

**SUBMISSION COVER SHEET**

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

Registered Entity Identifier Code (optional): 20-353 (4 of 4)

Organization: Commodity Mercantile, Inc. ("COMEX")

Filing as a:  DCM  SEF  DCO  SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 10/23/20

Filing Description: Amendments to CME and CBOT Rule 539.C. ("Pre-Execution Communications Concerning Globex Trades"), Rule 539.C. Crossing Protocols Table, and Issuance of CME Group Market Regulation Advisory Notice RA2015-5.

**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.C.

**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:

October 23, 2020

**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. Amendments to CME and CBOT Rule 539.C. (“Pre-Execution Communications Regarding Globex Trades”) and Issuance of CME Group Market Regulation Advisory Notice RA2015-5. COMEX Submission No. 20-353 (4 of 4)**

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulation 40.6(a), Chicago Mercantile Exchange Inc. (“CME”) and The Board of Trade of the City of Chicago, Inc. (“CBOT”) certify to the Commission amendments to CME and CBOT Rule 539.C. (“Pre-Execution Communications Regarding Globex Trades”) amending language in the RFQ + RFC Cross (“R-Cross”) protocol section concerning agricultural products. The amendments are based on changes to the crossing protocol in all CME and CBOT agricultural futures and options products with the exception of CME Dairy futures and options.

Specifically, the Committed Cross (“C-Cross”) protocol will be enabled for all CME and CBOT agricultural futures and options except CME Dairy futures and options, and the R-Cross protocol will be eliminated for those products. The R-Cross protocol will continue to be enabled for CME Dairy futures and options. CME and CBOT agricultural options, subject to the C-Cross crossing protocol, will adopt a 50% Better Price or Volume Match (“BPVM”). Amendments to Rule 539.C. Crossing Protocols Table (“the “Table”) in the Interpretations and Special Notices Section of the Rulebooks are being adopted in connection with the changes. In connection with the amendments to CME and CBOT Rule 539.C. and the Table, CME, CBOT, New York Mercantile Exchange, Inc. (“NYMEX”) and Commodity Exchange, Inc. (“COMEX”) (collectively, the “Exchanges”) will issue CME Group Market Regulation Advisory Notice RA2015-5 (“RA2015-5”). The amendments to CME and CBOT Rule 539.C., the Table, and RA2015-5 (collectively, the Rule Amendments”) will be effective on trade date Monday, November 9, 2020.

The change to the crossing protocol for all CME and CBOT agricultural futures and options save Dairy futures and options is being adopted to incentivize brokers to engage, with customer consent, in pre-execution communications for trades intended for execution on the CME Globex electronic trading platform. Products eligible for a BPVM allocation are set forth in the Rule 539.C. Crossing Protocols Table available [here](#).

The amendments to CME and CBOT Rule 539.C. are set forth in Exhibit A with additions underscoring and deletions ~~overstruck~~. The amendments to the Table are set forth in Exhibit B with additions underscoring and deletions ~~overstruck~~. RA2015-5 appears in Exhibit C.

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 Rule Amendments may have some bearing on the following Core Principle:

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: The Rule Amendments will be posted publicly on the CME Group website in satisfaction of this core principle, including the issuance of RA2015-5 to the marketplace.

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.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.6(a), the Exchanges certify that the Rule Amendments comply 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 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

Attachments: Exhibit A: CME, CBOT, NYMEX/COMEX Rule 539.C. (blackline format)  
Exhibit B: CME, CBOT, NYMEX/COMEX Rule 539.C. Crossing Protocols Table  
(blackline format) (attached under separate cover)  
Exhibit C: CME Group Market Regulation Advisory Notice RA2015-5

## **EXHIBIT A**

**CME Rulebook  
Chapter 5  
("Trading Qualifications and Practices")**  
(Additions are underscored; deletions are ~~overstruck~~.)

### **539. PREARRANGED, PRE-NEGOTIATED AND NONCOMPETITIVE TRADES PROHIBITED**

[Sections A. and B. are unchanged.]

#### **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:

[Subsections C.1. and C.2. are unchanged.]

#### **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.

[Subsections a. - c. are unchanged.]

#### **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, except the RFC order in ~~DairyAgricultural~~ 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.

[The remainder of the Rule is unchanged.]

**CBOT Rulebook  
Chapter 5  
("Trading Qualifications and Practices")**  
(Deletions are ~~overstruck~~.)

### **539. PREARRANGED, PRE-NEGOTIATED AND NONCOMPETITIVE TRADES PROHIBITED**

[Sections A. and B. are unchanged.]

#### **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:

[Subsections C.1. and C.2. are unchanged.]

#### **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.

[Subsections a. - c. are unchanged.]

#### **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, ~~except the RFC order in Agricultural 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.

[The remainder of the Rule is unchanged.]

**EXHIBIT B**

**CME, CBOT, NYMEX/COMEX Rulebooks  
Chapter 5  
("Trading Qualifications and Practices")**

**Rule 539.C. Crossing Protocols Table**

(attached under separate cover)

## EXHIBIT C

### 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>October 26, 2020</b>
<b>Advisory Number</b>	<b>CME Group RA2015-5</b>
<b>Effective Dates</b>	<b>November 9, 2020</b>

Effective on trade date November 9, 2020, and pending all relevant CFTC regulatory review periods, this Market Regulation Advisory Notice will supersede CME Group Market Regulation Advisory Notice RA2005-5 from July 13, 2020. It is being issued based on changes to the crossing protocol applicable to all CME and CBOT agricultural futures and options with the exception of CME Dairy futures and options. Specifically, the Committed Cross (“C-Cross”) protocol will be enabled for all agricultural futures and options except CME Dairy futures and options, and the RFQ + RFC Cross (“R-Cross”) protocol will be eliminated for those products. The R-Cross protocol will continue to be enabled for CME Dairy futures and options. CME and CBOT agricultural options (except Dairy options) will also adopt a 50% Better Price or Volume Match (“BPVM”) allocation. As a result of the changes, amendments to the text of the R-Cross protocol in CME and CBOT Rule 539.C.3. (“Pre-Execution Communications Regarding Globex Trades”) and amendments to the Rule 539.C. Crossing Protocols Table in Chapter 5 are also being adopted.

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/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”).

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. 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.

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  
Scott Bendall, Manager, Investigations, 312.341.7417

Kathryn Pike, Lead Investigator, Investigations, 312.341.3028  
Robert Sniogowski, 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.