

http://www.cmegroup.com/rulebook/files/rule-539-c-crossing-protocols.xlsx

1.   General Overview of Pre-Execution Communications

Pre-execution communications are defined as communications between market participants for the purpose of discerning interest in the execution of a transaction prior to the exposure of the order to the market. Any communication that involves discussion of the size, side of market or price of an order, or a potentially forthcoming order, constitutes a pre-execution communication.

Pre-execution communications are prohibited in connection with pit transactions executed on the trading floor, with the sole exception of CME options on S&P futures transactions executed in accordance with CME Rule 549 ("Large Order Execution Transactions – ("LOX Orders")).

<u>CME, NYMEX and COMEX Products</u>

Pre-execution communications are permitted in all CME, NYMEX and COMEX futures and options products traded on Globex.

<u>CBOT Products</u>

With the exception of CBOT EU Wheat futures and options, pre-execution communications are **prohibited** in:

- CBOT Grain and Oilseed outright futures and futures-only spreads at all times; and
- CBOT Grain and Oilseed options, including covered options, during the hours of 7:45 a.m. to 7:00 p.m. Central Time ("CT") each trading day.

Pre-execution communications are permitted in all other CBOT futures, options and swap products, including CBOT EU Wheat futures and options, at all times.

2. General Requirements for Permissible Pre-Execution Communications on Globex

In products where pre-execution communications are allowed, such communications may occur only when the party for whose benefit the trade is being executed has previously consented to such communications.

Parties who have been involved in an allowable pre-execution communication may not disclose the details of that communication to other parties, nor may a party place any order to take advantage of the information conveyed in such communications except to facilitate the trade in accordance with the rule.

All transactions arising from permitted pre-execution communications must be executed in accordance with the requirements set forth in Rule 539.C.

3. Pre-Execution Communications Crossing Protocols on Globex

The permissible protocol(s) for a particular product are set forth in the Table, which also appears in Section 4 of this Advisory Notice.

Market participants must ensure that the entry of orders into Globex which result from permissible pre-execution communications utilize a permitted cross protocol for the particular product. In many instances, more than one cross protocol may be available for a particular group of products.

The use of an ineligible cross protocol for a particular product or group of products constitutes a violation of Rule 539.C.

A description of the four cross protocols is set forth below:

A. <u>Globex Cross ("G-Cross")</u>

In a G-Cross, the order of the party that initiated the pre-execution must be entered into Globex first. The second party's order may not be entered into Globex until a period of 5 seconds has elapsed from the time of entry of the first order. No Request for Quote ("RFQ") is required in a G-Cross.

The G-Cross protocol is available for all futures and swaps products for which pre-execution communications are permissible, and for CME volatility-quoted FX options. The G Cross protocol may not be used for the entry of any other options orders or any spreads or combinations that include an option.

B. Agency Cross ("A-Cross")

In an A-Cross, a Cross Sequence ("CS") is used by a broker to enter the buy and the sell orders into Globex. Following the pre-execution communication, an RFQ for the particular futures, options, swap, spread or combination must be entered into Globex. Thereafter, a CS, which is defined as the entry of a day-limit order followed immediately by the entry of a day-fill-and-kill order, must be entered into Globex as follows:

> For eligible NYMEX and COMEX Products, the orders must be entered no less than five (5) seconds and no more than thirty (30) seconds after the entry of the RFQ in order to proceed with the trade; or,
> For all CME FX futures and options products, the orders must be entered no less than fifteen (15) seconds and no more than thirty (30) seconds after the entry of the RFQ in order to proceed with the trade.

A-Cross functionality is currently supported solely on CME Direct. Information concerning registering for access to CME Direct may be accessed via the following link:

http://www.cmegroup.com/trading/cme-direct/registration.html

The A-Cross protocol is available in select NYMEX and COMEX futures and options products, which may be accessed via the following link:

http://www.cmegroup.com/trading/energy/agency-cross-eligible-products-for-energy-and-metals.html

It is also available for all CME FX futures and options products.

While A-Cross functionality on CME Direct allows the broker to populate the opposing buy and sell orders in a single ticket, those orders will result in two discrete Globex order entries, which will be handled to the particular algorithm applicable to the product.

The broker must select the non-initiating party as the 'Aggressor' on the order ticket, which results in the CS being populated with the initiating party's order as a day limit order and the non-initiating party's order as a day fill-and-kill order. Failure to enter the buy and sell orders within 30 seconds after the entry of the RFQ will require the entry of a new RFQ and CS in order to proceed with the trade.

The initiating order will immediately match against any orders in the order book on the opposite side of the market that are at a price better than or equal to the price on the initiating order, up to the full quantity on the initiating order. Any unmatched balance on the initiating order will be filled against the non-initiating counterparty, and any remaining unmatched balance on the non-initiating side will be immediately cancelled.

If the cross price improves the best bid and the offer in the order book, or if there is no bid or offer in the order book, the two orders on the CS will be filled in their entirety opposite one another, unless any new orders are entered at a price equal to or better than the intended cross price before CS reaches Globex. If a new order is entered at a price equal to or better than the intended cross price before the CS reaches Globex, either of the two orders intended to be crossed will first transact against existing orders in the order book.

C. Committed Cross ("C-Cross")

In a C-Cross, subsequent to the pre-execution communication, a Request for Cross ("RFC") order which contains both the buy and the sell orders must be entered into Globex. Upon entry of the RFC, Globex will display an indication that a cross has been committed to the market and will occur in five (5) seconds.

The matching algorithm for the C-Cross will depend on whether the group of products is eligible for a better price match ("BPM"). See the Table for information on products eligible for a BPM allocation and the specific match percentage applicable to those products.

1. Matching Algorithm for C-Cross with BPM:

    If the price of the RFC represents a new best price level (both a bid price higher than the current bid price and an offer price lower than the current offer) at the time of submission of the RFC to Globex, **and**, during the five (5) second period between the entry of the RFC and the cross occurring, a better price for either the buy or sell order has not been entered into Globex, a certain percentage of the quantity ("BPM allocation") on the RFC will cross at the RFC price. After the initial BPM allocation, the remainder of the RFC will match as set forth in #2 below.

    If the event the RFC price does not meet both of the requirements set forth above, the entirety of the cross will match as set forth in Section B.

2. Matching Algorithm for C-Cross without BPM:

    If the RFC price improves both the best bid and best offer (or if there is no bid/offer) in the order book after the five (5) seconds following submission of the RFC, 100% of the RFC quantity will match at the RFC price.

    If the RFC price matches or is outside the best bid or offer in the market after the five (5) seconds following submission of the RFC, the applicable side of the RFC order will match against the orders in the book at a price better than or equal to the RFC price. Immediately thereafter, 100% of the smaller quantity remaining on one side of the RFC will match against the order on the opposite side of the RFC at the RFC price. Any unmatched balance on one side of the RFC will remain in the order book unless it is cancelled by the user.

C-Cross is currently available in CME FX options and CME and CBOT Interest Rate and Equity Index options. Effective June 6, 2016, it will also be available in CME Interest Rate and FX futures and CBOT Interest Rate futures and swaps.

C-Cross functionality is supported on CME Direct, and may be supported by other Independent Software Vendors ("ISVs").

D. RFQ + RFC Cross ("R-Cross")

In an R-Cross, subsequent to the pre-execution communication, an RFQ for the particular option or spread or combination involving an option must be entered into Globex. Thereafter, the RFC order must be entered no less than fifteen (15) seconds and no more than thirty (30) seconds after the entry of the RFQ in order to proceed with the trade. The RFQ and the RFC order must be entered within the same trading session. Failure to enter the RFC order within 30 seconds after the entry of the RFQ will require a new RFQ to be entered prior to the entry of the RFC order, which must be entered in accordance with the time parameters described above in order to proceed with the trade.

Neither the price nor the quantity of the orders on the RFC is displayed to the marketplace. Additionally, there is no information on the associated RFQ which identifies that an RFC is forthcoming. An RFQ in connection with an R-Cross is indistinguishable from a generic RFQ sent to Globex.

Numerous ISVs support the R-Cross. For market participants using CME Direct, functionality built into

the application will prevent the entry of the RFC outside of the prescribed time requirements. This functionality is intended to facilitate compliance with the relevant entry time requirements.

The matching algorithm for R-Cross is as follows:
1. If the RFC price improves both the best bid and best offer in the order book or if there is no bid/offer in the order book, 100% of the RFC quantity will match at the RFC price immediately upon submission of the RFC.

2. If the RFC price matches or is outside the best bid or offer in the market, the applicable side of the RFC order will immediately match against the orders in the book at a price better than or equal to the RFC price. Immediately thereafter, 100% of the smaller quantity remaining on one side of the RFC will match against the order on the opposite side of the RFC at the RFC price. Any unmatched balance on one side of the RFC will remain in the order book unless it is cancelled by the user.

R-Cross is available for CME Agriculture options, Commodity Index options, Real Estate options and Weather options; CBOT Grain and Oilseed options (during the time period set forth in Section 1); and in all NYMEX and COMEX options.

4.   Rule 539.C. Crossing Protocols Table

A complete list of eligible products and associated crossing protocols may be found here:

http://www.cmegroup.com/rulebook/files/Rule-539-C-Crossing-Protocols.xlsx

5.   Questions and Answers Regarding Products for which Pre-Execution Communications are Prohibited

Q1:   In which products are pre-execution communications prohibited?

A1:   With the exception of CBOT EU Wheat futures and options, pre-executions communications are prohibited in all other CBOT Grain and Oilseed outright futures and futures-only spreads at all times and in Grain and Oilseed options on futures, included covered options, from 7:45 a.m. CT to 7:00 p.m. CT each business day.

Q2:   If a customer has an interest in a particular transaction in these products and requests a market, how can the salesperson obtain a market for the customer?

A2:   For CBOT Grain and Oilseed options intended for execution via open outcry in the trading pit, a market would be requested from members in the trading pit. In the electronic venue, the salesperson would identify the bid/offer and depth of market posted on CME Globex. If the posted bid/offer is deemed too wide or insufficiently deep, it is recommended that a Request for Quote ("RFQ") be submitted. This action will typically generate additional interest and, in the case of products supported by a market-maker program, market makers are obliged to respond to a specified percentage of RFQs.

Q3:   What if an RFQ is submitted and there is no response or an inadequate response in terms of the tightness or depth of the market?

A3:   In this circumstance, another RFQ should be submitted. With an active RFQ, it is also permissible to contact potential counterparties (i.e. market makers), alert them to the RFQ and ask them to submit a market or to tighten/deepen the existing market. An RFQ is considered active for 60 seconds following submission. To ensure that such communications do not become prohibited pre-execution communications, only the information disclosed via the RFQ may be disclosed in such communications.

Q4: Is it permissible to contact other market participants to obtain general market color without violating the prohibition on pre-execution communications?

A4: **Communications to obtain general market color are permissible <u>provided there is no express or obviously implied arrangement to execute a specified trade and no non-public information is communicated regarding an order</u>.**

Q5: If an order has been submitted on CME Globex, are there any restrictions on communicating with potential counterparties?

A5: **With a resting order exposed on CME Globex, it is permissible to contact potential counterparties to solicit interest in trading against the order. In any such communications, no non-public information (i.e. information not represented in the terms of the order exposed to the market) may be disclosed. For example, if the represented offer is for 250 contracts, it would be a violation of the rules to disclose that there are an additional 500 contracts to sell because that information has not been disclosed to the market.**

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

Erin Middleton, Lead Rules & Regulatory Outreach Specialist, 312.341.3286

Jennifer Dendrinos, Director, Investigations, 312.341.7812

Colin Garvey, Manager, Investigations, 312.435.3656

Kathryn Pike, Senior Investigator, Investigations, 312.341.3028

Robert Sniegowski, Executive Director, Rules & Regulatory Outreach, 312.341.5991

Shawn Tan, Senior Rules & Regulatory Outreach Specialist, +65 6593 5580

Daniel Stephens, Senior Rules & Regulatory Outreach Specialist, +44 20 3379 3304

For media inquiries concerning this Advisory Notice, please contact CME Group Corporate Communications at 312.930.3434 or news@cmegroup.com.

CME Rule 539
PREARRANGED, PRE-NEGOTIATED AND NONCOMPETITIVE TRADES PROHIBITED

539.A. General Prohibition

No person shall prearrange or pre-negotiate any purchase or sale or noncompetitively execute any transaction, except in accordance with Sections B. and C. below.

539.B. Exceptions

The foregoing restriction shall not apply to block trades pursuant to Rule 526, Exchange for Related Positions transactions pursuant to Rule 538 or LOX Orders pursuant to Rule 549.

539.C. Pre-Execution Communications Regarding Globex Trades

Parties may engage in pre-execution communications with regard to transactions executed on the Globex platform where one party (the first party) wishes to be assured that a contra party (the second party) will take the opposite side of the order under the following circumstances:

1. A party may not engage in pre-execution communications with other market participants on behalf of another party unless the party for whose benefit the trade is being made has previously consented to permit such communications.

2. Parties to pre-execution communications shall not (i) disclose to a non-party the details of such communications or (ii) enter an order to take advantage of information conveyed during such communications except in accordance with this rule.

3. Permissible Entry Methods for Orders

The following order entry methods for futures, options, spreads and combinations vary by product, as set forth in the Rule 539.C. Crossing Protocols Table ("Table") in the Interpretations Section at the end of Chapter 5.

   a. Globex Cross ("G-Cross")

   The first party's order is entered into the Globex platform first. The second party's order may not be entered into the Globex platform until a period of 5 seconds has elapsed from the time of entry of the first order.

   b. Agency Cross ("A-Cross")

   A Cross Sequence ("CS") is used by a broker to enter the buy and the sell orders into Globex. Following the pre-execution communication, a Request for Quote ("RFQ") for the particular futures, options, spread or combination is entered into the Globex platform. Thereafter, a Cross Sequence, which is defined as the entry of a day-limit order followed immediately by the entry of a day-fill-and-kill order, must be entered into the Globex platform no less than fifteen (15) seconds and no more than thirty (30) seconds after the entry of the RFQ in order to proceed with the trade. The first party's order must be entered first, as a day-limit order, followed immediately by the entry of the second order as a day-fill-and-kill order. The CS must occur within the same trading session. Failure to enter the buy and sell orders within 30 seconds after the entry of the RFQ will require a new CS to be initiated in order to proceed with the trade.

   c. Committed Cross ("C-Cross")

   Following the pre-execution communication, a Request for Cross ("RFC") order which contains both the buy and the sell orders must be entered into the Globex platform. Upon entry of the RFC, the Globex platform will display an indication that a cross will occur in five (5) seconds. In certain products as set forth in the Table in the Interpretations Section at the end of Chapter 5, a certain percentage of the quantity on the RFC will cross if the price of the RFC represents a new best price level at the time of submission of the RFC to the Globex platform and a better price for either the buy or sell order has not been entered into the Globex platform during the five (5) second period between entry of the RFC and the cross occurring.

   d. RFQ + RFC Cross ("R-Cross")

   Following the pre-execution communication, a Request for Quote ("RFQ") for the particular option or option spread or combination must be entered into Globex. Thereafter, the RFC order must be entered no less than fifteen (15) seconds and no more than thirty (30) seconds after the entry of the RFQ in order to proceed with the trade. The RFQ and the RFC order must be entered within the same trading session. Failure to enter the RFC order within 30 seconds after the entry of the RFQ will require a new RFQ to be entered prior to the entry of the RFC order, which must be entered in accordance with the time parameters described above in order to proceed with the trade.

CBOT Rule 539

PREARRANGED, PRE-NEGOTIATED AND NONCOMPETITIVE TRADES PROHIBITED

539.A. General Prohibition

No person shall prearrange or pre-negotiate any purchase or sale or noncompetitively execute any transaction, except in accordance with Sections B. and C. below.

539.B. Exceptions

The foregoing restrictions shall not apply to block trades pursuant to Rule 526 or Exchange for Related Positions transactions pursuant to Rule 538.

539.C. Pre-Execution Communications Regarding Globex Trades

Parties may engage in pre-execution communications with regard to transactions executed on the Globex platform in the following futures, options and swaps products where one party wishes to be assured that a contra party will take the opposite side of the order: Interest Rate futures, options and swaps, Equity Index futures and options, Ethanol futures and options, Commodity Index futures, Real Estate Index futures and, during those hours designated by the Exchange, Grain and Oilseed options.

Pre-execution communications in those products may occur under the following circumstances:

1. A party may not engage in pre-execution communications with other market participants on behalf of another party unless the party for whose benefit the trade is being made has previously consented to permit such communications.

2. Parties to pre-execution communications shall not (i) disclose to a non-party the details of such communications or (ii) enter an order to take advantage of information conveyed during such communications except in accordance with this rule.

3. Permissible Entry Methods for Orders

   The following order entry methods for futures, options, swaps, spreads and combinations vary by product, as set forth in the Rule 539.C. Crossing Protocols Table ("Table") in the Interpretations Section at the end of Chapter 5.

   a. Globex Cross ("G-Cross")

      The first party's order is entered into the Globex platform first. The second party's order may not be entered into the Globex platform until a period of 5 seconds has elapsed from the time of entry of the first order.

   b. Agency Cross ("A-Cross")

      A Cross Sequence ("CS") is used by a broker to enter the buy and the sell orders into Globex. Following the pre-execution communication, a Request for Quote ("RFQ") for the particular futures, options, spread or combination is entered into the Globex platform. Thereafter, a Cross Sequence, which is defined as the entry of a day-limit order followed immediately by the entry of a day-fill-and-kill order, must be entered into the Globex platform no less than fifteen (15) seconds and no more than thirty (30) seconds after the entry of the RFQ in order to proceed with the trade. The first party's order must be entered first as a day-limit order, followed immediately by the entry of the second order as a day-fill-and-kill order. The CS must occur within the same trading session. Failure to enter the buy and sell orders within 30 seconds after the entry of the RFQ will require a new CS to be initiated in order to proceed with the trade.

   c. Committed Cross ("C-Cross")

      Following the pre-execution communication, a Request for Cross ("RFC") order which contains both the buy and the sell orders must be entered into the Globex platform. Upon entry of the RFC, the Globex platform will display an indication that a cross will occur in five (5) seconds. In certain products as set forth in the Table in the Interpretations Section at the end of Chapter 5, a certain percentage of the quantity on the RFC will cross if the price of the RFC represents a new best price level at the time of submission of the RFC to the Globex platform and a better price for either the buy or sell order has not been entered into the Globex platform during the five (5) second period between entry of the RFC and the cross occurring.

   d. RFQ + RFC Cross ("R-Cross")

      Following the pre-execution communication, a Request for Quote ("RFQ") for the particular option or option spread or combination must be entered into Globex. Thereafter, the RFC order must be entered no less than fifteen (15) and no more than thirty (30) seconds after the RFQ in order to proceed with the trade. The RFQ and the RFC order must be entered within the same trading session. Failure to enter the RFC order within 30 seconds after the entry of the RFQ will require a new RFQ to be entered prior to the entry of the RFC order, which must be entered in accordance with the time parameters described above in order to proceed with the trade.

NYMEX and COMEX Rule 539

PREARRANGED, PRE-NEGOTIATED AND NONCOMPETITIVE TRADES PROHIBITED

539.A. General Prohibition

No person shall prearrange or pre-negotiate any purchase or sale or noncompetitively execute any transaction, except in accordance with Sections B. and C. below.

539.B. Exceptions

The foregoing restriction shall not apply to block trades pursuant to Rule 526 or Exchange for Related Positions transactions pursuant to Rule 538.

539.C. Pre-Execution Communications Regarding Globex Trades

Parties may engage in pre-execution communications with regard to transactions executed on the Globex platform where one party (the first party) wishes to be assured that a contra party (the second party) will take the opposite side of the order under the following circumstances:

1. A party may not engage in pre-execution communications with other market participants on behalf of another party unless the party for whose benefit the trade is being made has previously consented to permit such communications.

2. Parties to pre-execution communications shall not (i) disclose to a non-party the details of such communications or (ii) enter an order to take advantage of information conveyed during such communications except in accordance with this rule.

3. Permissible Entry Methods for Orders

The following order entry methods for futures, options, spreads and combinations vary by product, as set forth in the Rule 539.C. Crossing Protocols Table ("Table") in the Interpretations Section at the end of Chapter 5.

   a. Globex Cross ("G-Cross")

   The first party's order is entered into the Globex platform first. The second party's order may not be entered into the Globex platform until a period of 5 seconds has elapsed from the time of entry of the first order.

   b. Agency Cross ("A-Cross")

   A Cross Sequence ("CS") is used by a broker to enter the buy and the sell orders into Globex. Following the pre-execution communication, a Request for Quote ("RFQ") for the particular futures, options, spread or combination is entered into the Globex platform. Thereafter, a Cross Sequence, which is defined as the entry of a day-limit order followed immediately by the entry of a day-fill-and-kill order, must be entered into the Globex platform no less than five (5) seconds and no more than thirty (30) seconds after the entry of the RFQ in order to proceed with the trade. The first party's order must be entered first as a day-limit order, followed immediately by the entry of the second order as a day-fill-and-kill order. The CS must occur within the same trading session. Failure to enter the buy and sell orders within 30 seconds after the entry of the RFQ will require a new CS to be initiated in order to proceed with the trade.

   c. Committed Cross ("C-Cross")

   Following the pre-execution communication, a Request for Cross ("RFC") order which contains both the buy and the sell orders must be entered into the Globex platform. Upon entry of the RFC, the Globex platform will display an indication that a cross will occur in five (5) seconds. In certain products as set forth in the Table in the Interpretations Section at the end of Chapter 5, a certain percentage of the quantity on the RFC will cross if the price of the RFC represents a new best price level at the time of submission of the RFC to the Globex platform and a better price for either the buy or sell order has not been entered into the Globex platform during the five (5) second period between entry of the RFC and the cross occurring.

   d. RFQ + RFC Cross ("R-Cross")

   Following the pre-execution communication, a Request for Quote ("RFQ") for the particular option or option spread or combination must be entered into Globex. Thereafter, the RFC order must be entered no less than fifteen (15) seconds and no more than thirty (30) seconds after the entry of the RFQ in order to proceed with the trade. The RFQ and the RFC order must be entered within the same trading session. Failure to enter the RFC order within 30 seconds after the entry of the RFQ will require a new RFQ to be entered prior to the entry of the RFC order, which must be entered in accordance with the time parameters described above in order to proceed with the trade.