

**SUBMISSION COVER SHEET**

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

**Registered Entity Identifier Code (optional):** 21-305 (4 of 4)

**Organization:** Commodity Exchange, Inc. ("COMEX")

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

**Please note - only ONE choice allowed.**

**Filing Date (mm/dd/yy):** 07/13/21    **Filing Description:** Issuance of CME Group Market Regulation Advisory Notice RA2106-5 Regarding Rule 539.C. ("Pre-Execution Communications Regarding Globex Trades").

**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:** 539.

**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:**

July 13, 2021

**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. Notification Regarding Issuance of CME Group Market Regulation Advisory Notice RA2106-5 Regarding CME, CBOT, NYMEX/COMEX Rule 539.C. (“Pre-Execution Communications Regarding Globex Trades”).  
COMEX Submission No. 21-305 (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 certify to the Commission the issuance of CME Group Market Regulation Advisory Notice RA2106-5 (“RA2106-5”) concerning CME, CBOT, NYMEX/COMEX Rule 539.C. (“Pre-Execution Communications Regarding Globex Trades”) to amend Section 3.C. of RA2106-5 to codify when parties to a Committed Cross (“C-Cross”) may begin to hedge the risk associated with a pending C-Cross, effective on trade date Wednesday, July 28, 2021.

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. Such communications are permitted in all CME, CBOT, NYMEX and COMEX futures and options products traded on the CME Globex electronic trading platform (“CME Globex”). Market participants must ensure that the entry of orders into CME Globex which result from permissible pre-execution communications utilize the permitted cross protocol for the particular product. The C-Cross protocol is applicable to the products outlined in the Table below.

Product Class	DCM	Product Subgroup	Committed (“C”) Cross	
			Futures	Options
Agriculture	CME	ALL (except Dairy)	✓	✓
Agriculture	CBOT	ALL	✓	✓
Equities	CME	ALL		✓
Equities	CBOT	ALL		✓
FX	CME	ALL (except FX Link)	✓	✓
FX	CME	FX Link	✓	
Interest Rate	CME	ALL	✓	✓
Interest Rate	CBOT	Swap Futures	✓	
Interest Rate	CBOT	Invoice Swap Spreads	✓	
Interest Rate	CBOT	Treasuries and Fed Funds	✓	✓

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 CME Globex. Upon entry of the RFC, CME 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 to execute varies based on the product and whether the product is eligible for a better price or volume match (“BPVM”). In all instances, the C-Cross cross protocol does not guarantee a full fill of the cross.

RA2106-5 is being issued to codify that parties to a C-Cross may begin to hedge the risk associated with their pending C-Cross by entering a risk-mitigating order in a related contract as soon as they have agreed to the cross, subject to limitations set forth below. Such hedging is prohibited in the same product and expiration month, and, for a put or call option, the same strike price as the agreed upon C-Cross. Further, an intermediary taking the opposite side of a customer order in a C-Cross transaction is prohibited from beginning to hedge that transaction until the C-Cross has been executed.

RA2106-5 also reminds market participants that it is a violation of Exchange rules for a person to place any order to take advantage of the details of a forthcoming C-Cross transaction where the participant is acting on material nonpublic information regarding an impending transaction by another person, or is acting on nonpublic information obtained through a confidential employee/employer relationship, broker/customer relationship, or in breach of a pre-existing duty. The Exchange may proceed with an enforcement action when the facts and circumstances of hedging a forthcoming C-Cross suggest deceptive or manipulative conduct by any of the involved parties, including when an intermediary handling a customer order violates its agency duties owed to the customer.

In addition, RA2106-5 reminds market participants that the C-Cross functionality will interact with the orders in the order book based on the C-Cross algorithm for the product as described below. Parties who engage in permissible hedging of a C-Cross have the potential to be left with an unhedged position after the cross is executed.

The Exchanges reviewed the designated contract market core principles (“DCM Core Principles”) as set forth in the Commodity Exchange Act (“CEA” or “Act”) and identified that the issuance of the RA2106-5 may have some bearing on the following Core Principles:

Compliance with Rules: As required under this Core Principle, compliance with Rule 539. 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: As required by this Core Principle, the Exchanges are publicly issuing RA2106-5 ensure that market participants have updated guidance and information attendant to the Rule 539.C. RA2106-5 will also be available on the CME Group website.

Execution of Transactions: C-Cross remains a competitive execution on CME Globex. C-Cross is based on the algorithm applied by the match engine to the handling of a Request for Cross (“RFC”) message. Upon entry of the RFC, CME Globex will display an indication that a cross has been committed to the market and will occur in five (5) seconds.

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 issuance of the RA2106-5 complies 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](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/ Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachment: Exhibit A: CME Group Market Regulation Advisory Notice RA2106-5

**EXHIBIT A**  
**MARKET REGULATION ADVISORY NOTICE**

---

<b>Exchange</b>	<b>CME, CBOT, NYMEX &amp; COMEX</b>
<b>Subject</b>	<b>Pre-Execution Communications</b>
<b>Rule References</b>	<b>Rule 539</b>
<b>Advisory Date</b>	<b>July 14, 2021</b>
<b>Advisory Number</b>	<b>CME Group RA2106-5</b>
<b>Effective Dates</b>	<b>July 28, 2021</b>

Effective on trade date July 28, 2021, and pending all relevant CFTC regulatory review periods, this Market Regulation Advisory Notice will supersede CME Group Market Regulation Advisory Notice RA2015-5 from October 26, 2020. It is being issued to amend Section 3.C. to codify when parties to a Committed Cross (“C-Cross”) may begin to hedge the risk associated with the pending C-Cross.

No other substantive changes have been made to this Advisory Notice.

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

<http://www.cmegroup.com/rulebook/files/blue-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”)).

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

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

Pre-execution 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 and this Advisory Notice.

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](#).

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. Globex Cross ("G-Cross")

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. The G Cross protocol may not be used for the entry of any 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 all 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>

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.

Parties to a C-Cross may begin to hedge the risk associated with the pending cross by entering a risk-mitigating order as soon as they have agreed to the cross, subject to the following limitations. Hedging is prohibited in the same product and expiration month, and, for a put or call option, the same strike price as the agreed upon C-Cross. Further, an intermediary taking the opposite side of a customer order in a C-Cross transaction is prohibited from beginning to hedge that transaction until the C-Cross has been executed.

Market participants are reminded that it is a violation of Exchange rules for a person to place any order to take advantage of the details of a forthcoming C-Cross transaction where the participant is acting on material nonpublic information regarding an impending transaction by another person, or is acting on nonpublic information obtained through a confidential employee/employer relationship, broker/customer relationship, or in breach of a pre-existing duty. The Exchange may proceed with an enforcement action when the facts and circumstances of hedging a forthcoming C-Cross suggest deceptive or manipulative conduct by any of the involved parties, including when an intermediary handling a customer order violates its agency duties owed to the customer.

Market participants are further reminded that the C-Cross functionality will interact with the orders in the order book based on the C-Cross algorithm for the product as described below. Parties who engage in permissible hedging of a C-Cross have the potential to be left with an unhedged position after the cross is executed.

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

#### 1. Matching Algorithm for C-Cross with BPVM:

If the price of the RFC represents a new best price level (both a bid price higher than the current bid and an offer price lower than the current offer) or the price of the RFC is equal to the best bid or offer and the quantity of the RFC is greater than the quantity at that current best bid or 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 (“BPVM allocation”) on the RFC will cross at the RFC price. After the initial BPVM allocation, the remainder of the RFC will match as set forth in #2 below.

Where the price of the RFC is equal to the best bid or offer and the quantity of the RFC is greater than the quantity at that current best bid or offer, the quantity eligible for the BPVM is the difference between the RFC quantity and the quantity at that current best bid or offer.

If the event the RFC price does not meet the requirements set forth above, the entirety of the cross will match as set forth in #2 below.

#### 2. Matching Algorithm for C-Cross without BPVM:

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 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. In CME Dairy futures and options, the RFC order 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. 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 participant-entered RFQ which identifies that an RFC is forthcoming. A participant-entered 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.

Additional information on the crossing protocols is available via the following link:

<https://www.cmegroup.com/confluence/display/EPICSANDBOX/Cross+on+CME+Globex>

#### **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>



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

Erin Middleton, Manager, Rules & Regulatory Outreach, 312.341.3286

Jennifer Dendrinis, Director, Investigations, 312.341.7812

Natasha Selkov, Manager, Investigations, 312.341.7623

Kathryn Guerra, Lead Investigator, Investigations, 312.341.3028

Robert Sniegowski, Executive 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).

## **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 or if the price of the RFC is equal to the best bid or offer and the quantity of the RFC is greater than the quantity at that current best bid or offer 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 futures, options 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, except the RFC order in Dairy futures and options must be entered no less than five (5) seconds and no more than thirty (30) seconds after the entry of the RFQ. 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 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, 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 or if the price of the RFC is equal to the best bid or offer and the quantity of the RFC is greater than the quantity at that current best bid or offer 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 futures, options 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 or if the price of the RFC is equal to the best bid or offer and the quantity of the RFC is greater than the quantity at that current best bid or offer 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.