

**SUBMISSION COVER SHEET**

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

Registered Entity Identifier Code (optional): 24-487

Organization: Chicago Mercantile Exchange Inc. ("CME")

Filing as a:  DCM  SEF  DCO  SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 11/18/24 Filing Description: Weekly Notification of Rule Amendments - Week of November 11, 2024

**SPECIFY FILING TYPE**

Please note only ONE choice allowed per Submission.

**Organization Rules and Rule Amendments**

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

Rule Numbers: See filing.

**New Product**

Please note only ONE product per Submission.

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

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

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

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

Rule Numbers:



Timothy Elliott  
Managing Director and Chief Regulatory Counsel  
Legal Department

November 18, 2024

**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(d) Notification. Chicago Mercantile Exchange Inc. (“CME” or “Exchange”) Weekly Notification of Rule Amendments.  
CME Submission No. 24-487**

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission (“CFTC” or “Commission”) Regulation 40.6(d), the Exchange submits this weekly notification of the following rule amendments made effective during the week of November 11, 2024.

Effective November 15, 2024, the Exchange implemented administrative amendments to CME Definitions, Rules, and certain Market Regulation Advisory Notices (“MRANs”) in connection with the harmonization of pronoun references and updates to personnel titles (collectively, “Rule Amendments”). The Rule Amendments are included below in Exhibit A and Exhibit B in blackline format.

Should you have any questions concerning the above, please contact the undersigned at (312) 466-7478 or via e-mail at [CMEGSubmissionInquiry@cmegroup.com](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/ Timothy Elliott  
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A – Amendments to CME Rulebook Chapters 1-9, 12, 101, and Definitions (blackline format)  
Exhibit B – Amendments to Various MRANs (blackline format)

## Exhibit A

### **CME, CBOT, NYMEX/COMEX Rulebooks**

(additions underscored; deletions ~~struck through~~)

### **CME/CBOT, NYMEX/COMEX Rulebook Chapter iii DEFINITIONS**

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#### **NOTICE**

Except as otherwise specifically provided, a notice in writing emailed to or personally served upon the person to be notified, left at [his/their](#) usual place of business during business hours or mailed by U.S. First Class Mail, Certified Mail, Registered Mail or by overnight delivery to [his/their](#) last known place of business or residence.

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#### **ORDER TYPES**

(Note that not all order types are eligible for execution in a trading pit on Globex and through open outcry. Additionally, order types eligible for both venues may have different meanings depending on whether the order is to be executed in a trading pit via open outcry or through Globex.)

##### Open Outcry Order Types

#### **ALL-OR-NONE (AON) ORDER**

Where allowed pursuant to Rule 523, an order to be executed in designated contracts in a trading pit via open outcry only for its entire quantity at a single price, with a size at or above a predetermined threshold.

#### **DISREGARD TAPE (DRT) or NOT-HELD ORDER**

Absent any restrictions, a "DRT" (Not-Held Order) means any order giving a person complete discretion over price and time in execution of the order, including discretion to execute all, some, or none of the order. A member or clearing member shall not accept an order containing the phrase "with a tick, you are held" (or similar such language). It is understood that a floor broker may trade for [his/their](#) own account while holding such an order without violating Rule 530 ("Priority of Customers' Orders") provided the customer has previously consented in writing and evidence of such general consent is indicated on the order with the "WP" (with permission) designation.

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#### **PERFORMANCE BOND**

The minimum amount of funds that must be deposited as a performance bond by 1) an account holder with [his/their](#) FCM, 2) a non-clearing FCM with a clearing member or 3) a clearing member with the Clearing House.

[Remainder of Definitions are unchanged.]

### **CME Rulebook Chapter 1 MEMBERSHIP**

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#### **101. QUALIFICATIONS AND RESPONSIBILITIES**

Any adult of good moral character, reputation and business integrity, with adequate financial resources and credit to assume the responsibilities and privileges of membership, is eligible for membership in the Exchange. A

determination as to whether an applicant for membership or an applicant for an incentive program satisfies the Exchange requirements shall be made by the Membership Committee or by staff in the applicable department. A person approved for membership and an individual or entity approved for an incentive program shall be subject to all Exchange Rules. Notwithstanding a transfer of membership, a person shall continue to be responsible for violations of Exchange Rules committed by ~~him~~ ~~they~~ while ~~he~~ ~~they~~ ~~was~~ ~~are~~ a member and also agrees to have any disputes, which arose while ~~he~~ ~~they~~ ~~was~~ ~~are~~ a member and which relate to or arise out of any transaction upon the Exchange or membership in the Exchange, resolved in accordance with Exchange Rules.

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### **103. PURCHASE OF MEMBERSHIP AND MECHANICS OF PURCHASE**

#### **103.A. Purchase of Membership**

The prospective purchaser of a membership shall sign and file with the Department a Bid to Purchase which shall be guaranteed by: a) a clearing member of the Exchange; or b) the deposit of a certified or cashier's check; or c) a wire transfer; or d) for swap transactions, the deposit of a CME, IMM, or IOM membership and/or a wire transfer or a certified or cashier's check. The Bid to Purchase shall contain an agreement by the purchaser to take no recourse against the Exchange in the event ~~his~~ ~~their~~ Application for Membership is rejected (except as provided in Section 8c of the Commodity Exchange Act).

For Purposes of this Chapter 1, a membership in the Exchange may only be purchased in conjunction with the CME Group Class B Share coupled to such membership. References to a "membership" shall include the associated CME Group Class B Share.

[Remainder of Rule is unchanged.]

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### **104. SALE OF MEMBERSHIP**

A membership in the Exchange may only be sold as provided for in the Rules. When the owner or the legal representative of an owner desires to sell a membership, ~~he~~ ~~they~~ shall sign and file with the Department an Offer to Sell, which shall set forth the price at which ~~he~~ ~~they~~ ~~are~~ ~~is~~ offering ~~his~~ ~~their~~ membership, and contain an agreement to the conditions of sale set forth in these rules.

Upon the sale of a membership, any and all membership privileges granted by these rules shall terminate.

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### **105. APPLICATION FOR MEMBERSHIP**

#### **105.A. Application Process for Members Accessing the Trading Floor**

The applicant shall file an Application for Membership and the appropriate fee with the Department. The applicant shall agree to take no recourse against the Exchange in the event ~~his~~ ~~their~~ application is rejected (except as provided in Section 8c of the Commodity Exchange Act), set forth all financial arrangements made in connection with the proposed purchase or transfer of the membership and agree to abide by the applicable rules and regulations of the Exchange and all amendments thereto.

Upon completion of the foregoing, the Department shall notify the membership by posting for a period of 20 days of the name of the applicant, the seller, the purchase price and the transfer type. The notice shall request the submission to the Department of claims against the seller or transferor arising out of Exchange transactions or any other relationship regulated by the Exchange.

During the posting period, the Department shall prepare a report on the qualifications of the applicant.

The Short Form application of a member who is transferring onto a membership may be approved by Exchange staff before the expiration of the posting period, provided the member obtains an indemnification agreement in favor of the Exchange from a clearing member to cover Rule 110 claims up to the value of the membership at the time of the transfer.

An applicant who wishes to procure a membership by purchase, or by transfer, may do so either prior or subsequent to approval for membership pursuant to Rule 107. An applicant who has acquired a membership prior to approval for membership shall become a member upon such approval. An applicant approved for membership prior to acquiring a membership shall become a member if, within thirty calendar days after approval for membership, ~~he~~ ~~they~~ procures a membership; otherwise ~~his~~ ~~their~~ membership shall be deemed vacated and the Exchange shall retain the membership application processing fee. Extensions of the 30-day period in which the applicant must acquire a membership may be granted by the Department.

#### **105.B. Application Process for Members Not Requesting Access to the Trading Floor**

The applicant shall file an Application for Membership and the appropriate fee with the Department. The applicant shall agree to take no recourse against the Exchange in the event [his/their](#) application is rejected (except as provided in Section 8c of the Commodity Exchange Act), set forth all financial arrangements made in connection with the proposed purchase or transfer of the membership and agree to abide by the applicable rules and regulations of the Exchange and all amendments thereto.

The applicant may receive temporary membership privileges which do not permit trading floor access upon the filing of a complete Application unless the Department has reason to believe that the applicant is not qualified for membership. An applicant that receives temporary membership privileges shall be subject to all of the rules of the Exchange including the rules related to the approval and rejection of an applicant. Such temporary membership privileges will expire upon the earlier of: 1) sixty days after the temporary membership privileges are granted; 2) a rejection of the applicant's membership application by the Membership Committee; or 3) notification that the application for membership has been approved. An applicant who receives temporary non-trading floor membership privileges who is subsequently rejected for membership shall reimburse the Exchange for the difference between trading and clearing fees paid by reason of the temporary membership status and the fees that would have been paid on the same transactions at the rates that would have otherwise prevailed.

The Department shall notify the membership by posting for a period of 20 days of the name of the applicant, the seller or transferor and the purchase price. The notice shall request the submission to the Department of claims against the seller or transferor arising out of Exchange transactions or any other relationship regulated by the Exchange. During the posting period, the Department shall prepare a report on the qualifications of the applicant.

The Application of a member who obtains a membership may be approved by the Department before the expiration of the posting period, provided the member obtains an indemnification agreement in favor of the Exchange from a clearing member to cover Rule 110 claims up to the value of the membership at the time of purchase or transfer.

An applicant who has acquired a membership prior to approval for membership shall become a member upon such approval. An applicant approved for membership prior to acquiring a membership shall become a member if, within thirty calendar days after approval for membership, [he/she/they](#) procures a membership; otherwise [his/their](#) membership shall be deemed vacated and the Exchange shall retain the membership application processing fee. Extensions of the 30-day period in which the applicant must acquire a membership may be granted by the Department.

[Remainder of Rule is unchanged.]

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## **106. TRANSFERS, SECURITY TRANSACTIONS, AND AUTHORIZATIONS TO TRANSFER OR SELL**

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### **106.A. Authorization to Sell**

An Authorization to Sell ("Authorization Agreement") is a grant of authority by a member or applicant for membership that may be used only for the purposes specified in Rule 106.B. Authorization Agreements shall be effective only if executed on the form supplied by the Exchange and filed with the Department. Authorization Agreements shall be irrevocable without the written consent of the grantee.

A member or applicant for membership who executes an Authorization Agreement relinquishes [his/their](#) power to direct the sale of [his/their](#) membership. A grantee shall have all powers of sale that otherwise would have been available to the grantor. The Exchange shall act at the grantee's direction as if the grantee was the member-owner.

Private agreements between the grantor and the grantee shall not be recognized by the Exchange and shall not affect the rights of the Exchange or its members. The grantee shall be entitled, in addition to any other rights [he/she/they](#) may have under Rule 110, to the residual proceeds after all Rule 110 claims have been satisfied up to the amount of the outstanding debt owed.

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### **106.C. Family Transfers**

A member or Non-Member Investor may temporarily transfer [his/their](#) membership to a member of [his/their](#) immediate family who shall be subject to all Exchange rules and regulations. For purposes of this rule, immediate family members shall be limited to parents, siblings, children, grandchildren, grandparents, fathers-in-law, mothers-in-law, sons-in-law, daughters-in-law and spouses.

Rule 106.C transfers shall be subject to the following terms and conditions:

1. The transferor may revoke the transfer upon written notice filed with the Department.

2. The transferor shall have the right at any time to have the transferee disqualified from trading by giving notice to the transferee's qualifying clearing member, who in turn must notify the Exchange pursuant to Rule 511.A.
3. The transfer shall be revoked and the membership shall revert to the transferor's estate or conservator upon official notice of the death or formally declared incompetence of the transferor. However, the legal representative of a deceased member's estate may transfer [his/their](#) membership pursuant to this Rule 106.C. during the pendency of probate.

[Remainder of Rule is unchanged.]

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#### **106.D. Futures Industry Transfers**

A member or Non-Member Investor may temporarily transfer [his/their](#) membership to another member who shall be subject to all Exchange rules and regulations.

Transfers under this section shall be subject to the following terms and conditions:

1. The transferor may revoke the transfer upon written notice filed with the Department.
2. The transferor shall have the right at any time to withdraw the authority of the transferee to trade on the membership by giving notice to the transferee's qualifying clearing member and such clearing member must subsequently notify the Exchange pursuant to Rule 511.A.
3. The transfer shall be revoked and the membership shall revert to the transferor's estate or conservator upon official notice of the death or formally declared incompetence of the transferor. However, the legal representative of a deceased member's estate may transfer [his/their](#) membership pursuant to this Rule 106.D. during the pendency of probate.
4. A transferor may not trade while on the trading floor.
5. The transferor may sell the membership at any time in accordance with the provisions of Rule 104 or transfer the membership pursuant to Rule 106. The proceeds of the sale of the membership will be distributed to the transferor following the settlement of all claims pursuant to Rule 110.
6. The transferred membership may be sold in accordance with Rule 133, and the proceeds may be applied as provided in Rule 110, to satisfy financial obligations of the transferee to the Exchange, to another member or to a clearing member arising out of the transferee's use of the membership in the event that such financial obligations have not been otherwise satisfied.
7. The transferee must be qualified to trade by a clearing member acceptable to the transferor. The transferor may not assign the membership for membership purposes pursuant to Rules 106.J. or 902.
8. A transferee shall place all trades on the books of [his/their](#) qualifying clearing member unless written authorization to the contrary from said clearing member and from the transferor has been filed with the Department. Failure to adhere to the requirements of this rule and Rule 511 shall exclude a clearing member not qualifying the transferee from receiving proceeds under Rule 110.
9. Upon a transferor's expulsion from the Exchange, the transfer shall be revoked and the membership shall revert to the transferor who must sell the membership within 30 days.
10. Except as provided in Rule 135, any transferee approved for membership pursuant to this Rule 106.D. after January 7, 1985, who was not a member as of January 7, 1985, shall be eligible to execute trades only for [his/their](#) own account for a cumulative period of twelve (12) months following [his/their](#) ~~or her~~ election to membership unless exempted there from by the Membership Committee.
11. A lease entered into on or after February 1, 1996, which is terminated by a transferee prior to its expiration date, shall be controlled by the following early cancellation payment obligation:

A transferee who unilaterally terminates a lease remains obligated to make the agreed rental payments to transferor until the end of the term of the lease; however, transferee's obligation to make such rental payments shall be reduced by the amount of rental payments received by transferor if transferor is able to lease the membership to another person during the remaining term of the original lease. Transferor must use [his/their](#) best efforts to lease the membership to another person as soon as possible and at the highest possible rental obtainable based on similar leases, if any, then being executed.

[Remainder of Rule is unchanged.]

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#### **106.G. Transfer to Wholly-Owned Entities**

A membership may be transferred to an entity which is wholly-owned by the member or [his/their](#) immediate family members as that term is used in Rule 106.C. Transfers pursuant to this authorization shall be limited to transfers pursuant to Rules 106.C., D. or E.

A 106.G. transferee may assign the membership for membership purposes in accordance with Rules 106.J. and 902 except in circumstances where the transfer has been made pursuant to Rule 106.D.

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#### **106.H. Trading Member Firm**

A membership may be owned by, or two memberships may be leased by, a trading member firm or, if the trading member firm is a pool or fund, the investment manager of the pool or fund. The memberships may be held in the name of the trading member firm or transferred among its principals and employees provided that: (1) the transfer is approved by Exchange staff; (2) the transferee is approved pursuant to the rules of the Exchange; and (3) the transfer is for the legitimate business purposes of the firm. The firm shall have the right, at any time, to withdraw the authority of the transferee to trade on a membership owned or leased by the firm, but must withdraw such authority upon termination of [his/their](#) employment or other association with the firm. Notice of the withdrawal of the authority of the transferee to trade on a membership owned or leased by the firm must be given to [his/their](#) qualifying clearing member who in turn must notify the Department pursuant to Rule 511.A. The trading member firm shall designate on a form provided by the Exchange a representative who shall be authorized to deal with the Exchange with respect to the membership transferred under this Section.

[Remainder of Rule is unchanged.]

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#### **106.I. Affiliate Member Firm**

An "affiliate" shall be defined to include a firm that either: owns, directly or indirectly, 100% of a clearing member with shares or Rule 106.J. equity member firm or has 100% ownership, direct or indirect, in common with a firm that owns, directly or indirectly, 100% of a clearing member with shares or Rule 106.J. equity member firm. "Clearing members with shares" means clearing members that maintain CME Group Class A shares in accordance with CME Rule 106.J. Equity Member Firm requirements in order to receive equity member rates and/or clearing members that pay the monthly Equity Member Subscription Rate described in Rule 106.J.

A membership may be owned by a clearing member with shares, or a Rule 106.J. equity member or affiliate firm under this Rule. The membership may be held in the name of the firm or principals or employees of an affiliate and be transferred among its principals and employees provided that: (1) the transfer is approved by Exchange staff; (2) the transferee is approved for membership pursuant to the rules of the Exchange; and (3) the transfer is for the legitimate business purposes of the firm. The affiliate firm shall have the right, at any time, to withdraw the authority of the transferee to trade on the membership owned by the clearing member with shares, Rule 106.J. equity member or affiliate firm, but must withdraw such authority upon termination of [his/their](#) employment or other association with the firm. Notice of the withdrawal of the authority of the transferee to trade on the membership owned by a clearing member with shares, Rule 106.J. equity member or affiliate firm must be given to [his/their](#) qualifying clearing member, and such clearing member must subsequently notify the Department pursuant to Rule 511.A. The clearing member with shares, Rule 106.J. equity member or affiliate firm shall designate on a form provided by the Exchange a representative who shall be authorized to deal with the Exchange with respect to the membership held under this Section.

[Remainder of Rule is unchanged.]

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#### **106.J. Equity Member Firm**

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The memberships owned by the Rule 106.J. equity member firm or a person, including a parent company, with an acceptable proprietary interest in the equity member or the investment manager of a fund, pool or other collective investment vehicle may be transferred under this Rule provided that: (1) the transfer is approved by Exchange staff; and (2) the transferee is approved pursuant to the rules of the Exchange. The firm shall have the right, at any time, to withdraw the authority of the transferee to trade on a firm-owned membership, but must withdraw such



authority upon termination of [his\their](#) employment or other association with the firm. Notice of the withdrawal of the authority of the transferee to trade on a firm-owned membership must be given to [his\their](#) qualifying clearing member who in turn must notify the Department pursuant to Rule 511.A. The equity member firm shall designate on a form provided by the Exchange a representative who shall be authorized to deal with the Exchange with respect to the membership transferred under this Section.

[Remainder of Rule is unchanged.]

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#### **106.K. Transfer to a Trust**

A member may transfer [his\their](#) membership to an Estate Planning Vehicle for which the member is the grantor. An Estate Planning Vehicle is a trust established primarily for the benefit of the grantor's family and friends and charitable beneficiaries. A membership properly held within an Estate Planning Vehicle may be transferred to one successor Estate Planning Vehicle for which the member is the grantor within one year of the member's death. The grantor (or the grantor's personal representative) and the trustee (and any successor) shall complete the trust transfer agreement and certification provided by Exchange staff. The grantor shall comply with any request to produce the Estate Planning Vehicle or information regarding the Estate Planning Vehicle made by Exchange staff.

[Remainder of Rule is unchanged.]

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#### **106.M. Transfer to Joint Tenants With Right of Survivorship**

A member may transfer [his\their](#) membership to [himself\themselves](#) and a member of [his\their](#) immediate family, as defined in Rule 106.C., as joint tenants with right of survivorship.

[Remainder of Rule is unchanged.]

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#### **106.N. GEM Institutional Access Member Firm**

A GEM membership may be owned by a GEM Institutional Access member firm. The membership may be held in the name of the member firm or may be transferred to a principal or employee of the member firm and transferred among its principals and employees provided that: (1) the transfer is approved by Exchange staff, (2) the transferee is approved pursuant to the rules of the Exchange; (3) the transfer is for the legitimate business purposes of the firm; and (4) the firm is not engaged in futures customer business with U.S. customers. The firm shall have the right, at any time, to withdraw the authority of the transferee to trade on the membership, but must withdraw such authority upon termination of [his\their](#) employment with the firm. Notice of the withdrawal of the authority of the transferee to trade on the membership must be given to the Department. The member firm shall designate on a form provided by the Exchange a representative who shall be authorized to deal with the Exchange with respect to the membership transferred under this Section.

[Remainder of Rule is unchanged.]

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#### **106.P. Transfer to a Family Limited Partnership**

A member may transfer [his\their](#) membership to a Family Limited Partnership ("FLP") with respect to which all partners are members of the member's family who would be eligible for a family transfer from the member pursuant to Rule 106.C. The limited partnership agreement or other document(s) governing the FLP shall at all times prohibit transfers of an interest in the FLP to any person who is not eligible pursuant to Rule 106.C and shall state that (1) the FLP's interest in the membership shall at all times be subject to all of the rules of the Exchange, as may be amended, including, but not limited to, Rule 110 and, if the membership is assigned to a member firm for membership purposes, Rules 106.J. and 902; (2) management of the FLP shall be vested exclusively in a managing general partner, who must qualify for membership by satisfying the requirements of Chapter 1 of these



rules; and (3) the Exchange shall have no liability to the partners for any loss, damage, or expense resulting from any acts or omissions by the managing general partner or any person acting by or through the authority of a general partner. The transferor and the managing general partner (and any successor) shall each provide in the form provided by the Exchange a certification that the FLP acquires the membership subject to all of the rules of the Exchange and that the FLP is in compliance with the requirements of this Rule. The FLP also may transfer the membership back to the transferor.

[Remainder of Rule is unchanged.]

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#### **106.S. Family of Funds Member Firm**

A membership may be owned under this Rule by: (1) a clearing member or Rule 106.J. equity member firm that is a hedge fund or a fund management company; (2) a fund management company of a clearing member or Rule 106.J. equity member firm; or (3) a fund that is part of the family of funds of a clearing member or Rule 106.J. equity member firm. The membership may be held in the name of the fund management company or an approved fund and may be transferred to a principal or employee of the fund management company or an approved fund and be transferred among their principals and employees provided that: (i) the transfer is approved by Exchange staff; (ii) the transferee is approved pursuant to the rules of the Exchange; and (iii) the transfer is for the legitimate business purposes of the fund management company or fund. The fund management company or the fund shall have the right, at any time, to withdraw the authority of the transferee to trade on the membership, but must withdraw such authority upon termination of [his/their](#) employment or other association with the company. Notice of the withdrawal of the authority of the transferee to trade on the membership must be given to [his/their](#) qualifying clearing member who in turn must notify the Department pursuant to Rule 511.A. The fund management company or the fund shall designate on a form provided by the Exchange a representative who shall be authorized to deal with the Exchange with respect to the membership transferred under this Section.

[Remainder of Rule is unchanged.]

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#### **109. REJECTION OF APPLICANT**

If an applicant is rejected by the Membership Committee panel, the applicant may appeal the decision to the full Membership Committee. The Membership Committee shall decide, by majority vote, whether the applicant is qualified for membership. The decision of the Membership Committee shall be final. An applicant rejected by the Membership Committee may be reconsidered for membership if new or additional information is subsequently brought to the attention of the Membership Committee. If an applicant is rejected for membership or if for any reason [his/their](#) application is withdrawn, the Exchange shall retain the processing fee and the applicant shall assume all risk of gain or loss from the resale of any membership purchased by [him/them](#) prior thereto.

[Remainder of Rule is unchanged.]

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#### **110. CLAIMS AGAINST MEMBERSHIP, APPLICATION OF PROCEEDS**

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The surplus, if any, shall be paid to the person whose membership was sold or [his/their](#) legal representative or a 106.A.-B. grantee, as applicable, upon the execution of a satisfactory release. The Exchange staff's determination and allowance of claims hereunder shall be final. The death, incompetence, expulsion, suspension, insolvency or bankruptcy of a member shall not affect the rights of claimants under this rule.

[Remainder of Rule is unchanged.]

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#### **120. MEMBERSHIP CATEGORIES**

There are four categories of membership: CME, IMM, IOM and GEM. CME Division membership privileges extend to all CME products; IMM Division membership privileges are limited to products assigned to that Division, the IOM Division and the GEM Division by the Board; IOM Division membership privileges are limited to products assigned to that Division and the GEM Division by the Board; and GEM Division membership privileges are limited to products assigned to that Division by the Board. CME, IMM, IOM and/or GEM members may also be granted Expanded-Access Product privileges in connection with designated products listed by CBOT.

A member who trades products on Globex in which [he they](#) does not have membership privileges is not entitled to member's rates for such trades.

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## **125. GRATUITY FUND**

Every person becoming a member of the Exchange who is not leasing a membership and every person becoming a member of any Division of the Exchange, whether now or hereafter existing, who at the time of [his their](#) admission has not attained [his their](#) 55th birthday, shall automatically become a member of Chicago Mercantile Exchange Inc. Gratuity Fund and shall be required to pay the initial fee and all assessments imposed, in compliance with the by-laws of said Gratuity Fund and shall be bound by said by-laws and all amendments thereof and by such other rules and regulations as may be adopted by the Board of Directors of the Exchange or the Gratuity Fund in conformity with such by-laws. Every person who becomes a member of the Gratuity Fund shall be required to continue as a member thereof so long as [he they](#) continues as a member of the Exchange or any of its Divisions.

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## **126. MEMBERSHIP EDUCATION PROGRAMS**

A member's right to access the trading floor requires that [he they](#) first attend an initial educational program respecting CFTC and Exchange trading rules, federal, Exchange, and administrative sanctions for violating rules, and members' legal and professional responsibilities concerning treatment of customer orders and handling of customer business.

Continued access requires members to comply with the ethics standards set forth in Appendix B to Part 3 of the CFTC's Regulations-Statement of Acceptable Practices, or any equivalent ethics training.

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## **127. TRADING AND SOLICITATION PRIVILEGES<sup>1</sup>**

A member shall have the right, subject to the rules of the Exchange, to trade as principal and as broker for others by open outcry only with respect to products assigned to [his their](#) membership division or designated Expanded-Access Products. The Exchange shall designate the CME products which CME and CBOT members may solicit from the combined CME and CBOT trading floor. In order to solicit customer business, the member must have proper industry registration. All solicitations must take place from the trading floor or the premises of an entity registered to conduct customer business. Solicitations occurring from the premises of an entity registered to conduct customer business must be on behalf of the entity or one of its properly registered affiliates and such entity or affiliate must be an NFA member if required by NFA rules.

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## **INVOLUNTARY SALE**

### **131. EXPULSION FOR FRAUD OR DISHONESTY PRIOR TO ELECTION TO MEMBERSHIP**

A member or a firm with membership privileges who is found guilty of fraud or dishonest conduct by any court, commodity or securities exchange or related clearing organization, the Securities and Exchange Commission, the Commodity Futures Trading Commission or the securities commission or equivalent authority of any state, territory, the District of Columbia or foreign country, the National Futures Association, the Financial Industry Regulatory Authority, or any self-regulatory or regulatory organization prior to becoming a member and of failing to make full disclosure thereof in [his their](#) or its application for membership, or who is found guilty of having made a false

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<sup>1</sup> Adopted April 2008.

statement of a material fact in or in connection with ~~his~~their or its application, may be expelled from membership in the Exchange by a Panel of the Business Conduct Committee.

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### **135. GEM DIVISION**

A GEM member who trades electronically or places orders for pit- or electronically-traded products in which ~~he~~they does not have membership privileges is not entitled to member rates for such trades. The time during which a GEM membership is held will not be counted toward satisfaction of the holding period necessary to permit lessees to become order fillers unless the holder can demonstrate that ~~he~~they ~~were~~ primarily engaged in active trading or order filling in GEM Division products during that holding period.

[Remainder of Rule is unchanged.]

## **CBOT Rulebook Chapter 1 MEMBERSHIP**

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### **101. QUALIFICATIONS AND RESPONSIBILITIES**

Any adult of good moral character, reputation and business integrity, with adequate financial resources and credit to assume the responsibilities and privileges of membership, is eligible for membership in the Exchange. A determination as to whether an applicant for membership or an applicant for an incentive program satisfies the Exchange requirements shall be made by the Membership Committee or by staff in the applicable department. A person approved for membership and an individual or entity approved for an incentive program shall be subject to all Exchange Rules. Notwithstanding a transfer of membership, a person shall continue to be responsible for violations of Exchange Rules committed by ~~him~~them while ~~he was~~they were a member and also agrees to have any disputes, which arose while ~~he was~~they were a member and which relate to or arise out of any transaction upon the Exchange or membership in the Exchange, resolved in accordance with Exchange Rules.

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## **PROCEDURES FOR PURCHASE, SALE AND TRANSFER**

### **103. PURCHASE OF MEMBERSHIP AND MECHANICS OF PURCHASE**

#### **103.A. Purchase of Membership**

The prospective purchaser of a membership shall sign and file with the Department a Bid to Purchase which shall be guaranteed by: a) a clearing member of the Exchange; or b) the deposit of a certified or cashier's check; or c) a wire transfer; or d) for swap transactions, the deposit of a Series B-1 (Full), Series B-2 (Associate), Series B-3 (GIM), Series B-4 (IDEM), or Series B-5 (COM) membership and/or a wire transfer or a certified or cashier's check. The Bid to Purchase shall contain an agreement by the purchaser to take no recourse against the Exchange in the event ~~his~~their Application for Membership is rejected (except as provided in Section 8c of the Commodity Exchange Act).

[Remainder of Rule is unchanged.]

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### **104. SALE OF MEMBERSHIP**

A membership in the Exchange may only be sold as provided for in the Rules. When the owner or the legal representative of an owner desires to sell a membership, ~~he~~they shall sign and file with the Department an Offer to Sell, which shall set forth the price at which ~~he is~~they are offering ~~his~~their membership, and contain an agreement to the conditions of sale set forth in these rules.

Upon the sale of a membership, any and all membership privileges granted by these rules shall terminate.

[Remainder of Rule is unchanged.]

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## 105. APPLICATION FOR MEMBERSHIP

The applicant shall file an Application for Membership and the appropriate fee with the Department. The applicant shall agree to take no recourse against the Exchange in the event [his-their](#) application is rejected (except as provided in Section 8c of the Commodity Exchange Act), set forth all financial arrangements made in connection with the proposed purchase or transfer of the membership and agree to abide by the applicable rules and regulations of the Exchange and all amendments thereto.

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An applicant who has acquired a membership prior to approval for membership shall become a member upon such approval. An applicant approved for membership prior to acquiring a membership shall become a member if, within thirty calendar days after approval for membership, [hethey](#) procures a membership; otherwise [his-their](#) membership shall be deemed vacated and the Exchange shall retain the membership application processing fee. Extensions of the 30-day period in which the applicant must acquire a membership may be granted by the Department.

[Remainder of Rule is unchanged.]

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## 106. TRANSFERS, SECURITY TRANSACTIONS, AND AUTHORIZATIONS TO TRANSFER OR SELL

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### 106.A. Authorization to Sell

An Authorization to Sell (“Authorization Agreement”) is a grant of authority by a member or applicant for membership that may be used only for the purposes specified in Rule 106.B. Authorization Agreements shall be effective only if executed on the form supplied by the Exchange and filed with the Department. Authorization Agreements shall be irrevocable without the written consent of the grantee.

A member or applicant for membership who executes an Authorization Agreement relinquishes [his-their](#) power to direct the sale of [his-their](#) membership. A grantee shall have all powers of sale that otherwise would have been available to the grantor. The Exchange shall act at the grantee’s direction as if the grantee was the member-owner.

Private agreements between the grantor and the grantee shall not be recognized by the Exchange and shall not affect the rights of the Exchange or its members. The grantee shall be entitled, in addition to any other rights [he they](#) may have under [Rule 110](#), to the residual proceeds after all [Rule 110](#) claims have been satisfied up to the amount of the outstanding debt owed.

[Remainder of Rule is unchanged.]

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### 106.C. Family Transfers

A member or Non-Member Investor may temporarily transfer [his-their](#) membership to a member of [his-their](#) immediate family who shall be subject to all Exchange rules and regulations. For purposes of this rule, immediate family members shall be limited to parents, siblings, children, grandchildren, grandparents, fathers-in-law, mothers-in-law, sons-in law, daughters-in-law and spouses.

Rule 106.C transfers shall be subject to the following terms and conditions:

1. The transferor may revoke the transfer upon written notice filed with the Department.
2. [Reserved]
3. The transfer shall be revoked and the membership shall revert to the transferor’s estate or conservator upon official notice of the death or formally declared incompetence of the transferor. However, the legal representative of a deceased member’s estate may transfer [his-their](#) membership pursuant to this Rule 106.C. during the pendency of probate.

[Remainder of Rule is unchanged.]

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#### **106.D. Futures Industry Transfers**

A member or Non-Member Investor may temporarily transfer [his/their](#) membership to another member who shall be subject to all Exchange rules and regulations.

Transfers under this section shall be subject to the following terms and conditions:

1. The transferor may revoke the transfer upon written notice filed with the Department.
2. [Reserved]
3. The transfer shall be revoked and the membership shall revert to the transferor's estate or conservator upon official notice of the death or formally declared incompetence of the transferor. However, the legal representative of a deceased member's estate may transfer [his-their](#) membership pursuant to this Rule 106.D. during the pendency of probate.

[Remainder of Rule is unchanged.]

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14. No Series B-1(Full) member or Series B-2 (Associate) member may delegate (within the meaning of this Rule 106.D.) to any other person the voting rights associated with [his-their](#) membership; provided, however, that nothing herein shall prohibit a member from naming as [his-their](#) proxy a person or persons designated as such by the Exchange in connection with any annual or special meeting of the membership.

[Remainder of Rule is unchanged.]

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#### **106.G. Transfer to Wholly-Owned Entities**

A membership may be transferred to an entity which is wholly-owned by the member or [his-their](#) immediate family members as that term is used in Rule 106.C. Transfers pursuant to this authorization shall be limited to transfers pursuant to Rules 106.C., D. or E.

[Remainder of Rule is unchanged.]

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#### **106.H. Trading Member Firm**

A firm may qualify as a trading member firm if the membership required by the Exchange is owned by the trading member firm; by an affiliate member firm as defined in Rule 106.I.; by a principal or employee of the trading member firm; or by a person, including a parent company, with an acceptable proprietary interest in the trading member firm. The membership may be held in the name of the trading member firm; an affiliate member firm as defined in Rule 106.I.; or a principal or employee of, or a person with an acceptable proprietary interest in, the trading member firm. The owner of the membership may transfer the membership among such persons provided that: (1) the transfer is approved by Exchange staff; (2) the transferee is approved pursuant to the rules of the Exchange; and (3) the transfer is for the legitimate business purposes of the firm. The firm shall have the right, at any time, to withdraw the authority of the transferee to trade on the membership, but must withdraw such authority upon termination of [his-their](#) employment or other association with the firm. Notice of the withdrawal of the authority of the transferee to trade on the membership must be given to the Department. The trading member firm shall designate on a form provided by the Exchange a representative who shall be authorized to deal with the Exchange with respect to the membership transferred under this Section.

[Remainder of Rule is unchanged.]

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#### **106.I. Affiliate Member Firm**

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A qualifying membership may be held in the name of the clearing member with shares, Rule 106.J. equity member firm, Rule 106.H. trading member firm, affiliate member firm, by one or more affiliates or a principal or employee of the clearing member with shares, Rule 106.J. equity member firm, Rule 106.H. trading member firm or affiliate member firm. The firm may transfer the membership among such persons provided that: (1) the transfer is approved by Exchange staff; (2) the transferee is approved for membership pursuant to the rules of the Exchange; and (3) the transfer is for the legitimate business purposes of the firm. The firm shall have the right, at any time, to withdraw the authority of the transferee to trade on a membership but must withdraw such authority upon termination of ~~his~~-~~their~~ employment or other association with the clearing member with shares, Rule 106.J. equity member firm, Rule 106.H. trading member firm or affiliate member firm. Notice of the withdrawal of the authority of the transferee to trade on a membership must be given to the Department. The clearing member with shares, Rule 106.J. equity member firm, Rule 106.H. trading member firm or affiliate member firm shall designate on a form provided by the Exchange a representative who shall be authorized to deal with the Exchange with respect to any membership held under this Section.

[Remainder of Rule is unchanged.]

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#### **106.J. Equity Member Firm**

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The membership may be held in the name of the equity member firm; an affiliate as defined in Rule 106.I. which is a member firm; or a principal or employee of the equity member firm, or a person with an acceptable proprietary interest in the equity member firm. The owner of the membership may transfer the membership among such persons provided that: (1) the transfer is approved by Exchange staff; (2) the transferee is approved pursuant to the rules of the Exchange; and (3) the transfer is for the legitimate business purposes of the firm. The equity member firm shall have the right, at any time, to withdraw the authority of the transferee to trade on the membership, but must withdraw such authority upon termination of ~~his~~-~~their~~ employment or other association with the firm. Notice of the withdrawal of the authority of the transferee to trade on the membership must be given to the Department. The equity member firm shall designate on a form provided by the Exchange a representative who shall be authorized to deal with the Exchange with respect to the membership transferred under this Section.

[Remainder of Rule is unchanged.]

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#### **106.K. Transfer to a Trust**

A member may transfer ~~his~~~~their~~ membership to an Estate Planning Vehicle for which the member is the grantor. An Estate Planning Vehicle is a trust established primarily for the benefit of the grantor's family and friends and charitable beneficiaries. A membership properly held within an Estate Planning Vehicle may be transferred to one successor Estate Planning Vehicle for which the member is the grantor within one year of the member's death. The grantor (or the grantor's personal representative) and the trustee (and any successor) shall complete the trust transfer agreement and certification provided by Exchange staff. The grantor shall comply with any request to produce the Estate Planning Vehicle or information regarding the Estate Planning Vehicle made by Exchange staff.

[Remainder of Rule is unchanged.]

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#### **106.M. Transfer to Joint Tenants With Right of Survivorship**

A member may transfer ~~his~~-~~their~~ membership to ~~himself~~-~~themselves~~ and a member of ~~his~~-~~their~~ immediate family, as defined in Rule 106.C., as joint tenants with right of survivorship.

[Remainder of Rule is unchanged.]

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#### **106.P. Transfer to a Family Limited Partnership**

A member may transfer ~~his~~-~~their~~ membership to a Family Limited Partnership ("FLP") with respect to which all

partners are members of the member's family who would be eligible for a family transfer from the member pursuant to Rule 106.C. The limited partnership agreement or other document(s) governing the FLP shall at all times prohibit transfers of an interest in the FLP to any person who is not eligible pursuant to Rule 106.C. and shall state that (1) the FLP's interest in the membership shall at all times be subject to all of the rules of the Exchange, as may be amended, including, but not limited to, Rule 110 and, if the membership is assigned to a member firm for membership purposes, Rules 106.H., 106.I., 106.J., 106.R., 106.S. and 902; (2) management of the FLP shall be vested exclusively in a managing general partner, who must qualify for membership by satisfying the requirements of Chapter 1 of these rules; and (3) the Exchange shall have no liability to the partners for any loss, damage, or expense resulting from any acts or omissions by the managing general partner or any person acting by or through the authority of a general partner. The transferor and the managing general partner (and any successor) shall each provide in the form provided by the Exchange a certification that the FLP acquires the membership subject to all of the rules of the Exchange and that the FLP is in compliance with the requirements of this Rule. The FLP also may transfer the membership back to the transferor.

[Remainder of Rule is unchanged.]

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#### **106.R. Electronic Corporate Member Firm**

A firm may qualify as an electronic corporate member firm if a Series B-1 (Full) membership or Series B-2 (Associate) membership is leased by the electronic corporate member firm, by a principal or employee of the electronic corporate member firm, or by a person, including a parent company, with an acceptable proprietary interest in the electronic corporate member firm and assigned for the electronic corporate member's membership privileges.

The membership may be held in the name of the firm or transferred to a principal or employee of, or a person with an acceptable proprietary interest in, the electronic corporate member firm. The electronic corporate member firm may transfer a membership leased by the firm among such persons provided that: (1) the transfer is approved by Exchange staff; (2) the transferee is approved pursuant to the rules of the Exchange; and (3) the transfer is for the legitimate business purposes of the firm. The electronic corporate member firm shall have the right, at any time, to withdraw the authority of the transferee to trade on a membership leased by the firm, but must withdraw such authority upon termination of ~~his~~ their employment or other association with the firm. The electronic corporate member firm shall designate on a form provided by the Exchange a representative who shall be authorized to deal with the Exchange with respect to the membership transferred under this Section.

[Remainder of Rule is unchanged.]

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#### **106.S. Family of Funds Member Firm**

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A qualifying membership may be held in the name of the family of funds member firm, the fund management company, a qualified fund, or a person, including parent company, with an acceptable proprietary interest in the family of funds member firm. The owner of a membership may transfer the membership among such persons provided that: (i) the transfer is approved by Exchange staff; (ii) the transferee is approved pursuant to the rules of the Exchange; and (iii) the transfer is for the legitimate business purposes of the family of funds member firm or qualified fund. The family of funds member firm or qualified fund shall have the right, at any time, to withdraw the authority of the transferee to trade on a membership owned by the family of funds member firm or qualified fund, but must withdraw such authority upon termination of ~~his~~ their employment or other association with the family of funds member firm or qualified fund. Notice of the withdrawal of the authority of the transferee to trade on a membership owned by the family of funds member firm or qualified fund must be given to the Department. The family of funds member firm or qualified fund shall designate on a form provided by the Exchange a representative who shall be authorized to deal with the Exchange with respect to any membership transferred under this Section.

[Remainder of Rule is unchanged.]

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### **109. REJECTION OF APPLICANT**



If an applicant is rejected by the Membership Committee panel, the applicant may appeal the decision to the full Membership Committee. The Membership Committee shall decide, by majority vote, whether the applicant is qualified for membership. The decision of the Membership Committee shall be final. An applicant rejected by the Membership Committee may be reconsidered for membership if new or additional information is subsequently brought to the attention of the Membership Committee. If an applicant is rejected for membership or if for any reason ~~his-their~~ application is withdrawn, the Exchange shall retain the processing fee and the applicant shall assume all risk of gain or loss from the resale of any membership purchased by ~~him-them~~ prior thereto.

[Remainder of Rule is unchanged.]

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#### **110. CLAIMS AGAINST MEMBERSHIP, APPLICATION OF PROCEEDS**

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The surplus, if any, shall be paid to the person whose membership was sold or ~~his-their~~ legal representative or a 106.A.-B. grantee, as applicable, upon the execution of a satisfactory release. The Exchange staff's determination and allowance of claims hereunder shall be final. The death, incompetence, expulsion, suspension, insolvency or bankruptcy of a member shall not affect the rights of claimants under this rule.

[Remainder of Rule is unchanged.]

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#### **120. MEMBERSHIP CATEGORIES**

There are five categories of membership: Series B-1 (Full), Series B-2 (Associate), Series B-3 (GIM), Series B-4 (IDEM), and Series B-5 (COM). Series B-1 (Full) membership privileges extend to all CBOT products; Series B-2 (Associate) membership privileges are limited to products assigned to the Government Instruments Market, the Index Debt and Energy Market, and the Commodity Options Market by the Board; Series B-3 (GIM) membership privileges are limited to products assigned to the Government Instruments Market by the Board; Series B-4 (IDEM) membership privileges are limited to products assigned to the Index, Debt and Energy Market by the Board; and Series B-5 (COM) membership privileges are limited to products assigned to the Commodity Options Market by the Board. Series B-1 (Full), Series B-2 (Associate), Series B-3 (GIM), Series B-4 (IDEM), and/or Series B-5 (COM) members may also be granted Expanded-Access Product privileges in connection with designated products listed by CME.

A member who trades products on Globex in which ~~he does-they do~~ not have membership privileges is not entitled to member's rates for such trades.

[Remainder of Rule is unchanged.]

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### **INVOLUNTARY SALE**

#### **131. EXPULSION FOR FRAUD OR DISHONESTY PRIOR TO ELECTION TO MEMBERSHIP**

A member or a firm with membership privileges who is found guilty of fraud or dishonest conduct by any court, commodity or securities exchange or related clearing organization, the Securities and Exchange Commission, the Commodity Futures Trading Commission or the securities commission or equivalent authority of any state, territory, the District of Columbia or foreign country, the National Futures Association, the Financial Industry Regulatory Authority, or any self-regulatory or regulatory organization prior to becoming a member and of failing to make full disclosure thereof in ~~his-their~~ or its application for membership, or who is found guilty of having made a false

statement of a material fact in or in connection with ~~his~~-~~their~~ or its application, may be expelled from membership in the Exchange by a Panel of the Business Conduct Committee.

[Remainder of Rule is unchanged.]

## NYMEX/COMEX Rulebook Chapter 1 MEMBERSHIP

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### 101. QUALIFICATIONS AND RESPONSIBILITIES

Any adult of good moral character, reputation and business integrity, with adequate financial resources and credit to assume the responsibilities and privileges of membership, is eligible for membership in the Exchange. A determination as to whether an applicant for membership or an applicant for an incentive program satisfies the Exchange requirements shall be made by the Membership Committee or by staff in the applicable department. A person approved for membership and an individual or entity approved for an incentive program shall be subject to all Exchange Rules. Notwithstanding a transfer of membership, a person shall continue to be responsible for violations of Exchange Rules committed by ~~him~~-~~them~~ while ~~he was~~-~~they were~~ a member and also agrees to have any disputes, which arose while ~~he was~~-~~they were~~ a member and which relate to or arise out of any transaction upon the Exchange or membership in the Exchange, resolved in accordance with Exchange Rules.

[Remainder of Rule is unchanged.]

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### PROCEDURES FOR PURCHASE, SALE AND TRANSFER

### 103. PURCHASE OF MEMBERSHIP AND MECHANICS OF PURCHASE

#### 103.A. Purchase of Membership

The prospective purchaser of a membership shall sign and file with the Department a Bid to Purchase which shall be guaranteed by: a) a clearing member of the Exchange; or b) the deposit of a certified or cashier's check; or c) a wire transfer. The Bid to Purchase shall contain an agreement by the purchaser to take no recourse against the Exchange in the event ~~his~~-~~their~~ Application for Membership is rejected (except as provided in Section 8c of the Commodity Exchange Act).

[Remainder of Rule is unchanged.]

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### 104. SALE OF MEMBERSHIP

A membership in the Exchange may only be sold as provided for in the Rules. When the owner or the legal representative of an owner desires to sell a membership, ~~he~~ ~~they~~ shall sign and file with the Department an Offer to Sell, which shall set forth the price at which ~~he is~~-~~they are~~ offering ~~his~~-~~their~~ membership, and contain an agreement to the conditions of sale set forth in these rules.

Upon the sale of a membership, any and all membership privileges granted by these rules shall terminate.

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### 105. APPLICATION FOR MEMBERSHIP

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#### **105.B. Application Process for Members**

The applicant shall file an Application for Membership and the appropriate fee with the Department. The applicant shall agree to take no recourse against the Exchange in the event ~~his~~ ~~their~~ application is rejected (except as provided in Section 8c of the Commodity Exchange Act), set forth all financial arrangements made in connection with the proposed purchase or transfer of the membership and agree to abide by the applicable rules and regulations of the Exchange and all amendments thereto.

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An applicant who has acquired a membership prior to approval for membership shall become a member upon such approval. An applicant approved for membership prior to acquiring a membership shall become a member if, within thirty calendar days after approval for membership, ~~he~~ ~~they~~ procures a membership; otherwise ~~his~~ ~~their~~ membership shall be deemed vacated and the Exchange shall retain the membership application processing fee. Extensions of the 30-day period in which the applicant must acquire a membership may be granted by the Department.

[Remainder of Rule is unchanged.]

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### **106. TRANSFERS, SECURITY TRANSACTIONS, AND AUTHORIZATIONS TO TRANSFER OR SELL**

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#### **106.A. Authorization to Sell**

An Authorization to Sell ("Authorization Agreement") is a grant of authority by a member or applicant for membership that may be used only for the purposes specified in Rule 106.B. Authorization Agreements shall be effective only if executed on the form supplied by the Exchange and filed with the Department. Authorization Agreements shall be irrevocable without the written consent of the grantee.

A member or applicant for membership who executes an Authorization Agreement relinquishes ~~his~~ ~~their~~ power to direct the sale of ~~his~~ ~~their~~ membership. A grantee shall have all powers of sale that otherwise would have been available to the grantor. The Exchange shall act at the grantee's direction as if the grantee was the member-owner.

Private agreements between the grantor and the grantee shall not be recognized by the Exchange and shall not affect the rights of the Exchange or its members. The grantee shall be entitled, in addition to any other rights ~~he~~ ~~they~~ may have under Rule 110, to the residual proceeds after all Rule 110 claims have been satisfied up to the amount of the outstanding debt owed.

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#### **106.C. Family Transfers**

A member or Non-Member Investor may temporarily transfer ~~his~~ ~~their~~ membership to a member of ~~his~~ ~~their~~ immediate family who shall be subject to all Exchange rules and regulations. For purposes of this rule, immediate family members shall be limited to parents, siblings, children, grandchildren, grandparents, fathers-in-law, mothers-in-law, sons-in law, daughters-in-law and spouses.

Rule 106.C transfers shall be subject to the following terms and conditions:

1. The transferor may revoke the transfer upon written notice filed with the Department.
2. [Reserved]
3. The transfer shall be revoked and the membership shall revert to the transferor's estate or conservator upon official notice of the death or formally declared incompetence of the transferor. However, the legal representative of a deceased member's estate may transfer ~~his~~ ~~their~~ membership pursuant to this Rule 106.C. during the pendency of probate.

[Remainder of Rule is unchanged.]

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#### **106.D. Futures Industry Transfers**

A member or Non-Member Investor may temporarily transfer [his-their](#) membership to another member who shall be subject to all Exchange rules and regulations.

Transfers under this section shall be subject to the following terms and conditions:

1. The transferor may revoke the transfer upon written notice filed with the Department.
2. [Reserved]
3. The transfer shall be revoked and the membership shall revert to the transferor's estate or conservator upon official notice of the death or formally declared incompetence of the transferor. However, the legal representative of a deceased member's estate may transfer [his-their](#) membership pursuant to this Rule 106.D. during the pendency of probate.

[Remainder of Rule is unchanged.]

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#### **106.G. Transfer to Wholly-Owned Entities**

A membership may be transferred to an entity which is wholly-owned by the member or [his-their](#) immediate family members as that term is used in Rule 106.C. Transfers pursuant to this authorization shall be limited to transfers pursuant to Rules 106.C., D. or E.

[Remainder of Rule is unchanged.]

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#### **106.J. Member Firm**

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The memberships may be held in the name of the member firm, principals or employees of the member, or persons with an acceptable proprietary interest in the member firm. The owner of the membership may transfer the membership among such persons provided that: (1) the transfer is approved by Exchange staff; (2) the transferee is approved pursuant to the rules of the Exchange; and (3) the transfer is for the legitimate business purposes of the firm. The firm shall have the right, at any time, to withdraw the authority of the transferee to trade on the membership, but must withdraw such authority upon termination of [his-their](#) employment or other association with the firm. Notice of the withdrawal of the authority of the transferee to trade on the membership must be given to the Department. The member firm shall designate on a form provided by the Exchange a representative who shall be authorized to deal with the Exchange with respect to the membership transferred under this Section.

[Remainder of Rule is unchanged.]

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#### **106.K. Transfer to a Trust**

A member may transfer [his-their](#) membership to an Estate Planning Vehicle for which the member is the grantor. An Estate Planning Vehicle is a trust established primarily for the benefit of the grantor's family and friends and charitable beneficiaries. A membership properly held in an Estate Planning Vehicle may be transferred to one successor Estate Planning Vehicle for which the member is the grantor within one year of the member's death. The grantor (or the grantor's personal representative) and the trustee (and any successor) shall complete the trust transfer agreement and certification provided by Exchange staff. The grantor shall comply with any request to produce the Estate Planning Vehicle or information regarding the Estate Planning Vehicle made by Exchange staff.

[Remainder of Rule is unchanged.]

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#### **106.M. Transfer to Joint Tenants With Right of Survivorship**

A member may transfer [his-their](#) membership to [himself themselves](#) and a member of [his-their](#) immediate family, as defined in Rule 106.C., as joint tenants with right of survivorship.

[Remainder of Rule is unchanged.]

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#### **106.P. Transfer to a Family Limited Partnership**

A member may transfer [his-their](#) membership to a Family Limited Partnership ("FLP") with respect to which all partners are members of the member's family who would be eligible for a family transfer from the member pursuant to Rule 106.C. The limited partnership agreement or other document(s) governing the FLP shall at all times prohibit transfers of an interest in the FLP to any person who is not eligible pursuant to Rule 106.C and shall state that (1) the FLP's interest in the membership shall at all times be subject to all of the rules of the Exchange, as may be amended, including, but not limited to, Rule 110 and, if the membership is assigned to a member firm for membership purposes, Rules 106.J. and 902; (2) management of the FLP shall be vested exclusively in a managing general partner, who must qualify for membership by satisfying the requirements of Chapter 1 of these rules; and (3) the Exchange shall have no liability to the partners for any loss, damage, or expense resulting from any acts or omissions by the managing general partner or any person acting by or through the authority of a general partner. The transferor and the managing general partner (and any successor) shall each provide in the form provided by the Exchange a certification that the FLP acquires the membership subject to all of the rules of the Exchange and that the FLP is in compliance with the requirements of this Rule. The FLP also may transfer the membership back to the transferor.

[Remainder of Rule is unchanged.]

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### **109. REJECTION OF APPLICANT**

If an applicant is rejected by the Membership Committee panel, the applicant may appeal the decision to the full Membership Committee. The Membership Committee shall decide, by majority vote, whether the applicant is qualified for membership. The decision of the Membership Committee shall be final. An applicant rejected by the Membership Committee may be reconsidered for membership if new or additional information is subsequently brought to the attention of the Membership Committee. If an applicant is rejected for membership or if for any reason [his-their](#) application is withdrawn, the Exchange shall retain the processing fee and the applicant shall assume all risk of gain or loss from the resale of any membership purchased by [him-them](#) prior thereto.

[Remainder of Rule is unchanged.]

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### **110. CLAIMS AGAINST MEMBERSHIP, APPLICATION OF PROCEEDS**

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The surplus, if any, shall be paid to the person whose membership was sold or [his-their](#) legal representative or a 106.A.-B. grantee, as applicable, upon the execution of a satisfactory release. The Exchange staff's determination and allowance of claims hereunder shall be final. The death, incompetence, expulsion, suspension, insolvency or bankruptcy of a member shall not affect the rights of claimants under this rule.

[Remainder of Rule is unchanged.]

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## PRIVILEGES AND RESPONSIBILITIES

### 120. MEMBERSHIP CATEGORIES

There are three categories of membership: NYMEX Division, COMEX Division and COMEX Option Membership. NYMEX Division membership privileges extend to all NYMEX products and to any COMEX products for which cross-divisional trading privileges have been granted by the Board; COMEX Division membership privileges extend to all COMEX products and to any NYMEX products for which cross-divisional trading privileges have been granted by the Board; and COMEX Option Membership privileges are limited to products assigned to COMEX Option Members by the Board. A member who trades products on Globex in which ~~he does~~they do not have membership privileges is not entitled to member's rates for such trades.

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## INVOLUNTARY SALE

### 131. EXPULSION FOR FRAUD OR DISHONESTY PRIOR TO ELECTION TO MEMBERSHIP

A member or a firm with membership privileges who is found guilty of fraud or dishonest conduct by any court, commodity or securities exchange or related clearing organization, the Securities and Exchange Commission, the Commodity Futures Trading Commission or the securities commission or equivalent authority of any state, territory, the District of Columbia or foreign country, the National Futures Association, the Financial Industry Regulatory Authority, or any self-regulatory or regulatory organization prior to becoming a member and of failing to make full disclosure thereof in ~~his~~their or its application for membership, or who is found guilty of having made a false statement of a material fact in or in connection with ~~his~~their or its application, may be expelled from membership in the Exchange by a Panel of the Business Conduct Committee.

[Remainder of Rule is unchanged.]

## CME, CBOT, NYMEX/COMEX Rulebooks Chapter 2 GOVERNMENT

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### 234. AVOIDING CONFLICTS OF INTEREST IN "SIGNIFICANT ACTIONS"

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#### 234.B. Review of Position Information

1. Prior to the consideration of any Significant Action, each member of the Committee must disclose to the appropriate Exchange staff the following position information to the extent known to ~~them~~him:

[Remainder of Rule is unchanged.]

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#### 234.C. Determination Whether Abstention Required

1. A member of a Committee must abstain from both the deliberations and voting by such Committee on any Significant Action if the member knowingly has a direct and substantial financial interest in the result of the vote based upon either Exchange or non-Exchange positions that could reasonably be expected to be affected by the action or is otherwise conflicted based on existing Exchange policy. Exchange staff will independently require a member of a Committee to abstain from both the deliberations and voting by such Committee on any Significant Action if, based upon the information reviewed in sections B.1. and B.2. above, Exchange staff determines that the member has a direct and substantial financial interest in the result of the vote.

2. The Exchange will prepare written records to document that the conflicts determination procedures required by this rule have been followed. Such records will include (a) the names of all members who attended the meeting in person or who otherwise were present by electronic means; (b) the name of any member who voluntarily recused ~~himself themselves~~ or was required to abstain from both the deliberations and voting on a matter and the reason for the recusal or abstention, if stated; and (c) information on the position information that was reviewed for each member.

[Remainder of Rule is unchanged.]

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## 257. EXCHANGE PHYSICAL EMERGENCIES

In the event that the functions of the Exchange are, or are threatened to be, severely and adversely affected by a physical emergency such as fire or other casualty, bomb threats, substantial inclement weather, power failures, communications breakdowns, computer system breakdowns, screen-based trading system breakdowns, malfunctions of plumbing, heating, ventilation, and air conditioning systems or transportation breakdowns, the Chief Executive Officer or Chief Operating Officer or their delegate may take any action necessary to deal with the emergency, including but not limited to, a suspension of trading. In the absence of the aforementioned Exchange officers or delegate, any member of the Executive Committee may act instead of the Chief Executive Officer or Chief Operating Officer.

Upon a determination by the Chief Executive Officer or Chief Operating Officer or their delegate that the physical emergency has sufficiently abated to permit the orderly functioning of the Exchange, ~~he they~~ shall order restoration of trading or the removal of other restrictions imposed.

[Remainder of Rule is unchanged.]

## CME, CBOT, NYMEX/COMEX Rulebooks Chapter 3 EXCHANGE COMMITTEES

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## 300. COMMITTEES

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### 300.E. Disciplinary Offenses Defined

"Disciplinary offense" is defined as a:

- (1) Violation of any Exchange rule or the rules of a self-regulatory organization (as defined in CFTC Regulation 1.63(a)(1)), except those violations that are related to (a) decorum or attire, (b) financial requirements, or (c) reporting or recordkeeping violations which receive cumulative fines of \$5,000 or less within any calendar year;
- (2) Notwithstanding paragraph (1) above, a "disciplinary offense" shall include a violation of any Exchange rule or rule of another self-regulatory organization which: (a) involves fraud, deceit or conversion; or (b) results in an access denial, suspension or expulsion;
- (3) Violation of the Commodity Exchange Act or CFTC regulations; or
- (4) Failure to exercise supervisory responsibility in violation of the Rules of the Exchange, the rules of other self-regulatory organizations, the Commodity Exchange Act or CFTC regulations with respect to activities that involved fraud, deceit or conversion.

A Person who serves on any of the committees listed in Rule 300.D. shall inform the Exchange if ~~he or she is they~~ are currently ineligible, and shall immediately inform the Exchange if ~~he or she later they~~ later becomes ineligible, to serve on such committees under the standards set forth above with respect to disciplinary offenses. Violation of this rule shall be an act detrimental to the interest or welfare of the Exchange.

[Remainder of Rule is unchanged.]



**CME, CBOT, NYMEX/COMEX Rulebook**  
**Chapter 4**  
**ENFORCEMENT OF RULES**

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**404. PIT COMMITTEE (CME Rulebook Only)**

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A Pit Committee member shall not exercise [his/their](#) authority if [he/they](#) or any Person, firm, or broker association with which [he-is/they are](#) affiliated has a personal, financial, or other direct interest in the matter under consideration. A Pit Committee member shall be deemed to have a financial interest if the decision is likely to have an immediate financial impact on a transaction for [his/their](#) account or an account in which [he-has/they have](#) an interest or if the decision is likely to impact on liability for filling an order for which [he/they](#) or a Person with whom [he-has/they have](#) a financial or business relationship was responsible.

[Remainder of Rule is unchanged.]

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**409. SUMMARY PROCEEDINGS BEFORE THE FLOOR CONDUCT COMMITTEE**  
**(CME Rulebook Only)**

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**409.B. Selection of the Panel**

For proceedings before the Floor Conduct Committee, the Chief Regulatory Officer or [his/their](#) designee, in consultation with a Floor Conduct Committee Co-Chairman, shall select a panel consisting of three additional members of the Floor Conduct Committee, which may include other Co-Chairmen of the committee. The Chief Regulatory Officer shall endeavor to rotate the members serving on the panels.

No panelist may serve on the particular panel if [he/they](#) or any Person, firm, or broker association with which [he-is/they are](#) affiliated has a personal, financial, or other direct interest in the matter under consideration.

**409.C. Conduct of Summary Proceedings**

A summary proceeding before the Floor Conduct Committee shall be conducted in a fair and impartial manner.

A summary proceeding before the Floor Conduct Committee shall take place as soon as practicable after the issuance of charges. The proceeding will not be recorded. The respondent shall be entitled to appear personally and answer the charges issued. Respondents and witnesses may not be represented by counsel at a summary proceeding. However, an employee without membership privileges who is a respondent may be represented by a single representative of [his/their](#) employer. A panel shall decide by a majority vote whether the individual is guilty of the violation or offense charged. If the accused individual is found guilty, a panel may impose fines in accordance with Exchange Rules. A witness who fails to appear at a summary proceeding after being directed to do so by the Chairman of the panel or by staff may be charged with a violation of Rule 432.

If a panel of the Floor Conduct Committee, by a majority vote, decides that the matter is of major importance or might warrant a penalty in excess of its own authority, the Chairman of the Panel shall refer the matter to the Chief Regulatory Officer and shall inform the individual of this referral in writing.

**409.D. Appeals**

An individual found guilty of an offense who receives a fine greater than \$5,000 may, within 10 days of the decision, file a written appeal of the decision with the Market Regulation Department. A written appeal that fails to specify the grounds for the appeal and the specific error or impropriety of the original decision shall be dismissed by the Chief Regulatory Officer. The Hearing Panel Chair may also allow the parties to file briefs in support of or in opposition to an appeal. The appeal shall be heard by a Panel of the BCC ("BCC Panel") whose decision shall be the final decision of the Exchange and not subject to appeal pursuant to Rule 411. The appellant shall be entitled to be represented by counsel, appear personally before the BCC Panel and present evidence that [he/they](#) may have in support of [his/their](#) appeal. The BCC Panel shall not set aside, modify or amend the appealed decision unless it determines, by majority vote, that the decision was:

1. Arbitrary, capricious, or an abuse of the committee's discretion;
2. In excess of the committee's authority or jurisdiction; or
3. Based on a clearly erroneous application or interpretation of Exchange Rules.

[Remainder of Rule is unchanged.]

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## **413. SUMMARY ACCESS DENIAL ACTIONS**

### **413.A. Authority to Deny Access**

The Chief Regulatory Officer or [his/their](#) delegate, upon a good faith determination that there are substantial reasons to believe that such immediate action is necessary to protect the best interests of the Exchange, may order that any party be denied access to any or all CME Group markets or any Member be immediately removed from any trading floor or facility owned or controlled by CME Group.

### **413.B. Notice**

Promptly after an action is taken pursuant to Rule 413.A., the party shall be informed of the action taken, the reasons for the action, and the effective date, time and the duration of the action taken. The party shall be advised of [his/their](#) right to a hearing before a panel of the BCC ("Panel") by filing notice of intent with the Market Regulation Department within 10 business days of receiving notice of the action taken.

### **413.C. Hearing**

Parties shall have the right to representation, at their own cost, by legal counsel or anyone other than a member of any Exchange disciplinary committee, a member of the Board, an employee of CME Group or a Person related to the Investigation. The Panel shall conduct a de novo hearing solely on the issue of the denial of access in accordance with the procedures in Rule 408.A. Filing of a notice of intent pursuant to Rule 413.B. shall not stay the Chief Regulatory Officer's decision to deny access.

### **413.D. Duration of Access Denial**

Any decision to deny access pursuant to Rule 413.A. or Rule 413.C. shall not remain in effect for more than 60 days unless the Chief Regulatory Officer or [his/their](#) delegate, upon further consideration of the circumstances that resulted in a prior access denial action, provides written Notice to the party that [his/their](#) access will be denied for an additional period of time not to exceed 60 days and the Notice comports with the provisions of Rule 413.B. Any subsequent extension of the access denial pursuant to this Rule must be mutually agreed to by the party and the Chief Regulatory Officer or [his/their](#) delegate. In the absence of such mutual agreement, the Market Regulation Department may petition the BCC to take emergency action pursuant to Rule 402.C. At any time, a Member may petition the BCC to reconsider an access denial pursuant to this Rule based upon materially changed circumstances.

[Remainder of Rule is unchanged.]

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## **415. INFORMATION-SHARING AGREEMENTS**

The Chief Executive Officer or [his/their](#) delegate is authorized to provide information:

- A. to an exchange, clearing organization, domestic or foreign regulatory agency or member of the Intermarket Surveillance Group ("ISG") that is a party to an information sharing agreement with the Exchange, in accordance with the terms and conditions of such agreement; or
- B. as directed by the Commission pursuant to CFTC Regulation 38.159.

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## **416. CONFLICTS OF INTEREST**

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### **416.B. Disclosure of Relationship**

1. Prior to the consideration of any matter involving a subject, each member of a charging, adjudicating, or appeal committee or panel must disclose to the appropriate Exchange staff whether ~~he or she has~~ [they](#)

[have](#) one of the relationships listed in Rule 416.A. above with the subject.

[Remainder of Rule is unchanged.]

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#### **432. GENERAL OFFENSES (CME Rulebook Only)**

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- Y. to use improperly the trading or clearing platform of any Designated Contract Market, Derivatives Clearing Organization, or Swap Execution Facility owned or controlled by CME Group or permit the unauthorized use of such platforms; and/or
- Z. for a Member to fail to disclose to [his](#) qualifying Clearing Member that an involuntary bankruptcy petition has been filed against [him](#) or, in the case of a voluntary bankruptcy proceeding, that ~~he has~~ [they have](#) filed or has formed a definite intention to file for bankruptcy.

[Remainder of Rule is unchanged.]

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#### **433. STRICT LIABILITY FOR THE ACTS OF AGENTS**

Pursuant to Section 2(a)(1)(B) of the Commodity Exchange Act, and notwithstanding Rule 432.W., the act, omission, or failure of any official, agent, or other Person acting for any party within the scope of [his](#) employment or office shall be deemed the act, omission or failure of the party, as well as of the official, agent or other Person who committed the act.

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#### **440. CLAIMS BY MEMBERS**

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A Member who commences a legal action against the Exchange, its directors, officers, employees, or agents, after ~~he has~~ [they have](#) exhausted all of the procedures established by the Exchange, may be found to have committed an act detrimental to the interest or welfare of the Exchange in the event that at hearing the Board or the BCC determines that the Member's action was not meritorious or warranted.

[Remainder of Rule is unchanged.]

## **CME Rulebook Chapter 5 TRADING QUALIFICATIONS AND PRACTICES**

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### **FLOOR PRIVILEGES**

#### **501. EMPLOYEES OF MEMBERS**

Members shall register with the Exchange all persons whom they wish to employ on the trading floor. Such employees may act as runners, communicators, clerks and broker assistants. Such employees shall not be permitted to solicit customers or benefit from the production of orders. Such employees shall not trade or have any interest in an account trading in any CME futures or options contracts. Employees must wear a prescribed identification badge. Any member permitting trading by such employee shall be guilty of an offense against the Exchange. Remuneration to such employees shall be limited to salaries and normal bonuses. The member employer shall, upon request, provide a report to Exchange staff with respect to each such employee, setting forth the hours of employment, salary and bonus, and a copy of each employee's Internal Revenue Service W-2 Form or other documentation evidencing employment.

The following shall apply to any IMM, IOM or GEM member who also holds a broker assistant badge. Such person shall not trade for, or carry in his account or an account in which ~~he~~ has any interest, any positions in contracts traded on the Exchange except for those contracts which ~~he is~~ they are entitled to trade as principal or broker for others by virtue of ~~his~~ membership status as referenced above.

A member holding a broker assistant badge shall be required to notify ~~his~~ qualifying clearing member, as defined in Rule 903, of the name, address and immediate supervisor of the member or member firm by whom ~~he is~~ they are employed as a broker assistant. Upon a qualifying clearing member's revocation of trading authorization in accordance with Rule 903.E., the qualifying clearing member immediately shall give written notice to the member or member firm which employs a member as a broker assistant that the member's trading authorization has been revoked. A member holding a broker assistant badge shall be denied floor access privileges upon the revocation of trading authorization by ~~his~~ qualifying clearing member. The floor access privileges of a member who holds a broker assistant badge may be reinstated upon the filing of a release with the Shareholder Relations and Membership Services Department by the member's qualifying clearing member in accordance with Rule 903.D.

[Remainder of Rule is unchanged.]

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### **503. RETIRED MEMBERS**

Any member who has been a member for at least 25 years who sells or leases his membership may apply for a retired member badge which will entitle the retired member to access the trading floor. A retired member who leases his membership to another person may place orders for his own account from on the trading floor pursuant to the customer order entry requirements set forth in Rule 536.A.1. A retired member who sells his membership is prohibited from placing orders for any account while on the trading floor. Retired members are prohibited from accessing the trading pits during trading hours.

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## **TRADING QUALIFICATIONS AND REGULATIONS**

### **510. REQUIREMENTS FOR MEMBERS AND THEIR EMPLOYEES ON THE TRADING FLOOR**

All members and their employees on the trading floor shall satisfy all orientation requirements of the Exchange. All members seeking to act as a Floor Broker, Floor Trader, or in any other capacity requiring registration pursuant to the Commodity Exchange Act, must be registered in accordance with applicable CFTC regulations.

A member shall be prohibited from engaging in activities requiring registration under the Commodity Exchange Act or from representing ~~himself~~ themselves to be a registrant under the Commodity Exchange Act or the representative or agent of any registrant if such member's Floor Broker or Floor Trader registration is suspended by the CFTC or if the Exchange has suspended such member's privilege to act as a Floor Broker or Floor Trader on the Exchange.

All members registered with the CFTC must report any changes to such status in accordance with applicable CFTC regulations and must promptly notify the Shareholder Relations and Membership Services Department of any such changes.

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### **511. QUALIFIED TRADERS AND BROKERS**

No member shall be permitted to execute a pit, spot call or allowable privately negotiated transaction on the Exchange unless ~~he is~~ they are qualified to do so by a clearing member.

A member shall place all trades for his own account or any account which ~~he~~ they controls, on the books of his qualifying clearing member unless written authorization to the contrary from said clearing member has been filed with the Shareholder Relations and Membership Services Department. Regardless of such authorization, a member in a deficit position with any clearing member shall place trades only through his qualifying clearing member. Any non-qualifying clearing member that carries a member's account in a deficit position shall promptly notify the clearing member that is qualifying such member.

A member who believes his qualifying clearing member is unreasonably withholding a release necessary to permit the member to be qualified by a different clearing member may request a hearing before a Panel of the Business Conduct Committee ("Panel") pursuant to the applicable provisions of Rule 408. The Panel may, in its sole discretion, remand a dispute concerning the validity of a signed non-compete agreement between the parties

to arbitration pursuant to Rule 600.A. Either party may petition the arbitration chairman for expedited handling of the matter pursuant to Rule 613.

The Panel may assess attorneys' fees and the administrative costs of the proceeding against one or both of the parties if it determines that a claim or defense was frivolous or filed in bad faith.

#### **511.A. Floor Trading**

A clearing member may, without prior notice, revoke a member's authorization to trade by written revocation filed with the Shareholder Relations and Membership Services Department. Such revocation shall be effective and the member's qualification to trade shall terminate when notice of the disqualification is posted on the Exchange floor. A member shall not appear upon the floor of the Exchange until ~~he has~~they have been requalified. A member who has been disqualified shall promptly return ~~his~~their membership badge to the Shareholder Relations and Membership Services Department.

#### **511.B. Globex Trading**

Unless otherwise specified by a member's qualifying clearing member, a member suspended from entering orders through Globex shall not be disqualified from pit trading.

In the case of a member who has Globex access guaranteed by a clearing member other than ~~his~~their qualifying clearing member, the qualifying clearing member may terminate the member's ability to place orders through Globex by notifying the clearing member providing the member access to Globex. The clearing member providing the access to Globex will be responsible for ensuring that the member does not place orders through Globex.

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### **512. REPORTING INFRACTIONS**

#### **512.A. General**

All data, records and other information required by the rules to be reported to the Exchange or the Clearing House, as applicable, must be submitted in an accurate, complete and timely manner.

#### **512.B. Sanctions**

1. Except as otherwise provided in Rule 536, the Chief Regulatory Officer or ~~his~~their designee shall have the authority to impose summary fines on parties who have consented to the jurisdiction of the Exchange. Summary fines shall not be less than \$1,000 per offense and shall not exceed \$5,000 per offense for individuals or \$10,000 per offense for firms for the inaccurate, incomplete or untimely submission of data, records or information required to be submitted to the Exchange or the Clearing House.
2. Individuals and firms shall have 15 days following receipt of the notice of a summary fine to present evidence to the Market Regulation Department that the fine should be rescinded or reduced. Absent the submission of such evidence within the designated time period, the fine shall be deemed final and may not be appealed.

#### **512.C. Hearings and Appeals**

If the Chief Regulatory Officer or ~~his~~their designee determines that evidence submitted by an individual or firm pursuant to Section B.2. is insufficient to support the requested rescission or reduction of the fine, the individual or firm may, within 10 days of the decision, file a written appeal with the Market Regulation Department. A written appeal that fails to specify the grounds for the appeal and the specific error or impropriety of the original decision shall be dismissed. The appeal shall be heard by a Panel of the Business Conduct Committee ("BCC Panel") whose decision shall be final. The appellant shall be entitled to be represented by counsel, appear personally before the BCC Panel and present evidence that ~~he~~they may have in support of ~~his~~their appeal. The BCC Panel shall not set aside, modify or amend the appealed decision unless it determines, by a majority vote, that the decision was:

1. Arbitrary, capricious, or an abuse of the Exchange staff's discretion;
2. In excess of the Exchange staff's authority or jurisdiction; or
3. Based on a clearly erroneous application of Exchange rules.

Notwithstanding the provisions of Sections B.1. and B.2. above, the Market Regulation Department may, at any time, refer matters that it deems egregious to the Chief Regulatory Officer for consideration of charges.

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### **513. CONDUCT, APPAREL AND BADGES**

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### **513.C. Hearings and Appeals**

An individual fined pursuant to Rule 513.B.2., 3. or 4. may, within 10 days of the decision, file a written appeal with the Market Regulation Department. A written appeal that fails to specify the grounds for the appeal and the specific error or impropriety of the original decision shall be dismissed. The appeal shall be heard by a Panel of the Business Conduct Committee ("BCC Panel") whose decision shall be final. The appellant shall be entitled to be represented by counsel, appear personally before the BCC Panel and present evidence that [he](#) may have in support of [his](#) appeal. The BCC Panel shall not set aside, modify or amend the appealed decision unless it determines, by majority vote, that the decision was:

1. Arbitrary, capricious, or an abuse of the Panel's or Exchange staff's discretion;
2. In excess of the Panel's or Exchange staff's authority or jurisdiction; or
3. Based on a clearly erroneous application of Exchange rules.

[Remainder of Rule is unchanged.]

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## **514. TRADING INFRACTIONS**

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### **514.B. Floor Conduct Committee Fining Authority**

A Panel of the Floor Conduct Committee that finds a member or [his](#) employee guilty of violating Rule 514 may impose a fine of up to \$10,000 per offense on such member or employee, except that an egregious violation of Rule 514.A.6., 7., 8. or 9. may result in a fine of up to \$20,000. Notwithstanding the above, the total fine levied by a Panel against a respondent may not exceed \$20,000 based on the single issuance of charges.

[Remainder of Rule is unchanged.]

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## **515. REGISTRATION AND IDENTIFICATION OF BROKER ASSOCIATIONS**

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### **515.D. Supervision**

Each principal of a Revenue Sharing Association must diligently supervise the association's member registrants and non-member employees and may be held directly liable for violations of any rule of the Exchange by such registrants and employees. Regardless of whether the principal is held responsible for the act or acts constituting the violation, each principal is jointly liable for the payment of any fines assessed against another principal, registrant or employee of the association provided that the violation occurred while that person was functioning in [his](#) capacity with the association.

[Remainder of Rule is unchanged.]

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## **516. ERROR ACCOUNTS**

Each member who acts as a Floor Broker must maintain a designated error account with [his](#)-qualifying clearing member into which [he](#) places brokerage errors. This requirement shall not apply to a Floor Broker who initiates trades or enters orders solely on behalf of a member firm's proprietary account.

Each qualifying clearing member which carries an error account agrees, without qualification, to accept and clear the broker's trades involving brokerage errors.

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## **527. OUTTRADES, ERRORS AND MISHANDLING OF ORDERS**

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### **527.C. Outtrades Resolution**

To resolve an outrade, the parties shall attempt to agree upon: (1) the reconciliation of any discrepancy in the terms of the trade, (2) which party will cover the trade and the method for covering the trade, if applicable, and (3) the apportionment of the financial results of the outrade. In the event the parties are unable to agree on the apportionment of the financial results, the parties must nevertheless immediately reconcile the outrade.

The price at the time of the open of the next Regular Trading Hours session shall fix the limit of liability as a result of the outrade. Regardless of the ultimate determination of financial responsibility for the outrade, a party who unreasonably refuses to cover the outrade via an appropriate alternate market may be liable to the other party for the difference between the price at which the outrade could have been covered in the alternate market and the price at the time of the open of the next Regular Trading Hours session.

Outtrades shall be resolved in accordance with the procedures below:

#### 1. Straight Out Customer Outtrades

If a floor broker discovers that all or some portion of a customer order was executed but cannot be cleared, the broker shall either 1) re-execute the order in the market and adjust the customer by check if the re-execution price is worse than the original execution price, or, if the re-execution price is better than the original execution price, the customer is entitled to the better price or 2) assign the opposite side of the portion that cannot be cleared to ~~his~~their error account and assign a fill to the customer at the execution price. The floor broker shall not liquidate the assigned position until at least ten minutes have elapsed after the execution of the order giving rise to the outrade and the bracket period in which the outrade occurred has ended; however, these liquidation restrictions shall not apply to a liquidation during the post close session. Any profits or losses resulting from the liquidation of the assigned position belong to the floor broker and any such profits may be retained or disbursed at ~~his~~their discretion.

A floor broker who assigns the opposite side of an order pursuant to this rule shall: 1) clearly identify all such transactions by appropriate designation; 2) submit such trade information to ~~his~~their qualifying clearing member in sufficient time to enable the clearing member to submit the trade for the next intra-day reconciliation; 3) document in writing the circumstances surrounding any such transaction and promptly provide such documentation to the Market Regulation Department upon request; and 4) identify the subsequent liquidation of the assigned trade on the floor broker's trading card or other document.

#### 2. Price Outtrades

When an outrade exists due to a price discrepancy, members making the trade may choose to resolve the discrepancy by electing either of the two prices in question, if they agree that the trade was executed at that price.

If an outrade involves a price discrepancy between a local and a broker, and the members cannot agree on the price of execution, the price recorded by the broker shall be used to clear the trade.

If an outrade between locals or an outrade between brokers involves a price discrepancy, and the members cannot agree on the price of execution, the buyer's price shall be used to clear the trade.

#### 3. Quantity Outtrades

When an outrade exists due to a quantity discrepancy, members making the trade may choose to resolve the discrepancy by electing either of the two quantities in question, if they agree that the trade was executed for that quantity.

If an outrade between locals involves a quantity discrepancy and the members cannot agree on the quantity that was executed, the higher quantity shall be used to clear the trade.

A broker may assign the opposite side of any quantity which ~~he~~they believes that ~~he~~has they have executed, but which cannot be cleared, to ~~his~~their error account, pursuant to Section 1 above.

#### 4. Bona Fide Contract Month, Strike, Put vs. Call and Side of Market (Buy vs. Buy or Sell vs. Sell) Outtrades

When an outrade exists due to a contract month, strike price, side of market, or put/call discrepancy, and any party who executed a customer order believes that the order was executed in accordance with its instructions, the outrade may be resolved in any one of the following ways:

- a. The trade may be busted. If a broker re-executes ~~his~~their order, any losses incurred by the customer as a result of the delay in execution must be adjusted by check. If the order is executed at a more favorable price, the customer is entitled to the better price.
- b. The members making the trade(s) may agree to clear either trade or both trades in accordance with the members' recorded trade data.
- c. A broker may assign the opposite side of ~~his~~their order to ~~his~~their error account, pursuant to Section 1. above, and ~~he~~they may agree to the clearing of the transaction according to the terms of the other member's recorded trade data.



- d. If both members involved in the outrade are brokers, they may each assign the opposite side of their respective orders to their error accounts pursuant to Section 1. above.

A customer shall not be entitled to any portion of any profits realized by a local who was on the opposite side of an outrade between the local and the customer's broker, as a result of the local's liquidation of [his](#) position. Such profits belong to the local, and may be retained or disbursed at [his](#) discretion. If the local chooses to disburse any portion of such profits to the broker, and the broker's customer has received a fill in accordance with the broker's recorded trade data, the broker is not obligated to offer such profits to [his](#) customer.

Nothing herein shall in any way limit a member's right to submit an outrade to Exchange arbitration if the outrade cannot be resolved by agreement.

#### **527.D. Errors and Mishandling of Orders**

If a broker overbuys or oversells for an order, the customer is not entitled to any of the quantity executed in excess of the order quantity. A position that has been established as a result of an erroneous execution or mishandling of an order must be placed in the error account of the broker or firm responsible for the error or order mishandling. Any profits resulting from the liquidation of trades placed in a broker's or firm's error account belong to the relevant broker or firm, and any such profits may be retained or disbursed at the broker's or firm's discretion.

##### **1. Unfilled or Underfilled Orders**

If a broker fails to execute an order or underbuys or undersells for an order, the broker shall do one of the following:

- a. Execute the order or the remainder of the order in the market and adjust the customer by check if the customer is filled at a price less favorable than that to which ~~he was they were~~ entitled due to the broker's error or mishandling of the order. If the order is filled at a more favorable price, the customer is entitled to the better price.
- b. Execute the order or the remainder of the order in the market. If the order, or the remainder of the order, is filled at a worse price than that to which the customer was entitled but for the error or mishandling, the broker may allocate the fill to [his](#) error account, pursuant to Section C.1. above, provide the customer a fill at the price to which the customer was entitled, and place the opposite side of the customer fill into [his](#) error account. If the order is filled at a more favorable price, the customer is entitled to the better price.

[Remainder of Rule is unchanged.]

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#### **528. PRICE REPORTING**

Parties to a pit transaction shall properly notify the designated Exchange official of the price at which trades have been consummated. Both parties to a pit trade are required to ensure that such price is properly posted.

Whenever a member makes a trade with another member and such trade constitutes a price infraction, [he](#) shall 1) immediately break the trade; or 2) satisfy all bids or offers which were adversely affected; or 3) adjust the price of the trade to the price which existed when the price infraction occurred, provided that both parties agree to adjust the price and the terms of any affected orders are satisfied.

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#### **530. PRIORITY OF CUSTOMERS' ORDERS**

A member shall not buy (sell) a futures contract, buy (sell) a call option or sell (buy) a put option for [his](#) own account, an account in which [he](#) has a direct or indirect financial interest, or an account over which [he](#) has discretionary trading authority when [he](#) ~~is~~ in possession of an executable order for another person to buy (sell) a futures contract, buy (sell) a call option or sell (buy) a put option in the same product, regardless of the venue of execution. All contract months in a given futures product and all options on the futures product, in addition to any corresponding alternative sized (mini or micro) futures or options contracts on a given product, shall be considered the same product for the purposes of this rule.

The foregoing shall not apply to DRT orders provided that the customer has previously consented in writing and

evidence of such general consent is indicated on the order with the "WP" (with permission) designation. In the case of a Floor Broker holding a discretionary order for an account described in Rule 547, a "WP" designation on the order shall constitute sufficient evidence of prior consent.

No person shall enter an order into the Globex platform for ~~his~~their own account, an account in which ~~he~~they have ~~has~~ a direct or indirect financial interest or an account over which ~~he~~ ~~has~~they have discretionary trading authority, including, without limitation, an order allowing discretion as to time and price, when such person is in possession of any order for another person that the Globex platform is capable of accepting.

\*\*\*

## 531. TRADING AGAINST CUSTOMERS' ORDERS PROHIBITED

### 531.A. General Prohibition

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

### 531.B. Exceptions

The foregoing restriction shall not apply to the following:

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

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## 532. IMPROPER USE OR DISCLOSURE OF NON-PUBLIC INFORMATION PROHIBITED

Except as permitted by other Exchange rules, including, but not limited to, Rules 526, 538 and 539, no Person shall:

- a. Directly or indirectly trade (or enter, cancel, or modify an order) on the basis of material non-public information when ~~he~~they knows or reasonably should have known the information was obtained or disclosed through fraud, deception, or in violation of a pre-existing duty (established by law, rule, agreement, understanding, or some other source);
- b. Disclose material non-public information when ~~he~~they knows or reasonably should have known the disclosure of the information would violate a pre-existing duty (established by law, rule, agreement, understanding, or some other source) owed to another, except when the disclosure is made to an Exchange official, a permitted government official, or is required by law.
- c. Solicit or induce another person to disclose material non-public information.

The mere statement of opinions or general market conditions does not constitute a violation of this rule. An order for execution is material and not public information until it has been exposed to the market.

\*\*\*

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

A member who is in possession of both buy and sell orders for different beneficial owners for the same product and expiration month, and, for a put or call option, the same strike price, may execute such orders for and directly between such beneficial owners provided that in pit trading, a member executing such orders shall first bid and offer by open outcry three times at the same price, stating the number of contracts, and, thereafter, if neither the bid nor the offer is accepted, the orders may be matched in the presence, and with the approval, of a designated Exchange official.

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

[Remainder of Rule is unchanged.]

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**535. RESPONSIBILITY OF FLOOR TRADERS AND FLOOR BROKERS**

Every Floor Trader and Floor Broker shall assist [his/their](#) clearing member in the clearing of [his/their](#) trades. Every Floor Trader and Floor Broker must leave contact information with the clearing member through which or for which ~~he has~~[they have](#) traded in order that ~~he~~[they](#) may be contacted during the balance of the day in the event there is a discrepancy in the clearing of [his/their](#) trades.

Each Floor Trader and Floor Broker or [his/their](#) designated representative must be available on the trading floor to resolve outrades in contracts in which ~~he~~[they](#) executed trades on the previous day no later than 30 minutes prior to the opening of the relevant market (or at such other times as may be designated by Exchange officials). If the trader or broker or [his/their](#) designated representative is not present during such period, the clearing member through which or for which the trader or broker has traded shall be authorized to resolve any outrade in the manner it deems appropriate, but such resolution shall not be determinative of the liability of any party to the outrade.

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**536. RECORDKEEPING REQUIREMENTS FOR PIT, GLOBEX, AND NEGOTIATED TRADES**

**536.A. General Requirements for Open Outcry Pit Trades**

At the time of execution, it shall be the duty of every member to record each trade made for an account the member owns or controls showing the date, price, quantity, product, expiration month, bracket symbol, opposite trader, opposite clearing member and, for options, put or call and strike price. Floor brokers executing an order shall record their trading symbol, price, quantity, bracket, opposite trader and clearing member. Trades or order executions must either be recorded on an approved electronic device or, if recorded on written records, in non-erasable ink.

Members must designate on the trading document used to record a trade whether such trade is a spread trade and record "D" for single line entry differential spreads and "O" for all other spreads.

A member may correct any errors on written trading records by crossing out erroneous trade information without obliterating or otherwise making illegible any of the originally recorded information.

Each member shall provide [his/their](#) clearing member with any trading documents which are relied upon for transactional information necessary for submission to the clearing system containing those trades that have been executed thus far during that day. Trading documents include trading cards of members' personal and proprietary trades, trading cards of one member reflecting trades executed on behalf of another member and floor order tickets. Such trading documents must be submitted and timestamped no later than 15 minutes after the end of each half-hour interval. If a broker has only partially filled an order at the end of a half-hour period, ~~he~~[they](#) does not have to submit the document used to record the execution to the appropriate clearing member until the entire order has been filled, the unexecuted portion of the order is cancelled, or the market has closed for that contract, whichever occurs first.

In addition, each member must maintain, and is accountable for, all other documents on which original trade information is recorded, whether or not such information is subsequently endorsed on an order ticket or entered into an approved electronic device. Trading cards used to record the execution of flashed or electronically

transmitted orders are not required to have the member's trading symbol pre-printed on them, but such cards must be visually distinct from the pre-printed trading cards used by the member to record trades for accounts [they own](#) or controls.

The correct bracket symbol in accordance with the list below must be recorded for each pit trade.

<u>Time Intervals</u>	<u>Bracket Code</u>
Unknown to data entry operator	?
Opening range for each contract	\$
Closing range for each contract	%
Post Close Session	#
7:00:00 a.m. – 7:14:59 a.m.	A
7:15:00 a.m. – 7:29:59 a.m.	B
7:30:00 a.m. – 7:44:59 a.m.	C
7:45:00 a.m. – 7:59:59 a.m.	D
8:00:00 a.m. – 8:14:59 a.m.	E
8:15:00 a.m. – 8:29:59 a.m.	F
8:30:00 a.m. – 8:44:59 a.m.	G
8:45:00 a.m. – 8:59:59 a.m.	H
9:00:00 a.m. – 9:14:59 a.m.	I
9:15:00 a.m. – 9:29:59 a.m.	J
9:30:00 a.m. – 9:44:59 a.m.	K
9:45:00 a.m. – 9:59:59 a.m.	L
10:00:00 a.m. – 10:14:59 a.m.	M
10:15:00 a.m. – 10:29:59 a.m.	N
10:30:00 a.m. – 10:44:59 a.m.	O
10:45:00 a.m. – 10:59:59 a.m.	P
11:00:00 a.m. – 11:14:59 a.m.	Q
11:15:00 a.m. – 11:29:59 a.m.	R
11:30:00 a.m. – 11:44:59 a.m.	S
11:45:00 a.m. – 11:59:59 a.m.	T
12:00:00 p.m. – 12:14:59 p.m.	V
12:15:00 p.m. – 12:29:59 p.m.	W
12:30:00 p.m. – 12:44:59 p.m.	X
12:45:00 p.m. – 12:59:59 p.m.	Y
1:00:00 p.m. – 1:14:59 p.m.	Z
1:15:00 p.m. – 1:29:59 p.m.	2
1:30:00 p.m. – 1:44:59 p.m.	3
1:45:00 p.m. – 1:59:59 p.m.	4
2:00:00 p.m. – 2:14:59 p.m.	5
2:15:00 p.m. – 2:29:59 p.m.	6
2:30:00 p.m. – 2:44:59 p.m.	7

<u>Time Intervals</u>	<u>Bracket Code</u>
2:45:00 p.m. – 2:59:59 p.m.	8
3:00:00 p.m. – 3:15:00 p.m.	9

Trades that are not recorded contemporaneously due to an error or an outrade shall be recorded on the member's next pre-printed, sequentially numbered trading card. If the trade is not recorded in sequence, the member must cross out the pre-printed sequence number and write "9999" on the card. In any situation where someone other than the member is resolving a member's outrades, the outrade clerk or broker's clerk may use a blank card and write "9999" on the card to denote that it is out of sequence. The person resolving the outrade for a member must initial the card.

Firms must enter an "E" into the order type field to identify any errors placed into a firm error account.

#### 1. Customer Orders

At the time of execution, every order received from a customer must be in the form of a written or electronic record and include an electronic timestamp reflecting the date and time such order was received on the floor of the Exchange and, except as provided in Section C., must identify the specific account(s) for which the order was placed. Such record shall also include an electronic timestamp reflecting the date and time such order was modified, returned, confirmed or cancelled.

Upon request, a clearing firm must provide its broker, in an expeditious and reasonable manner, with a copy of every floor order such broker is asked to execute.

#### 2. Individual Member Orders

- a. A member on the trading floor who enters an order with another member shall record the order instructions and the time of placement to the nearest minute in sequence with the other trades recorded on [his/their](#) pre-sequenced trading cards, unless such order is immediately entered into an approved electronic device or recorded pursuant to Section 2.b. below. Orders that involve options-futures combinations and other spread trades where the initiating member personally executes at least one leg of the spread shall not be subject to this requirement.

The member executing the order must record the time of execution to the nearest minute for each execution made for the order on the trading card or other document used to record the trade(s) and must return this card or document to the initiating member.

The trading card used to record the placement of the flashed or verbal order and any trading card or document used to record the execution of the order must be submitted together to the clearing member by the member placing the order or [his/their](#) representative.

- b. Every written order that is initiated by a member for [his/their](#) own account while on the trading floor must include an electronic timestamp reflecting the date and time such order was transmitted for execution and when such order was modified, returned, confirmed or cancelled.
- c. A member or [his/their](#) employee standing in a trading pit receiving an order directly over a headset for pit execution from an off-floor member for [his/their](#) account must simultaneously make a written record of the order on a trading card or other document including the identification of the member calling in the order unless such order is immediately entered into an approved electronic device. The member executing the order must record the time of execution to the nearest minute for each execution made for the order on any trading card or other document used to record the trade(s) and must return this card or document to the initiating member's clearing member.

[Remainder of Rule is unchanged.]

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#### **536.D. Customer Type Indicator (CTI) Codes**

Each clearing member must identify each transaction 1) executed on the trading floor, 2) executed on the Globex platform or 3) privately negotiated as a block trade pursuant to Rule 526 or an EFRP pursuant to Rule 538 on the record of the transaction submitted to the Exchange with the correct customer type indicator (CTI) code. The CTI codes are as follows:

CTI 1: Electronic Trading, Open Outcry and Privately Negotiated – Applies to transactions initiated and executed by an individual member for [his/their](#) own account, for an account [he/she/they](#) controls, or for an account in which [he/she/they](#) have an ownership or financial interest. However, transactions initiated and executed by a member for the proprietary account of a member firm must be designated as CTI 2 transactions.

[Remainder of Rule is unchanged.]

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## 560. POSITION ACCOUNTABILITY

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A person who exceeds position accountability or position limit levels as a result of maintaining positions at more than one clearing firm shall be deemed to have waived confidentiality regarding [his](#) position and the identity of the clearing members at which the positions are maintained.

A person who holds or controls aggregate positions in excess of specified position accountability levels or in excess of position limits pursuant to an approved exemption shall be deemed to have consented, when so ordered by the Market Regulation Department, not to further increase the positions, to comply with any prospective limit which exceeds the size of the position owned or controlled, or to reduce any open position which exceeds position accountability or position limit levels. Any order to reduce an open position shall be issued by the Chief Regulatory Officer or [his](#) designee, if [he](#) determines in [his](#) sole discretion, that such action is necessary to maintain an orderly market.

A clearing member that carries positions for another person shall be responsible for taking reasonable and diligent actions to effect the timely compliance with any order issued pursuant to this rule upon notification of such order by the Market Regulation Department.

All positions must be initiated and liquidated in an orderly manner.

[Remainder of Rule is unchanged.]

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## 562. POSITION LIMIT VIOLATIONS

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A customer who exceeds the position limits as a result of maintaining positions at more than one clearing member shall be deemed to have waived confidentiality regarding [his](#) positions and the identity of the clearing members at which they are maintained. A clearing member carrying such positions shall not be in violation of this rule if, upon notification by the Market Regulation Department, it liquidates its pro-rata share of the position in excess of the limits or otherwise ensures the customer is in compliance with the limits within a reasonable period of time. For purposes of this rule, a reasonable period of time shall generally not exceed one business day.

[Remainder of Rule is unchanged.]

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## 579. GLOBAL COMMAND CENTER (“GCC”)

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### 579.C Order Status

A person who believes ~~he~~ [has](#) received an incorrect order status or does not receive an appropriate status shall immediately notify the GCC. In the event that the GCC and an Exchange system, service or facility provide conflicting information relating to an order status, a person may only reasonably rely on the information received from the GCC. Additionally, such person shall take any necessary and appropriate market action to mitigate any potential losses arising from the incorrect order status or lack of appropriate order status immediately after the person knew or should have known that the order status information was incorrect or should have been received.

[Remainder of Rule is unchanged.]

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## INTERPRETATIONS & SPECIAL NOTICES RELATING TO CHAPTER 5

### ACCESS, CONDUCT AND APPEARANCE CODE

It is imperative that persons who utilize the Exchange Trading Floors (“trading floor”) maintain a proper and businesslike atmosphere on the trading floor. This is not only for the benefit of the thousands of visitors (ranging from U.S. government officials to foreign dignitaries to the general public) who come to the Exchange each year, but also to maintain and enhance the reputation and dignity of the Exchange as an international marketplace.

Accordingly, the Exchange has established rules governing access to and conduct on the trading floor as well as standards of appearance. These rules and standards apply to members and their employees, member firm employees, Exchange employees and visitors.

#### I. Access

A. To gain access to the trading floor, every member, member's employee, member firm employee, and Exchange employee must use only ~~his~~their own personal access card to gain access to the trading floor. Exchange trading floor employees, other Exchange employees routinely on the trading floor and members must display their personal access card or their Exchange issued identification badge. Non-member employees of members and member firms must display their personal access cards on the upper front of their jackets with the picture side facing outward. Broker assistants must also wear a badge provided by the Exchange that identifies them as broker assistants.

[Remainder of INTERPRETATIONS & SPECIAL NOTICES RELATING TO CHAPTER 5 is unchanged.]

## CBOT and NYMEX/COMEX Rulebooks Chapter 5 TRADING QUALIFICATIONS AND PRACTICES

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### 512. REPORTING INFRACTIONS

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#### 512.B. Sanctions

1. Except as otherwise provided in Rule 536, the Chief Regulatory Officer or ~~his~~his designee shall have the authority to impose summary fines on parties who have consented to the jurisdiction of the Exchange. Summary fines shall not be less than \$1,000 per offense and shall not exceed \$5,000 per offense for individuals or \$10,000 per offense for firms for the inaccurate, incomplete or untimely submission of data, records or information required to be submitted to the Exchange or the Clearing House.
2. Individuals and firms shall have 15 days following receipt of the notice of a summary fine to present evidence to the Market Regulation Department that the fine should be rescinded or reduced. Absent the submission of such evidence within the designated time period, the fine shall be deemed final and may not be appealed.

#### 512.C. Hearings and Appeals

If the Chief Regulatory Officer or ~~his~~his designee determines that evidence submitted by an individual or firm pursuant to Section B.2. is insufficient to support the requested rescission or reduction of the fine, the individual or firm may, within 10 days of the decision, file a written appeal with the Market Regulation Department. A written appeal that fails to specify the grounds for the appeal and the specific error or impropriety of the original decision shall be dismissed. The appeal shall be heard by a Panel of the Business Conduct Committee (“BCC Panel”) whose decision shall be final. The appellant shall be entitled to be represented by counsel, appear personally before the BCC Panel and present evidence that ~~he~~they may have in support of ~~his~~their appeal.

[Remainder of Rule is unchanged.]

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527.

## ERRORS AND MISHANDLING OF ORDERS

If a broker overbuys or oversells for an order, the customer is not entitled to any of the quantity executed in excess of the order quantity. A position that has been established as a result of an erroneous execution or mishandling of an order must be placed in an account of the broker or firm responsible for the error or order mishandling. Any profits resulting from the liquidation of trades placed in such broker's or firm's account belong to the relevant broker or firm, and any such profits may be retained or disbursed at the broker's or firm's discretion.

### 1. Unfilled or Underfilled Orders

If a broker fails to execute an order or underbuys or undersells for an order, the broker shall do one of the following:

- a. Execute the order or the remainder of the order in the market and adjust the customer by check if the customer is filled at a price less favorable than that to which ~~he was they were~~ entitled due to the broker's error or mishandling of the order. If the order is filled at a more favorable price, the customer is entitled to the better price.
- b. Execute the order or the remainder of the order in the market. If the order, or the remainder of the order, is filled at a worse price than that to which the customer was entitled but for the error or mishandling, the broker may allocate the fill to ~~his their~~ account, provide the customer a fill at the price to which the customer was entitled, and place the opposite side of the customer fill into ~~his-their~~ account. If the order is filled at a more favorable price, the customer is entitled to the better price.

[Remainder of Rule is unchanged.]

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530.

## PRIORITY OF CUSTOMERS' ORDERS

A member shall not buy (sell) a futures contract, buy (sell) a call option, sell (buy) a put option or a swap for ~~his-their~~ own account, an account in which ~~he has they have~~ a direct or indirect financial interest, or an account over which ~~he has they have~~ discretionary trading authority when ~~he is they are~~ in possession of an executable order for another person to buy (sell) a futures contract, buy (sell) a call option, sell (buy) a put option, or a swap in the same product, regardless of the venue of execution. All contract months in a given futures product, all options on the futures product, and swap products in addition to any corresponding alternative sized (mini or micro) futures or options contracts on a given product or a swap, shall be considered the same product for the purposes of this rule.

The foregoing shall not apply to DRT orders provided that the customer has previously consented in writing and evidence of such general consent is indicated on the order with the "WP" (with permission) designation. In the case of a member holding a discretionary order for an account described in Rule 547, a "WP" designation on the order shall constitute sufficient evidence of prior consent.

No person shall enter an order into the Globex platform for ~~his-their~~ own account, an account in which ~~he has they have~~ a direct or indirect financial interest or an account over which ~~he has they have~~ discretionary trading authority, including, without limitation, an order allowing discretion as to time and price, when such person is in possession of any order for another person that the Globex platform is capable of accepting.

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531.

## TRADING AGAINST CUSTOMERS' ORDERS PROHIBITED

### 531.A. General Prohibition

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

### 531.B. Exceptions

The foregoing restriction shall not apply to the following:

1. Transactions executed in accordance with Rule 527 to resolve bona fide or errors;

2. Transactions executed pursuant to Rule 538;
3. Block trades executed pursuant to Rule 526; and
4. On the Globex platform, a person may knowingly trade against ~~his~~ their customer order for ~~his~~ their own account, an account in which ~~he has~~ they have a direct or indirect financial interest, an account over which ~~he has~~ they have discretionary trading authority, or a proprietary account of ~~his~~ their employer, only if the customer order has been entered immediately upon receipt and has first been exposed on the Globex platform for a minimum of 5 seconds in the case of futures or swaps orders or for a minimum of 15 seconds in the case of options orders.

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## **532. IMPROPER USE OR DISCLOSURE OF NON-PUBLIC INFORMATION PROHIBITED**

Except as permitted by other Exchange rules, including, but not limited to, Rules 526, 538 and 539, no Person shall:

- a. Directly or indirectly trade (or enter, cancel, or modify an order) on the basis of material non-public information when ~~he~~ they knows or reasonably should have known the information was obtained or disclosed through fraud, deception, or in violation of a pre-existing duty (established by law, rule, agreement, understanding, or some other source);
- b. Disclose material non-public information when ~~he~~ they knows or reasonably should have known the disclosure of the information would violate a pre-existing duty (established by law, rule, agreement, understanding, or some other source) owed to another, except when the disclosure is made to an Exchange official, a permitted government official, or is required by law.

[Remainder of Rule is unchanged.]

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## **536. RECORDKEEPING REQUIREMENTS FOR GLOBEX AND NEGOTIATED TRADES**

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### **536.D. Customer Type Indicator (CTI) Codes**

Each clearing member must identify each transaction 1) executed on the Globex platform or 2) privately negotiated as a block trade pursuant to Rule 526 or an EFRP pursuant to Rule 538 on the record of the transaction submitted to the Exchange with the correct customer type indicator (CTI) code. The CTI codes are as follows:

CTI 1: Electronic Trading and Privately Negotiated – Applies to transactions initiated and executed by an individual member for ~~his~~ their own account, for an account ~~he~~ they ~~controls~~ control, or for an account in which ~~he has~~ they have an ownership or financial interest. However, transactions initiated and executed by a member for the proprietary account of a member firm must be designated as CTI 2 transactions.

[Remainder of Rule is unchanged.]

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## **560. POSITION ACCOUNTABILITY**

\*\*\*

A person who exceeds position accountability or position limit levels as a result of maintaining positions at more than one clearing firm shall be deemed to have waived confidentiality regarding ~~his~~ their position and the identity of the clearing members at which the positions are maintained.

A person who holds or controls aggregate positions in excess of specified position accountability levels or in excess of position limits pursuant to an approved exemption shall be deemed to have consented, when so ordered by the Market Regulation Department, not to further increase the positions, to comply with any prospective limit which exceeds the size of the position owned or controlled, or to reduce any open position

which exceeds position accountability or position limit levels. Any order to reduce an open position shall be issued by the Chief Regulatory Officer or ~~his~~-~~their~~ designee, if ~~he~~-~~they~~ determines in ~~his~~-~~their~~ sole discretion, that such action is necessary to maintain an orderly market.

[Remainder of Rule is unchanged.]

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## **562. POSITION LIMIT VIOLATIONS**

\*\*\*

A customer who exceeds the position limits as a result of maintaining positions at more than one clearing member shall be deemed to have waived confidentiality regarding ~~his~~-~~their~~ positions and the identity of the clearing members at which they are maintained. A clearing member carrying such positions shall not be in violation of this rule if, upon notification by the Market Regulation Department, it liquidates its pro-rata share of the position in excess of the limits or otherwise ensures the customer is in compliance with the limits within a reasonable period of time. For purposes of this rule, a reasonable period of time shall generally not exceed one business day.

[Remainder of Rule is unchanged.]

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## **579. GLOBAL COMMAND CENTER (“GCC”)**

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### **579.C. Order Status**

A person who believes ~~he~~-~~has~~~~they~~ ~~have~~ received an incorrect order status or does not receive an appropriate status shall immediately notify the GCC. In the event that the GCC and an Exchange system, service or facility provide conflicting information relating to an order status, a person may only reasonably rely on the information received from the GCC. Additionally, such person shall take any necessary and appropriate market action to mitigate any potential losses arising from the incorrect order status or lack of appropriate order status immediately after the person knew or should have known that the order status information was incorrect or should have been received.

[Remainder of Rule is unchanged.]

# **CME, CBOT, NYMEX/COMEX Rulebooks Chapter 6 ARBITRATION**

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## **606. REVIEW OF ARBITRABILITY**

Any party may file a challenge to the arbitrability of a dispute submitted for arbitration at the Exchange. A party's failure to file a timely challenge to arbitrability shall waive any right to object thereafter to the arbitrability of the dispute.

A challenge to arbitrability by a claimant must be filed no later than 5 days after the claim is submitted for arbitration. A challenge to arbitrability by a respondent must be filed no later than 10 days after the respondent has received notice of the claim. The request must be in writing and state the reasons why the dispute is not arbitrable at the Exchange. Any other party may file a written response in support of or opposition to the challenge no later than

10 days after receiving notice of the challenge to arbitrability.

The chairman may decide the arbitrability of a dispute based on ~~his~~-their consideration of the written submissions of the parties. The chairman's decision shall be final and is not appealable.

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## PRE-HEARING PROCEDURES

### 611. REQUESTS FOR DOCUMENTS, INFORMATION OR TESTIMONY

A. The initial schedule for document requests by parties and responses will be set by the Market Regulation Department. The chairman may require any member, or any person employed by or associated with a member to produce relevant documents in ~~his~~-their possession or control at any time after a claim has been filed.

Upon the failure of a party or member to voluntarily produce relevant documents in its possession or control upon request by a party, the party seeking the documents may submit a written request to the chairman for an order compelling the production of such documents.

1. Any request for an order compelling production of documents must:
  - a. identify each document or type of document sought with as much specificity as possible;
  - b. explain the relevance of each document or type of document sought; and
  - c. include a representation that the requesting party has attempted to obtain the documents from the responding party before resorting to a request to the chairman.
2. The party or member against whom an order compelling production is sought shall:
  - a. produce copies of the requested documents to the requesting party and the Exchange; or
  - b. represent in writing that the documents are not in ~~his~~-their possession or control and explain the basis for such representation, and, if applicable, identify who is in possession or control of the requested documents; or

[Remainder of Rule is unchanged.]

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### 615. HEARING PROCEDURES

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#### 615.C. Parties and their Representatives

Each party and ~~his~~-their representative has the right to examine all relevant documents prior to and during the hearing, to present all relevant evidence in support of a claim or defense or as rebuttal to a claim or defense, and to question during the hearing witnesses presented in connection with a claim or defense. An entity may have one corporate representative of the entity, in addition to any counsel of record, attend the arbitration hearing. Such corporate representative will not be precluded from testifying in the matter.

[Remainder of Rule is unchanged.]

## APPEALS

### 619. APPEALS

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Failure to timely comply with these requirements for appeal, when applicable, shall constitute a waiver of any right to appeal and render the arbitrators' decision final and binding.

Within 15 days after filing a request for an appeal, the appellant shall file with the Market Regulation Department any argument and any documents or information that the appellant intends to use in support of the appeal. The appellee shall have 15 days thereafter to file whatever documents or information ~~he~~they intends to rely upon in opposition to the appeal. An extension beyond the 15-day filing period may be granted by the Market Regulation Department upon a showing of good cause. In the case of a non-cash award, the filing of the notice of appeal shall not stay the decision appealed from unless the panel from which the appeal is taken or the Chief Regulatory Officer specifically directs that the decision be stayed.

The appeal will be determined by an Appellate Panel consisting of three directors appointed by the Chairman of the Board, one of whom the Chairman of the Board shall designate as chairman of the Appellate Panel. No director may serve on an Appellate Panel if ~~he~~they have a personal or financial interest in the matter under consideration. A party may strike any member of the Appellate Panel for good cause shown as determined by the Chief Regulatory Officer, in which event that director shall be excused and the Chairman of the Board shall then select an alternate director from the Board. Any meeting of the Appellate Panel shall require the presence, either in person or by telephone, of each director appointed to the Appellate Panel and shall be conducted by the chairman of the Appellate Panel.

[Remainder of Rule is unchanged.]

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### **623. RIGHT TO COUNSEL**

Every person is entitled to represent ~~his~~their own interests, be represented by an attorney at law of ~~his~~their choosing and at ~~his~~their own expense who is admitted to practice before the highest court in any State, or be represented by any other non-compensated representative at any stage of an arbitration proceeding at the Exchange. An entity must be represented by an officer or owner of the entity or by an attorney at law. Notwithstanding the above, no person may be represented by a member of the Arbitration Committee, a member of the Board, an employee of CME Group or any person related to the arbitration.

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## **ARBITRATION COMMITTEE**

### **627. ARBITRATION COMMITTEE**

Each member of the Arbitration Committee shall:

- A. be appointed by the Board Chairman on an annual basis;
- B. pledge to the Exchange that ~~he~~they will not publish, divulge, or make known in any manner any facts or information which may come to ~~his~~their attention while performing ~~his~~their duties as a member of the Arbitration Committee, except when reporting to the Board, or to a committee concerned with such information, or when called upon to respond in any judicial or administrative proceeding;

[Remainder of Rule is unchanged.]

## **CME Rulebook Chapter 7 DELIVERY FACILITIES AND PROCEDURES**

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### **701. DECLARATIONS OF FORCE MAJEURE**

If a determination is made by the Chief Executive Officer, Chairman, Chief Operating Officer, or Chief Regulatory Officer, or their delegate, that delivery or final settlement of any contract cannot be completed as a result of Force Majeure, ~~he~~they shall take such action as ~~he~~they deems necessary under the circumstances, and ~~his~~their decision shall be binding upon all parties to the contract. The Exchange shall notify the CFTC of the implementation, modification or termination of any action taken pursuant to this Rule as soon as possible after taking the action.

It shall be the duty of clearing members, members and regular facilities to notify the Exchange of any circumstances that may give rise to a declaration of Force Majeure.

Nothing in this Rule shall in any way limit the authority of the Board of Directors to act in a Force Majeure situation pursuant to Rule 230.k.

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### **713. DELIVERY PROCEDURES**

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#### **713.D. Notice to Buyers**

The Clearing House promptly shall pass the Delivery Notices in the order in which they are received to the clearing members obligated by the oldest open long contracts to take delivery of the same amounts of the same commodities for the same delivery month. When a member of the Clearing House who has open purchases is suspended from the Clearing House for default or insolvency, [he](#) shall be deemed out of line for delivery and tender shall be made to the clearing member obligated upon the next oldest long contract. Also, if tender is made to a clearing member who is thereafter suspended for default or insolvency before delivery is accepted, then, subject to the provisions of [Rule 718](#), the Delivery Notice shall be withdrawn and another immediately served upon the clearing member obligated upon the next oldest long contract.

[Remainder of Rule is unchanged.]

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### **737. FOREIGN CURRENCY BUYER'S DUTIES**

#### **737.A. Currency Contracts**

A clearing member representing a customer that intends to accept delivery of a foreign currency in liquidation of [his](#) net long position in that foreign currency shall, no later than 11:00 a.m. on the last day of trading, except for Turkish Lira/ U.S. Dollar present to the Clearing House a Buyer's Non-CLS Delivery Commitment. Turkish Lira/ U.S. Dollar commitments shall be submitted to the Clearing House within one hour following termination of trading on the last day of trading. In addition, the clearing member shall either deposit, or present a bank Order to Pay, an amount equal to the net U.S. dollar value of such customer's positions. Values for positions in contracts with minimum fluctuations denominated in U.S. dollars shall be the contract value based on the settlement price on the last day of trading. Values for positions in contracts with minimum fluctuations in foreign currency shall be the contract size. If the buyer elects to pay by deposit, the deposit shall be made by 1:00 p.m. on the first day preceding the delivery day that is a business day common to the Exchange, Chicago banks and New York City banks for all other currencies. Such deposit shall be in the form of a wire transfer of same-day funds to an account at a bank designated by the Clearing House. If the buyer elects to pay by bank Order to Pay, an Order to Pay from an Exchange-approved bank shall be presented to a bank designated by the Clearing House by 1:00 p.m. on the first day preceding the delivery day that is a business day common to the Exchange, Chicago banks and New York City banks for all other currencies. The Bank Order to Pay shall be in a form approved by the Clearing House and shall promise to pay same-day funds on the delivery day.

#### **737.B. Physical Delivery Currency Cross-Rate and Israeli Shekel Contracts**

A clearing member representing a customer that intends to accept delivery of a Physical Delivery Currency Cross-Rate or Israeli Shekel Contract in liquidation of [his](#) position shall, no later than 11:00 a.m. on the last day of trading, present to the Clearing House a Buyer's Non-CLS Delivery Commitment. In addition by 1:00 p.m. on the first day preceding the delivery day that is a business day common to the Exchange, Chicago banks and New York City banks, the clearing member shall either deposit, or present a Bank Order to Pay, an amount in the minimum-fluctuation currency equal to the contract value based on the settlement price on the last day of trading. Such deposit shall be in the form of same-day funds to an account at a bank designated by the Clearing House. The bank Order to Pay shall be in a form approved by the Clearing House, and shall promise to pay same-day funds on the delivery day.

#### **737.C. Physical Delivery Euro versus Polish Zloty, Hungarian Forint and Czech Koruna Cross-Rate Contracts**

A clearing member representing a customer that intends to accept delivery of Polish zloty, Hungarian forint or Czech koruna in liquidation of [his](#) net long position in that foreign currency shall, no later than 11:00 a.m. on the last day of trading, present to the Clearing House a Buyer's Non-CLS Delivery Commitment. In addition, the clearing member shall either deposit, or present a bank Order to Pay, an amount equal to the net Euro value of such customer's positions. Values for positions in contracts with minimum fluctuations denominated in Euros shall be the contract value based on the settlement price on the last day of trading multiplied by the trading unit. If the buyer elects to pay by deposit, the deposit shall be made by 9:00 a.m. on the first business day preceding the delivery day that is a business day common to the Exchange, Chicago banks, New York City banks and banks for the Euro ("Target system banks"). Such deposit shall be in the form of a wire transfer of same-day funds to an account at a bank designated by the Clearing House. If the buyer elects to pay by bank Order to Pay, an Order to Pay from an Exchange-approved bank shall be presented to a bank designated by the Clearing House by 1:00 p.m. on the first business day preceding the delivery day that is a business day common to the Exchange, Chicago

banks, New York City banks and banks for the Euro ("Target system banks"). The Bank Order to Pay shall be in a form approved by the Clearing House, and shall promise to pay same-day funds on the delivery day.

Subject to the preceding three paragraphs, if the Buyer's Non-CLS Delivery Commitment is received later than 11:00 a.m. on the last day of trading, but not later than 8:00 a.m. on the following day, the buyer's clearing member shall be assessed a fine on a per contract basis, the amount to be determined by Exchange staff. Any deliveries memoranda or instructions received subsequent to 8:00 a.m. on the day following the last day of trading shall be deemed a delivery obligation failure and acted upon in accordance with Rule 743.B. The buyer shall have made all provisions necessary to receive delivery within the country of issuance.

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#### **737.F. Restrictions**

From time to time, and frequently without warning, countries change the requirements and the restrictions on non-resident bank accounts. These take various forms including, but not limited to, non-interest-bearing deposit requirements, negative interest rates, prohibitions against investment in the country, ceilings on the amount of deposit and restrictions on the period of time such deposits may be maintained. It is the buyer's responsibility to be familiar with and in conformance with all regulations pertaining to the holding of non-resident bank accounts in the country in which ~~he~~they desired to accept delivery.

[Remainder of Rule is unchanged.]

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### **738. FOREIGN CURRENCY SELLER'S DUTIES**

#### **738.A. U.S. Dollar-Based Currency Contracts, Euro versus Polish Zloty, Hungarian Forint, Czech Koruna Cross-Rate Contracts**

The clearing member representing a customer delivering foreign currency in liquidation of ~~his~~their net short position shall, no later than 11:00 a.m. on the last day of trading, present to the Clearing House a Seller's Non-CLS Delivery Commitment except Turkish Lira/ U.S. Dollar. Turkish Lira/ U.S. Dollar commitments shall be submitted to the Clearing House within one hour following termination of trading on the last day of trading.

#### **738.B. Physical Delivery Currency Cross-Rate**

The clearing member representing a customer making delivery of a Physical Delivery Currency Cross-Rate Contract, except for cross-rate contracts referenced in Rule 738.A., in liquidation of ~~his~~their position shall, no later than 11:00 a.m. on the last day of trading, present to the Clearing House a Seller's Non-CLS Delivery Commitment. In addition, by 1:00 p.m. on the first day preceding the delivery day that is a business day common to the Exchange, Chicago banks and New York City banks, the clearing member shall either deposit, or present a Bank Order to Pay, an amount equal to the trading unit. Such deposit shall be in the form of same-day funds to an account at a bank designated by the Clearing House. The Bank Order to Pay shall be in a form approved by the Clearing House, and shall promise to pay same-day funds on the delivery day. The Seller shall have made all provisions necessary to receive delivery of the minimum-fluctuation currency within the country of issuance. The Seller's clearing member shall be responsible for delivering the foreign currency on the delivery date to a bank designated by the Clearing House. The Exchange reserves the right to eliminate the requirement for sellers to post a Bank Order to Pay in the event that a given country's payments systems, which previously required a prior Bank Order to Pay posting, implements same-day finality of payment.

Subject to the preceding two paragraphs, if the Seller's Non-CLS Delivery Commitment is received later than 11:00 a.m. on the last day of trading, but not later than 8:00 a.m. on the day following the last day of trading, the seller's clearing member shall be assessed a fine on a per-contract basis, the amount to be determined by Exchange staff. Any deliveries memoranda or instructions received subsequent to 8:00 a.m. on the day following the last day of trading, shall be deemed a delivery obligation failure and acted upon in accordance with Rule 743.B.

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#### **738.E. Restrictions**

From time to time, and frequently without warning, countries change the requirements and the restrictions on non-resident bank accounts. These take various forms including, but not limited to, non-interest-bearing deposit requirements, negative interest rates, prohibitions against investment in the country, ceilings on the amount of deposit and restrictions on the period of time such deposits may be maintained. It is the seller's responsibility to



be familiar with and in conformance with all regulations pertaining to the holding of non-resident bank accounts in the country in which ~~he~~they desired to make delivery.

**CBOT Rulebook  
Chapter 7  
DELIVERY FACILITIES AND PROCEDURES**

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**701. DECLARATIONS OF FORCE MAJEURE**

If a determination is made by the Chief Executive Officer, Chairman, Chief Operating Officer, or Chief Regulatory Officer, or their delegate, that delivery or final settlement of any contract cannot be completed as a result of Force Majeure, ~~he~~they shall take such action as ~~he~~they deems necessary under the circumstances, and ~~his~~their decision shall be binding upon all parties to the contract. The Exchange shall notify the CFTC of the implementation, modification or termination of any action taken pursuant to this Rule as soon as possible after taking the action.

It shall be the duty of clearing members, members and regular facilities to notify the Exchange of any circumstances that may give rise to a declaration of Force Majeure.

Nothing in this Rule shall in any way limit the authority of the Board of Directors to act in a Force Majeure situation pursuant to Rule 230.k.

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**DELIVERY FACILITIES AND PROCEDURES  
FOR AGRICULTURAL COMMODITIES AND ETHANOL**

**703. REGULAR WAREHOUSES AND SHIPPING STATIONS**

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**703.B. Strike Bound Facility**

A regular facility or an owner of shipping certificates or warehouse receipts can tender for delivery in a strike bound facility. The taker of delivery is liable for all premium, storage, or administrative charges. However, where the owner of shipping certificates or warehouse receipts in a strike bound facility delivered against futures contracts has a bona fide bid for like shipping certificates or warehouse receipts in a strike free facility and decides to load the grain out or sell ~~his~~their shipping certificates or warehouse receipts the strike bound warehouseman has the option:

- (a) to provide that same quantity and like quality of grain in store in another regular facility, not on strike, in the same delivery market, or
- (b) to provide that same quantity and like quality of grain in store at another location on mutually acceptable terms. If no initial agreement can be reached, the strike bound warehouseman must buy ~~his~~their shipping certificates or warehouse receipts back at the bid price in store for that same quantity and like quality of grain in a strike free facility in the same delivery market or ~~he~~has they have the alternative of proceeding as in (a) above. The bid (which must be a basis bid versus futures settlement) referred to in this paragraph must be good for a minimum period of one hour and must be tendered in writing to the strike bound warehouseman between market close and 4:30 p.m. on a business day. The warehouseman must respond to the bid within the time period during which the bid is alive.

Within the context of this Rule, a strike bound warehouse is defined as the facility itself being on strike.

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**703.C. Load-Out**

A. Load-Out Procedures for Corn, SRW Wheat, Oats, Soybeans and KC HRW Wheat and Rough Rice

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3. Rough Rice: Load-outs shall begin no later than the third business day following the day on which one or more loading instructions are given to the warehouseman; provided, however, that the withdrawing party has within that period furnished rail cars or trucks to receive the rice.

The warehouseman, upon receipt of the canceled shipping certificates by ~~his-their~~ agent and loading instructions from the owner by 2:00 p.m. on a given day, shall notify the owner in writing by 4:00 p.m. on that given day of the scheduled day for load-out. The daily tariff, load-out rate and the amount of tonnage which is scheduled for load-out before owner's load-out shall also be provided in the notification. The certificate owner may request and receive from the warehouseman on any given day prior to load-out specifications containing the amount of tonnage remaining before owner's equipment is loaded.

The warehouse operator shall be permitted a two pound deviation above or below the yield of head rice shown on the shipping certificate issued for delivery on the contract. The warehouse operator shall also be permitted a two pound deviation above or below the total milling yield shown on the shipping certificate issued for delivery on the contract.

The warehouse operator is responsible, during load-out, for maintaining the milling yield of rice specified on the shipping certificate, within the stated allowable deviations, for the total quantity of rice represented by the shipping certificate and not for sub-lots (i.e. truckloads) of the shipping certificate. The warehouse operator is also responsible, during load-out, for maintaining the numerical grade of rice specified on the shipping certificate, however, the numerical grade for sub-lots (i.e., truckloads) shall be no more than one numerical grade below the deliverable grade specified in Rule 17101. Averaging the grade or milling yield of multiple certificates is not permissible.

When the rough rice is loaded-out, the warehouse operator will be reimbursed by the buyer in cash if the total milling yield or the yield of head rice of the rice loaded out is over the total milling yield or the yield of head rice listed on the shipping certificate (up to two pounds).

Conversely, the warehouse operator will reimburse the buyer in cash if the total milling yield or the yield of head rice of the rice loaded out is under the total milling yield or the yield of head rice listed on the shipping certificate (up to two pounds). Calculations shall be made daily for each certificate loaded out that day and shall be based on the premium and discount schedule specified in Rule 17101. Adjustments on the milling yield of head rice shall be based on an official test.

Both the buyer and the warehouseman will provide for an analysis of the rough rice for grade and milling yield. If there is a disagreement, then a duplicate sample taken at origin shall be analyzed by the Federal Grain Inspection Service (FGIS), or a mutually agreed-upon third party to resolve the disagreement.

It shall be the duty of operators of all regular warehouses to inspect the transportation facilities furnished by the negotiable certificate holder. If, in the warehouseman's judgment, cleaning is necessary, ~~he-they~~ shall immediately notify the certificate holder and thereafter abide by the holder's instructions.

Notwithstanding the above, the buyer retains the right, at ~~his-their~~ expense, to an official sampling and analysis by FGIS, or a mutually agreed-upon third party, at origin, of rough rice loaded-out at any time. Warehousemen shall retain samples for at least 30 calendar days.

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#### C. Notification to Regular Facilities

The operator of the regular facility shall load-in and load-out grains in the order and manner provided in parts A and B of this Rule 703.C., except that its obligation to load-out grain, excluding KC HRW Wheat, to a given party shall commence no sooner than three business days after it receives cancelled warehouse receipts or shipping certificates and written loading orders from such party, even if such party may have a conveyance positioned to accept load-out of grain before that time. If the party taking delivery presents transportation equipment of a different type (rail, barge, vessel, or truck) than that specified in the loading orders, ~~he-is-they are~~ required to provide the operator of the regular facility with new loading orders, and the operator of the facility shall be obligated to load-out grain, excluding KC HRW Wheat, to such party no sooner than three business days after it receives the new loading orders. Written loading orders received after 2:00 p.m. on a given business day shall be deemed to be received on the following business day. Warehouse receipts or shipping certificates cancelled after 4:00 p.m. shall be deemed to be cancelled on the following business day. Written loading orders must be received no later than two business days after warehouse receipts/shipping certificates are cancelled. If the owner decides against loading out grain within two business days after warehouse receipts or shipping certificates are cancelled, ~~he-they~~ may notify the warehouseman/shipper that warehouse receipts or shipping certificates are to be re-issued. Requests to re-issue warehouse receipts or shipping certificates more than two business days after warehouse receipts or shipping certificates are cancelled are subject to mutual agreement. All fees for re-issuance are payable by the owner.

The warehouseman/shipper shall transmit to the Registrar by 11:00 a.m., the name, location of regular facility, and number of delivery vessels/barges/rail cars constructively placed that day. The Registrar shall maintain a current record of the number of delivery vessels/barges/rail cars constructively placed and shall be responsible for posting this record on the Exchange website.

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G. Barge Load-Out Procedures for Corn, Soybeans, and SRW Wheat at facilities in the St. Louis-Alton Territory and on the Ohio and Mississippi Rivers

When corn, soybeans, or SRW Wheat represented by shipping certificates are ordered out for shipment by water conveyance, the regular shipper has the obligation to load-out grain at ~~his~~ their registered daily rate of loading. The shipper's obligation to a party shall begin no sooner than three business days after it receives canceled shipping certificates and written loading orders from the party or one business day after the constructive placement of the water conveyance, whichever is later.

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(6) For Illinois Waterway barge loading at Burns Harbor, the following shall apply with respect to the protection of the Chicago barge rate and inclement weather:

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(c) When grain represented by shipping certificates is ordered out for shipment by vessel, and the party taking delivery is a recipient of a split delivery of grain between a regular facility located in Burns Harbor and a regular facility in Chicago, and the grain in the Chicago facility will be loaded onto this vessel; it will be the obligation of the party making delivery at the request of the party taking delivery to protect the holder of the shipping certificates against any additional charges resulting from loading at one berth in the Burns Harbor Switching District and at one berth in the Chicago Switching District as compared to a single berth loading at one location. The party making delivery, at ~~his~~ their option, will either make the grain available at one water facility operated by the party making delivery and located in the Chicago Switching District for loading onto the vessel, make grain available at the facility in Burns Harbor upon the surrender of shipping certificates issued by other regular elevators or shipping stations located in the Chicago Switching District at the time vessel loading orders are issued, or compensate the party taking delivery in an amount equal to all applicable expenses, including demurrage charges, if any, for the movement of the vessel between a berth in the other switching district. On the day that the grain is ordered out for shipment by vessel, the party making delivery will declare the regular facility in which the grain will be available for loading.

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(7) Any expense for making the grain available for loading on the Illinois Waterway, Ohio River, or Mississippi River will be borne by the party making delivery, provided that the taker of delivery constructively places barge equipment, clean and ready to load, within five (5) business days following the scheduled loading date of the barge on the Illinois Waterway, Ohio River, or Mississippi River. If the taker's barges are not constructively placed within five (5) business days following the scheduled loading date of the barge on the Illinois Waterway, Ohio River, or Mississippi River, the taker shall pay the shipper an amount not to exceed 30/100 of one cent per bushel per day multiplied by the number of calendar days from the fifth business day following the scheduled loading date to the date that the barge is constructively placed, including both dates, but excluding business days the shipper meets ~~his~~ their minimum daily barge load-out rate. Requests to cancel loading instructions and re-issue shipping certificates more than two business days after shipping certificates are cancelled are subject to mutual agreement. All fees for re-issuance are payable by the owner.

[Remainder of Rule is unchanged.]

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## 707. **REVOCAION, EXPIRATION OR WITHDRAWAL OF REGULARITY**

The Business Conduct Committee may revoke a declaration of regularity whenever a regular facility fails to comply with the conditions specified in this Chapter, any other conditions to which it has agreed in its application for regularity, or any other Rules of the Exchange.

Unless a shorter notification period is otherwise authorized by the Exchange, a facility shall give six (6) months prior written notice to the Exchange prior to withdrawing from regularity.

If the designation of a facility as regular is withdrawn or revoked, a notice shall be posted announcing such withdrawal or revocation and the period of time, if any, during which the warehouse receipts or shipping certificates issued by such facility shall thereafter be deliverable in satisfaction of futures contracts under the Rules of the Exchange.

In the event of revocation, expiration or withdrawal of regularity, or in the event of sale or abandonment of the

properties where regularity is not reissued, holders of outstanding shipping certificates and warehouse receipts shall be given thirty days to take load-out of the commodity from the facility. If a holder of an outstanding shipping certificate or warehouse receipt chooses not to take load-out during this period, the facility must provide ~~him~~ ~~them~~ with another shipping certificate or warehouse receipt at another, mutually acceptable regular facility with adjustments for differences in contract differentials. Alternatively, if such shipping certificate or warehouse receipt is unavailable, the facility must provide the holder with an equivalent quantity and quality of the grain designated in the shipping certificate or warehouse receipt at a mutually acceptable location.

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## **713. DELIVERY PROCEDURES**

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### **713.C. Eligibility to Receive Delivery and Notice to Buyers**

Prior to 8:00 p.m. of each day on which delivery notices may be delivered, each clearing member shall report to the Clearing House its long positions eligible for delivery. Such reports shall show the dates on which such purchases were made and shall exclude purchases to which the clearing member has applied deliveries assigned to it but which remain open on its books pending receipt of delivery. With respect to omnibus accounts, the reports shall show the dates on which such purchases were made as reflected on the ultimate customers' account statements.

The Clearing House shall assign the deliveries to clearing members (buyers) having contracts to take delivery of the same amounts of the same commodities. The Clearing House shall notify such clearing members of the deliveries which have been assigned to them and shall furnish to the issuers of delivery notices the names of clearing members obligated to accept their deliveries. Clearing Members receiving delivery notices shall assign delivery to the oldest open contracts on their books at the close of business on the previous day (position day).

When a member of the Clearing House who has open purchases is suspended from the Clearing House for default or insolvency, ~~he~~ ~~they~~ shall be deemed out of line for delivery and tender shall be made to the clearing member obligated upon the next oldest, long contract. Also, if tender is made to a clearing member who is thereafter suspended for default or insolvency before delivery is accepted, then, subject to the provisions of Rule 718, the Delivery Notice shall be withdrawn and another immediately served upon the clearing member obligated upon the next oldest, long contract.

[Remainder of Rule is unchanged.]

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## **718. CUSTOMER SUBSTITUTION IN THE EVENT OF CLEARING MEMBER BANKRUPTCY**

In the event that an "order for relief" as defined at CFTC Reg. 190.01(ee) has been entered in respect to a clearing member whose customer holds a futures contract or options contract that may only be liquidated by physical delivery and, as to such contract:

- (i) trading has ceased on the date of the entry of the "order for relief;"
- (ii) notice of delivery has been tendered on or before the date of the entry of the "order for relief;" or
- (iii) trading ceases before the trustee can liquidate the contract;

then, notwithstanding Rule 713.C., the Clearing House shall allow the customer (if ~~his~~ ~~their~~ identify can be readily ascertained and verified) to be directly substituted for the debtor clearing member to the extent necessary to complete delivery. None of the requirements for delivery, including notices, instructions, payment, etc., shall be waived hereby. Moreover, substitution shall in no way relieve the debtor clearing member of its obligations to the Clearing House and the opposite clearing member in regard to any claims arising out of that delivery.

# **NYMEX/COMEX Rulebook Chapter 7 DELIVERY FACILITIES AND PROCEDURES**

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## **701. DECLARATIONS OF FORCE MAJEURE**

If a determination is made by the Chief Executive Officer, Chairman, Chief Operating Officer, or Chief Regulatory Officer, or their delegate, that delivery or final settlement of any contract cannot be completed as a result of Force Majeure, ~~he~~they shall take such action as ~~he~~they deems necessary under the circumstances, and ~~his~~their decision shall be binding upon all parties to the contract.

The Exchange shall notify the CFTC of the implementation, modification or termination of any action taken pursuant to this Rule as soon as possible after taking the action.

It shall be the duty of members, clearing members, regular facilities and metals' service providers to notify the Exchange of any circumstances that may give rise to a declaration of Force Majeure.

Nothing in this Rule shall in any way limit the authority of the Board of Directors to act in a Force Majeure situation pursuant to Rule 230.k.

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## **707. OBLIGATIONS IN METAL DELIVERY AND DISPUTE RESOLUTION**

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2. In the event that a clearing member or customer shall claim a breach of the Delivery Warranty, the metal shall be immediately submitted to an assayer for sampling and assaying. The expense of sampling and assaying shall, in the first instance, be borne by the claimant. If the assayer shall determine a deficiency in quality, the claimant shall have the right to recover the difference in the sampling and assaying and any cost of replacement of the metal. The claimant may, at ~~his~~their option, proceed directly against the service provider of the metal, as shown on the warrant upon an Exchange delivery without seeking recovery from the immediate short clearing member of the metal futures contract. If the service provider of the warrant satisfies the claim, intervening short clearing members will be thereby discharged from liability to the claimant. If the claimant seeks recovery from the immediate short clearing member, and ~~his~~their claim is satisfied by such short clearing member, the party thus satisfying the claim will have a similar option to claim recovery directly from the original short clearing member of the warrant or from the party's immediately preceding short clearing member. Such claims as are in dispute between members of the Exchange shall in each case be submitted to arbitration under the Rules of the Exchange.
3. The liability of a short clearing member of a warrant as provided herein shall not be deemed to limit the rights of such short clearing member against any person or party for whose account the short clearing member acted in making delivery on a metal futures contract, or any facility that warranted the metal for delivery of said metal futures contract. If it shall be determined in such arbitration proceeding that any short clearing member of a warrant or the person or party for whom such short clearing member acted was aware of the breach of the Delivery Warranty or was involved in a plan or arrangement with the original short clearing member (or ~~his~~their customer) to place such metal not meeting the deliverable product specifications set forth herein and in the applicable metal futures contract rule in a facility for use in deliveries of metal futures contracts, such short clearing members shall not be entitled to recover from any prior short clearing member for the breach of a Delivery Warranty.

[Remainder of Rule is unchanged.]

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## **718. CUSTOMER SUBSTITUTION IN THE EVENT OF CLEARING MEMBER BANKRUPTCY**

In the event that an "order for relief" as defined at CFTC Reg. 190.01(ee) has been entered in respect to a clearing member whose customer holds a futures contract or options contract that may only be liquidated by physical delivery and, as to such contract:

1. trading has ceased on the date of the entry of the "order for relief;"
2. notice of delivery has been tendered on or before the date of the entry of the "order for relief;" or
3. trading ceases before the trustee can liquidate the contract;

then, notwithstanding having been matched for delivery by the Clearing House, the Clearing House shall allow the customer (if ~~his~~their identity can be readily ascertained and verified) to be directly substituted for the debtor clearing member to the extent necessary to complete delivery. None of the requirements for delivery, including notices, instructions, payment, etc., shall be waived hereby. Moreover, substitution

shall in no way relieve the debtor clearing member of its obligations to the Clearing House and the opposite clearing member in regard to any claims arising out of that delivery.

## **CME, CBOT, NYMEX/COMEX Rulebooks**

### **Chapter 8**

### **CLEARING HOUSE AND PERFORMANCE BONDS**

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#### **803. LIMITATION OF LIABILITY**

The liability of the Clearing House shall be limited to losses resulting from the substitution of the Clearing House upon contracts between clearing members and to losses in connection with substitution of another Participating Exchange for clearing members (i.e., the Mutual Offset System), and to losses in connection with amounts due and owing from a Partner Clearing House. The Clearing House shall not be liable for any other obligations, including but not limited to, obligations of a non-clearing member, obligations of a clearing member to a non-member, obligations of a clearing member to another member of the Clearing House who is acting for [him/them](#) as broker, or obligations to a customer by a clearing member; nor shall the Clearing House become liable to make deliveries to or accept deliveries from a customer of its clearing members.

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#### **824. ADDITIONAL PERFORMANCE BOND**

Whenever, in the opinion of the Clearing House Risk Committee, the President of Global Operations, Technology & Risk or the Global Head of Clearing & Post-Trade Services or, in [his/their](#) absence, [his/their](#) delegate, unstable conditions relating to one or more products exist, they may from time to time, call for additional performance bond collateral from clearing members. Such additional performance bond calls may be as much as or more than the original performance bond collateral. The performance bond collateral thus called for may be for one or more contract(s) from one or more clearing member(s) and on long positions, short positions or both.

In the event market conditions and price fluctuations at any time shall cause the Clearing House Risk Committee, the President of Global Operations, Technology & Risk or the Global Head of Clearing & Post-Trade Services or, in [his/their](#) absence, [his/their](#) delegate, to conclude that additional performance bond collateral is required to maintain an orderly market in contracts traded on the exchange or to preserve fiscal integrity the Clearing House Risk Committee, the President of Global Operations, Technology & Risk or the Global Head of Clearing & Post-Trade Services or [his/their](#) delegate may call for additional performance bond collateral to be deposited with the Clearing House during the next banking hour after demand therefor, or at such times as may be specified. Such additional performance bond collateral may be called from the longs or the shorts or from both.

When the Clearing House Risk Committee, the President of Global Operations, Technology & Risk or the Global Head of Clearing & Post-Trade Services or, in [his/their](#) absence, [his/their](#) delegate, shall be of the opinion that any clearing member is carrying commitments or incurring risk in its proprietary, customer and/or cross-margin accounts, that are larger than is justified by the financial condition of that clearing member, then the Clearing House Risk Committee, the President of Global Operations, Technology & Risk or the Global Head of Clearing & Post-Trade Services or, in [his/their](#) absence, [his/their](#) delegate, may require additional performance bond collateral of such clearing member which shall be deposited with the Clearing House during the next banking hour after demand therefor, or at such time as may be specified, or a portion of the open positions of said clearing member may be required to be transferred to the books of another clearing member.

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#### **853. TRANSFERS OF TRADES AND CUSTOMER ACCOUNTS**

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2. Subject to the limitations of Rule 854, the Chief Regulatory Officer or [his/their](#) designee may, (and, with respect to cleared-only products, the Global Head of Clearing & Post-Trade Services or their designee also may), upon request by the clearing member(s), approve a transfer of existing trades either on the books of the same clearing member, or from the books of one clearing member to the books of another clearing member if the transfer is in



connection with, or as a result of, a merger, asset purchase, consolidation or similar non-recurring transaction between two or more entities.

3. Subject to the limitations of Rule 854, the Chief Regulatory Officer or [his/their](#) designee may, (and, with respect to cleared-only products, the Global Head of Clearing & Post-Trade Services or their designee also may), upon request by the clearing member(s), approve a transfer of existing trades either on the books of a clearing member or from one clearing member to another member if the transfer involves a partnership, investment fund or commodity pool and the purpose of the transfer is to facilitate a restructuring or consolidation of such partnership, fund or pool, provided that i) the managing partner or pool operator remains the same; ii) the transfer does not result in the liquidation of open positions; and iii) the pro rata allocation of positions to the new account does not result in more than a de minimis change in the value of the interest of any party.

4. Notwithstanding the foregoing, the Chief Regulatory Officer or [his/their](#) designee may, (and, with respect to cleared-only products, the Global Head of Clearing & Post-Trade Services or their designee also may), with the consent of the clearing member(s) involved, permit the transfer and/or offset of existing trades if, in [his/their](#) designee's opinion, the situation so requires and such transfer is in the best interests of the Exchange, which may include, but is not limited to, the remedying of an error resulting from the good faith acts or omissions by a party as a means of avoiding a market disruption. The foregoing does not relieve a clearing member of its responsibility under the Rules for circumstances leading to such transfer and/or offset, and the clearing member may be responsible for demonstrated claims of realized losses incurred by other parties as a result of such errors or omissions in accordance with the provisions of Chapter 6. Additionally, notwithstanding permission for the transfer being granted by the Chief Regulatory Officer or [his/their](#) designee, parties involved in the transfer remain responsible for any violation of Exchange rules resulting from the transfer and may either be summarily sanctioned in accordance with the provisions of Rule 512 or the matter may be referred to the Chief Regulatory Officer for the consideration of charges.

[Remainder of Rule is unchanged.]

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## **854. CONCURRENT LONG AND SHORT POSITIONS**

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3. Where the Chief Regulatory Officer or [his/their](#) designee determines, in their respective sole discretion, that permitting an offset via netting, transfer or position adjustment in excess of two percent of the reported open interest will not adversely impact either the affected market or any persons holding open positions in the affected market.

[Remainder of Rule is unchanged.]

# **CME, CBOT, NYMEX/COMEX Rulebook**

## **Chapter 9**

### **CLEARING MEMBERS**

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## **902. CLEARING MEMBERSHIP ASSIGNMENT REQUIREMENTS**

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### **902.E. Assignment Withdrawal Disputes**

In the event a member wants to withdraw [his/their](#) assigned membership over the objection of the clearing member to which the membership is assigned, such member must request permission to do so from Clearing House staff. The request must be in writing with a copy delivered to the clearing member to which the membership is assigned.

[Remainder of Rule is unchanged.]

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## **903. RESPONSIBILITY FOR QUALIFIED MEMBERS (CME Rulebook Only)**

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- D. A member may not transfer his qualification unless ~~he has~~ obtained a written release from the clearing member last qualifying him. A release shall not be withheld unless a member has an unsatisfied indebtedness to the clearing member last qualifying him where the indebtedness is due to a deficit arising from transactions on the Exchange or where the clearing member last qualifying him is the guarantor under an existing valid guarantee of a loan which had been made to the member exclusively for the purpose of financing the purchase of the member's membership. A member who believes his qualifying clearing member is unreasonably withholding a release necessary to permit the member to be qualified by a different clearing member may request a hearing before a Panel of the Business Conduct Committee as provided in Rule 511. Any other disputes between the parties shall be resolved, to the extent permitted by the rules, through the arbitration procedures set forth in Chapter 6.
- E. A clearing member may, without prior notice, revoke a member's authorization to trade by written revocation filed with the Shareholder Relations and Membership Services Department. Such revocation shall be effective and the member's qualification to trade shall terminate when notice of the disqualification is posted on the Exchange floor. A member shall not appear upon the floor of the Exchange until ~~he has~~ been requalified.
- F. A member shall place all trades, including trades for his own account or any account which he controls, on the books of his qualifying clearing member unless written authorization to the contrary from said clearing member has been filed with the Shareholder Relations and Membership Services Department. Regardless of such authorization, a member in a deficit position with any clearing member shall place trades only through his qualifying clearing member. Any non-qualifying clearing member that carries a member's account in a deficit position shall promptly notify the clearing member that is qualifying such member.
- G. No clearing member shall provide Globex access to, or clear any trade for, an employee, qualified trader or other representative of another clearing member without the written consent of such clearing member. No clearing member shall provide Globex access to, or clear any trade for, a person in a partnership with another clearing member without the written consent of all partners. Such written consent shall be filed with the Shareholder Relations and Membership Services Department.
- H. In the case of a member who has Globex access guaranteed by a clearing member other than his qualifying clearing member, the qualifying clearing member may terminate the member's ability to place orders through Globex by notifying the clearing member providing the member access to Globex. The clearing member providing the access to Globex will be responsible for ensuring that the member does not place orders through Globex.

[Remainder of Rule is unchanged.]

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#### **904. FUNDS IN TRADING ACCOUNTS CARRIED BY CLEARING MEMBERS**

If a Member (as defined in Rule 400) trades in excess of written limits prescribed by his qualifying or guaranteeing clearing member or a clearing member through which such Member is authorized by his qualifying clearing member to trade pursuant to Rule 511 without sufficient funds in his account to margin the position, or if the Member is alleged to have engaged in reckless and unbusinesslike dealing inconsistent with just and equitable principles of trade, and such trades are profitable, the disposition of any and all funds in the applicable trading account(s) may be suspended by the carrying clearing member. The claim of a carrying clearing member to such profits shall be submitted to arbitration pursuant to the provisions of Chapter 6. The Member may request a hearing to be held as soon as practicable before a Chairman of the Arbitration Committee to determine the amount of any profits that should remain subject to a continued suspension pending an arbitration hearing on the full merits of the claim.

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#### **956. DISCRETIONARY, CONTROLLED AND MANAGED ACCOUNTS (CME Rulebook Only)**

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##### **956.C. Supervision and Trading of Discretionary Trading Accounts**

###### **1. Discretionary Trading Account Activity**

Each clearing member shall have a supervisory employee (other than the person granted discretionary trading authority) supervising activity in discretionary trading accounts. The supervision shall include, but is not limited to, a review of excessive trading in amount or

frequency in relation to account equity. This requirement shall only apply to discretionary trading accounts controlled by an employee of the clearing member or the clearing member's guaranteed introducing brokers.

2. Floor Trading

No member shall execute a transaction in the trading pit for an account over which ~~he has~~they have discretionary trading authority unless the transactions are for a) family accounts as defined in Section E.1. or b) another member of the Exchange for an account owned by such other member or proprietary accounts of member firms as set forth in Section E.2.

[Remainder of Rule is unchanged.]

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**970. FINANCIAL REQUIREMENTS**

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E. Financial statement filing requirements under this Rule must be met through Exchange-approved electronic transmissions, except for certified Form 1-FRs or FOCUS Reports.

Personal Identification Numbers (PINs) must be submitted by authorized signers of the Form 1-FR or FOCUS Report. The PIN will constitute and become a substitute for the manual signature of the authorized signer to the electronically filed Form 1-FR or FOCUS Report. The PIN is a representation by the authorized signer that, to the best of ~~his~~his~~their or her~~ knowledge, all information contained in the statement being transmitted under the PIN is true, correct and complete. The unauthorized use of a PIN for electronic attestation by an unauthorized party is expressly prohibited.

[Remainder of Rule is unchanged.]

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**971. SEGREGATION, SECURED AND CLEARED SWAPS CUSTOMER ACCOUNT REQUIREMENTS**

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G. Each statement and report filing required under this Rule must be submitted by the Chief Executive Officer, Chief Financial Officer or their authorized representative as approved by CME using their assigned User Identification ("User ID"). The User ID will constitute and become a substitute for the manual signature of the authorized signer to the electronically submitted daily segregated, secured 30.7 and Cleared Swaps Customer amount statements. The User ID is a representation by the authorized signer that, to the best of ~~his~~his~~their or her~~ knowledge, all information contained in the statement being transmitted under the User ID is true, correct and complete. The unauthorized use of a User ID for electronic attestation by an unauthorized party is expressly prohibited.

[Remainder of Rule is unchanged.]

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**984. CLEARING MEMBER ACCEPTANCE OF EXECUTED CUSTOMER TRADES**  
***(NYMEX/COMEX Rulebook Only)***

The following provisions define the minimum responsibilities and obligations of those parties to the clearance of a customer trade.

The term "executing broker" as used in this Rule is the Member Firm or broker to whom the order is transmitted.

**984.A. Responsibilities and Obligations of Clearing Members**

The acceptance for clearance of a trade by a Clearing Member shall not relieve any party to the solicitation, handling, execution or clearance of such trade from the duty to act in good faith and with reasonable care and diligence.

1. Acceptance or Rejection of an Allocated Trade

A Clearing Member that has been allocated a customer trade may only reject such trade in accordance with the provisions of section A.3 of this Rule.

If after accepting an allocated trade a Clearing Member determines that such trade is an error or exceeds limits which have been communicated to an executing broker and [his-their](#) Primary Clearing Member ("PCM") in accordance with section A.3 of this Rule, the Clearing Member may reject such trade.

## 2. Limits Placed by Clearing Member

A Clearing Member may place trading limits or impose a complete cessation on the trades it will accept for clearance for a customer's account from an executing broker, provided, however, that both the executing broker and [his-their](#) respective PCM receive prior written, telephonic or electronic notice from the Clearing Member of the applicable trading limits or trading cessation imposed on that customer account. Such notice must be given to all applicable executing brokers that within the prior 90 days have executed trades on behalf of said customer and allocated such trades to the applicable Clearing Member, and to such executing brokers' PCMs.

A copy of any and all correspondence evidencing any notice required by section A.2 of this Rule shall be retained as part of the books and records of the Clearing Member, the executing broker and [his-their](#) PCM.

## 3. Trade Rejection

A Clearing Member may only reject a trade that has been given up to it for clearance if: (1) the trade exceeds the trading limits established in accordance with section A.2 of this Rule for that customer and such limits have been communicated to the executing broker and [his-their](#) PCM in accordance with section A.2 of this Rule; or (2) the trade is an error for which the executing broker is responsible. If a rejected trade, or an unclaimed but pending trade, was allocated to the Clearing Member by the executing broker beyond the time period required under Rule 536.A, that fact shall be taken into consideration in any dispute between such Clearing Member and executing broker regarding such trade that is governed by Exchange Rules.

### **984.B. Responsibilities and Obligations of Executing Brokers**

#### 1. Customer Order Placement

An executing broker will be responsible for determining that all orders received on behalf of a customer's account have been placed or authorized by the customer. Once an order has been accepted, a broker or the broker's clerk must:

- (a) confirm the terms of the order with the customer;
- (b) accurately execute the order according to its terms;
- (c) confirm the execution of the order to the customer as soon as practicable; and,
- (d) transmit such executed order to the Clearing Member as soon as practicable in accordance with Exchange Rules and procedures.

#### 2. Use of Other Persons

Unless otherwise agreed in writing, the executing broker is allowed to use the services of another broker in connection with the broker's obligations under these Rules. The executing broker remains responsible to the customer and Clearing Member under these Rules.

#### 3. Executing Broker Responsibility for Verifying Clearing Member Authorization

Prior to accepting and executing an initial order for any new customer account, the executing broker must confirm with such customer's Clearing Member by telephonic, electronic or written means that:

- (a) the customer has a valid account with the Clearing Member;
- (b) the account number;
- (c) the brokerage rate; and
- (d) the customer is authorized by the Clearing Member to place orders with the executing broker for that specific account.

The executing broker shall retain as part of [his-their](#) books and records a copy of the authorization received from the Clearing Member, or the specifics of the telephonic confirmation, which includes the name of the Clearing Member representative, date, time and any other relevant information. The falsification of such information shall be the basis for disciplinary action.

In the absence of a written give-up agreement among the executing broker, the Clearing Member and the customer, and if applicable, the customer's authorized trader, if a broker has neither executed trades on behalf of a particular customer nor allocated that customer's trades to a specific Clearing Member within the past 90 days,

the broker shall not execute any trade for that customer for allocation to the Clearing Member without first confirming with the Clearing Member that the customer remains active and that the broker continues to be authorized to execute trades on behalf of the customer.

Each executing broker shall ensure that every Clearing Member to which ~~he~~-they allocates trades: (1) has received current telephonic and electronic contact information for the executing broker and ~~his~~-their PCM; and (2) is immediately informed of any change in the broker's PCM.

[Remainder of Rule is unchanged.]

## CME Rulebook Chapter 12 CME Spot Market Trading – Electronic

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### 1200.B. The Chief Regulatory Officer

It shall be the duty of the Chief Regulatory Officer of the Market Regulation Department to enforce CME Spot Market Rules, and they shall have available to ~~him~~them at all times the resources of the Market Regulation Department and such other resources as may be necessary to conduct investigations of potential or alleged Rule violations and market conditions. The Chief Regulatory Officer shall have the authority to inspect the books and records of all parties subject to the jurisdiction of CME Spot Market pursuant to CME Spot Market Rule 1200.F. and the authority to require any such party to appear before ~~him~~them and produce ~~his~~their or its books and records and answer questions regarding alleged violations of CME Spot Market Rules, at the time, place and in the manner ~~he~~-they designates. The Chief Regulatory Officer may also delegate ~~his~~their authority to staff of the Market Regulation Department.

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### 1200.D. Emergency Actions

1. The Chief Regulatory Officer, or ~~his~~their designee, is authorized to determine whether an emergency exists and whether emergency action is warranted.

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2. In the event that the Chief Regulatory Officer determines, in the good faith exercise of ~~his~~their sole discretion, that an emergency exists, ~~he~~they may take any of the following emergency actions or any other action that may be appropriate to respond to the emergency:

[Remainder of Rule is unchanged.]

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### 1200.I. Strict Liability for the Acts of Agents

Notwithstanding Rule 1200.H.17., the act, omission, or failure of any official, agent, or other Person acting for any party within the scope of ~~his~~their employment or office shall be deemed the act, omission or failure of the party, as well as of the official, agent or other Person who committed the act.

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### 1201.B. Priority of Customers' Orders

All CME Spot Market transactions shall be made competitively on the CDAP designated for the trading of CME Spot Market contracts. No bid or offer shall be specified for acceptance by a particular trader. CME Spot Market transactions may take place only at the best price available on the CDAP at the time the trade occurs. A member shall not buy (sell) a CME Spot Market contract for ~~his~~their own account, an account in which ~~he~~they has a direct or indirect financial interest, or an account over which ~~he~~they has discretionary trading authority when ~~he~~is they are in possession of an executable order for another Person to buy (sell) a CME Spot Market contract.

[Remainder of Rule is unchanged.]

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1201.C. Trading Against Customers' Orders

No Person in possession of a customer order shall knowingly take, directly or indirectly, the opposite side of such order for [his](#) own account, an account in which [he](#) has a direct or indirect financial interest, or an account over which [he](#) has discretionary trading authority, unless the customer order has been entered immediately upon receipt and has first been exposed on the CDAP for a minimum of 5 seconds.

[Remainder of Rule is unchanged.]

\*\*\*

1201.H. Responsibility for Customer Orders

Standard of Responsibility

A Member shall exercise due diligence in the handling and execution of customer orders. Failure to act with due diligence shall constitute negligence. In the case of a dispute as to whether a Member has exercised due diligence, the appropriate arbitration panel or Chief Regulatory Officer or [his](#) designee is authorized to determine whether the Member was negligent and, if so, whether an adjustment is due to the customer. The panel or Chief Regulatory Officer or [his](#) designee may take into consideration the nature of the order and existing market conditions at the time the Member acted or failed to act. However, no market condition nullifies a Member's responsibility to exercise due diligence.

[Remainder of Rule is unchanged.]

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1202.B. Initiating an Arbitration Claim

In the event that a complaint is received it shall be referred to the Market Regulation Department, which shall, when appropriate, forward to the complainant a Consent Form for arbitration under this Rule. Such form shall inform the claimant, by attachment of all pertinent Rules, of [his](#) or [her](#) rights and obligations, including costs associated with arbitration.

[Remainder of Rule is unchanged.]

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1202.F. Review of Arbitrability

Any party may file a challenge to the arbitrability of a dispute submitted for arbitration under this Rule. A party's failure to file a timely challenge to arbitrability shall waive any right to object thereafter to the arbitrability of the dispute.

A challenge to arbitrability by a claimant must be filed no later than 5 days after the claim is submitted for arbitration. A challenge to arbitrability by a respondent must be filed no later than 10 days after the respondent has received notice of the claim. The request must be in writing and state the reasons why the dispute is not arbitrable. Any other party may file a written response in support of or opposition to the challenge no later than 10 days after receiving notice of the challenge to arbitrability.

The chairman may decide the arbitrability of a dispute based on [his](#) consideration of the written submissions of the parties. The chairman's decision shall be final and is not appealable.

\*\*\*

1202.K. Requests for Documents, Information or Testimony

A. The initial schedule for document requests by parties and responses will be set by the Market Regulation Department. The chairman may require any Member, or any Person employed by or associated with a Member to produce relevant documents in [his](#) possession or control at any time after a claim has been filed.

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2. The party or Member against whom an order compelling production is sought shall:

- a. produce copies of the requested documents to the requesting party and the Market Regulation Department; or
- b. represent in writing that the documents are not in [his](#) possession or control and explain the basis for such representation, and, if applicable, identify who is in possession or control of the requested documents;

[Remainder of Rule is unchanged.]

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#### 1202.O. Hearing Procedures

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##### Parties and their Representatives

Each party and [his](#)/[their](#) representative has the right to examine all relevant documents prior to and during the hearing, to present all relevant evidence in support of a claim or defense or as rebuttal to a claim or defense, and to question during the hearing witnesses presented in connection with a claim or defense. An entity may have one corporate representative of the entity, in addition to any counsel of record, attend the arbitration hearing. Such corporate representative is not precluded from testifying in the matter.

[Remainder of Rule is unchanged.]

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#### 1202.S. Right to Counsel

Every Person is entitled to represent [his](#)/[their](#) own interests, be represented by an attorney at law of [his](#)/[their](#) choosing and at [his](#)/[their](#) own expense who is admitted to practice before the highest court in any State, or be represented by any other non-compensated representative at any stage of an arbitration proceeding. An entity must be represented by an officer or owner of the entity or by an attorney at law.

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#### 1203.B. Declarations of Force Majeure

If a determination is made by the Chief Executive Officer, President of Global Operations, Technology & Risk or Chief Operating Officer, or their designee, that delivery or final settlement of any spot contract cannot be completed as a result of Force Majeure, [he](#)/[they](#) shall take such action as [he](#)/[they](#) deems necessary under the circumstances, and [his](#)/[their](#) decision shall be binding upon all parties to the contract.

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#### 1203.D. Revocation, Expiration or Withdrawal of Regularity

The Chief Regulatory Officer or [his](#)/[their](#) designee may revoke a declaration of regularity whenever a regular facility fails to comply with the conditions specified in this section, any other conditions to which it has agreed in its application for regularity, or any other CME Spot Market Rule.

[Remainder of Rule is unchanged.]

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#### 1204.F. Inspection

Buyer or seller may demand inspection of nonfat dry milk for grade before it is shipped. Such inspection shall be made prior to shipment at seller's facilities or at a warehouse near the seller's facilities and cost to be borne by the party requesting the grade. Such inspection shall be made by an independent lab and the results of such inspection shall be final and binding to both parties.

If an inspection is requested the following deadlines shall apply.

1. Buyer shall pay 90% of the amount invoiced within one (1) business day after the day of invoice, and the balance when inspection is complete.
2. Buyer or seller shall enter the grading results into the Clearing House's online deliveries system within one business day of grading issuance.

If the buyer inspects and accepts the nonfat dry milk or if [he](#)/[they](#) waives inspection, [he](#)/[they](#) cannot thereafter dispute the grade of the nonfat dry milk delivered to [him](#)/[them](#).

Any nonfat dry milk in dispute shall be properly stored by the Person having possession.

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#### 1204.G. Delivery Procedures

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##### Proper Handling by the Seller

If an inspection is requested at buyer's location, the seller shall be responsible for loading according to industry practice. The bill of lading shall be prepared by the seller. The seller and the driver shall jointly seal the truck promptly upon completion of loading. The buyer may, at [his/their](#) option, request check loading by the USDA at origin.

#### Proper Handling by the Buyer

If an inspection is requested at buyer's location, the buyer shall be accountable for proper handling during transit and storage until the conclusion of the grading at the buyer's location and appeal grading, if any. Upon arrival at the buyer's location, the buyer and the driver shall jointly unseal the truck. The seller may, at [his/their](#) option, request check loading by the USDA at the buyer's location.

[Remainder of Rule is unchanged.]

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#### 1204.K. Failure to Perform

If the seller fails to deliver at the required time, [he/they](#) shall be in default, except that the Chief Regulatory Officer or [his/their](#) designee may extend the time to deliver for good cause shown, an additional three hours. In the event a seller defaults, [he/they](#) shall be penalized \$.10 per pound plus the advance, if any, from the purchase price to the full market price on the day of tender. The Chief Regulatory Officer or [his/their](#) designee, at its sole discretion, shall determine such market price by taking account of bona fide sales and quotations on such date including any purchase by the buyer to replace the defaulted delivery.

If the buyer fails to accept delivery, [he/they](#) shall be penalized \$.10 per pound plus the decline, if any, from the purchase price to the full market price on the day of tender, as determined by the Chief Regulatory Officer or [his/their](#) designee in the above stated manner. Payment shall be made as above.

[Remainder of Rule is unchanged.]

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#### 1205.G. Delivery Procedures

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##### Proper Handling by the Seller

The seller shall be responsible for loading according to industry practice. The bill of lading shall be prepared by the seller and shall provide instructions regarding trailer precooling and temperature maintenance during transit. In addition, the bill of lading shall state the time of completion of loading and shall be signed by the seller and the driver, with the seller retaining one copy and the driver three copies. The seller and the driver shall jointly seal the truck promptly upon completion of loading. The buyer may, at [his/their](#) option, request check loading by the USDA at origin.

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The bill of lading shall state that the truck was properly pre-cooled and that the applicable temperature was maintained throughout transit. Transit time between origin and destination, as evidenced by ICC logs, shall be normal for the weather and other conditions prevailing. Upon arrival at destination, the buyer and the driver shall jointly unseal the truck. The seller may, at [his/their](#) option, request check loading by the USDA at destination.

[Remainder of Rule is unchanged.]

\*\*\*

#### 1205.K. Failure to Perform

If the seller fails to deliver at the required time, [he/they](#) shall be in default, except that CME Spot Market Chief Regulatory Officer or [his/their](#) designee may extend the time to deliver for good cause shown, an additional three hours. In the event a seller defaults, [he/they](#) shall be penalized \$.10 per pound plus the advance, if any, from the purchase price to the full market price on the day of tender. The Chief Regulatory Officer or [his/their](#) designee, at its sole discretion, shall determine such market price by taking account of bona fide sales and quotations on such date including any purchase by the buyer to replace the defaulted delivery.



If the buyer fails to accept delivery, [he](#) shall be penalized \$.10 per pound plus the decline, if any, from the purchase price to the full market price on the day of tender, as determined by the Chief Regulatory Officer or [his](#) designee in the above stated manner. Payment shall be made as above.

[Remainder of Rule is unchanged.]

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#### 1206.F. Inspection

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If the buyer inspects and accepts the cheese or if [he](#) waives inspection, [he](#) cannot thereafter dispute the grade or weight of the cheese delivered to [him](#).

[Remainder of Rule is unchanged.]

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#### 1206.H. Associated Costs

##### Container and Pallet Charges

Seller shall invoice and buyer shall deposit with seller the sum of \$34.00 per steel barrel plus the amount of any sales or other tax which would be imposed in the event of a forfeiture of said deposit. If [he](#) notifies seller at or prior to delivery, the buyer may, within 60 calendar days of receipt thereof, return to seller on a freight prepaid basis, identical barrels or barrels of like specification and in approximately the same condition. All returned barrels must have been cleaned, and washed and waxed. Seller shall, upon receipt of such barrels, refund to buyer the amount deposited with seller plus any excess freight charge. The excess freight charge shall be the amount by which the actual return freight on empty barrels exceeds the freight cost from buyer's shipping point to Green Bay, Wisconsin.

[Remainder of Rule is unchanged.]

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#### 1206.K. Failure to Perform

If the seller fails to deliver at the required time, [he](#) shall be in default, except that the Chief Regulatory Officer or [his](#) designee may extend the time to deliver for good cause shown, an additional three hours. In the event a seller defaults, [he](#) shall be penalized \$.10 per pound plus the advance, if any, from the purchase price to the full market price on the day of tender. The Chief Regulatory Officer or [his](#) designee, at its sole discretion, shall determine such market price by taking account of bona fide sales and

quotations on such date including any purchase by the buyer to replace the defaulted delivery.

If the buyer fails to accept delivery, [he](#) shall be penalized \$.10 per pound plus the decline, if any, from the purchase price to the full market price on the day of tender, as determined by the Chief Regulatory Officer or [his](#) designee] in the above stated manner. Payment shall be made as above.

[Remainder of Rule is unchanged.]

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#### 1207.F. Inspection

Buyer or seller may demand inspection of dry whey for grade before it is shipped. Such inspection shall be made prior to shipment at seller's facilities or at a warehouse near the seller's facilities and cost to be borne by the party requesting the grade. Such inspection shall be made by an independent lab and the results of such inspection shall be final and binding to both parties.

If an inspection is requested the following deadlines shall apply.

1. Buyer shall pay 90% of the amount invoiced one (1) business day after the day of invoice, and the balance when inspection is complete.
2. Buyer or seller shall enter the grading results into the Clearing House's online deliveries system within one business day of grading issuance.
3. If the buyer inspects and accepts the dry whey or if [he](#) waives inspection, [he](#) cannot thereafter dispute the grade of the dry whey delivered to [him](#).

[Remainder of Rule is unchanged.]

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#### 1207.G. Delivery Procedures

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##### Proper Handling by the Seller

If an inspection is requested at buyer's location, the seller shall be responsible for loading according to industry practice. The bill of lading shall be prepared by the seller. The seller and the driver shall jointly seal the truck promptly upon completion of loading. The buyer may, at [his/their](#) option, request check loading by the USDA at origin.

##### Proper Handling by the Buyer

If an inspection is requested at buyer's location, the buyer shall be accountable for proper handling during transit and storage until the conclusion of the grading at the buyer's location and appeal grading, if any. Upon arrival at the buyer's location, the buyer and the driver shall jointly unseal the truck. The seller may, at [his/their](#) option, request check loading by the USDA at the buyer's location.

[Remainder of Rule is unchanged.]

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#### 1207.K. Failure to Perform

If the seller fails to deliver at the required time, [he/they](#) shall be in default, except that the Chief Regulatory Officer or [his/their](#) designee may extend the time to deliver for good cause shown, an additional three hours. In the event a seller defaults, [he/they](#) shall be penalized \$0.10 per pound plus the advance, if any, from the purchase price to the full market price on the day of tender. The Chief Regulatory Officer or [his/their](#) designee, at its sole discretion, shall determine such market price by taking account of bona fide sales and quotations on such date including any purchase by the buyer to replace the defaulted delivery.

If the buyer fails to accept delivery, [he/they](#) shall be penalized \$0.10 per pound plus the decline, if any, from the purchase price to the full market price on the day of tender, as determined by the Chief Regulatory Officer or [his/their](#) designee in the above stated manner. Payment shall be made as above.

[Remainder of Rule is unchanged.]

## CBOT Rulebook Chapter 13 Soybean Meal Futures

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#### 13105. SAMPLING

The official sample will be taken at origin by Automatic Mechanical Sampler (A.O.C.S. Official Method BA 1-38, Rev. 1966) or Pneumatic Probe Sampler (A.O.C.S. Official Method BA 1-38, Rev. 1966). Shipper shall, on the next business day after loading, mail a portion of the official sample in an airtight container properly identified to the owner at an address specified by the owner when [he/they](#) submits loading orders.

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If the owner's analysis of the official sample indicates a quality deficiency, the owner shall submit [his/their](#) analysis and claim in writing to the shipper within 30 days after arrival of the car. The shipper shall, within five (5) business days, after receipt of the owner's analysis and claim, report [his/their](#) analysis of the official sample to the owner. In the event that the owner and the shipper do not reach agreement on analysis and/or settlement, the third portion of the official sample shall be sent to an Official Chemist and [his/their](#) analysis will be binding upon both parties for final settlement. The expense of the analysis will be borne by the party in error.

If the owner and the shipper cannot agree that the official sample is representative of the shipment, a representative sample shall be obtained at destination by a disinterested qualified person mutually agreed upon by the owner and shipper. Such destination sample must be obtained within 24 hours of arrival and prior to unloading. "Constructive placement" shall be considered arrival at destination. The official procedure for sampling at destination shall be the Pneumatic Probe Sampler. (A.O.C.S. Method BA 1-38, Rev. 1966) and the sample shall be submitted to an Official Chemist. The results of [his/their](#) analysis of the destination sample shall be binding on both parties for final settlement. The expense of such sampling and analysis shall be borne by the owner if the owner insists on destination sampling and analysis unless the shipper has failed to take an official sample at origin, in which event, the expense of taking and analyzing the destination sample shall be borne by the shipper.

[Remainder of Rule is unchanged.]

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## **13109. REGULARITY OF WAREHOUSES AND ISSUERS OF SHIPPING CERTIFICATES**

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### **13109.B. Loading and Shipment of Meal Against Meal Shipping Certificates**

- (a) The operator of a shipping plant issuing Soybean Meal Shipping Certificates shall limit the number of Shipping Certificates issued to an amount not in excess of 15 times its registered total daily rate of loading plus the amount of meal or flakes in store (not limited to meal meeting minimum contract standards). All such meal or flakes in store must be stored in facilities for which the capacity has been registered and which have been inspected by the Registrar. The shipper shall register [his/their](#) total daily rate of loading covered hopper cars at not less than 40% nor more than 100% of [his/their](#) maximum 24 hour Soybean Meal production capacity. Each plant must be regular for a minimum total daily rate of loading of 200 tons per day.

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#### **(g) Rail Loading Procedures**

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4. When a shipper has received one or more rail loading orders and shipping instructions, [he/they](#) shall begin loading against them within 4 business days following their receipt, unless the owner requests a deferred loading date in [his/their](#) loading orders. When loadings against rail loading orders cannot be completed on the fourth business day following their receipt, the shipper shall continue loading against such loading orders on each calendar day thereafter. Shipping instructions are to be provided to the Shipper by the owner 2 business days before loading is to begin. The shipper shall load at the rate specified in paragraph (d) of this Rule.

#### **(h) Truck Loading Procedures**

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7. The owner shall present [his/their](#) trucks for loading at the shipping plant designated in the Shipping Certificate by 12:00 noon on the scheduled loading day. If trucks arrive by 12:00 noon, the shipper shall load the same day or be subject to the penalties and procedures specified in subparagraphs (10) and (11) of this paragraph (Truck Loading Procedures). If trucks arrive after 12:00 noon, the shipper shall be under no obligation to load and the owner shall be subject to the penalties and procedures specified in subparagraphs (8) and (9) of this paragraph.
8. If the owner fails to present [his/their](#) trucks on time on the scheduled loading day, [he/they](#) shall be subject to a grace period until 12:00 noon the next business day and shall not be liable for a penalty up to that time. If the owner fails to present [his/their](#) trucks by 12:00 noon of the business day following the scheduled loading day, [he/they](#) shall be liable for a penalty of \$4/ton/day for all meal not loaded out as scheduled.
9. If, for any reason, the owner is unable to present [his/their](#) trucks for three consecutive normal business days, beginning with the originally scheduled loading day, the shipper may at [his/their](#) election:

- i. Load the meal into rail cars for the owner and inform [him/them](#) of rail car numbers, or
- ii. Reissue a Shipping Certificate to the owner. If a Shipping Certificate is reissued, the premium charge specified in paragraph (e) of this Rule shall be assessed retroactively, beginning the day after the business day following the receipt of loading orders.

In these cases the owner is liable for the penalty specified in subparagraph (8) of this paragraph, if any, for two business days. The truck loading premium specified in subparagraph (6) of this paragraph shall be credited against any penalties due or refunded in full if there are no penalties due. If shipper elects either of these options [he/they](#) must promptly notify the owner.

10. If the shipper fails to load the owner's trucks by 12:00 midnight on the scheduled loading day [he/they](#) shall be subject to a grace period until the next business day and shall not be subject to a penalty up to that time. If the shipper fails to load the owner's truck by 12:00 midnight of the business day following the scheduled loading day, [he/they](#) shall be liable for a penalty of \$4/ton/day for all meal not loaded out as scheduled.

[Remainder of Rule is unchanged.]

## CME Rulebook Chapter 101 Live Cattle Futures

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### 10103. SETTLEMENT PROCEDURES

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#### 10103.B. Live Graded Deliveries

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##### 5. Procedures and Standards for Grading, Estimating Yield and Weighing

a. Time for Grading. To be eligible for delivery, cattle must be confined in a secured pen at an approved livestock yard prior to 9:00 a.m. local time on the day of delivery. Grading and weighing shall be done on the day of delivery unless more deliveries are indicated than can be conveniently graded and weighed on the intended delivery day. In such case the President may allow grading and weighing after 2:00 p.m. local time on the day preceding delivery. The buyer must be notified within an hour after the cattle are in [his/their](#) holding pen that the delivery intended for [they](#) for the following day has been graded, weighed and sealed in [his/their](#) holding pen.

b. Grading and Estimating Yield. Seller shall deliver [his/their](#) cattle to a livestock yard approved by the Exchange and surrender the cattle for Exchange delivery by consigning the lot to a duly licensed, registered and bonded livestock commission firm. The cattle shall be identified in a manner satisfactory to the USDA grader and placed in holding pens.

If, on preliminary examination, the lot of cattle appears to be healthy, merchantable and in good condition, the USDA grader shall grade the cattle, estimate the average hot yield (dressing percentage) and estimate the yield grade, and shall record same on the USDA Livestock Acceptance Certificate along with the weights taken by the approved livestock yards company. Graders shall also record on the grading certificate the number of head and the pen number of the holding pen which has been sealed pending delivery to the buyer.

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##### 8. Penalties

If, in the opinion of the USDA grader, the seller fails to present a load of steers or heifers that are suitable for delivery on the date and the place specified in the Certificate of Delivery, and the delivery cannot be completed, the seller shall be penalized \$.030 per pound each Business Day, payable to the Exchange, until proper delivery is made.

If, in the opinion of the USDA grader, the grading process is unnecessarily slowed down because of the seller's failure to present steers or heifers which have been properly sorted prior to arrival at the delivery point livestock yards, but delivery can be completed, the seller shall be penalized \$.015 per pound. This penalty shall be payable to the Exchange and will not be paid to the long.

If, in the opinion of the USDA grader, the buyer or [his/their](#) agent delay, disrupt, question the judgement, or otherwise interfere with the delivery process in any manner, the buyer shall be penalized \$.030 per pound on each delivery unit delivered to the buyer, payable to the Exchange.

In these and all other delivery matters, the determination of the USDA grader shall be final and binding on all parties.

[Remainder of Rule is unchanged.]

## NYMEX Rulebook Chapter 150 NY Harbor ULSD Futures

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### 150110. LATE PERFORMANCE, FAILURE TO PERFORM AND FAILURE TO MAKE PAYMENT

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#### 150110.C. Surcharges for Late Performance

1. Whenever a Party is found by the Exchange to be late in the performance of a delivery, the Chief Regulatory Officer or [his/their](#) designee shall have the authority to impose surcharges in accordance with Section 110.C.2. below.

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4. If the Chief Regulatory Officer or [his/their](#) designee determines that evidence submitted by a Party pursuant to Section 110.C.3. is insufficient to support the requested rescission or reduction of the surcharge, the Party may, within 10 days of the decision, file a written appeal with the Market Regulation Department. A written appeal that fails to specify the grounds for the appeal and the specific error or impropriety of the original decision shall be dismissed. The appeal shall be heard by a Panel of the Business Conduct Committee ("BCC Panel") whose decision shall be final. The appellant shall be entitled to be represented by counsel, appear personally before the BCC Panel and present evidence that [he/they](#) may have in support of [his/their](#) appeal.

[Remainder of Rule is unchanged.]

## NYMEX Rulebook Chapter 191 RBOB Gasoline Futures

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### 191110. LATE PERFORMANCE, FAILURE TO PERFORM AND FAILURE TO MAKE PAYMENT

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#### 191110.C. Surcharges for Late Performance

1. Whenever a Party is found by the Exchange to be late in the performance of a delivery, the Chief Regulatory Officer or [his/their](#) designee shall have the authority to impose surcharges in accordance with Section 110.C.2. below.

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4. If the Chief Regulatory Officer or [his](#)/[their](#) designee determines that evidence submitted by a Party pursuant to Section 110.C.3. is insufficient to support the requested rescission or reduction of the surcharge, the Party may, within 10 days of the decision, file a written appeal with the Market Regulation Department. A written appeal that fails to specify the grounds for the appeal and the specific error or impropriety of the original decision shall be dismissed. The appeal shall be heard by a Panel of the Business Conduct Committee ("BCC Panel") whose decision shall be final. The appellant shall be entitled to be represented by counsel, appear personally before the BCC Panel and present evidence that [he](#)/[they](#) may have in support of [his](#)/[their](#) appeal.

[Remainder of Rule is unchanged.]

## Exhibit B

### MARKET REGULATION ADVISORY NOTICE

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Exchange	CME, CBOT, NYMEX & COMEX
Subject	Consent to Exchange Jurisdiction
Rule References	Rule 418
Advisory Date	January 17, 2020
Advisory Number	CME Group RA2001-5
Effective Date	February 3, 2020

Effective on trade date Monday, February 3, 2020, and pending all relevant CFTC regulatory review periods, this Market Regulation Advisory Notice will supersede CME Group Market Regulation Advisory Notice RA1909-5 from December 17, 2019. It is being issued to adopt a provision subjecting any intermediary that charges a commission or fee who may not otherwise be involved in a client's trade flow to the jurisdiction of the Exchanges. The same or similar provision will be adopted by all U.S. designated contract markets ("DCMs"), and results from an industry-wide effort to ensure that DCMs have full jurisdiction over such entities where a commission or fee is charged in connection with a client's trading activities in the applicable DCM's markets.<sup>1</sup>

On August 20, 2012, CFTC Regulation 38.151(a) became effective. CFTC Regulation 38.151(a) is set forth below.

#### **§38.151 Access requirements.**

(a) *Jurisdiction.* Prior to granting any member or market participant access to its markets, a designated contract market must require that the member or market participant consent to its jurisdiction.

In response to CFTC Regulation 38.151(a), CME, CBOT, NYMEX and COMEX adopted Rule 418 ("Consent to Exchange Jurisdiction"), which also became effective on August 20, 2012. The text of Rule 418 is set forth below:

#### **418. CONSENT TO EXCHANGE JURISDICTION**

Any Person initiating or executing a transaction on or subject to the Rules of the Exchange directly or through an intermediary, and any Person for whose benefit such a transaction has been initiated or executed, expressly consents to the jurisdiction of the Exchange and agrees to be bound by and comply with the Rules of the Exchange in relation to such transactions, including, but not limited to, rules requiring cooperation and participation in investigatory and disciplinary processes. Any futures commission merchant, introducing broker, associated person, or foreign Person performing a similar role that charges a commission or fee in connection with transactions on or subject to the Rules of the Exchange also expressly consent to the Exchange's jurisdiction.

All market participants and intermediaries are reminded that failure to fully cooperate and participate in any CME Group Market Regulation Department investigation or disciplinary enforcement matter may result in charges being issued for a violation of Rule 432.L. pursuant to the provisions of Rule 406 ("Issuance of Charges"). Rule 432.L. is set forth below:

#### **432. GENERAL OFFENSES**

It shall be an offense:

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<sup>1</sup> Please see Special Executive Report S-8518 from January 17, 2020, for additional information.



- L. 1. to fail to appear before the Board, Exchange staff or any investigative or hearing committee at a duly convened hearing, scheduled staff interview or in connection with any investigation;
- 2. to fail to fully answer all questions or produce all books and records at such hearing or in connection with any investigation, or to make false statements;
- 3. to fail to produce any books or records requested by duly authorized Exchange staff, in the format and medium specified in the request, within 10 days after such request is made or such shorter period of time as determined by the Market Regulation Department in exigent circumstances;

Sanctions for violations of Rule 432 may include monetary penalties and/or restrictions or denial of access to any or all products of any Designated Contract Market, Derivatives Clearing Organization, or Swap Execution Facility owned or controlled by CME Group.

Market participants and intermediaries are reminded that access to CME, CBOT, NYMEX and COMEX markets is conditioned on compliance with Rule 418. Market participants and intermediaries should be aware that refusal to cooperate or provide requested information based on privacy or other applicable laws of any foreign jurisdiction will in no manner affect the Market Regulation Department's forwarding of the matter for the issuance of charges pursuant to the provisions of Rule 406 for a violation of rule 432.L or any other applicable Rule.

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

Erin Middleton, Director, Rules & Regulatory Outreach, 312.341.3286

Paige Gawrys, Senior Specialist, Rules & Regulatory Outreach, 312.872.5078

Steve Schweitzer, ~~Executive Senior~~ Director, Enforcement, 312.435.3648

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).

## MARKET REGULATION ADVISORY NOTICE

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<b>Exchange</b>	<b>CME, CBOT, NYMEX &amp; COMEX</b>
<b>Subject</b>	<b>CME Globex Pre-Open Guidance</b>
<b>Rule References</b>	<b>Various</b>
<b>Advisory Date</b>	<b>April 11, 2019</b>
<b>Advisory Number</b>	<b>CME Group RA1903-5</b>
<b>Effective Date</b>	<b>April 25, 2019</b>

Effective on trade date Thursday, April 25, 2019, and pending all relevant CFTC regulatory review periods, this Market Regulation Advisory Notice will supersede CME Group Market Regulation Advisory Notice RA1715-5 from October 18, 2017. This Advisory Notice provides additional regulatory guidance attendant to activity during the CME Globex electronic trading platform ("Globex") pre-open period.

Rule 573 ("Globex Opening") states that prior to the opening of each Globex session, Globex will provide an indicative opening price ("IOP") or prices. The IOP reflects the price between the buying and selling pressure at which the largest volume of trading can occur based on the Globex equilibrium price algorithm, taking into consideration all pending orders that could be executed on the Globex opening. The IOP is broadcast to all Globex users and to the CME Group market data/ticker feed. During the 30-second period prior to the opening (referred to as the "lockdown" or "no cancel" period), new orders may be entered, although no previously entered order may be modified or cancelled. CME Group markets observe U.S. holidays with amended opening times and extended pre-open periods several times a year. The relevant schedules are accessible [here](#).

This Advisory Notice and the accompanying Frequently Asked Questions ("FAQ") section provide a non-exhaustive list of order messaging practices during the pre-open period that violate or may be deemed to violate Exchange rules.

### 1. **Disruptive Practices During the Pre-Open Period**

[Rule 575 \("Disruptive Practices Prohibited"\)](#) requires that all orders be entered for the purpose of executing bona fide transactions and requires that all actionable and non-actionable messages be entered in good faith for legitimate purposes, including during the pre-open period. Pursuant to Rule 575, no person shall enter or cause to be entered an order with the intent, at the time of order entry, to cancel the order before execution or to modify the order to avoid execution. Rule 575 further provides that no person shall enter or cause to be entered orders with the intent to disrupt, or with reckless disregard for the adverse impact on, the orderly conduct of trading or the fair execution of transactions.

The entry, modification or cancellation of orders during the pre-open period for the purpose of manipulating the IOP, causing artificial fluctuations in the IOP or identifying liquidity in the order book violates Rule 575 and may be deemed to violate other Exchange rules. Further, the intentional or reckless entry of orders priced through the then existing IOP that cause a market disruption on the open may be deemed to violate Rule 575 or other Exchange rules.

## **2. Market-on-Open Orders**

Globex does not support the entry of market-on-open (“MOO”) orders. Accordingly, market participants may not place MOO orders for entry with brokers or other parties eligible to handle customer orders, and no party may accept MOO orders. As such, brokers or other parties eligible to handle customer orders may not guarantee a fill to their customer at the opening price.

Information on eligible order types for entry into Globex may be found using the following link:

<https://www.cmegroup.com/confluence/display/EPICSANDBOX/Order+Types+for+Futures+and+Options>

Market participants wishing to place an order with a broker or other party eligible to handle customer orders prior to the time that Globex opens must either indicate a specific limit price for the order or place a DRT (disregard time or not-held order) order. A DRT order gives the party handling the order complete discretion over price and time in execution of the order, including discretion to execute all, some or none of the order.

Any market participant entering orders or causing orders to be entered during the pre-open period at prices significantly above and/or below the displayed IOP (or best bid/offer) must be cognizant of the potential for such orders to cause aberrant price movement during the pre-open period. Market participants are reminded that if such aberrant price movement occurs, the activity may be deemed to violate Rule 575. Additionally, market participants must be capable of handling the financial obligations attendant to the full execution of their orders at the prices that are entered into Globex.

## **3. Orders Intended to Negate or Strictly Limit Market Risk**

Opposing orders for accounts with the same or common beneficial ownership entered during the pre-open period which match upon the opening of the market that a market participant knew or should have known would match violate [Rule 534 \(“Wash Trades Prohibited”\)](#). Market participants should have a reasonable expectation that resting buy and sell orders may match when the market opens if buy orders are priced at or above the price of the market participant’s resting sell orders or sell orders are priced at or below the price of the market participant’s resting buy orders.

Market participants need not trade against themselves on the opening match to violate Rule 534. A purchase (sale) opposite a counterparty followed by a sale (purchase) at the same price opposite the same or different counterparties may be deemed an “indirect wash trade” in violation of Rule 534 if the orders were entered with the intent to negate or strictly limit market risk.

It is a violation of Rule 534 for a market participant to attempt to circumvent the “no cancel” period by entering an order that could trade opposite a pending order from the same market participant or a pending order from an account with the same or common beneficial ownership.

## **4. Automated Trading System Order Entry**

Market participants are permitted to deploy an algorithmic or automated trading system (“ATS”) during the pre-open period. Market participants must ensure the logic or other configurations of the ATS are suitable for deployment during the pre-open period.

Rule 432.W. requires parties to diligently supervise their employees and agents, including ATSs, in the conduct of their business relating to the Exchange. All market participants are expected to monitor their ATSs and prevent aberrant order messaging, which may be disruptive to the IOP.

## 5. **Testing**

Pursuant to Rule 575, market participants are prohibited from entering test orders in non-test products during the pre-open period for any reason.

Entering an order(s) in a non-test product without the intent to execute a bona fide transaction is prohibited under Rule 575.

CME Group offers test products to facilitate connectivity and messaging testing on CME Globex. For more information please visit:  
<http://www.cmegroup.com/confluence/display/EPICSANDBOX/CME+Globex+Test+Products>.

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

Jennifer Dendrinis, Senior Director, Investigations, 312.341.7812  
Colin Garvey, Manager, Investigations, 312.435.3656  
Erin Middleton, Director, Rules & Regulatory Outreach, 312.341.3286  
Paige Gawrys, Senior Specialist, Rules & Regulatory Outreach, 312.872.5078

For media inquiries concerning this Advisory Notice, please contact CME Group Corporate Communications at 312.930.3434.

### **FAQ Related to Activity During the Globex Pre-Open Period**

**Q1: What factors does Market Regulation consider in assessing a potential violation of Rule 575 as it relates to activity during the pre-open period?**

A1: In addition to the factors listed in the Market Regulation Advisory Notice on prohibited disruptive practices, Market Regulation considers the following non-exhaustive list of factors in assessing whether conduct during the pre-open period violates Rule 575:

- the percentage of orders/volume a market participant canceled during a particular pre-open period, or the cancellation percentage during multiple pre-open periods over a period of time;
- the cancellation percentage of a market participant's orders/volume during multiple pre-open periods over a period of time compared to such market participant's cancellation percentage of orders/volume during active trading hours;
- the size (quantity) of a market participant's orders during the pre-open period compared to the size (quantity) during active trading hours;
- impact on the IOP;
- order activity by a market participant in concurrent pre-open periods in related Exchange markets;
- whether a market participant entered crossed-market orders (see Q&A 2) during the pre-open period, whether the crossed-market orders remained in the order book at the market open; the timing of crossed-market order placement; the length of time the crossed-market orders

remained in the order book; whether crossed-market orders were entered on both sides of the market; and

- the percentage of a market participant's orders entered during multiple pre-open periods that remained in the market at the market open.

**Q2: What is considered a crossed-market order during the pre-open period?**

A2: A crossed-market order is a bid entered at a price above the currently displayed IOP or best offer, or an offer entered at a price below the currently displayed IOP or best bid.

**Q3: Is a market participant prohibited from cancelling orders during the pre-open period?**

A3: No. Market participants are not prohibited from cancelling an order during the pre-open period if the order is cancelled for legitimate purposes, including but not limited to mitigating risk due to changing market conditions, a shift in market outlook, or a modification in trading strategy.

**Q4: Is a market participant allowed to enter a crossed-market order during the pre-open period?**

A4: Yes, there are several reasons a market participant may wish to enter a crossed-market order during the pre-open period including to secure queue position or increase the likelihood of getting filled at the market open. However, frequent modifications or cancellations of crossed-market orders may demonstrate that the market participant does not intend for the orders to be filled at the market open, which may be deemed to violate Rule 575 or other Exchange rules.

Furthermore, if the crossed-market order entries, modifications, and/or cancellations cause undue fluctuations to the IOP, the conduct may be deemed to violate Rule 575 or other Exchange rules.

**Q5: Is it a violation of Rule 534 if opposing orders entered during the Globex pre-open period for accounts with the same or common beneficial ownership match opposite each other once the market opens?**

A5: Yes. Market participants should have a reasonable expectation that their resting buy and sell orders may match opposite each other when the market opens if the buy orders are priced at or above the price of their resting sell orders or the sell orders are priced at or below the price of their resting buy orders. If a market participant's buy and sell orders match opposite one another when the market opens as a result of orders entered during the Globex pre-open period that a party knew or should have known would match, the party has violated Rule 534.

Furthermore, market participants need not trade against themselves on the opening match to violate Rule 534. A purchase (sale) opposite a counterparty followed by a sale (purchase) at the same price opposite the same or different counterparties may be deemed an "indirect wash trade" in violation of Rule 534 if the orders were entered with the intent to negate or strictly limit market risk.

**Q6: Is a market participant allowed to switch sides of the market when entering orders during the pre-open period?**

A6: Yes, provided that all orders are entered for bona fide trading purposes. Market Regulation recognizes that market participants may change their trading strategy based on many factors, including changing market conditions and/or a shift in market outlook.

- Q7: What is the appropriate order entry method during the pre-open period for a party wishing to increase the likelihood of being filled on the open?**
- A7: Crossed-market orders increase the likelihood of being filled on the market open. Market participants are reminded, however, that they must be willing and able to trade the full quantity of their orders at the prices entered on such orders. Additionally, market participants must be cognizant that crossed-market orders may cause aberrant price movement during the pre-open period, particularly in instances where the order quantity is large relative to the market depth at the time of order entry. If an aberrant price movement occurs, the activity may be deemed to violate Rule 575.
- Q8: May a market participant enter orders during the pre-open period in markets eligible for Trading at Settlement (“TAS”), Trading at Market (“TAM”), Basis Trade at Index Close (“BTIC”), or Basis Trade at Cash Open (“TACO”) pricing?**
- A8: Yes, however any market participant who initiates the entry of a [TAS, TAM, BTIC, or TACO](#) order prior to receipt of the security status message indicating that market has transitioned to the pre-open period will be subject to disciplinary action by a panel of the Business Conduct Committee, notwithstanding that the order may have been rejected by the CME Globex system.
- Q9: Are automated trading systems allowed to operate during the pre-open period?**
- A9: Yes, market participants may utilize an automated trading system (“ATS”) during any pre-open period. If an ATS is enabled during the pre-open period, the algorithm should contain logic to account for its unique characteristics, such as the recognition that trade matches do not occur until the market opens, in order to avoid causing undue fluctuations to the IOP.
- Q10: Do orders entered during the pre-open period need to be entered at prices consistent with the contract’s settlement price from the prior trading session?**
- A10: No, orders may be entered at any price level provided the order has been entered with an intent to trade and the order’s price does not cause an undue fluctuation to the IOP.
- Q11: How may market participants receive advance notifications regarding upcoming extended pre-open periods in observance of U.S. Holidays?**
- A11: Market participants may subscribe to receive advance e-mail notifications of upcoming holidays by selecting the “Globex Notices” checkbox in the CME Group Subscription Center via the following link: <http://pages.cmegroup.com/subscription-center-sign-in.html>

**Examples of Prohibited Activity During the Pre-Open Period**

- **Scanning the Book for Hidden Orders:** A market participant places a crossed-market buy order (i.e. an order to buy priced above the existing IOP or best offer) for the purpose of ascertaining whether there are stop or iceberg orders (i.e. non-displayed liquidity) on the sell side of the order book. Then, after learning the state of the sell side of the market, the market participant cancels that bid and places an order or orders to sell. The original buy order was non-bona fide, as its purpose was not to engage in a transaction in the market but to identify hidden liquidity on the opposite side of the market. Further, the market participant’s intent at the time of order entry was to cancel the order prior to execution. This type of conduct violates Rule 575.

- Market Depth Testing: To determine the maximum quantity the market participant can purchase on the open at the then existing IOP, the market participant enters a series of crossed-market buy orders until one of the crossed-market buy orders causes the IOP to shift up. Having ascertained the maximum buy quantity that could be entered without shifting the IOP, the market participant cancels all buy orders. Typically, then, during the lockdown period, the market participant enters buy orders with quantities the participant believes, based on the previous non-bona fide activity, will not cause the IOP to shift. The original series of buy orders were non-bona fide, as their purpose was not to engage in a transaction in the market but to identify the depth of the market. Further, the market participant's intent at the time of entering the orders was to cancel them prior to execution. This type of conduct violates Rule 575.
- Lockdown Circumvention, Negating Market Risk: Prior to the lockdown period, a market participant enters a crossed-market buy order. After the pre-open period transitions to the lockdown period, other market participants' activity causes the IOP to shift up. No longer wanting to buy at the new (higher) IOP and unable to cancel or modify ~~their~~ resting buy order, the market participant enters a crossed-market sell order to offset or "scratch" the original buy order. During the opening match, the market participant's buy and sell orders trade at the opening price. With the entry of the crossed-market offer, the market participant did not intend to take a bona fide market position and intended to negate market risk and price competition. This type of conduct violates Rule 534.
- IOP Manipulation: A market participant places large quantity orders at the beginning of the pre-opening period in an effort to artificially increase or decrease the IOP with the intent to attract other market participants. Once others join the market participant's bid or offer, the market participant cancels ~~their~~ orders shortly before the lockdown period. Consequently, those other market participants did not have an opportunity to react to the cancelled bids or offers prior to the open when their orders became executable.



## MARKET REGULATION ADVISORY NOTICE

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<b>Exchange</b>	<b>CME, CBOT, NYMEX &amp; COMEX</b>
<b>Subject</b>	<b>Summary Fines for Reporting Infractions</b>
<b>Rule References</b>	<b>Rule 512</b>
<b>Advisory Date</b>	<b>October 10, 2022</b>
<b>Advisory Number</b>	<b>CME Group RA2206-5</b>
<b>Effective Date</b>	<b>October 25, 2022</b>

Effective on trade date Tuesday, October 25, 2022, and pending all relevant CFTC regulatory review periods, this Market Regulation Advisory Notice will supersede CME Group Market Regulation Advisory Notice RA2007-5 from September 2, 2020. It is being issued to add "requests for a bona fide hedge exemption" to the list of types of submission or reporting requirements that may result in summary fines pursuant to Rule 512 ("Reporting Infractions").

No substantive information in this Advisory Notice has been amended.

Rule 512 ("Reporting Infractions") requires that all data, records and other information required to be reported to the Exchanges or CME Clearing be submitted in an accurate, complete and timely manner. The Rule authorizes the Chief Regulatory Officer or **their** designee to issue summary fines based on the inaccurate, incomplete or untimely submission of data or records. The summary fines may not be less than \$1,000 or in excess of \$5,000 per offense for individuals or \$10,000 per offense for firms or facilities.

Infractions subject to sanctions under Rule 512 include, but are not limited to, deficiencies related to the following types of submission or reporting requirements:

- Reporting concerning large trader, open interest and long positions eligible for delivery
- Registrar reports
- Block trade and EFRP reporting
- Operator IDs on CME Globex trades
- Manual order indicator on CME Globex trades
- Sender location on CME Globex trades
- CTI (customer type indicator) codes
- Front-end audit trail requirements
- Reporting related to accounts, including suspense account usage, account changes, and transfer reason codes
- CME Brokerage Reassignment ("BK") trade recordation requirements (please see Special Executive Report S-7611 from March 4, 2016, for information on BK Trades)
- Requests for a bona fide hedge exemption

The Department will continue, in its discretion, to issue warning letters for a first offense. However, consistent with CFTC regulations for designated contract markets, no more than one warning letter will be issued to an individual or entity for the same offense within a rolling 12-month period. Factors affecting the amount of the sanction under Rule 512 will include the magnitude, frequency and impact of the reporting infraction, the party's prior disciplinary history for similar infractions and remedial actions taken to correct the identified reporting issues. The Department, in its discretion, may refer matters that it deems egregious to the Chief Regulatory Officer for consideration of charges pursuant to the provisions of Rule 406 ("Issuance of Charges").

Rule 512 will allow parties 15 calendar days following the receipt of a summary fine to present evidence to the Department demonstrating that the fine should be rescinded or reduced. The Rule also allows

parties to appeal the Department's determination that the evidence submitted was insufficient to warrant a rescission or reduction in the summary fine to the BCC if the party provides evidence of a valid basis for the appeal as set forth in the rule.

A summary fine issued pursuant to the provisions of Rule 512 constitutes a formal Exchange disciplinary action which requires the Exchange to report the matter to the CFTC pursuant to CFTC Regulation 9.11(a), and to enter the disciplinary action into the National Futures Association Basic System. Individuals and firms will not be subject to both a fine under Rule 512 and a surcharge levied by CME Clearing pursuant to Rule 852 ("Surcharges for Errors, Delays and Omissions") based on the same underlying activity.

The texts of Rules 512 and 852 appear below.

## **512. REPORTING INFRACTIONS**

### **512.A. General**

All data, records and other information required by the rules to be reported to the Exchange or the Clearing House, as applicable, must be submitted in an accurate, complete and timely manner.

### **512.B. Sanctions**

1. Except as otherwise provided in Rule 536, the Chief Regulatory Officer or **theirhis** designee shall have the authority to impose summary fines on parties who have consented to the jurisdiction of the Exchange. Summary fines shall not be less than \$1,000 per offense and shall not exceed \$5,000 per offense for individuals or \$10,000 per offense for firms for the inaccurate, incomplete or untimely submission of data, records or information required to be submitted to the Exchange or the Clearing House.
2. Individuals and firms shall have 15 days following receipt of the notice of a summary fine to present evidence to the Market Regulation Department that the fine should be rescinded or reduced. Absent the submission of such evidence within the designated time period, the fine shall be deemed final and may not be appealed.

### **512.C. Hearings and Appeals**

If the Chief Regulatory Officer or **theirhis** designee determines that evidence submitted by an individual or firm pursuant to Section B.2. is insufficient to support the requested rescission or reduction of the fine, the individual or firm may, within 10 days of the decision, file a written appeal with the Market Regulation Department. A written appeal that fails to specify the grounds for the appeal and the specific error or impropriety of the original decision shall be dismissed. The appeal shall be heard by a Panel of the Business Conduct Committee ("BCC Panel") whose decision shall be final. The appellant shall be entitled to be represented by counsel, appear personally before the BCC Panel and present evidence that **theyhe** may have in support of **theirhis** appeal. The BCC Panel shall not set aside, modify or amend the appealed decision unless it determines, by a majority vote, that the decision was:

1. Arbitrary, capricious, or an abuse of the Exchange staff's discretion;
2. In excess of the Exchange staff's authority or jurisdiction; or
3. Based on a clearly erroneous application of Exchange rules.

Notwithstanding the provisions of Sections B.1. and B.2. above, the Market Regulation Department may, at any time, refer matters that it deems egregious to the Chief Regulatory Officer for consideration of charges.

## **852. SURCHARGES FOR ERRORS, DELAYS AND OMISSIONS**

Exchange staff may establish, and from time to time revise, schedules of surcharges to be imposed upon clearing members for errors, delays and omissions with respect to trade data and certain other information required to be provided to the Clearing House. These surcharges are to be collected by the Clearing House and are in addition to any disciplinary sanctions that may be imposed by Market Regulation, the BCC or CHRC for the violation of Exchange rules.

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

Paige Gawrys, Senior Specialist, Rules & Regulatory Outreach, 312.872.5078

Erin Middleton, Director, Rules & Regulatory Outreach, 312.341.3286

For media inquiries concerning this Market Regulation Advisory Notice, please contact CME Group Corporate

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Communications at 312.930.3434 or [news@cmegroup.com](mailto:news@cmegroup.com).

## MARKET REGULATION ADVISORY NOTICE

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Exchange	CME
Subject	Registration and Identification of Broker Associations
Rule References	Rule 515
Advisory Date	April 18, 2022
Advisory Number	CME RA2202-2
Effective Date	May 2, 2022

Effective trade date May 2, 2022, and pending all relevant CFTC regulatory review periods, this Advisory Notice supersedes CME Market Regulation Advisory Notice RA2103-2 from August 30, 2021. It is being issued to notify CME members that all SOFR options contract months will be added to the list of contracts subject to the intra-association trading restrictions pursuant to CME Rule 515.E. ("Trading Restrictions"), on May 2, 2022.

All contract months of SOFR options (collectively, "Interest Rate options") are subject to the intra-association trading restrictions pursuant to CME Rule 515.E. ("Trading Restrictions");

The complete text of Rule 515 begins on page 2 of this Advisory Notice.

### **Interest Rate Options Trading Restrictions as of May 2, 2022**

The intra-association trading restrictions among members of CME broker associations operating in Interest Rate options are set forth below.

#### **A. Contract Months Subject to the Restrictions**

All listed contract months from the first day of trading through the last day of trading.

#### **B. Restrictions**

Order executions in restricted contract months by members of a broker association opposite other members of the same broker association are limited to 20% per month.

### **Best and Only Bid and Offer Documentation**

In circumstances where two members of the same broker association trade opposite one another in a contract month subject to the trading restrictions set forth above, and at the time the trade is executed one member is the best and only bid and the other member is the best and only offer, the quantity associated with the execution will be removed from each member's monthly intra-association percentage restrictions **provided that all of the following requirements are met:**

1. A note is made on the trading document by one of the two members involved in the trade indicating that at the time the trade was executed, one member was the best and only bid and the other member was the best and only offer in the pit. Noting "B&O" on the trading document is sufficient for this purpose. That notation must be made contemporaneously with the trade being made.
2. The time of the trade to the nearest minute is recorded on the trading document containing the B&O notation.
3. A signature and a **legible** acronym of a member (or the signature of an Exchange official) attesting to the fact that the members were the best and only bid and best and only offer at the time the trade was made **must be** noted on the trading document. The signature and acronym of

the member (or the signature of the Exchange official) must be obtained as soon as possible after the trade has been made. **Members executing the trade may request signatures only from members (or Exchange officials) who were present when the trade was made. Members signing such trading documents may do so only if they were present and can attest to the fact that the trade was a best and only bid and offer at the time it was made.** Members of the same broker association are not eligible to sign as a witness for this purpose.

4. Copies of the documentation are forwarded to the Market Regulation Department, marked to the attention of Jackie Cerven or Jeffrey Nierman.

**Properly documented** best and only bids and offers will be removed from each member's intra-association trading volume and total trade volume when calculating compliance with the applicable trading restrictions. If the removal of the volume associated with the best and only bids and offers results in the reduction of a member's intra-association trading percentage to a non-violative level, the member will not be deemed to have violated Rule 515.E.

**Documentation that does not meet all the requirements set forth above will not be accepted by the Market Regulation Department.**

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

Jackie Cerven, LeadSenior Data Investigator, at 312.872.5341

Jeffrey Nierman, Lead Data Investigator, at 312.341.3195.

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).

## 515. REGISTRATION AND IDENTIFICATION OF BROKER ASSOCIATIONS

### Definitions

1. Floor Brokerage Activity - The execution or pre-execution handling of orders on the trading floor.
2. Broker Association - A broker association shall include the following associations between two or more members with trading floor access privileges, at least one of whom is engaged in floor brokerage activity:
  - a. Revenue Sharing Association: Associations between members who:
    - i. share profits or losses associated with their brokerage and/or error account activity; and/or
    - ii. have an employer and employee relationship which relates to floor brokerage activity;
  - b. Non-Revenue Sharing Association: Associations between members who:
    - i. regularly share a deck of orders; and/or
    - ii. share employee salary expenses.
  - c. Any other group or combination deemed by the Exchange to be a broker association.
3. Principal of a Revenue Sharing Association – Each individual who has formal or de facto control over the affairs of, or has a ten percent or greater ownership interest in, a Revenue Sharing Association not owned by a clearing member firm.
4. Spokesperson of a Non-Revenue Sharing Association and Revenue Sharing Associations owned by a clearing member firm – An individual authorized to represent a Non-Revenue Sharing Association or Clearing Firm owned Revenue Sharing Association in connection with its registration obligations set forth in Section B.
5. Investor – An individual who has a direct beneficial interest in a Revenue Sharing Association but is not a principal as defined in A.3. above.

### 515.B. Registration Requirements

1. A member of a broker association shall not handle or execute an order unless that association has registered with the Exchange.
2. Members or Member Firms must have majority ownership interest in any broker association.

3. Principals involved in floor brokerage activity must have trading privileges in the membership division required for access to the products handled by the members of the association. Principals who are not involved in floor brokerage activity must own a membership in the membership division required for access to the products handled by the members of the association. Notwithstanding the above, principals not regularly involved in floor brokerage activity may hold a membership in any division in circumstances where the association is owned by a Member Firm and such Member Firm owns a membership in the membership division required for access to the products handled by the members of the association.
4. No registered broker association or member thereof shall permit a party to have any direct or indirect profit or ownership interest in a broker association unless such party is registered in the association in accordance with this rule.
5. Registration shall be accomplished by filing the appropriate registration forms with the Market Regulation Department.
6. It shall be the responsibility of the broker association and its principals or spokespersons to ensure that the association is properly registered. Any additions, deletions or other changes to the information already reported must be provided to the Market Regulation Department within two business days after the event giving rise to such changes.
7. The Exchange may request any additional information from a broker association as deemed appropriate.

**515.C. Prohibition on Sharing of Personal Trading Profits**

Registrants in a broker association may not share profits or losses associated with their personal trading activity by direct or indirect means, except for profits and losses related to brokerage errors.

**515.D. Supervision**

Each principal of a Revenue Sharing Association must diligently supervise the association's member registrants and non-member employees and may be held directly liable for violations of any rule of the Exchange by such registrants and employees. Regardless of whether the principal is held responsible for the act or acts constituting the violation, each principal is jointly liable for the payment of any fines assessed against another principal, registrant or employee of the association provided that the violation occurred while that person was functioning in **their** capacity with the association.

**515.E. Trading Restrictions**

The Exchange may impose limits on the percentage of personal trading and/or brokerage volume that members of a broker association may execute with one another. Violations of such restrictions will result in summary action according to the following schedule on a rolling 12 month period:

First Occurrence Letter of Warning

Second Occurrence \$5,000 fine

Subsequent Occurrence \$10,000 fine

The Exchange may restrict a member of a Revenue Sharing Association from trading for any account such member owns, controls or in which such member has a financial interest opposite other members of the association executing orders. Violation of such restrictions will result in summary action according to the following schedule on a rolling 24 month period:

First Occurrence Letter of Warning

Second Occurrence \$500 fine

Third Occurrence \$1,000 fine

Subsequent Occurrence \$5,000 fine

Actions taken pursuant to this section are final and may not be appealed; however members will have 15 days following receipt of notification of the action to present evidence to the Market Regulation Department that administrative, clerical or other errors caused the apparent rule violation.

Notwithstanding the provisions of this section, the Market Regulation Department may, at any time, refer matters that it deems egregious to the Chief Regulatory Officer for the consideration of charges.

## MARKET REGULATION ADVISORY NOTICE

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Exchange	CME
Subject	All-or-None Transactions
Rule References	Rule 523
Advisory Date	April 18, 2022
Advisory Number	CME RA2201-2
Effective Date	May 2, 2022

Effective on trade date May 2, 2022, and pending all relevant CFTC regulatory review periods, this Market Regulation Advisory Notice will supersede CME Market Regulation Advisory Notice RA2104 -2 from August 30, 2021. It is being issued enable All-or-None ("AON") transactions for open outcry trading of Options on Three-Month SOFR Futures, Options on One-Month SOFR Futures and all Options on Three-Month Eurodollar Futures.

**Market participants are reminded of the following:**

- 1) AON trades may not, under any circumstances, be prearranged or otherwise involve prohibited pre-execution communications.**

Pursuant to Rule 539 ("Prearranged, Pre-negotiated and Noncompetitive Trades Prohibited"), the prearrangement of AON trades and pre-execution communications with respect to AON trades are strictly prohibited. As such, the only information that may be disclosed by any party with respect to an AON order is information that has been publicly exposed in the trading pit. Parties may not solicit potential counterparties to an AON order until the order has been openly bid or offered in the pit.

- 2) AON orders must be competitively and transparently executed in the open market by open outcry.**

All AON trades must be executed openly and competitively, without prearrangement. Bidding and offering practices must at all times be conducive to the competitive execution of trades, and members must ensure that the request for an AON market or the bid or offer for an AON order is clearly and transparently announced to the pit. Additionally, all AON bids and offers must include both quantity and price.

Additionally, in circumstances where a broker has both buy and sell AON orders for accounts with different beneficial ownership, the broker may only cross the orders pursuant to the cross procedures set forth in Rule 533 ("Simultaneous Buy and Sell Orders for Different Beneficial Owners"). Rule 533 requires the broker in these circumstances to bid and offer by open outcry the price and quantity of the AON orders three times. If neither the bid nor offer is accepted, the orders may be matched in the presence, and with the approval, of a designated Exchange official. It is incumbent upon a member handling simultaneous AON buy and sell orders to ensure that ~~their~~his bids and offers for the orders are announced clearly to the pit, and, if executed opposite each other, that the approval of the Exchange official is obtained contemporaneous with the execution of the orders.

**Failure to comply with the aforementioned requirements will result in disciplinary action.**

Market participants are strongly encouraged to review the FAQ to ensure an accurate understanding of the requirements for executing AON orders. The text of Rule 523 appears below, followed by the FAQ.



**Rule 523 ALL-OR-NONE TRANSACTIONS**

The Exchange shall determine the minimum thresholds for and the commodities in which All-or-None transactions shall be permitted. The following shall govern All-or-None trading:

1. A member may request an All-or-None bid and/or offer for a specified quantity at or in excess of the applicable minimum threshold. Such request shall be made in the pit designated for the trading of the particular transaction.
2. A member may respond by quoting an All-or-None bid or offer price. A bid or offer in response to an All-or-None request shall be made only when it is the best bid or offer in response to such request, but such price need not be in line with the bids and offers currently being quoted in the regular market.
3. A member shall not execute any order by means of an All-or-None transaction unless the order includes specific instructions to execute an All-or-None transaction or the All-or-None bid or offer is the best price available to satisfy the terms of the order.
4. An All-or-None bid or offer may be accepted by one or more members provided that the entire quantity of the All-or-None order is executed at a single price and that each counterparty to the order accepts a quantity at or in excess of the designated minimum counterparty threshold. Each order executed opposite an All-or-None order must be for a quantity that meets or exceeds the minimum counterparty threshold. Separate orders may not be bunched to meet the minimum counterparty threshold.
5. All-or-None transactions shall not set off conditional orders (e.g., Stop Orders and MIT Orders) or otherwise affect orders in the regular market.
6. All-or-None transactions must be reported to a designated Exchange official who shall record and publish the quantity and prices separately from reports of transactions in the regular market. The brokers executing All-or-None transactions must maintain a record of said transaction in accordance with Rule 536.

**FAQ Related to CME Rule 523  
All-or-None Transactions**

**Q1: What is an All-or-None (“AON”) Order?**

A1: An AON order is an order that meets or exceeds an exchange-specified minimum quantity that can be executed only for its entire quantity and only at a single price. AON orders are permitted solely in Options on Three-Month SOFR Futures and Options on One-Month SOFR Futures executed in the open outcry market during Regular Trading Hours.

**Q2: What are the significant differences between AON transactions and other trades executed via open outcry?**

- A2:
1. AON bids, offers and requests for a market must be for a quantity equal to or in excess of 1,000 contracts for options on Three-Month SOFR futures and 250 contracts for options on One-Month SOFR futures. The contract minimum threshold applies to each leg of any spread or combination trade executed as an AON.
  2. Partial fills for an AON order are not permitted.
  3. The execution price of an AON order may be outside of the best bid/offer in the regular market.
  4. The price at which an AON order is executed does not elect conditional orders (e.g., stop orders, limit orders, MIT orders, etc.) in the regular market or otherwise affect such orders.
  5. AON transactions are reported separately from transactions in the regular market in the Time and Sales record.

**Q3: May an AON order be executed opposite more than one counterparty?**

A3: Yes. An AON order may be executed opposite multiple counterparties provided that the order is filled in its entirety at a single price and each opposing party to the order receives 10% or more of the AON order's full quantity.

**Q4: May a broker bunch separate orders to meet the counterparty minimum?**

A4: No. *Each* order executed opposite an AON order must be for a quantity that meets or exceeds the minimum counterparty threshold.

**Q5: What is the proper procedure for initiating an AON transaction in the pit?**

A5: The initiator of the AON order may request an AON market for a specific quantity or make an AON bid/offer for a specific quantity and price. **Any requests for an AON market and all AON bids and offers must be made openly and clearly announced in the pit.**

A member may respond by quoting an AON bid and/or offer price and the quantity, at or above the designated counterparty minimum, that ~~they are~~ is willing to trade. Brokers who have orders that independently meet the minimum counterparty quantity threshold may also bid/offer in response to a request for an AON market.

The individual representing the AON order must determine if the total quantity bid/offered is sufficient to satisfy the entire quantity of the AON order at a single price. If so, ~~they~~ will consummate the AON trade with the opposing market participants. Just as in the regular market, it is the broker's responsibility to allocate quantities if there is more than one opposing party.

**Q6: May two AON orders be crossed?**

A6: AON orders to buy and sell that are for different beneficial owners and are initiated **without prearrangement** may be competitively executed opposite each other in the open market. A single broker may directly cross two AON orders provided that the cross trade procedures set forth in Rule 533 ("Simultaneous Buy and Sell Orders for Different Beneficial Owners") are followed.

Additionally, a broker executing an AON order may not take the opposite side of the order, or any portion of the order, into ~~their~~ own account (or an account in which ~~they have~~ has a direct or indirect financial interest or an account over which ~~they have~~ has discretionary trading authority) unless the customer has provided prior written consent to waive the application of Rule 531.A. ("General Prohibition") and the broker complies with the cross trade procedures set forth in Rule 533.

**Q7: May intra-commodity options spreads or options combinations be executed pursuant to Rule 523?**

A7: Yes, provided that each leg of the spread meets the contract's minimum quantity requirement.

**Q8: Are spreads involving SOFR options versus SOFR futures permitted to be executed as an AON?**

A8: Yes, provided that at least one option leg of the spread order meets the specified contract AON minimum order quantity and the quantity of the futures leg is the appropriate delta equivalent.

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

Erin Middleton, Director, Rules & Regulatory Outreach, 312.341.3286

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Paige Gawrys, Senior Specialist, Rules & Regulatory Outreach, 312.872.5078

Barry Schauer, Trading Floor Investigations Specialist, 312.341.7640

Daniel Schneider, Director, Investigations, 312.341.7251

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).

# MARKET REGULATION ADVISORY NOTICE

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<b>Exchange</b>	<b>CME, CBOT, NYMEX &amp; COMEX</b>
<b>Subject</b>	<b>TAS, TAM, BTIC, TACO, and TMAC Transactions</b>
<b>Rule References</b>	<b>Rule 524</b>
<b>Advisory Date</b>	<b>July 13, 2023</b>
<b>Advisory Number</b>	<b>CME Group RA2302-5</b>
<b>Effective Date</b>	<b>July 31, 2023</b>

Effective on trade date July 31, 2023, and pending all relevant CFTC regulatory review periods, this Market Regulation Advisory Notice will supersede CME Group Market Regulation Advisory Notice RA2301-5 from June 1, 2023. It is being issued in connection with the adoption of CME and CBOT Rule.524.D. (“Trade Marker at Close (‘TMAC’) Transactions”). The new TMAC transaction type will allow market participants to trade certain equity index futures contracts at the current day’s applicable marker price, or at any valid price increment up to four ticks higher or lower than the marker. (See [SER-9219](#))

The marker price for TMAC transactions will be derived from the volume-weighted average price (“VWAP”) of outright transactions in the underlying instrument executed on CME Globex electronic trading platform (“CME Globex”) in the 30-second window ending at 4:00 p.m. Eastern Prevailing Time (“EPT”). Trading activity in this 30-second window is also used by the Exchanges for purposes of calculating reference prices known as the Fixing Prices for the respective instruments. The daily TMAC marker price for each eligible instrument will therefore equal the Fixing Price, published by the Exchanges and made available on the CME Group [website](#).

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

Information on the specific products, contract months and spreads eligible for pricing as TAS, TAM, BTIC, TACO, or TMAC transactions is contained in the Trading at Settlement (“TAS”) Table set forth in the Interpretations & Special Notices Section at the end of Chapter 5 of each Exchange’s Rulebook. The table may also be accessed [here](#).

TAS, TAM, BTIC, TACO, and TMAC transactions are subject to the information contained in the Advisory Notice, each Exchange’s Rule 524, and, for BTIC, TACO, and TMAC transactions, provisions contained in applicable CME and CBOT futures product chapters. The text of each Exchange’s Rule 524 appears in Section 6 of this Advisory Notice.

## **1. General Information on TAS, TAM, BTIC, TACO, and TMAC Transactions**

TAS permits parties to trade at a differential to the current day’s not-yet-known futures settlement price. TAM and TMAC permit parties to trade at a differential to the current day’s not-yet-known Exchange-determined marker price.

Orders for CME and CBOT TAS and TMAC-eligible futures products may be entered into CME Globex for execution at the current day’s settlement price, marker price, or any valid price increment up to four ticks higher or lower than the settlement price.

CME and CBOT TAS and TMAC-eligible futures products may also be executed as block trades, EFPs, or EFRs and priced at the current day's settlement price, marker price, or any valid price increment up to four ticks higher or lower than the settlement price.

Orders for NYMEX and COMEX TAS- and TAM-eligible futures products may be entered into CME Globex for execution at the current day's settlement or marker price, as applicable, or any valid price increment ten ticks higher or lower than the applicable settlement or marker price, except for spot month Copper futures which may be executed on CME Globex and priced solely at the settlement price, or TAS flat.

NYMEX and COMEX TAS- and TAM-eligible futures products may also be executed as block trades, EFPs, or EFRs and priced at the settlement or marker price, as applicable, or any valid price increment ten ticks higher or lower than the settlement or marker price, except for spot month Copper futures block trades, EFPs, and EFRs which may be priced solely at the settlement price, or TAS flat.

BTIC permits parties to trade at a differential (basis) to an eligible futures contract's underlying cash Index or a related index as described in the product chapter in which the closing level is not-yet-known.

TACO permits parties to trade at a differential (basis) to an eligible futures contract's underlying cash Index special opening quotation ("SOQ"), which is not-yet-known.

Orders for certain CME and CBOT futures products may be entered into CME Globex for execution at the current day's eligible closing price or any fair and reasonable basis above or below the current day's eligible closing price.

Certain CME and CBOT futures products may be executed as a block trade and priced at the underlying futures contracts' eligible closing price or at a differential (basis) to the cash Index, or a related index as described in the product chapter, closing price.

Orders for CME E-mini S&P 500 futures may be entered into CME Globex or executed as a block trade for pricing at the next following regularly scheduled SOQ or any fair and reasonable basis above or below the next following regularly scheduled SOQ.

The basis must be stated in admissible futures price increments for the specific futures contract. In the case of a BTIC or TACO block trade, the negotiated basis must be fair and reasonable in light of factors including, but not limited to, financing rates, expected dividend income, and time remaining until the underlying futures contract expiration.

Information on products eligible to be executed as block trades and priced as TAS, TAM, BTIC, TACO, or TMAC transactions may be found here:

<http://www.cmegroup.com/clearing/trading-practices/block-trades.html>

## **2. Regulatory Considerations**

All market participants are reminded that any trading activity that is intended to disrupt orderly trading or to manipulate or attempt to manipulate prices to benefit a TAS, TAM, BTIC, TACO, or TMAC position, including a position established as a block trade, will subject the member and/or the market participant to disciplinary action for any of a number of rule violations, including, but not limited to:

- price manipulation or attempted price manipulation

- wash trading
- conduct detrimental to the interest or welfare of the Exchange or conduct which tends to impair the dignity or good name of the Exchange
- engaging in conduct inconsistent with just and equitable principles of trade

Investigation of suspected manipulative or disruptive activity related to TAS, TAM, BTIC, TACO, or TMAC or activity in the related underlying markets will include the Market Regulation Department's ("Department") review of positions and trading activity in the applicable Exchange markets and any related markets to determine if such activity was disruptive, collusive, and/or caused or attempted to cause aberrant price movement during these periods. Pursuant to Rule 432.L.3, market participants are reminded that it is an offense to fail to produce any books or records requested by authorized Exchange staff within 10 days after such request is made or such shorter period of time as determined by the Exchange in exigent circumstances. The Department always has the authority to request books and records as well as other relevant information regarding the nature of a participant's trading and positions in Exchange products and in any related markets as part of its regulatory program.

### **3. Entry of TAS, TAM, BTIC, TACO, and TMAC Orders on CME Globex**

Rule 524 permits the initiation of TAS, TAM, BTIC, TACO, and TMAC orders into CME Globex only subsequent to the beginning of each group's pre-open state and during the time period the applicable contracts are available for TAS, TAM, BTIC, TACO, or TMAC trading on CME Globex, as applicable. The initiation of any TAS, TAM, BTIC, TACO or TMAC order on CME Globex outside of these time periods is strictly prohibited.

Market participants are reminded that the timing of each groups' pre-open state may be randomized, as described in the Client Systems Wiki, available [here](#).

Any market participant who initiates the entry of a TAS, TAM, BTIC, TACO or TMAC order prior to receipt of the security status message indicating that the market has transitioned to the pre-open will be subject to disciplinary action by a panel of the Business Conduct Committee, notwithstanding that the order may have been rejected by the CME Globex system. Sanctions for noncompliance may include a fine, disgorgement of any profits realized as a result of any orders accepted by CME Globex which were initiated prior to receipt of the security status message and/or a suspension of access to the market. Market participants must have appropriate protocols in place to ensure that TAS, TAM, BTIC, TACO, and TMAC orders are not initiated prior to receipt of the security status message.

### **4. TAS and TAM Calendar Spreads**

As set forth in the TAS Table, certain intra-commodity calendar spreads are permitted to be entered into CME Globex and priced at the settlement or marker price, or a specified number of ticks above or below the settlement or marker price.

Additionally, certain NYMEX and COMEX intra-commodity calendar spreads are permitted to be executed as block trades and priced at the settlement or marker price or at a positive or negative differential.

TAS and TAM spread trades may be executed at zero or at a positive or negative differential (positive/negative 1 through positive/negative 10 for eligible NYMEX and COMEX products) (positive/negative 1 through positive/negative 4 for eligible CME and CBOT products) on CME Globex or, where allowable, as block trades. For more information regarding leg price assignment on Globex see the Client Systems Wiki, available [here](#).

### **5. TAS, BTIC, and TACO Pricing and Daily Price Limits**

Notwithstanding that CME Live Cattle, Feeder Cattle and Lean Hogs futures and CBOT Corn, Soybean, Soybean Oil, Soybean Meal, Wheat and KC HRW Wheat futures are subject to daily price limits, market participants executing a trade in one of those products which is priced at a tick increment above or below the settlement price (negative 4 through negative 1 or positive 1 through positive 4) may result in a final trade price above or below the daily price limit.

Similarly, BTIC and TACO transactions may result in an assigned futures price outside of the applicable futures daily price limits.

## **6. Text of CME, CBOT, and NYMEX/COMEX Rule 524**

### **CME and CBOT**

#### **524. TRADING AT SETTLEMENT (“TAS”), BASIS TRADE AT INDEX CLOSE (“BTIC”) AND BASIS TRADE AT CASH OPEN (“TACO”) TRANSACTIONS**

The Exchange shall determine the products, contract months and time periods during which TAS, BTIC, and TACO transactions shall be permitted. Specific products, contract months and spreads eligible for pricing as TAS, BTIC, or TACO transactions are set forth in the TAS Table (“Table”) at the end of Chapter 5.

##### **524.A. Trading at Settlement (“TAS”) Transactions**

The following shall govern TAS transactions:

1. A TAS order may be entered on Globex at any time the applicable contract is available for TAS trading on Globex and during such TAS-eligible contract’s prescribed pre-open time period. The initiation of any TAS order on Globex outside these time periods is prohibited.
2. Unless otherwise specified in the Table, a TAS-eligible product and contract month may be executed as a block trade pursuant to the requirements of Rule 526 or as an Exchange of Futures for Physical (“EFP”) or Exchange of Futures for Risk (“EFR”) transaction pursuant to the requirements of Rule 538.
3. Unless otherwise specified by the Exchange, a TAS transaction may be executed at the current day’s settlement price or at any valid price increment four ticks higher or lower than the settlement price.

##### **524.B. Basis Trade at Index Close (“BTIC”) Transactions**

A Basis Trade at Index Close (“BTIC”) transaction is an Exchange futures transaction which is priced with reference to the closing level of such futures contract’s underlying cash Index, or the closing level of a related index as described in the applicable product chapter, on a particular trading day (the “Basis”). The following shall govern BTIC transactions:

1. A BTIC order may be entered on Globex at any time the applicable futures contract is available for BTIC trading on Globex and during such BTIC-eligible futures contract’s prescribed pre-open time period. The initiation of any BTIC order on Globex outside these time periods is prohibited.
2. Unless otherwise specified in the Table, a BTIC-eligible product and contract month may be executed as a block trade pursuant to the requirements of Rule 526, except that a BTIC block trade cannot be executed on the last day of trading in an expiring BTIC-eligible futures contract.
3. The Basis established in any BTIC transaction must be stated in admissible price increments for the applicable futures contract as set forth in the applicable product chapter. The assigned futures price corresponding to such BTIC transaction shall be the closing level of the applicable cash Index, or the closing level of a related index as described in the applicable product chapter, for that trading day adjusted by the Basis established in such BTIC transaction. For any BTIC-eligible futures contract, the magnitude of the Basis in a BTIC block trade must be fair and reasonable in light of factors including, but not limited to, financing rates, expected dividend income, and time remaining until the underlying futures contract expiration. A BTIC futures transaction may result in an assigned futures price outside of applicable daily price limits. The assigned futures price is deemed final when determined by the Exchange, absent an index price correction by the index provider. If the closing level of a cash Index, or the closing level of a related index as described in the applicable product chapter, is corrected by the applicable cash Index provider prior to 4:00 p.m. CT on the following Business Day, the assigned futures price corresponding to such BTIC transaction shall be amended using the corrected closing level of the applicable cash Index, or the closing level of a related index as described in the applicable product chapter, adjusted by the Basis established in such BTIC transaction, and the assigned futures price shall be deemed final at that time.
4. Additional product-specific BTIC provisions, including those relating to disruptions in the publication of an index and the applicable index closing times are set forth in the applicable product chapter in the Rulebook.



#### **524.C. Basis Trade at Cash Open (“TACO”) Transactions**

A Basis Trade at Cash Open (“TACO”) transaction is an Exchange futures transaction that is priced with reference to the next following regularly scheduled special opening quotation (“SOQ”) of such futures contract’s underlying cash Index (the “Basis”). The following shall govern TACO transactions:

1. A TACO order may be entered on Globex at any time the applicable contract is available for TACO trading on Globex and during such TACO-eligible contract’s prescribed pre-open time period. The initiation of any TACO order on Globex outside these time periods is prohibited.
2. Unless otherwise specified in the Table, a TACO-eligible product and contract month may be executed as a block trade pursuant to the requirements of Rule 526, provided that for any expiring TACO-eligible contract, a TACO block trade is prohibited with reference to such contract’s cash Index SOQ for the last day of trading in such contract.
3. The Basis established in any TACO transaction must be stated in admissible price increments for the applicable futures contract as set forth in the applicable product chapter. The assigned futures price corresponding to such TACO transaction shall be the next following regularly scheduled SOQ of the applicable cash Index adjusted by the Basis established in such TACO transaction.  
For any TACO-eligible futures contract, the magnitude of the Basis in a TACO block trade must be fair and reasonable in light of factors including, but not limited to, financing rates, expected dividend income, and time remaining until the underlying futures contract expiration. A TACO futures transaction may result in an assigned futures price outside of applicable daily price limits.
4. In the event of a disruption in the primary listing exchange for a given cash Index (or a disruption in the applicable national bourse or market in the case of a given non-US cash Index) such that the administrator of such cash Index is unable to produce a regularly scheduled SOQ, all pending and executed TACO transactions in the corresponding futures contract shall be canceled by the Exchange. Such disruption shall be declared by the Exchange in its sole discretion.
5. Additional product-specific TACO requirements are set forth in the applicable product chapter in the Rulebook.

#### **524.D. Trade Marker at Close (“TMAC”) Transactions**

The following shall govern TMAC transactions:

1. A TMAC order may be entered on Globex at any time the applicable contract is available for TMAC trading on Globex and during such TMAC-eligible contract’s prescribed pre-open time period. The initiation of any TMAC order on Globex outside these time periods is prohibited.
2. Unless otherwise specified in the Table, a TMAC-eligible product and contract month may be executed as a block trade pursuant to the requirements of Rule 526 or as an Exchange of Futures for Physical (“EFP”) or Exchange of Futures for Risk (“EFR”) transaction pursuant to the requirements of Rule 538.
3. Unless otherwise specified by the Exchange, a TMAC transaction may be executed at the current day’s applicable marker price or at any valid price increment four ticks higher or lower than the applicable marker price.

### **NYMEX/COMEX**

#### **524. TRADING AT SETTLEMENT (“TAS”) AND TRADING AT MARKER (“TAM”) TRANSACTIONS**

The Exchange shall determine the products, contract months and time periods during which TAS and TAM transactions shall be permitted. Specific products, contract months and spreads eligible for pricing as TAS or TAM transactions are set forth in the TAS Table (“Table”) at the end of Chapter 5.

##### **524.A. Trading at Settlement (“TAS”) Transactions**

The following shall govern TAS transactions:

1. A TAS order may be entered on Globex at any time the applicable contract is available for TAS trading on Globex and during such TAS-eligible contract’s prescribed pre-open time period. The initiation of any TAS order on Globex outside these time periods is prohibited.
2. Unless otherwise specified in the Table, a TAS-eligible product and contract month may be executed as a block trade pursuant to the requirements of Rule 526 or as an Exchange of Futures for Physical (“EFP”) or Exchange of Futures for Risk (“EFR”) transaction pursuant to the requirements of Rule 538.
3. Unless otherwise specified by the Exchange, a TAS transaction may be executed at the current day’s settlement price or at any valid price increment ten ticks higher or lower than the settlement price.

##### **524.B. Trading at Marker (“TAM”) Transactions**

The following shall govern TAM transactions:

1. A TAM order may be entered on Globex at any time the applicable contract is available for TAM trading on Globex and during such TAM-eligible contract's prescribed pre-open time period. The initiation of any TAM order on Globex outside these time periods is prohibited.
2. Unless otherwise specified in the Table, a TAM-eligible product and contract month may be executed as a block trade pursuant to the requirements of Rule 526 or as an EFP or EFR transaction pursuant to the requirements of Rule 538.
3. Unless otherwise specified by the Exchange, a TAM transaction may be executed at the current day's applicable marker price or at any valid price increment ten ticks higher or lower than the applicable marker price.

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

Erin Middleton, Director, Rules & Regulatory Outreach, 312.341.3286  
Paige Gawrys, Senior Specialist, Rules & Regulatory Outreach, 312.872.5078  
Jennifer Dendrinis, Senior Director, Investigations, 312.341.7812  
Urmi Graft, Director, Investigations, 312.341.7639  
Myles Peralta, Investigations Specialist Lead Investigator, 312.454.5310  
Penelope Beckhardt, Investigations Specialist Lead Investigator, 312.435.3664

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).

## MARKET REGULATION ADVISORY NOTICE

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Exchange	CME, CBOT, NYMEX & COMEX
Subject	Block Trades
Rule References	Rule 526
Advisory Date	June 17, 2024
Advisory Number	CME Group RA2402-5
Effective Date	July 2, 2024

Effective on trade date Tuesday, July 2, 2024, and pending all relevant CFTC regulatory review periods, this Market Regulation Advisory Notice will supersede CME Group Market Regulation Advisory Notice RA2303-5 from July 13, 2023. It is being issued to incorporate the following amendments:

- Clarification in Section 1 that block trades are privately and bilaterally negotiated transactions.
- Clarification in Section 11.b. that express consent to disclose identity is not required within a firm where such disclosure is necessary to avoid a rule violation.
- Various updates to Section 11.c. with respect to impermissible pre-hedging, including when a party directly or indirectly charges a fee associated with the execution or clearing of a block trade.
- Removal of product specific information from Section 14.
- Addition of a Frequently Asked Questions Section 17 to provide additional context and clarifying guidance with respect to block trades.

This Advisory Notice contains the following Sections:

1. [Definition](#)
2. [Participation](#)
3. [Different Accounts with Common Beneficial Ownership](#)
4. [Eligible Products](#)
5. [Time and Prices](#)
6. [Minimum Quantities](#)
7. [Block Trade Submission](#)
8. [Recordkeeping](#)
9. [Error Remediation](#)
10. [Dissemination of Block Trade Information](#)
11. [Use of Nonpublic Information](#)
12. [TAS, TAM and TMAC Block Trades](#)
13. [Basis Trade at Index Close \("BTIC"\) and Basis Trade at Cash Open \("TACO"\) Block Trades](#)
14. [Derived Block Trades](#)
15. [Text of Rule 526](#)
16. [Contact Information](#)
17. [Frequently Asked Questions](#)

All block trades are subject to the conditions set forth in Rule 526 and in this Advisory Notice. Violations of the Rule or any of the requirements and prohibitions set forth in this Advisory Notice may result in disciplinary action.

### **1. Definition of Block Trades**

Block trades are privately and bilaterally negotiated futures, options or combination transactions that meet certain quantity thresholds which are permitted to be executed apart from the public auction market.

It is not permissible to facilitate the execution of block trades in Exchange-traded products on a system or facility accessible to multiple parties that allows for the electronic matching of or the electronic acceptance of bids and offers. Parties may use communication technologies to bilaterally request block quotes from one or more participants and to conduct privately negotiated block trades. Parties may also utilize technologies supported by third parties which allow for the electronic posting of indicative block markets displayed to multiple market participants. However, block trades executed between parties based on such electronically displayed indicative markets may be transacted only through direct bilateral communications involving the broker, where applicable, and the parties to the trade.

Market participants may utilize Directed Request for Quote (“DRFQ”) functionality within CME Direct to privately negotiate and execute block trades. Additional information concerning DRFQ functionality, including a description of the workflow and requirements concerning user entitlements, is available at [www.cmegroup.com/dfq](http://www.cmegroup.com/dfq). Additionally, a short video describing the DRFQ process is available [here](#). To learn more about DRFQ, please contact [PlatformSolutions@cmegroup.com](mailto:PlatformSolutions@cmegroup.com).

## **2. Participation in Block Trades**

Each party to a block trade must be an Eligible Contract Participant as that term is defined in Section 1a(18) of the Commodity Exchange Act. Eligible Contract Participants generally include exchange members and member firms, broker/dealers, government entities, pension funds, commodity pools, corporations, investment companies, insurance companies, depository institutions and high net-worth individuals. Commodity trading advisors and investment advisors who are registered or exempt from registration, and foreign persons performing a similar role and subject as such to foreign regulation, may participate in block transactions provided they have total assets under management exceeding \$25 million and the block trade is suitable for their customers.

A customer order may be executed by means of a block trade only if the customer has specified that the order be executed as a block trade.

## **3. Block Trades between Different Accounts with Common Beneficial Ownership**

Block trades between different accounts with common beneficial ownership are prohibited unless 1) each party's decision to enter into the block trade is made by an independent decision-maker; 2) each party has a legal and independent bona fide business purpose for engaging in the block trade; and 3) the block trade is executed at a fair and reasonable price. In the absence of satisfying all the aforementioned requirements, the transaction may constitute an illegal wash trade prohibited by Rule 534 (“Wash Trades Prohibited”). Common beneficial ownership is defined as not only accounts with the same beneficial ownership, but also accounts with common beneficial ownership that is less than 100%.

## **4. Block Eligible Products**

A complete list of block eligible products may be found here:

[CME, CBOT, NYMEX & COMEX Block Trade-Eligible Products and Minimum Quantity Thresholds](#)

The marketplace is notified of block trade minimum quantity thresholds and any changes thereto via a Special Executive Report issued by Research & Product Development.

Interested market participants may receive these reports via email by visiting the CME Group Subscription Center located at:

<http://www.cmegroup.com/tools-information/subscriptions/advisory-subscribe.html>

## **5. Time and Prices of Block Trades**

Block trades may be executed at any time, including times during which the public auction market is closed. Block trades may not be executed after the expiration of the underlying futures or options on futures contract month.

Block trades must be transacted at prices that are “**fair and reasonable**” in light of (i) the size of the transaction, (ii) the prices and sizes of other transactions in the same contract at the relevant time, (iii) the prices and sizes of transactions in other relevant markets, including, without limitation, the underlying cash market or related futures markets, at the relevant time, and (iv) the circumstances of the markets or the parties to the block trade.

The trade price must be consistent with the minimum price increment for the market in question. Additionally, each outright transaction and each leg of any block eligible spread or combination trade must be executed at a single price.

Block trade strategies involving a CME Group Exchange product and the product of any non -CME Group exchange are considered an outright transaction at the relevant CME Group Exchange, and, as such, will be reviewed for “fair and reasonable” pricing and timely submission solely as an outright transaction.

Block trade prices do not elect conditional orders (e.g. stop orders) or otherwise affect orders in the regular market.

#### **6. Block Trade Minimum Quantities for Outrights, Spreads and Combinations**

The block trade minimum quantity requirements for outright futures and outright options may be found using the link below.

[CME, CBOT, NYMEX & COMEX Block Trade-Eligible Products and Minimum Quantity Thresholds](#)

The bunching of block trade orders is not permitted except in the case of eligible CTAs or foreign Persons performing a similar role.

The Chief Regulatory Officer (“CRO”) or **their** designee may exercise reasonable discretion and permit an exception to the block trade minimum threshold where, in the opinion of the CRO or **their** designee, the situation so requires and such exception is in the best interests of the Exchange, which may include, but is not limited to, instances involving the liquidation of a portfolio of positions where one or more of the legs of the aggregate transaction do not meet the block trade minimum threshold for the respective instrument(s).

Information with respect to minimum quantity thresholds for spreads and combinations executed as block trades may also be found [here](#).

#### **7. Block Trade Submission**

Block trades in CME, CBOT, NYMEX and COMEX products must be submitted via CME Direct or CME ClearPort.

##### **a) Submission Time Requirements**

After a block trade is consummated it must be submitted to the Exchange via CME Direct or CME ClearPort within 5 or 15 minutes, [depending on the product](#). Submission via CME Direct or CME ClearPort will result in a price report to the marketplace and submission to CME Clearing provided both sides of the trade pass the required credit check and the relevant terms of the respective sides of the trade match.

Where it is necessary for parties to agree to the individual leg prices on certain spread and combination trades to submit the trade, parties must do so as expeditiously as possible after agreeing to engage in the block trade.

Block trade prices are reported independently of transaction prices in the regular market and are not included as part of the daily trading range.

[CME, CBOT, NYMEX & COMEX Block Trade-Eligible Products and Reporting Requirements](#)

b) Additional Submission Requirements and Obligations

Since July 17, 2017, all block trades have been required to be submitted directly to CME Clearing via CME Direct, the CME ClearPort User Interface (UI), or the CME ClearPort API through proprietary or 3<sup>rd</sup> party software. CME Direct connects to the CME ClearPort API.

For the block trade to be price reported to the marketplace and submitted to CME Clearing, both sides of the trade must pass the required credit check and the relevant terms of the respective sides of the trade must match. If either side does not pass the required credit check or the terms do not match, the block trade price will not be reported to the marketplace and the block trade will remain uncleared.

Entry into CME Direct or CME ClearPort may be done by each of the counterparties to the trade (single-sided entry) or via a broker or other authorized representative (dual-sided entry).

For single-sided entry, the buyer and seller of a block trade may agree to separately enter their side of the block trade into CME Direct or CME ClearPort, indicating each other as the opposite party. In this circumstance, **both** the buyer and seller must enter their respective side of the transaction within the required time period.

For single-sided entry, one side of a trade (either the buyer or seller) may agree to enter their respective side of the trade and allege that trade against the other party. In this circumstance, the other party must ensure the alleged trade is accepted (complete with the correct account information for their side) within the required time period. Consequently, the first party entering their side of the trade should ensure the information being entered is correct and must leave enough time for the second party to accept the trade within the requisite time period.

For dual-sided entry where a broker or other representative is entering the buy and sell side of the block trade on behalf of the counterparties, the broker or other representative is responsible for the entry of the block trade within the requisite time period.

Block Trades in CME and CBOT Products

Block trades may be entered in CME Direct or CME ClearPort from 5:00 p.m. CT Sunday through 5:45 p.m. CT Friday. CME Direct and CME ClearPort do not permit the entry of CME and CBOT block trades during the maintenance window, from 5:45 p.m. CT to 6:00 p.m. CT Monday through Thursday. CME and CBOT block trades negotiated immediately prior to and during the maintenance window must be entered by 6:05 p.m. CT for products subject to a 5-minute reporting requirement or by 6:15 p.m. CT for products subject to a 15-minute reporting requirement.

Block Trades in NYMEX and COMEX Products

Block trades may be entered in CME Direct or CME ClearPort from 5:00 p.m. CT/6:00 p.m. Eastern Time ("ET") through 4:00 p.m. CT/5:00 p.m. ET each business day. CME Direct and CME ClearPort do not permit the entry of NYMEX and COMEX block trades between 4:00 p.m. CT/5:00 p.m. ET and 5:00 p.m. CT/6:00 p.m. ET each business day or at any time on weekends.

NYMEX and COMEX block trades negotiated immediately prior to and during the time that block trade entry is not permitted must be entered by 5:05 p.m. CT/6:05 p.m. ET for products subject to a 5-minute reporting requirement or by 5:15 p.m. CT/6:15 p.m. ET for products subject to a 15-minute reporting requirement.

Block trades negotiated at any other time during which CME Direct or CME ClearPort are closed must be submitted no later than 5 or 15 minutes after the time CME Direct or CME ClearPort reopens, depending on the reporting requirement for the specific product.

Block trades may also be reported to the CME ClearPort Facilitation Desk/Global Command Center via email at [FacDesk@cmegroup.com](mailto:FacDesk@cmegroup.com). **Please note that for the Facilitation Desk to submit the trade, the counterparty accounts must be registered with credit limits and product permissions set up in CME Account Manager.**

The Facilitation Desk is closed from 4:30 p.m. CT/5:30 p.m. ET Friday through 5:00 p.m. CT/6:00 p.m. ET Sunday.

c) Information Required for Reporting Block Trades

When reporting a block trade, the following information is required:

- Contract, contract month and contract year for futures, and, additionally for options, strike price and put or call designation for standard options, as well as the expiration date and exercise style for flex options;
- Quantity of the trade or, for spreads and combinations, the quantity of each leg of the trade;
- Price of the trade or, for certain spreads and combinations, the price of each leg of the trade;
- Account numbers for each side of the trade;
- Buyer's clearing firm and seller's clearing firm;
- For block trades reported via email, name and phone number of the party reporting the trade and counterparty name and contact information for verification purposes; and
- Execution time (to the nearest minute in Central/Eastern Time) of the trade. The execution time is the time at which the trade was consummated as described at the end of this section.

A block trade in a block eligible option may be executed up to and including the day on which an option contract expires for purposes of offsetting an open option position, provided the offsetting block trade is submitted via CME Direct or CME ClearPort no later than the beginning of the CME ClearPort maintenance window.

The failure to submit timely, accurate and complete block trade reports may subject the party responsible for the reporting obligation to disciplinary action. Parties shall not be sanctioned for block reporting infractions deemed to arise from factors beyond the reporting party's control (e.g. the block trade fails the CME ClearPort automated credit check).

**Please note that the execution time of a block trade is the time that the trade is consummated, which is the time that the parties agree to the trade in principle. In that regard, spread block trades are deemed consummated at the time the parties agree to the differential or combination price, not the time the leg prices are determined. Market participants must accurately report the execution time of the block trade. The reporting of inaccurate execution times may result in disciplinary action.**

**8. Block Trade Recordkeeping**

Complete order records for block trades must be created and maintained pursuant to Rule 536 and CFTC Regulations. Additionally, the time of execution of the block trade must also be recorded for all block trades.

## **9. Error Remediation**

### **Dual-Sided Entry**

For dual-sided entry where a broker or other representative has entered the buy and sell side of the block trade on behalf of the counterparties and the trade has cleared, but for which the broker or other representative has made an error in the terms of the trade, the error may be corrected as follows: If the error is discovered on the same CME Direct or CME ClearPort trade date on which submission occurred, the broker or other representative may void the erroneous submission and resubmit the block trade with the correct information.

If the error is discovered after the CME Direct or CME ClearPort trade date on which submission occurred, the broker or other representative may request the Exchange to correct the error within three business days.

### **Single-Sided Entry**

For single-sided entry where the trade has cleared, but where an error has been made in the terms of the trade, either party may request the Exchange to correct the error within three business days.

All correction requests made to the Exchange must include evidence that the counterparties to the block trade agree to the correction request. All correction requests are subject to review and approval by the Exchange.

To request a correction please contact the CME ClearPort Facilitation Desk/Global Command Center at +1 800 438 8616 in the U.S., +44 20 7623 4747 in Europe, +65 6532 5010 in Asia, or via email at [FacDesk@cmegroup.com](mailto:FacDesk@cmegroup.com).

Error correction requests received after the three-business-day window may not take place without the express approval of CME Clearing. Market participants should contact CME Clearing Services at +1 312 207 2525.

## **10. Dissemination of Block Trade Information**

The date, execution time, contract month, price and quantity of block trades are automatically reported once they are cleared. Block trade information is reported on the MerQuote system and may be accessed by entering the code "BLK". Block trade information is also displayed on the CME Group website at the following link: <http://www.cmegroup.com/tools-information/blocktrades.html>. Block trade information is also displayed on the trading floor.

Block trade prices are published separately from transactions in the regular market.

Block trade volume is also identified in the daily volume reports published by the Exchange.

## **11. Use of Nonpublic Information Regarding Block Trades**

### **a) General**

Parties involved in the solicitation or negotiation of a block trade may not disclose the details of those communications to any other party for any purpose other than to facilitate the execution of the block trade. Parties privy to nonpublic information regarding a consummated block trade may not disclose such information to any other party prior to the public report of the block trade by the Exchange. Notwithstanding the preceding sentence, the disclosure of a customer's identity by a broker is governed



solely by the terms of Section b) below. Parties solicited to provide a two-sided block market are not deemed to be in possession of nonpublic information provided side of market interest is not disclosed in the context of the solicitation.

b) Broker Disclosure of Customer Identity

A broker negotiating a block trade on behalf of a customer may disclose the identity of the customer to potential counterparties, including the counterparty with which the block trade is consummated, only with the express permission of the customer. Express consent must be obtained in writing (letter, email, instant message, etc.) or on a recorded phone line, and evidence of such consent must be provided to Market Regulation upon request. Such express consent is not required on a trade-by-trade basis. Express consent is also not required within a firm where such disclosure is necessary to avoid a rule violation.

Except in circumstances where brokers obtain express consent on a trade-by-trade basis, brokers must reconfirm such consent on no less than an annual basis. For the reconfirmation, negative consent is permissible. Brokers should retain documentation evidencing the annual reconfirmation and must provide it to Market Regulation upon request.

With a customer's consent, the broker may disclose the customer's identity solely to parties involved in the block trade negotiation, including the party with whom the block trade is consummated. Disclosure to anyone else is strictly prohibited.

c) Pre-Hedging/Anticipatory Hedging

Parties to a potential block trade may engage in pre-hedging or anticipatory hedging of the position that they believe in good faith will result from the consummation of the block trade, except for an intermediary that takes the opposite side of its own customer order. In such instances, prior to the consummation of the block trade, the intermediary is prohibited from offsetting the position they anticipate to be established by the block trade in any account which is owned or controlled, or in which an ownership interest is held, or for the proprietary account of the employer of such intermediary. The intermediary may enter into transactions to offset the position only after the block trade has been consummated.

Market Regulation will consider the entirety of the communications pertaining to the negotiation and execution of a block trade, including pre-existing disclosures, in assessing whether a pre-hedging party is acting in a principal capacity. A party acting principally in a block trade negotiation that plans on engaging in pre-hedging activity must ensure it is clear to its counterparty that the party is trading principally, and, as such, owes no agency duties to the counterparty. Disclosures in the header/footer of a party's instant message communications advising that the party is acting principally and owes no agency duties to the counterparty would suffice. Alternatively, such disclosures could be made in other recorded communications contemporaneously with the block trade negotiation and prior to the principal engaging in pre-hedging. Disclosures in account opening agreements or other similar non-contemporaneous communications may be deemed insufficient if the block trade negotiation itself indicates, implies, or infers that agency duties may be owed to the counterparty. Conflicting inferences will be viewed by Market Regulation in a light most favorable to the counterparty.

While pre-hedging may be permissible, it is a violation of exchange Rule 532 for a person to engage in front-running conduct, including directly or indirectly trading on the basis of material nonpublic information when ~~they~~he knows or reasonably should have known the information was obtained or disclosed through fraud, deception, or in violation of a pre-existing duty.

The Exchange may proceed with an enforcement action when the facts and circumstances of pre-hedging suggest deceptive or manipulative conduct by any of the involved parties, including when an intermediary handling a customer order violates duties owed to the customer.

This guidance applies only in the context of pre-hedging of block trades. This guidance does not affect any requirement under the CEA or CFTC Regulations.

## **12. TAS, TAM, and TMAC Block Trades**

Certain block eligible futures contract months may be executed as block trades and assigned the current day's settlement price or any valid price increment ten ticks higher or lower than the settlement price ("TAS block trades"). Certain block eligible futures contract months may also be executed as block trades and assigned the current day's marker price or any valid price increment ten ticks higher or lower than the marker price ("TAM block trades"). Certain block eligible futures contract months may also be executed as block trades and assigned the current day's marker price or any valid price increment four ticks higher or lower than the marker price ("TMAC block trades").

Additionally, intra-commodity calendar spreads may be executed as TAS or TAM block trades provided the underlying spread is eligible for TAS or TAM trading. Please refer to the most recent Advisory Notice on TAS and TAM transactions for the list of products, contract months and spreads for which TAS or TAM pricing is permitted.

TAS block trades, including eligible TAS calendar spread block trades, may not be executed on the last day of trading in an expiring contract.

The products and contract months in which TAS, TAM and TMAC block trades are permitted are set forth in the list of block trade eligible products which is available on the CME Group website via the following link:

[Block Trade-Eligible Products and Minimum Quantity Thresholds](#)

## **13. Basis Trade at Index Close ("BTIC") and Basis Trade at Cash Open ("TACO") Block Trades**

A BTIC transaction is an Exchange futures transaction that is priced with reference to the applicable cash Index closing level. For a BTIC block trade executed on a given Trading Day on or before the scheduled close of the underlying primary securities market, the corresponding futures price shall be made by reference to the Index closing value for the current Trading Day. BTIC block trades are not permitted on the last day of trading in an expiring contract month.

A TACO transaction is an Exchange futures transaction that is priced with reference to the next following regularly scheduled special opening quotation ("SOQ") of such futures contract's underlying cash Index.

A list of BTIC block eligible products and block minimum thresholds is available on the CME Group website via the following link:

[BTIC Block Trades Table](#)

The futures price assigned to a BTIC block trade will be the current day's applicable cash Index closing level adjusted by any valid price increment (the "Basis") higher or lower than the current day's cash Index closing level.

The futures price assigned to a TACO block trade will be the next following regularly scheduled special opening quotation ("SOQ") of the applicable cash Index adjusted by any valid Basis higher or lower than the SOQ.

The Basis in BTIC and TACO transactions must be stated in full tick increments as set forth in the applicable product chapter and must be fair and reasonable taking into account financing rates, expected dividend income and the time remaining until the applicable futures contract expires.

The futures price of a BTIC block trade will be determined by the Exchange at 3:45 p.m. Central Time and the Exchange-determined price will be final at that time. In the event of an early scheduled close of the primary securities market, the futures price of a BTIC block trade will be determined by the Exchange 45 minutes after the early scheduled close time for the primary securities market, and the Exchange-determined price will be final at that time. In the event of an equity market disruption in the primary securities market, all BTIC block trades will be cancelled for that trade date.

The futures price of a TACO block trade will be determined by the Exchange shortly after the SOQ is disseminated by Standard & Poor's. In the event of a disruption in the primary listing exchange for a given cash Index such that the administrator of such cash Index is unable to produce a regularly scheduled SOQ, all TACO block trades which rely on that SOQ will be cancelled.

Except as identified in the list of block eligible products, BTIC and TACO block trades **may not** be executed as a spread transaction. Parties wishing to effectuate a block spread transaction will be required to negotiate the transaction as separate outright BTIC or TACO block trades, with each leg meeting the applicable block trade minimum threshold.

#### **14. Derived Block Trades**

A derived block trade is a transaction in an eligible contract in which a dealer consummates a block trade with a client but where the price and quantity of the block trade depends on one or more hedging transactions by the dealer that take place after the block trade has been consummated, but prior to the block trade being submitted to the Exchange. Derived block trades are available solely in contracts identified [here](#), at the existing block trade minimum threshold applicable to those products.

Derived block trades are not permitted in any other products.

The counterparties to a derived block trade must comply with the following requirements and procedures:

##### General Requirements

- The counterparties must agree that the execution will be done as a derived block trade
- A written or electronic record of the terms of the transaction must be created and maintained pursuant to the requirements of Rule 536.E.
- Prior to the execution of any hedging transactions, the dealer and client must consummate the block trade and determine and agree upon the following:
  - The quantity of futures or the notional value of the block trade, which must meet or exceed the applicable block trade minimum quantity threshold;
  - The execution methodology for the dealer's hedging transaction(s);
  - The markets in which the dealer's hedging transactions will take place; and
  - The pre-determined basis to be used by the dealer in determining the price of the block trade after the hedging transactions have been concluded.
- The hedging transactions and the consummated block trade must occur and be submitted to the Exchange on the same Exchange business day by 5:45 p.m. CT,
- No spread trades are permitted for derived block trades

Permissible hedging vehicles include stock baskets, other cash market instruments such as Exchange Traded Funds (ETFs), Exchange Traded Notes (ETNs), and/or equity index futures or options on futures contracts. At a minimum, the hedging vehicles must evidence a reasonable degree of price correlation to the equity index futures product underlying the derived block trade.

Permissible execution methodologies governing the execution of the hedges may include volume weighted average price ("VWAP"), time weighted average price ("TWAP"), percentage of volume ("POV"), limit price, or other agreed upon hedge types as determined by the dealer and the client at the time the block trade is consummated, and must be identified when submitting the block trade via CME Direct.

If the dealer is unable to execute the full quantity of hedges necessary to support the originally agreed upon quantity of the block trade consummated with the client, the dealer must, at a minimum, submit the block trade at a quantity that corresponds to the quantity of hedges the dealer executed. Alternatively, with the client's consent, the dealer may submit the block trade up to the full quantity originally agreed upon.

In the event the quantity of hedges does not meet the block trade minimum threshold, the dealer may, with the client's consent, submit the block trade at any quantity at or in excess of the block trade minimum threshold. Alternatively, the dealer may notify the client that no block trade was able to be submitted due to the lack of sufficient hedges to meet the block trade minimum quantity threshold. If no block trade is submitted, the dealer must keep a record noting that the block trade could not be submitted and produce the record to Market Regulation upon request.

#### Submission Requirements

- Derived block trades must be submitted via CME Direct by the dealer facilitating the trade (dual-sided entry) no later than 5:45 p.m. CT on the day the trade occurs;
- The block trade must be accurately identified within CME Direct by checking the derived block checkbox;
- The dealer must provide the following additional information concerning the hedging activity when submitting the derived block trade via the CME Direct block entry ticket:
  - The hedge type (VWAP, TWAP, POV, Limit, or Other);
  - The hedge description;
  - The product(s) in which the hedge(s) took place (free form text box);
  - The basis used for determining the block trade price (expressed in Index points); and
- The time of execution submitted into CME Direct must accurately identify the time that the dealer and the client consummated the block trade in principle, which must have been prior to the commencement of any hedging activity; and

Derived block trades will be uniquely identifiable when price reported on the CME Group website and distributed via market data.

### **15. Text of Rule 526**

#### **Rule 526 BLOCK TRADES**

The Exchange shall designate the products in which block trades shall be permitted and determine the minimum quantity thresholds for such transactions. Additionally, with respect to block trades in swaps, the minimum size for such transactions shall be established at levels at or in excess of those set forth in Appendix F to Part 43 of CFTC Regulations [*this sentence appears solely in CBOT's rule*]. The following shall govern block trades:

- A. A block trade must be for a quantity that is at or in excess of the applicable minimum threshold. Orders may not be aggregated in order to achieve the minimum transaction size, except by those entities described in Sections I. and J.
- B. Each party to a block trade must be an Eligible Contract Participant as that term is defined in Section 1a(18) of the Commodity Exchange Act.
- C. A member shall not execute any order by means of a block trade for a customer unless such customer has specified that the order be executed as a block trade.
- D. The price at which a block trade is executed must be fair and reasonable in light of (i) the size of the block trade, (ii) the prices and sizes of other transactions in the same contract at the relevant time, (iii) the prices and sizes of transactions in other relevant markets, including without limitation the underlying cash market or related futures markets, at the relevant time, and (iv) the circumstances of the markets or the parties to the block trade.
- E. Block trades shall not set off conditional orders (e.g., Stop Orders and MIT Orders) or otherwise affect orders in the regular market.
- F. Unless otherwise agreed to by the principal counterparties to the block trade, the seller, or, in the case of a brokered transaction, the broker handling the block trade, must ensure that each block trade is reported to the

Exchange within the time period and in the manner specified by the Exchange. The report must include the contract, contract month, price, quantity of the transaction, the respective clearing members, the time of execution, and, for options, strike price, put or call and expiration month. The Exchange shall promptly publish such information separately from the reports of transactions in the regular market.

- G. Block trades must be reported to the Clearing House in accordance with an approved reporting method.
- H. Clearing members and members involved in the execution of block trades must maintain a record of the transaction in accordance with Rule 536.
- I. A commodity trading advisor ("CTA") registered or exempt from registration under the Act, including, without limitation, any investment advisor registered or exempt from registration under the Investment Advisors Act of 1940, shall be the applicable entity for purposes of Sections A., B., C., and D., provided such advisors have total assets under management exceeding \$25 million and the block trade is suitable for the customers of such advisors.
- J. A foreign Person performing a similar role or function to a CTA or investment advisor as described in Section I, and subject as such to foreign regulation, shall be the applicable entity for purposes of Sections A., B., C., and D., provided such Persons have total assets under management exceeding \$25 million and the block trade is suitable for the customers of such Persons.

## **16. Contact Information**

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

Urmi Graft, Director, Investigations, 312.341.7639  
Cash Kinghorn, Manager, Investigations, 312.930.1873  
Tiffany Riviere, Lead Investigator, 312.930.2316  
Penelope Beckhardt, [Investigations Specialist/Lead Investigator](#), Investigations, 312.435.3664  
Erin Middleton, Director, Rules & Regulatory Outreach, 312.341.3286  
Paige Gawrys, Senior Specialist, Rules & Regulatory Outreach, 312.872.5078

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).

## **17. Frequently Asked Questions**

### **Q1: Does a broker or intermediary need to be an ECP to facilitate a block trade between two eligible parties?**

**A1:** Only the buyer and seller of a block trade need to meet the participation requirements as codified in Rule 526.B. and the associated guidance in Section 2 of this Advisory Notice. All parties to a block trade must be appropriately registered in the industry for the business they are conducting and have their accounts and access properly permissioned in CME Direct and/or ClearPort prior to agreeing to or executing a block transaction. Please note that a broker registered in ClearPort is not necessarily the same as a "Broker" registered in the industry. See definitions in [ClearPort User Guide](#).

### **Q2: Can positions be transferred via block trades?**

**A2:** Transfers should be executed pursuant to Rule 853. Parties effectuating a transfer via the execution of a block trade must ensure the execution meets the requirements of Rule 526 and this Advisory Notice, namely Section 3, which requires independent decision-makers on both sides of the transaction, independent and bona fide business purposes, and a fair and reasonable price. Executing a block trade, or multiple block trades, for accounts with common beneficial ownership in a manner that negates or strictly limits market risk may be deemed a direct or indirect wash trade.

**Q3: May a block trade be executed at a price below the minimum price increment?**

**A3:** No. Each block trade must be negotiated and executed at the minimum price increment. A broker may not accept an order for a price below the minimum price increment. It is not, however, a violation if two or more block trades that are each independently negotiated and executed at the minimum price increment achieve an average price that is below the minimum price increment.

**Q4: If a party charges a fee or commission in connection with a block trade, would that party be prohibited from pre-hedging?**

**A4:** If a party or party's employing firm charges their block counterparty a brokerage or commission fee, Market Regulation will infer that agency duties were owed to the counterparty. The party charging the brokerage or commission would therefore be prohibited from pre-hedging the block trade. This prohibition does not apply to scenarios where the pre-hedging party's employing firm charges fees to the counterparty that are typically part of servicing of the counterparty's account, such as give-up or clearing fees, regulatory fees, block reporting fees, etc., so long as the fees do not represent a commission or charge that indicates or implies that the block was intermediated, or broker assisted. Market Regulation may evaluate if the negotiated price of the block trade includes an add-on commission from which agency duties could be inferred, including for example if a pre-hedging party shares profits with the party's agency desk for a specific block trade.

**Q5: What factors will Market Regulation consider in assessing whether communications during a block negotiation indicate, imply or infer that agency duties may be owed to the counterparty?**

**A5:** Market Regulation will consider the entirety of the communications pertaining to the block trade, including prior disclosures. Representations by a party that they will "work an order" *on behalf of* a counterparty implies that they are engaging in activity on behalf of and in the best interest of the counterparty. Agency duties may be inferred from that communication and pre-hedging would be prohibited. To avoid conflicting inferences from common trade parlance, such as "working an order," parties intending on pre-hedging should ensure through recorded communications that the counterparty is aware that the party is acting in a principal capacity and owes no duties to the counterparty.

**Q6: What is the time of execution of the block trade?**

**A6:** Block trades are executed at the time the parties agree to the trade in principle and all material terms are known or reasonably determinable. For outright transactions, this means when the parties agree to the terms deemed material to the agreement, including, but not limited to: a specific or reasonably determinable and reportable price (e.g. the daily settlement price) and the quantity of the transaction. For spreads that are only comprised of CME Group products, the time of execution is the time that the parties agree to the price differential. For strategies that are comprised of CME Group products and non-CME Group futures and options on futures products, the time of execution is when the parties agree to the price of the CME Group leg.

Example: At 1:00pm CT, a customer placed an order with an intermediary to purchase 50 contracts in a futures contract at a differential (+0.50) to the underlying index, which is to be published at 9:00pm CT. At 2:00pm, the intermediary found a seller and both parties indicated interest in consummating a transaction once the underlying index price is published at 9:00pm CT. At 9:00pm CT, the relevant index was circulated, which provided for an index price of 600.00. At such point, in order to consummate the transaction and meet the Exchange's private negotiation standard, the intermediary must receive from each of the counterparties to the transaction confirmation of the final price of the transaction (600.50). At 9:10pm CT, both parties agreed to the price, quantity, market, and all other material terms of the transaction. The details of the block trade must then be submitted to the Exchange within 5 or 15 minutes depending on the

product, noting the execution time of the transaction as the time the counterparties agreed to the final price of the transaction (9:10pm CT).

**Q7: What does it mean for a trade to have independent decision-makers?**

**A7:** In the context of block trades between accounts with common beneficial ownership, independent decision-makers are parties who each manage separate accounts with separate business purposes and reporting structures. Where parties cannot demonstrate independence in decision making, the transaction may constitute an illegal wash trade prohibited by Rule 534 ("Wash Trades Prohibited"). Common beneficial ownership is defined as not only accounts with the same beneficial ownership, but also accounts with common beneficial ownership that is less than 100%.

**Q8: How should a market participant handle simultaneously received buy and sell block orders?**

**A8:** Market participants, including account executives, brokers, or other intermediaries, who accept simultaneous buy and sell orders for execution have an independent "duty to inquire" about the propriety of such orders. In the absence of such inquiry, the market participant accepting the orders may be found to have aided and abetted wash trades if the execution of the orders produces a wash result. Market participants receiving simultaneous buy and sell orders for block execution must inquire to ascertain whether the orders are for accounts with common beneficial ownership.

If the buy and sell orders are for accounts with common beneficial owners, the broker must ensure the block transaction satisfies this Advisory Notice and Rule 526, including that the opposing orders were placed by independent decision-makers, each having bona fide business purposes for the transaction. Further, block trades require private and bilateral negotiation. The market participant receiving the simultaneous buy and sell orders for common beneficial owners may not simply match the orders opposite one another and submit the transaction to the Exchange as a block trade. There must be a private negotiation between the buyer and seller, even if it is through an intermediary.

To the extent the market participant solicits another to act as the counterparty to both the buy and sell block orders, each buy and sell must be separately negotiated and not made contingent on the other.

Executing both buy and sell orders opposite a single counterparty in a manner that negates or strictly limits market risk may produce a wash result for the buyer, seller, and counterparty who bought and sold. In the event a wash result occurs, the facilitating market participant may be liable as an aider and abettor pursuant to Rule.432.X.

**Q9: When is information about a block trade considered public?**

**A9:** Information about a block trade is considered public when the Exchange disseminates to the marketplace details concerning the block trade. Parties may rely on a complete, accurate and confirmed report of the block trade to the Exchange as immediately disseminated and therefore public.

**Q10: When is a market participant considered in possession of nonpublic information and therefore prohibited from sharing, or trading based on, that information?**

**A10:** Parties who have been solicited to engage in a block trade where the price or side of market of a block order or potentially forthcoming block order has been disclosed are considered in possession of nonpublic information and may not use or disclose such information pursuant to the

guidance in this Advisory Notice and Rule 532. Parties who discuss general market color or provide/solicit two-sided markets are not considered in possession of nonpublic information.

Parties to an executed block trade are also in possession of nonpublic information until the public report of the block trade by the Exchange. Such parties are, however, permitted to hedge the risk associated with their block trade after consummation but before the public report of the block trade. Additionally, principals to a block trade as described in Section 11.c. may engage in pre-hedging or anticipatory hedging of the position that they believe in good faith will result from the consummation of the block trade.

**Q11: Can the price of a block trade be changed after execution?**

**A11:** The price of the block trade that is submitted to the Exchange must match the price that was agreed to by the parties in the negotiation and reflected in records, communications, or other audit trail. Errors in reporting block trade details to the Exchange may be corrected as outlined in Rule 808.H. or described in the Error Remediation section of this Advisory Notice.

**Q12: Is it permissible to execute a block trade at the settlement price in a product that is not TAS eligible?**

**A12:** To the extent a product is not TAS-eligible as a block trade, parties are not permitted to execute a block trade at the settlement price until the settlement price has been published by the Exchange. Parties may have discussions of interest in engaging in a block trade to be priced at the settlement price for a non-TAS-eligible product prior to the settlement price being known. Once the settlement price is known, the parties may agree to such price and execute the block trade.

**Q13: A party wishes to trade an option block trade without a delta hedge. How can a liquidity provider pre-hedge the delta risk that they expect to result from the future consummation of the option block trade in compliance with Rule 526 and this Advisory Notice?**

**A13:** In this scenario, the material terms of the option block transaction may not be reasonably determinable or agreed to until the liquidity provider is able to ascertain market pricing based on the liquidity provider's pre-hedging activity. Typically, a party solicits a liquidity provider, who is acting in a principal capacity, for an indication of interest in executing an option block trade where the negotiated price of the block trade is dependent on the hedging that the liquidity provider is able to achieve in the underlying futures product. After receiving the solicitation, the liquidity provider pre-hedges the position that they believe in good faith will result from the future consummation of the option block trade. The liquidity provider subsequently shows a firm price to the counterparty. If the counterparty agrees to the trade, the option block trade is considered executed, and the parties must submit the transaction within the required timeframe for the product. If, however, the counterparty and liquidity provider do not come to an agreement for the option block trade, the pre-hedging will still be deemed to have been done in good faith.

Please note that the price of the option block trade must be fair and reasonable in light of (i) the size of the transaction, (ii) the prices and sizes of other transactions in the same contract at the relevant time, (iii) the prices and sizes of transactions in other relevant markets, including, without limitation, the underlying cash market or related futures markets, at the relevant time, and (iv) the circumstances of the markets or the parties to the block trade. In ascertaining the reasonableness of the options block trade price, Market Regulation may consider the time required for the liquidity provider to reasonably pre-hedge the position they believed would result from the future consummation of the options block trade.



**Q14: What is the reporting time requirement for block strategies involving a CME Group Exchange product and a futures or options on futures product of a non-CME Group exchange?**

**A14:** In assessing the timeliness of a block trade report to the Exchange, Market Regulation will consider whether the block trade was a component of a strategy involving a CME Group Exchange product and a block trade of a product of a non-CME Group exchange futures or options on futures. If parties indicate at the time of submission that the CME Group exchange component was part of a strategy involving a non-CME Group exchange, Market Regulation will consider the block trade to have been timely reported if the transaction information was submitted to the Exchange within 15 minutes of execution. Parties can indicate a block trade was a component of a block trade incorporating a non-CME Group product through the self-reporting tool in the Firm Regulatory Portal or by utilizing the Cross Exchange Spread Indicator on CME Direct or ClearPort. In reviewing these transactions, Market Regulation may require parties to provide transaction details concerning the non-CME Group exchange block transaction.

## MARKET REGULATION ADVISORY NOTICE

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Exchange	CME
Subject	Outtrades
Rule References	Rule 527
Advisory Date	August 30, 2021
Advisory Number	CME RA2105-2
Effective Date	October 1, 2021

Effective on trade date Friday, October 1, and pending all relevant CFTC regulatory review periods, this Market Regulation Advisory Notice will supersede CME & CBOT Market Regulation Advisory Notice RA0804-3 from March 11, 2008. It is being issued as a CME-only Advisory Notice in connection with amendments to CBOT Rule 527 that become effective on October 1, 2021.<sup>1</sup>

The rules and procedures for the proper resolution of outtrades in no way limit a member's right to submit a claim related to the resolution of an outtrade to arbitration in accordance with the provisions of Chapter 6 ("Arbitration").

Members who discover an outtrade during Regular Trading Hours ("RTH") must immediately 1) notify the opposite trader, 2) determine who will cover the outtrade, and 3) cover the outtrade. Outtrades discovered after an RTH session has ended must be resolved no later than the opening of the next RTH session.

It is imperative that members resolve outtrades in a timely fashion. Financial liability resulting from the resolution of an outtrade is limited to the opening price(s) of the next RTH session. However, a party who unreasonably fails to cover an outtrade during the intervening period may be liable for the difference between the opening price(s) of the next RTH session and the price at which the outtrade could have been covered during the intervening period, including during electronic trading hours or in an appropriate alternative market.

The text of Rule 527 begins on page 4 of this Advisory Notice.

### Straight Out Outtrades Involving Orders

A floor broker who discovers that ~~they have~~ ~~he has~~ a straight out outtrade in connection with a trade that was executed in the market for an order has two options for resolving the outtrade.

1. Re-execution - The broker may re-execute the order. If the re-execution price is worse than the original execution price, then the broker must adjust the customer by check to the original execution price. If the re-execution price is better than the original execution price, the customer is entitled to the better price.
2. Assignment - The broker may assign the opposite side of the trade that cannot be cleared to ~~their~~ error account, thereby filling the order at the original execution price. The broker may not liquidate the position assigned to ~~their~~ error account until at least ten minutes have passed from the time of the original execution of the order and the bracket period in which the outtrade occurred has ended (unless the liquidation takes place during the post close session where such time restrictions do not apply). Any profits or losses resulting from the liquidation of the position in the broker's error account belong to the broker and ~~they~~ may retain or disburse any profits at ~~their~~ discretion.

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<sup>1</sup> Please see Special Executive Report S-8833 from August 27, 2021, for additional information on the rule amendments.

### Price Outtrades

Provided that the members involved in the outtrade agree that the trade was executed at one of the two prices in question, the outtrade must be resolved by clearing the trade at the execution price.

If the outtrade involves a price discrepancy between a local and a broker and the parties cannot agree on the price of execution, the price recorded by the broker shall be used to clear the trade. If the outtrade is between two locals or two brokers and the parties cannot agree on the price of execution, the buyer's price shall be used to clear the trade.

In the case of a price outtrade between two brokers in which the members cannot agree on the execution price and the buyer's price is therefore used to clear the trade, the broker representing the sell order may resolve the outtrade in any of the following ways:

1. Clear the sales for the order at the buyer's price. If the price is worse than the originally confirmed price, the broker must adjust the customer by check to the confirmed execution price.
2. Clear the sales at the buyer's price in ~~their~~ error account and re-execute the order. If the re-execution price is worse than the original execution price, then the broker must adjust the customer by check to the original execution price.
3. Clear the sales at the buyer's price in ~~their~~ error account and assign a fill at the original execution price to the sell order opposite ~~their~~ error account pursuant to the assignment trade procedures.

### Quantity Outtrades

Provided that the members involved in the outtrade agree that the trade was executed for one of the two quantities in question, the outtrade must be resolved by clearing the trade at the executed quantity.

If the outtrade is between two locals and the parties cannot agree on the quantity that was executed, the higher quantity shall be used to clear the trade.

A broker may assign the opposite side of the uncleared portion of a quantity outtrade that ~~they~~ believes ~~they have~~ executed to ~~their~~ error account and assign a fill to the order at the execution price pursuant to the assignment trade procedures.

### Bona Fide Contract Month, Strike, Put vs. Call and Side of Market (Buy vs. Buy or Sell vs. Sell) Outtrades

A broker who believes that ~~they have~~ executed an order in accordance with its instructions and is involved in an outtrade due to a contract month, strike price, side of market or put/call discrepancy may resolve the outtrade in any of the following ways:

1. The trade may be busted. If the broker re-executes the order at a price less favorable than the price to which the order was entitled, the customer must be adjusted by check. If the order is re-executed at a more favorable price, the customer is entitled to the better price.
2. Either or both trades may be cleared in accordance with the members' recorded data.
3. The broker may assign the opposite side of the order to ~~their~~ error account, thereby filling the customer at the execution price, and may also agree to clear the other party's outtrade in ~~their~~ error account.
4. If both members are representing customer orders, both brokers may assign the opposite side of their respective orders to their error accounts pursuant to the assignment trade procedures.

## **Assignment Trade Requirements**

### **Error Account Requirements**

All assignment trades must be placed into the broker's error account. Firms that utilize house brokers and allocate the brokers' errors to the firm's error account must maintain sub-accounts held in the name of each floor broker for this purpose.

### **Liquidation Requirements**

If a broker assigns an **outrade** to **theirhis** error account, the position may not be liquidated until 1) at least 10 minutes have elapsed since the time of the original execution **and** 2) the bracket period has changed. Therefore the broker must wait at least 10 minutes, and possibly as long as 15 minutes, after the original execution before liquidating the assigned position. However, an assignment trade may be liquidated during the post-close session regardless of when the outrade occurred. Profits or losses resulting from the offset of such assignments belong to the floor broker and any profits may be retained or disbursed to whomever **theyhe** chooses at **theirhis** discretion.

In the case of an **unfilled or underfilled order**, the order must first be executed in the market and may be assigned only if the quantity executed in the market is at a worse price than the price to which the customer was entitled. In this case, the trade executed in the market and the assignment trade will offset each other at a loss in the broker's error account.

### **Recordkeeping Requirements**

Assignment trades must be clearly identified as a type "Z" trade on the trading documents used to record the trades for the broker's error account. Firms must keypunch the broker's assignment trade allocated to the broker's error account as order type "Z".

The circumstances surrounding the assignment trade must be documented in writing. Members may record the circumstances on the trading document used to record the assignment trade. Members recording the circumstances on another document must retain the document and must provide the document to Market Regulation upon request.

In accordance with Rule 536, trades that are not recorded contemporaneously due to an error or an outrade must be recorded on the member's next pre-printed, sequentially numbered trading card. If the trade is not recorded in sequence (and the member uses trading cards to record **theirhis** trades), the member must cross out the pre-printed sequence number and write "9999" on the card. If a person other than the member records the trade, the person who records the trade must initial the card.

**Under no circumstances shall it be permissible for a floor broker to guarantee, directly or indirectly, the execution of an order, or any of its terms, except in the case of a bona fide error or mishandling.**

**No member firm may pressure a floor broker to improperly guarantee an execution or to resolve an outrade other than in accordance with Rule 527. Additionally, no member firm may refuse to accept a bona fide fill from a floor broker which results from the floor broker's resolution of an outrade in accordance with Rule 527.**

**Violations of Rule 527 may result in disciplinary action.**

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

Erin Middleton, Director, Rules & Regulatory Outreach, 312.341.3286  
Paige Gawrys, Senior Specialist, Rules & Regulatory Outreach, 312.872.5078  
Barry Schauer, Trading Floor Investigations Specialist, 312.341.7640  
Tom Ozga, Trading Floor Investigations Specialist, 312.341.7638

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).

## **527. OUTTRADES, ERRORS AND MISHANDLING OF ORDERS**

### **527.A. Outtrades Discovered During a Regular Trading Hours Trading Session**

It shall be the duty of a member discovering an outtrade during a Regular Trading Hours session to immediately notify the opposite trader. Thereafter, if the matter cannot be resolved between the parties, they shall immediately determine who will cover the trade and the trade shall immediately be covered.

### **527.B. Outtrades Discovered After a Regular Trading Hours Trading Session**

A clearing member that is unable with diligent effort to resolve an outtrade with another clearing member shall notify the member who executed the trade. Such notice shall be given prior to the following day's Regular Trading Hours session in sufficient time to allow the member to make provisions for the resolution of the outtrade.

Outtrades discovered after a Regular Trading Hours session shall be resolved between the parties to the outtrade as provided in this rule, no later than the opening of trading of the next Regular Trading Hours session.

### **527.C. Outtrades Resolution**

To resolve an outtrade, the parties shall attempt to agree upon: (1) the reconciliation of any discrepancy in the terms of the trade, (2) which party will cover the trade and the method for covering the trade, if applicable, and (3) the apportionment of the financial results of the outtrade. In the event the parties are unable to agree on the apportionment of the financial results, the parties must nevertheless immediately reconcile the outtrade.

The price at the time of the open of the next Regular Trading Hours session shall fix the limit of liability as a result of the outtrade. Regardless of the ultimate determination of financial responsibility for the outtrade, a party who unreasonably refuses to cover the outtrade via an appropriate alternate market may be liable to the other party for the difference between the price at which the outtrade could have been covered in the alternate market and the price at the time of the open of the next Regular Trading Hours session.

Outtrades shall be resolved in accordance with the procedures below:

#### **1. Straight Out Customer Outtrades**

If a floor broker discovers that all or some portion of a customer order was executed but cannot be cleared, the broker shall either 1) re-execute the order in the market and adjust the customer by check if the re-execution price is worse than the original execution price, or, if the re-execution price is better than the original execution price, the customer is entitled to the better price or 2) assign the opposite side of the portion that cannot be cleared to **their** error account and assign a fill to the customer at the execution price. The floor broker shall not liquidate the assigned position until at least ten minutes have elapsed after the execution of the order giving rise to the outtrade and the bracket period in which the outtrade occurred has ended; however, these liquidation restrictions shall not apply to a liquidation during the post close session. Any profits or losses resulting from the liquidation of the assigned position belong to the floor broker and any such profits may be retained or disbursed at **their** discretion.

A floor broker who assigns the opposite side of an order pursuant to this rule shall: 1) clearly identify all such transactions by appropriate designation; 2) submit such trade information to **their** qualifying clearing member in sufficient time to enable the clearing member to submit the trade for the next intra-day reconciliation; 3) document in writing the circumstances surrounding any such transaction and promptly provide such documentation to the Market Regulation Department upon request; and 4) identify the subsequent liquidation of the assigned trade on the floor broker's trading card or other document.

## 2. Price Outtrades

When an outtrade exists due to a price discrepancy, members making the trade may choose to resolve the discrepancy by electing either of the two prices in question, if they agree that the trade was executed at that price.

If an outtrade involves a price discrepancy between a local and a broker, and the members cannot agree on the price of execution, the price recorded by the broker shall be used to clear the trade.

If an outtrade between locals or an outtrade between brokers involves a price discrepancy, and the members cannot agree on the price of execution, the buyer's price shall be used to clear the trade.

## 3. Quantity Outtrades

When an outtrade exists due to a quantity discrepancy, members making the trade may choose to resolve the discrepancy by electing either of the two quantities in question, if they agree that the trade was executed for that quantity.

If an outtrade between locals involves a quantity discrepancy and the members cannot agree on the quantity that was executed, the higher quantity shall be used to clear the trade.

A broker may assign the opposite side of any quantity which ~~they~~ believes that ~~they have~~ ~~has~~ executed, but which cannot be cleared, to ~~their~~ error account, pursuant to Section 1 above.

## 4. Bona Fide Contract Month, Strike, Put vs. Call and Side of Market (Buy vs. Buy or Sell vs. Sell) Outtrades

When an outtrade exists due to a contract month, strike price, side of market, or put/call discrepancy, and any party who executed a customer order believes that the order was executed in accordance with its instructions, the outtrade may be resolved in any one of the following ways:

- a. The trade may be busted. If a broker re-executes ~~their~~ order, any losses incurred by the customer as a result of the delay in execution must be adjusted by check. If the order is executed at a more favorable price, the customer is entitled to the better price.
- b. The members making the trade(s) may agree to clear either trade or both trades in accordance with the members' recorded trade data.
- c. A broker may assign the opposite side of ~~their~~ order to ~~their~~ error account, pursuant to Section 1. above, and ~~they~~ may agree to the clearing of the transaction according to the terms of the other member's recorded trade data.
- d. If both members involved in the outtrade are brokers, they may each assign the opposite side of their respective orders to their error accounts pursuant to Section 1. above.

A customer shall not be entitled to any portion of any profits realized by a local who was on the opposite side of an outtrade between the local and the customer's broker, as a result of the local's liquidation of ~~their~~ position. Such profits belong to the local, and may be retained or disbursed at ~~their~~ discretion. If the local chooses to disburse any portion of such profits to the broker, and the broker's customer has received a fill in accordance with the broker's recorded trade data, the broker is not obligated to offer such profits to ~~their~~ customer.

Nothing herein shall in any way limit a member's right to submit an outtrade to Exchange arbitration if the outtrade cannot be resolved by agreement.

### 527.D. Errors and Mishandling of Orders

If a broker overbuys or oversells for an order, the customer is not entitled to any of the quantity executed in excess of the order quantity. A position that has been established as a result of an erroneous execution or mishandling of an order must be placed in the error account of the broker or firm responsible for the error or order mishandling. Any profits resulting from the liquidation of trades placed in a broker's or firm's error account belong to the relevant broker or firm, and any such profits may be retained or disbursed at the broker's or firm's discretion.

#### 1. Unfilled or Underfilled Orders

If a broker fails to execute an order or underbuys or undersells for an order, the broker shall do one of the following:

- a. Execute the order or the remainder of the order in the market and adjust the customer by check if the customer is filled at a price less favorable than that to which they were he was entitled due to the broker's error or mishandling of the order. If the order is filled at a more favorable price, the customer is entitled to the better price.
- b. Execute the order or the remainder of the order in the market. If the order, or the remainder of the order, is filled at a worse price than that to which the customer was entitled but for the error or mishandling, the broker may allocate the fill to theirhis error account, pursuant to Section C.1. above, provide the customer a fill at the price to which the customer was entitled, and place the opposite side of the customer fill into theirhis error account. If the order is filled at a more favorable price, the customer is entitled to the better price.

2. Wrong Contract Month, Wrong Strike, or Wrong Commodity Executions

When an order has been executed in the wrong contract month, wrong strike price, or wrong commodity, and the erroneous transaction has been placed in the relevant broker's or firm's error account, the error may be corrected by one of the following:

- a. Execution of the order in accordance with its terms, with an adjustment to the customer by check if the order is executed at a worse price as a result of the error or mishandling of the order.
- b. Execution of a spread or combination transaction to execute the order and liquidate the position arising from the initial erroneous execution of the order, whereby one leg of the spread or combination transaction represents the correct execution of the order and the other leg offsets the erroneous position in the broker's or firm's error account. The broker or firm must clearly identify such transactions by appropriate designation, clearly document in writing the circumstances surrounding the nature of the error and promptly provide such documentation to the Market Regulation Department upon request.

3. Wrong Side of Market Executions

When an order has been executed on the wrong side of the market and the erroneous execution has been placed in the relevant broker's or firm's error account, the order shall be executed in accordance with its terms, with an adjustment to the customer by check if the order is executed at a worse price as a result of the error or mishandling of the order.

## MARKET REGULATION ADVISORY NOTICE

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Exchange	CME, CBOT, NYMEX & COMEX
Subject	Simultaneous Buy and Sell Orders for Different Beneficial Owners; Trading Against Customers' Orders Prohibited
Rule References	Rule 533 and Rule 531
Advisory Date	August 30, 2021
Advisory Number	CME Group RA2113-5
Effective Date	October 1, 2021

Effective on trade date Friday, October 1, 2021, and pending all relevant CFTC regulatory review periods, this Market Regulation Advisory Notice will supersede CME Group Market Regulation Advisory Notice RA1617-5 from December 13, 2016. It is being issued to reflect amendments to CME, CBOT, and NYMEX/COMEX Rule 533 ("Simultaneous Buy and Sell Orders for Different Beneficial Owners") and CME and CBOT Rule 531 ("Trading Against Customers' Orders Prohibited") that will become effective on October 1, 2021.

The amendments to CME, CBOT, and NYMEX/COMEX Rule 533 reduce the waiting period between order entries into CME Globex from 15 to 5 seconds for simultaneous buy and sell options orders for different beneficial owners. The other amendments to CME Rule 533 and the amendments to CME and CBOT Rule 531 are in connection with the September 30, 2021, closure of the trading floor for all products other than options on CME Eurodollar futures and options on CME SOFR futures.<sup>1</sup>

### **Overview**

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

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

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

### **CME Open Outcry Markets**

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

A floor broker may not cross an order with a trade for ~~their~~his own account, an account in which ~~he~~ he ~~has~~ they have a direct or indirect financial interest, or an account over which ~~he~~ he ~~has~~ they have

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<sup>1</sup> Please see Special Executive Report S-8833 from August 27, 2021, for additional information on the rule amendments.



discretionary trading authority unless ~~he comply~~they comply with the requirements set forth in Section B. 5. of Rule 531. ("Trading Against Customers' Orders Prohibited").

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

Market participants are reminded that pre-execution communications or any other form of prearrangement are prohibited with respect to all orders entered for execution in the open outcry venue.

### **CME, CBOT, NYMEX and COMEX Electronic Markets**

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

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

Erin Middleton, Director, Rules & Regulatory Outreach, 312.341.3286  
Paige Gawrys, Senior Specialist, Rules & Regulatory Outreach, 312.872.5078  
Aaron Smith, Executive Director, Investigations, 312.435.3754  
Jennifer Dendrinis, Senior Director, Investigations, 312.341.7812  
Natasha Selkov, Manager, Investigations, 312.341.7623

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**

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

A member who is in possession of both buy and sell orders for different beneficial owners for the same product and expiration month, and, for a put or call option, the same strike price, may execute such orders for and directly between such beneficial owners provided that in pit trading, a member executing such orders shall first bid and offer by open outcry three times at the same price, stating the number of contracts, and, thereafter, if neither the bid nor the offer is accepted, the orders may be matched in the presence, and with the approval, of a designated Exchange official.

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

On the Globex platform, opposite orders for different beneficial owners that are simultaneously placed by a party with discretion over both accounts may be entered into the Globex platform provided that one order is exposed for a minimum of 5 seconds. An order allowing for price and/or time discretion, if not entered immediately upon receipt, may be knowingly entered opposite another order entered by the same firm only if this other order has been entered immediately upon receipt and has been exposed on the Globex platform for a minimum of 5 seconds.

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

**531.A. General Prohibition**

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

**531.B. Exceptions**

The foregoing restriction shall not apply to the following:

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

**CBOT and NYMEX/COMEX**

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

On the Globex platform, opposite orders for different beneficial owners that are simultaneously placed by a party with discretion over both accounts may be entered into the Globex platform provided that one order is exposed for a minimum of 5 seconds. An order allowing for price and/or time discretion, if not entered immediately upon receipt, may be knowingly entered opposite another order entered by the same firm only if this other order has been entered immediately upon receipt and has been exposed on the Globex platform for a minimum of 5 seconds.

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

**531.A. General Prohibition**

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

**531.B. Exceptions**

The foregoing restriction shall not apply to the following:

1. Transactions executed in accordance with Rule 527 to resolve bona fide errors;
2. Transactions executed pursuant to Rule 538;
3. Block trades executed pursuant to Rule 526; and
4. On the Globex platform, a person may knowingly trade against ~~their~~ customer order for ~~their~~ own account, an account in which ~~they have~~ ~~he has~~ a direct or indirect financial interest, an account over which ~~they have~~ ~~he has~~ discretionary trading authority, or a proprietary account of ~~their~~ employer, only if the customer order has been entered immediately upon receipt and has first been exposed on the Globex platform for a minimum of 5 seconds in the case of futures or swaps [*the reference to swaps appears solely in CBOT Rule 531*] orders or for a minimum of 15 seconds in the case of options orders.

## MARKET REGULATION ADVISORY NOTICE

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Exchange	CME, CBOT, NYMEX & COMEX
Subject	Improper Use or Disclosure of Non-Public Information Prohibited
Rule References	Rule 532
Advisory Date	September 15, 2023
Advisory Number	CME Group RA2305-5
Effective Date	September 29, 2023

Effective on September 29, 2023, and pending all relevant CFTC regulatory review periods, this Market Regulation Advisory Notice will supersede CME Group Market Regulation Advisory Notice RA2110-5 from August 30, 2021. It is being issued to reflect amendments to Rule 532 which are intended to align the text of the rule with CFTC final Rule 180.1 and associated guidance regarding material non-public information, and to explicitly protect non-public information beyond non-public order information.

Rule 532 prohibits a person from improperly using, disclosing, or soliciting material non-public information, except in limited circumstances. The prohibition in Rule 532 does not apply to orders executed pursuant to CME, CBOT and NYMEX/COMEX Rules 526 ("Block Trades"), 538 ("Exchange for Related Positions"), and 539 ("Prearranged, Pre-Negotiated and Noncompetitive Trades Prohibited"), provided that such orders are executed pursuant to the specific requirements of those rules. Market participants must ensure that any disclosure of nonpublic order information in connection with executions made as a result of the allowable private negotiation requirements of those rules does not exceed what is allowable under the rules or any regulatory guidance provided in Market Regulation Advisory Notices specific to those rules.

The entry of an order or the execution of a trade, either on the electronic platform or via open outcry, based on the knowledge of an order that has not been bid or offered in the market is a violation of Rule 532.

The text of each Exchange's Rule 532 is set forth below.

### 532. IMPROPER USE OR DISCLOSURE OF NON-PUBLIC INFORMATION PROHIBITED

Except as permitted by other Exchange rules, including, but not limited to, Rules 526, 538 and 539, no Person shall:

- a. Directly or indirectly trade (or enter, cancel, or modify an order) on the basis of material non-public information when theyhe knows or reasonably should have known the information was obtained or disclosed through fraud, deception, or in violation of a pre-existing duty (established by law, rule, agreement, understanding, or some other source);
- b. Disclose material non-public information when theyhe knows or reasonably should have known the disclosure of the information would violate a pre-existing duty (established by law, rule, agreement, understanding, or some other source) owed to another, except when the disclosure is made to an Exchange official, a permitted government official, or is required by law;
- c. Solicit or induce another person to disclose material non-public information.

The mere statement of opinions or general market conditions does not constitute a violation of this rule. An order for execution is material and not public information until it has been exposed to the market.

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

Erin Middleton, Director, Rules & Regulatory Outreach, 312.341.3286

Paige Gawrys, Senior Specialist, Rules & Regulatory Outreach, 312.872.5078

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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).

## MARKET REGULATION ADVISORY NOTICE

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<b>Exchange</b>	<b>CME, CBOT, NYMEX &amp; COMEX</b>
<b>Subject</b>	<b>Wash Trades Prohibited</b>
<b>Rule References</b>	<b>Rule 534</b>
<b>Advisory Date</b>	<b>September 2, 2020</b>
<b>Advisory Number</b>	<b>CME Group RA2008-5</b>
<b>Effective Date</b>	<b>September 17, 2020</b>

Effective on trade date September 17, 2020, and pending all relevant CFTC regulatory review periods, this Advisory Notice will supersede CME Group Market Regulation Advisory Notice RA1905-5 from April 11, 2019. It is being issued to amend Q&A 12 to eliminate a reference to a legacy front-end audit trail tag and its associated number in connection with the migration from iLink2 to iLink 3, a new order entry protocol for trading futures and options markets on the CME Globex electronic trading platform.

No substantive information in this Advisory Notice has been amended.

Rule 534, set forth below, has not changed, and this Advisory Notice is being issued to provide updated guidance regarding compliance with Rule 534. Member firms are strongly encouraged to ensure that all firm employees and customers are fully informed regarding Rule 534 and the guidance in this Advisory Notice.

### **Rule 534 (“Wash Trades Prohibited”)**

No person shall place or accept buy and sell orders in the same product and expiration month, and, for a put or call option, the same strike price, where the person knows or reasonably should know that the purpose of the orders is to avoid taking a bona fide market position exposed to market risk (transactions commonly known or referred to as wash trades or wash sales). Buy and sell orders for different accounts with common beneficial ownership that are entered with the intent to negate market risk or price competition shall also be deemed to violate the prohibition on wash trades. Additionally, no person shall knowingly execute or accommodate the execution of such orders by direct or indirect means.

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

Erin Middleton, Director, Rules & Regulatory Outreach, 312.341.3286

Paige Gawrys, Senior Specialist, Rules & Regulatory Outreach, 312.872.5078

Jennifer Dendrinis, Senior Director, Investigations, 312.341.7812

Natasha Selkov, Manager, Investigations, 312.341.7623

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).

**Frequently Asked Questions (“FAQ”) Related to Rule 534 (“Wash Trades Prohibited”)**

**Q1: What is the definition of a wash trade?**

A1: A wash trade is a form of fictitious trade in which a transaction or a series of transactions give the appearance that bona fide purchases and sales have been made, but where the trades have been entered into without the intent to take a bona fide market position or without the intent to execute bona fide transactions subject to market risk or price competition. Parties who initiate, execute or accommodate transactions which they know, or reasonably should know, will achieve a wash result shall be in violation of Rule 534.

A wash trade requires:

- a) that the transaction or series of transactions produces a wash result - meaning the purchase and sale of the same instrument at the same price, or a similar price, for accounts with the same beneficial ownership or for accounts with common beneficial ownership; and
- b) that the party(ies) intended to achieve a wash result. Intent may be inferred from evidence of prearrangement or from evidence that the orders or trade(s) were structured, entered or executed in a manner that the party(ies) knew, or reasonably should have known, would produce a wash result.

The prearrangement, execution or structuring of transactions in CME Group markets with the intent of negating market risk, independent of whether such transactions are entered and/or executed in compliance with other rules which permit prearrangement such as Rule 539.C. (“Pre-Execution Communications Regarding Globex Trades”) may be deemed to violate Rule 534.

**Q2: What does it mean to have accounts “with the same beneficial ownership” or “with common beneficial ownership” in the context of Rule 534’s prohibition on wash trades?**

A2: Accounts with the “same beneficial ownership” include accounts with identical ownership as well as accounts of different entities that are 100% wholly-owned by the same parent.

“Common beneficial ownership” is more inclusive and includes not only accounts with the same beneficial ownership, but also accounts with common beneficial ownership that is less than 100%.

**Q3: May a market participant place, accept or execute simultaneous buy and sell orders for accounts with common beneficial ownership in the same product and expiration month, or option series?**

A3: Any market participant who places or accepts buy and sell orders for simultaneous execution that are for accounts with common beneficial ownership, and any market participant who executes such orders, will be in violation of Rule 534 if the execution of the orders yields a wash result and the party knew, or reasonably should have known, that the trades were entered into without the intent to execute bona fide transactions subject to market risk or price competition.

**Q4: When receiving simultaneous buy and sell orders placed by another party, does the market participant receiving the orders have any independent obligation to determine whether the orders are bona fide?**

A4: Yes. The CFTC has held (see, for example, *In the Matter of Three Eight Corporation*) that market participants, including account executives and floor brokers, who accept simultaneous buy and

sell orders for execution have an independent “duty to inquire” about the propriety of such orders. In the absence of such inquiry, the market participant accepting the orders may be found to have engaged in wash trades if the execution of the orders produces a wash result.

Market participants receiving simultaneous buy and sell orders for execution must make inquiry sufficient to ascertain whether the orders are for accounts with common beneficial ownership. If the buy and sell orders are for an omnibus account, the market participant has a duty to inquire as to whether the orders are for different account owners within the omnibus account.

If a market participant cannot assure ~~themselves~~himself that buy and sell orders received for simultaneous execution are for accounts that do not have common beneficial ownership, the market participant may refuse to accept the orders. Accepting or executing simultaneous buy and sell orders without such assurance creates potential regulatory exposure if the execution of the orders yields a wash result.

**Q5: In the event buy and sell orders for accounts with common beneficial ownership are simultaneously entered for a legitimate purpose, how should such orders be executed to comply with Rule 534?**

A5: In the electronic venue, one of the orders should be entered on the electronic trading platform and executed in full prior to the entry of the second order. This will ensure that the orders are not executed opposite each other and will provide a clear audit trail with respect to the entry and execution of the orders. In this circumstance, a written and timestamped record must be made of any order that is not entered on the electronic platform immediately upon receipt.

In the open outcry venue, the buy and sell orders should be timestamped immediately upon receipt. One of the orders should be entered into the pit, executed and timestamped out prior to submitting the second order to the pit for execution. The second order should be timestamped again when it is submitted to the pit. This methodology will ensure that the orders are not executed opposite each other and the accurate timestamping will provide evidence that the orders were not entered for simultaneous execution.

In either the electronic or open outcry venue, simply ensuring that there is a delay between the entry of the buy and sell orders may not, depending on the terms of the orders, preclude the orders from trading in whole or in part against each other. To the extent that the orders trade opposite each other either directly or indirectly through a common third party, the trade may be deemed an illegal wash trade notwithstanding the fact that the orders were entered at different times.

Additionally, in certain circumstances, simultaneous buy and sell orders for accounts with common beneficial ownership that are contemporaneously executed at nearly the same price, rather than at precisely the same price, may violate the prohibition on wash trades if it is demonstrated that the orders were structured to negate market risk, for example, by requiring that the price difference between the two orders be strictly limited.

**Q6: Is it acceptable to contemporaneously enter buy and sell orders for accounts with common beneficial ownership if the buy and sell orders are given to different FCMs or to different floor brokers for execution?**

A6: The potential for regulatory exposure in this situation is significant. If the orders trade against each other in whole or in part, or if both orders are executed opposite the same third party, an inference may be drawn that orders were structured with the intent to execute a prohibited wash trade. The fact that the orders were competitively executed without prearrangement may not protect the party entering the orders from liability if the execution of the orders produces a wash result.

**Q7: Is it acceptable to enter simultaneous buy and the sell orders for accounts with common beneficial ownership for execution on a discretionary (“DRT”) basis?**

A7: The entry of simultaneous buy and sell orders for accounts with common beneficial ownership that are entered with instructions giving the executing party discretion over the price and/or time of execution may be viewed, depending on the circumstances, as an implicit request to the executing party to negate market risk. Should the execution of the orders produce a wash result, the parties placing, accepting and executing the orders may be liable for having engaged in an illegal wash trade.

**Q8: Are market participants permitted to “freshen” position dates (i.e. liquidating and re-establishing a position) without violating the prohibition on wash trades?**

A8: In those products settled via physical delivery against the oldest open long position, CME and CBOT Rule 807 (“Open Long Positions During the Delivery Month”) allow for the intraday freshening of position dates. However, trades executed to liquidate and re-establish a position in order to freshen the position’s date must be competitively executed and must be clearly independent transactions subject to market risk. Purchases and sales to freshen a position date that are prearranged or otherwise executed pursuant to an express or implied agreement will be deemed to violate the prohibition on wash trades.

**Q9: Do block trades between different accounts with common beneficial ownership violate the wash trading prohibition?**

A9: Block trades between different accounts with **common beneficial ownership** are prohibited unless:

- a) each party’s decision to enter into the block trade is made by an independent decision-maker;
- b) each party has a legal and independent bona fide business purpose for engaging in the block trade; and
- c) the block trade is executed at a fair and reasonable price.

In the absence of satisfying all of the aforementioned requirements, the transaction may constitute an illegal wash trade prohibited by Rule 534.

**Q10: If buy and sell orders for accounts with common beneficial ownership are independently initiated by independent decision makers and coincidentally cross in the market, will the trade violate the wash trade prohibition?**

A10: Buy and sell orders for accounts with common beneficial ownership that are independently initiated for legitimate and separate business purposes by independent decision makers and which coincidentally cross with each other in the competitive market are not considered wash trades provided that the trade was not prearranged and neither party had knowledge of the other’s order or otherwise intended for their order to trade against the other’s order. Market participants should be aware, however, that trades between accounts with common beneficial ownership may draw additional regulatory scrutiny and should be prepared to demonstrate that such trades are bona fide. (See also Q12, Q13 and Q14.)



**Q11: Under what circumstances does trading opposite one's own order on the electronic platform violate Rule 534?**

A11: It is a violation of Rule 534 for an individual to enter an order on the electronic platform that the individual knew or reasonably should have known would trade against **their** own order resting on the opposite side of the market. The unintentional and incidental matching of buy and sell orders entered by an individual trader on the electronic platform generally will not be considered a violation of Rule 534. However, if such self-matching occurs on more than an incidental basis in the context of the trader's activity or in the context of the particular market's activity, such trades may be deemed to violate the prohibition on wash trades.

It is recommended that individual traders who frequently enter orders on opposing sides of the market that have a tendency to self-match on more than an incidental basis employ functionality that will minimize the potential for their buy and sell orders to match with each other. When employed, CME Group's optional self-match prevention ("SMP") functionality automatically blocks the matching of buy and sell orders for commonly owned accounts that are submitted to Globex with the same SMP ID. Should you have any questions on the registration or operation of [CME Group's SMP functionality](#), please contact CME Global Account Management in the U.S. at (312) 634-8700, in Europe at 44 203 379 3754, or in Asia at 65 6593 5574.

**Q12: Is it a violation of Rule 534 if independently initiated orders originating from different proprietary traders within the same firm match against each other?**

A12: It is recognized that many firms have proprietary trading operations in which multiple traders making fully independent trading decisions enter orders for a commonly owned account (the firm's proprietary account) that may unintentionally and coincidentally match with each other on the electronic platform. Provided that the respective orders of each independent trader are entered in good faith for the purpose of executing bona fide transactions, are entered without prearrangement, and are entered without the knowledge of the other trader's order, then such trades shall not be considered to violate the prohibition on wash trades.

Similarly, orders generated by algorithms operated and controlled by fully independent traders in different trading groups that unintentionally and coincidentally match with each other will not be considered to be wash trades provided that the orders are initiated in good faith for the purpose of executing bona fide transactions, that the algorithms operate independently of one another, and that the respective trading groups do not have knowledge of one another's orders.

Firms have an obligation to supervise the trading by their employees and algorithms, must be able to demonstrate the independence of the traders/trading groups/algorithms, and should have and enforce policies and procedures that preclude the traders from having access to or knowledge of one another's orders.

Additionally, the operator ID that is tied to the individual or team of individuals (ATS Team) responsible for the entry of the orders must be uniquely identified in accordance with Rule 576 ("Identification of Globex Terminal Operators") and associated Market Regulation Advisory Notices.

**Q13: Is it a violation of Rule 534 if orders initiated by one or more automated trading systems that are operated and/or controlled by the same individual or the same trading group match against each other?**

A13: If a particular algorithm generates buy and sell orders that would potentially match against each other and such trades occur on more than an incidental basis in the context of the algorithm's activity or in the context of the particular market's activity, the trades may be deemed to violate the prohibition on wash trades. It is recommended in this circumstance that the party(ies)

responsible for the operation of the algorithm employ functionality that will minimize the potential for the algorithm's buy and sell orders to match with each other.

If otherwise independent algorithms are operated and/or controlled by the same individual or team of individuals and the algorithms trade against one another on more than an incidental basis in the context of the algorithms' activity or the particular market's activity, then the trading between the algorithms may be deemed to violate the prohibition on wash trades. Where multiple algorithms operated or controlled by the same individual or team of individuals may generate self-match events on more than an incidental basis, it is recommended that the individual or team employ functionality to minimize or eliminate such occurrences.

**Q14: Are there unique considerations with respect to Rule 534 in the context of exchange-sponsored volume incentive programs?**

A14: Market participants who participate in exchange-sponsored programs with incentives tied in whole or in part to meeting specific volume thresholds should take proactive steps to prevent transactions between accounts with common beneficial ownership. These trades will draw additional regulatory scrutiny and it is recommended that participants in these types of incentive programs employ functionality to mitigate the potential for such trades to occur.

**Q15: In circumstances where "more than incidental" self-matching may be deemed to violate the prohibition on wash trades, is there a prescribed threshold?**

A15: In these circumstances, market participants are responsible for monitoring their trading, whether that trading is manual or automated, and are responsible for minimizing the potential for, and the occurrence of, self-match events.

The incidence of self-matching in these circumstances will be evaluated in the context of the activity of the trader, trading group, or algorithm(s), and relative to the trades and volume in the instrument traded. More than de minimis self-matching in this context will result in additional regulatory scrutiny and may be deemed to violate the prohibition on wash trades; if there is the potential for more than de minimis self-match events, market participants are expected to either adjust their trading strategies or employ functionality to mitigate the occurrence of self-match events.

**Q16: Is the use of CME Group's Self-Match Prevention functionality mandatory?**

A16: Use of CME Group's SMP functionality is optional. Each firm has the flexibility to tailor its application of the functionality and its use of SMP IDs in ways that are suitable for its particular business model and trading strategies. Contact CME Global Account Management for more information regarding SMP ID configuration. CME Group SMP frequently asked questions and answers can be found here: <http://www.cmegroup.com/globex/trade-on-cme-globex/self-match-faq.html>

Market participants are reminded, however, that the rules of all CME Group Exchanges, as well as the Commodity Exchange Act, prohibit illegal wash trades. Firms and market participants should carefully review their operations and the guidance in this Advisory Notice, and, where appropriate, take steps necessary to minimize the potential for such trades either through the use of SMP functionality or by alternative means.

**Q17: Does employing CME Group Self-Match Prevention functionality prevent all potential self-match events?**

A17: CME Group's SMP functionality will not prevent self-matches in markets operating with implied spread functionality if the trade involves an implied order. Absent evidence to the contrary, self-

match events involving implied orders will be deemed unintentional by the CME Group Exchanges. Additionally, CME Group's SMP functionality does not operate during the Globex pre-open nor does it prevent self-matches of orders entered during the pre-open state when the market opens.

**Q18: Is it a violation of Rule 534 if resting orders in the order book entered during the Globex pre-open match opposite one another once the market opens?**

A18: Please see the [CME Group Market Regulation Advisory Notice on order entry during the CME Globex pre-open period](#).

**Q19: What is an indirect wash trade?**

A19: One or more purchases (sales) opposite a counterparty followed by a sale (purchase) at the same or similar price opposite the same or different counterparties may be deemed an "indirect wash trade" in violation of Rule 534 if the orders are entered with the intent to negate or strictly limit market risk. Such intent exists if the party knew or should have known that the orders would negate or strictly limit market risk. Additionally, no person is permitted to accept, execute or accommodate the execution of such orders with knowledge of their character. For additional information on indirect wash trades, please see the examples following the answer to FAQ 21 at the end of this Advisory Notice.

**Q20: Does an indirect wash trade have to be prearranged in order to constitute a violation of Rule 534?**

A20: No. An indirect wash trade does not require prearrangement to constitute a violation of Rule 534 if the person knows or reasonably should know that the purpose of the orders is to avoid taking a bona fide market position exposed to market risk.

**Q21: What are serial indirect wash trades and do such trades violate Rule 534?**

A21: A series of trades executed among a group of market participants where order entry and trade activity is concentrated in discrete and limited periods of time may be deemed "serial indirect wash transactions" in violation of Rule 534 to the extent that the parties know or reasonably should know that the purpose of the trades is to avoid taking a bona fide market position exposed to market risk.

#### **Examples of Prohibited Indirect Wash Activity**

- Participant A and B hold open long positions in the same physically deliverable commodity in the delivery month where delivery takes place against the oldest open long position. To reduce the risk of being stopped for delivery, Participant A and B pre-arrange the execution of transactions that have the effect of offsetting and re-establishing one or both of their long positions, thus freshening the position dates. For example, in an initial transaction, Participants A and B knowingly trade opposite each other in the market. In a subsequent transaction, typically close in time to the initial transaction, Participants A and B knowingly execute an offsetting transaction opposite each other at or near the same price as the initial transaction. In this transaction set, the sells had the effect of offsetting the pre-existing long positions and the buys had the effect of re-establishing the long positions with newer position dates. Due to the manner in which the transactions were orchestrated, Participants A and B negated or strictly limited market risk. This set of transactions constitutes an indirect wash in violation of Rule 534.
- Participants A, B, and C participate in an incentive or rebate program where terms or conditions of the program require each participant to meet a volume threshold (e.g. average daily volume; monthly

volume; passively traded volume; etc.). *With or without pre-arrangement*, Participants A, B, and/or C execute a series of transactions, typically in close time proximity, where they buy and sell similar quantities at the same or similar prices opposite each other and where, at the conclusion of the transaction series, the participants had no net change in position. Based on factors including, but not limited to, prior trading activity, market circumstances, market knowledge, or prearrangement the participants know or have reason to know the transactions would not be exposed to price competition or the positions exposed to market risk. Transactions executed for the purpose of increasing volume, while knowing or having reason to know the transactions would not be exposed to price competition or the positions exposed to market risk, are considered indirect wash trades in violation of Rule 534.

## MARKET REGULATION ADVISORY NOTICE

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<b>Exchange</b>	<b>CME, CBOT, NYMEX &amp; COMEX</b>
<b>Subject</b>	<b>Documentation of Customer Orders and Submission of Suspend Accounts on CME Globex</b>
<b>Rule References</b>	<b>Rule 536</b>
<b>Advisory Date</b>	<b>August 30, 2021</b>
<b>Advisory Number</b>	<b>CME Group RA2115-5</b>
<b>Effective Date</b>	<b>October 1, 2021</b>

Effective on trade date Friday, October 1, 2021, and pending all relevant CFTC regulatory review periods, this Market Regulation Advisory Notice will supersede CME Group Market Regulation Advisory Notice RA2011-5 from September 2, 2020. It is being issued based on amendments to CBOT Rule 536.C. (“Bunched Orders and Orders Eligible for Post Execution Allocation”) in connection with the September 30, 2021, closure of the trading floor for all products other than options on CME Eurodollar futures and options on CME SOFR futures.

No substantive information in this Advisory Notice has been amended.

Since October 1, 2018, this Advisory Notice has set forth the circumstances under which a suspense account may be submitted on orders entered into CME Globex (“Globex”) and the requirements attendant to proper documentation of such orders. For purposes of this Advisory Notice, a suspense account means a temporary holding account that is submitted at the time of order entry into Globex but prior to the allocation of the executions to the specific accounts on a carrying Clearing Member Firm’s books.

No other material changes have been made to the Advisory Notice.

The text of Rule 536.B. (“Globex Order Entry”) and Rule 536.C. (“Bunched Orders and Orders Eligible for Post Execution Allocation”) which are, in part, applicable to the use of suspense accounts, begins on page 5. A Frequently Asked Questions (“FAQ”) section begins on page 8.

This MRAN does not apply to 1) the entry of block trades and Exchange for Related Position Transactions (“EFRPs”) submitted via CME ClearPort/CME Direct and 2) trades executed via open outcry in a trading pit.

### **Entry of Suspense Accounts into Globex**

The Exchanges recognize the following five circumstances where a suspense account may be used at the time of order entry into Globex, subject to the requirements and limitations set forth in this Advisory Notice:

- Orders entered by or on behalf of an Eligible Account Manager (“EAM”) that has written investment discretion over the accounts of customer(s) (“EAM-Specific Suspense Accounts”);
- Bunched DRT orders for multiple customers where the resulting trades are subject to a written pre-determined allocation scheme (“Bunched DRT Suspense Accounts”);
- Orders subject to a written pre-determined allocation scheme (“Pre-Determined Allocation Scheme Suspense Accounts”);

- Bunched Request for Cross (“RFC”) orders (“Bunched RFC Order Suspense Accounts”); and
- *De minimis* usage for orders entered by Execution Operations (“Execution Operation Suspense Accounts”)

Unless otherwise provided below, Market Regulation will conduct examinations of Exchange Clearing Member Firms and their guaranteed introducing brokers (“IBs”) related to their usage of suspense accounts. The use of suspense accounts must comport with the requirements detailed in this Advisory Notice and such use is subject to a heightened level of regulatory scrutiny. **No other use of suspense accounts for order entry into Globex is permitted.**

### **EAM-Specific Suspense Accounts**

Persons or entities that qualify as an EAM, as defined in CFTC Regulation 1.35(b)(5)(i), with written investment discretion regarding participating customer accounts may enter orders for those customers, including bunched orders on behalf of multiple customers, into Globex using a suspense account. An EAM that has granted written investment discretion to another EAM is considered a customer of that other EAM. In all cases, the suspense account must be unique to the EAM responsible for the order entry. For purposes of this Advisory Notice, this is referred to as an “EAM-Specific Suspense Account.” Any post-execution allocation of the resulting executions must be done in compliance with CFTC Regulation 1.35(b)(5) and the National Futures Association Interpretive Notice related to National Futures Association (“NFA”) Compliance Rule 2-10, including recordkeeping requirements.

### **Bunched DRT Suspense Accounts**

A DRT order (Disregard Tape or Not-Held Order) means an order placed by an account owner or controller that gives a person complete discretion over price and time in the execution of the order, including discretion to execute all, some, or none of the order.

A person in possession of DRT orders for multiple customers may bunch those orders and enter them into Globex using a suspense account provided the following conditions are met:

1. The account owner or controller must have consented to having its orders bunched with other DRT orders and must further have consented to having its trade executions average priced with the trade executions of the other orders included in the bunched order.
2. The person bunching the DRT orders must create, prior to the entry of the bunched DRT order into Globex, a written or electronic record of each underlying customer order in accordance with Rule 536.B.1. The underlying customer order must reflect that the order was a DRT order and include an electronic timestamp reflecting the date and time the order was received and the customer-specific account designation.
3. The person bunching the DRT orders or entering the bunched DRT order into Globex must use a suspense account that specifically identifies or is unique to the person responsible for the bunching of the DRT orders. That suspense account must be used solely for bunching DRT orders.
4. Prior to the entry of a bunched order into Globex, the executing Clearing Member Firm must be provided the methodology to be used to allocate the trade executions to the customer accounts participating in the bunched DRT order. The methodology must address how trade executions should be allocated in instances where only part of the bunched DRT order is executed.

5. All trade executions for the bunched DRT orders must be averaged priced in accordance with Rule 553 ("Average Price System") prior to the allocation of the executions to the underlying customer accounts.
6. A person bunching DRT orders must make the executing Clearing Member Firm and any carrying Clearing Member Firms aware that it is engaged in bunching DRT orders.

### **Pre-Determined Allocation Scheme Suspense Accounts**

Orders subject to a pre-determined allocation scheme may be entered into Globex using a suspense account provided the following conditions are met:

1. Each allocation scheme must use a unique suspense account. The Pre-Determined Allocation Scheme Suspense Account may not be used for orders not subject to the allocation scheme.
2. Prior to the entry of orders into Globex, the executing Clearing Member Firm must be provided the pre-determined allocation scheme to be used for the resulting trade executions.
3. Each customer or participant must consent to having their orders subjected to the pre-determined allocation scheme.
4. The executing Clearing Member Firm must maintain records of all Pre-Determined Allocation Scheme Suspense Accounts and their pre-determined allocation schemes for a minimum of five years.

### **Bunched RFC Order Suspense Accounts**

In those circumstances where order entry into Globex occurs via the submission of a Request for Cross ("RFC") (an order which contains both the buy and the sell orders) pursuant to the requirements of Exchange Rule 539.C. ("Pre-Execution Communications Regarding Globex Trades"), a broker may bunch multiple market maker orders for the purpose of satisfying the terms of a single customer order and enter the bunched market maker order using a Bunched RFC Order Suspense Account.

The Bunched RFC Order Suspense Account may not be used to represent the customer side of the RFC order. Where a Bunched RFC Order Suspense Account is used on the market maker side of the order, brokers must ensure that the market maker orders are documented in accordance with Rule 536.B.1 with specific market maker account identifiers on the order tickets. Brokers must obtain a Bunched RFC Orders Suspense Account, unique to the individual broker placing the bunched RFC orders from their Clearing Member Firm and may use that suspense account solely for purposes of entering the bunched market maker orders on one side of an RFC. Allocations to end-clients are required to be completed in the CME clearing system before the end of the clearing session for that trade date.

### **Execution Operation Suspense Accounts**

For operations that provide order execution services for customers ("Execution Operations"), orders must generally be entered into Globex using a customer-specific account number or short code on each order entry at the time of entry into Globex. Where the order is entered immediately upon receipt and the order entry includes the customer-specific account number or short code, the Execution Operation has met its order documentation requirements as defined below and as set forth in Rule 536.B.

Orders received by an Execution Operation from an EAM with discretion over the customer account(s) represented by the order must be entered into Globex using a suspense account specifically identifying or mapping to the EAM responsible for the order or using the customer-specific account number or short code.

Recognizing that on occasion a customer-specific or EAM-specific account may not be available at the time an order is entered into Globex, *de minimis* usage of an Execution Operation Suspense Account will be permitted, provided the following requirements are met.

1. If a general suspense account is used rather than a customer-specific or EAM-specific account, the Execution Operation must create, prior to order entry, a written or electronic record of the order in accordance with Rule 536.B.1. The order must reflect the time of receipt of the order and a customer-specific or EAM-specific account designation.
2. The general suspense account must be unique to the desk or group of the Execution Operation submitting the order into Globex.

Market Regulation will conduct examinations of the usage of Execution Operation Suspense Accounts by Exchange Clearing Member Firms, their guaranteed IBs, as well as floor-based member-owned Globex Execution Operations. The examination will include a recordkeeping review to verify written or electronic records of the order are created and maintained in accordance with Rule 536.B.1.

The examination will also include a review to determine whether the Execution Operation Suspense Accounts were used on more than a *de minimis* basis. In considering whether usage was more than *de minimis*, Market Regulation will consider a variety of factors, including whether the orders and or trades were for new accounts where account information may not have been available to the Globex terminal operator.

#### **Limitations Applicable to All Suspense Accounts**

Except for a Commodity Trading Advisor (“CTA”) who has permission of its customer(s), no other person or entity is allowed to enter customer orders into a suspense account that is also used for personal or proprietary orders of the party entering the order (i.e. where the resulting trades will be given-up or allocated to an account in which the party entering the order has an ownership or financial interest).

For instances where the resulting trades will be given-up from the executing firm to a carrying Clearing Member Firm, the executing firm must be a party to a written agreement with the carrying Clearing Member Firm pursuant to CFTC Regulation 1.73, where applicable.

#### **Exchange Clearing Member Firm Requirements Concerning Suspense Account Records**

Exchange Clearing Member Firms are reminded of the requirement to provide, upon request from Market Regulation, records of all suspense accounts used at the firm.

The records must include the account number, the name of the party it represents, the name of the entity using it for submitting orders, the type of suspense account, and where applicable, any pre-determined allocation scheme associated with the suspense account. Additionally, if a short code is used at order entry for a customer, the Exchange Clearing Member Firm must maintain a record of the account number(s) to which the short code maps. Exchange Clearing Member Firms should maintain procedures related to the assignment, collection and preservation of records and documentation, and monitoring the use of suspense accounts. Exchange Clearing Member Firms must be able to produce these records in a standard format upon request of Market Regulation.



## CME

### **536.B. Globex Order Entry**

#### **1. General Requirement**

Each Globex Terminal Operator entering orders into Globex shall accurately input for each [Application Message](#) all fields required to be populated by the CME iLink® Message Specifications set forth in the [CME Group Client Systems Wiki](#) in effect at the time, including, but not limited to the: operator ID; price; quantity; product; expiration month; CTI code; manual order indicator; and account number (except as provided in Section C), and, for options, put or call and strike price. The Globex Terminal Operator's operator ID must be present on each Application Message, including order messages, submitted to Globex. For a Globex Terminal Operator with access pursuant to Rule 574, the clearing member that guarantees such access to Globex will be responsible for the Globex Terminal Operator's compliance with this rule with respect to the following fields: operator ID, CTI code, manual order indicator and account number. Notwithstanding, and in accordance with Rule 574, a clearing member must take appropriate action if it has actual or constructive knowledge that a Globex Terminal Operator has failed to accurately input for each Application Message fields required to be populated by this rule.

With respect to orders received by a Globex Terminal Operator which are capable of being immediately entered into Globex, no record other than that set forth above need be made. However, if a Globex Terminal Operator receives an order which cannot be immediately entered into Globex, the Globex Terminal Operator must prepare a written order and include the account designation, date, time of receipt and other information required pursuant to section A.1. above. The order must be entered into Globex when it becomes executable.

#### **2. Electronic Audit Trail Requirements for Electronic Order Routing/Front-End Systems**

Entities certified by the Exchange to connect an order routing/front-end system to the Globex platform through the CME iLink® gateway are responsible for causing an audit trail of each message entered into Globex to be created. Clearing members guaranteeing a connection to Globex are responsible for maintaining or causing to be maintained the electronic audit trail for such systems. This electronic audit trail must be maintained for a minimum of 5 years, and clearing members must have the ability to produce this data in a standard format upon request of Market Regulation.

Each such electronic audit trail must be complete and accurate and account for every electronic communication such system sends to or receives from Globex.

This electronic audit trail must contain all order entry, order modification, and Globex response receipt times to the highest level of precision achievable by the operating system, but at least to the millisecond. The times captured must not be able to be modified by the person entering the order. The data must also contain all required information and fields which include, but not limited to, the following:

a record of all fields relating to order entry, including transaction date, product, Exchange code, expiration month, quantity, order type, order qualifier, price, buy/sell indicator, stop/trigger price, order number, unique transaction number, account number, session ID, operator ID, manual order indicator, self-match prevention ID where applicable, host order number, trader order number, clearing member, type of action, action status code, customer type indicator, origin, and timestamps. For executed orders the audit trail must record the execution time of the trade along with all fill information.

In the case where the guaranteeing Clearing Firm has a direct connect client that is another Clearing Firm or an Equity Member Firm, the Clearing Firm may notify the client Clearing Firm or Equity Member Firm that it is their obligation to maintain the electronic audit trail. Upon execution of this written notice, it shall be the duty of the client Clearing Firm or Equity Member Firm to maintain an electronic audit trail pursuant to this rule. Nothing herein relieves any of the above-referenced firms from compliance with the applicable recordkeeping provisions of CFTC Regulations, including Regulation 1.31 or 1.35.

### **536.C. Bunched Orders and Orders Eligible for Post Execution Allocation**

Bunched orders must be allocated and recorded in accordance with CFTC Regulation 1.35(b) and the NFA's Interpretive Notice related to Compliance Rule 2-10. A bunched order for pit execution does not require the specific account number to be recorded at the time of order placement or upon the report of execution provided that 1) the order is being placed by an eligible account manager for multiple accounts eligible for post execution allocation or 2) a written, pre-determined allocation scheme has been provided to the futures commission merchant accepting or clearing the order prior to the time the order has been placed. Additionally, at the time of receipt on the trading floor, bunched orders that do not contain specific account numbers must contain a series, group, or suspense account indicator which relates directly to the group of accounts for which the order has been placed. A bunched order may be initially cleared into a suspense account provided that the final account-specific allocations are submitted to the clearing system no later than the end of each trading day.

Bunched orders for non-discretionary accounts may be entered for pit execution; however, only the following order types may be bunched: Market on Open, Market on Close, same priced Limit Orders and same priced Stop Orders. Such non-discretionary orders may only be bunched in the following instances:

- a. Each order underlying the bunched order must be reduced to writing and include the information required pursuant to Section A.1. above;
- b. Allocation of the executions for the bunched orders must be fair and equitable in accordance with the NFA's Interpretive Notice related to Compliance Rule 2-10; and
- c. In circumstances where the order is bunched in a member firm's sales office, the party accepting the order must, contemporaneously with the order placement, transmit the individual account numbers and quantities associated with the bunched order to the clearing member firm. Such transmission shall be maintained by the clearing member firm along with the bunched order.

With respect to bunched Globex orders, such orders may be entered using a series designation or suspense account number provided that 1) the order is being placed by an eligible account manager for multiple accounts eligible for post execution allocation or 2) a written, pre-determined allocation scheme that defines the series has been provided to the futures commission merchant accepting or clearing the order prior to the time that such order is entered. In the latter case, if such information has not been provided to the futures commission merchant prior to the time of order entry, each specific account number must be entered into Globex. Additionally, for all such bunched orders executed on Globex, the final account specific allocations must be submitted to the clearing system no later than the end of each trading day.

## **CBOT and NYMEX/COMEX**

### **536.B. Globex Order Entry**

#### **1. General Requirement**

Each Globex Terminal Operator entering orders into Globex shall accurately input for each Application Message all fields required to be populated by the CME iLink® Message Specifications set forth in the CME Group Client Systems Wiki in effect at the time, including, but not limited to the: operator ID; price; quantity; product; expiration month; CTI code; manual order indicator; and account number (except as provided in Section C), and, for options, put or call and strike price. The Globex Terminal Operator's operator ID must be present on each Application Message, including order messages, submitted to Globex. For a Globex Terminal Operator with access pursuant to Rule 574, the clearing member that guarantees such access to Globex will be responsible for the Globex Terminal Operator's compliance with this rule with respect to the following fields: operator ID, CTI code, manual order indicator and account number. Notwithstanding, and in accordance with Rule 574, a clearing member must take appropriate action if it has actual or constructive knowledge that a Globex Terminal Operator has failed to accurately input for each Application Message fields required to be populated by this rule.

With respect to orders received by a Globex Terminal Operator which are capable of being immediately entered into Globex, no record other than that set forth above need be made. However, if a Globex Terminal Operator receives an order which cannot be immediately entered into Globex, the Globex Terminal Operator must prepare a written order and include the account designation, date, time of receipt and other information required pursuant to section A.1. above. The order must be entered into Globex when it becomes executable.

#### **2. Electronic Audit Trail Requirements for Electronic Order Routing/Front-End Systems**

Entities certified by the Exchange to connect an order routing/front-end system to the Globex platform through the CME iLink® gateway are responsible for causing an audit trail of each message entered into Globex to be created. Clearing members guaranteeing a connection to Globex are responsible for maintaining or causing to be maintained the electronic audit trail for such systems. This electronic audit trail must be maintained for a minimum of 5 years, and clearing members must have the ability to produce this data in a standard format upon request of Market Regulation.

Each such electronic audit trail must be complete and accurate and account for every electronic communication such system sends to or receives from Globex.

This electronic audit trail must contain all order entry, order modification, and Globex response receipt times to the highest level of precision achievable by the operating system, but at least to the millisecond. The times captured must not be able to be modified by the person entering the order. The data must also contain all required information and fields which include, but is not limited to the following:

a record of all fields relating to order entry, including transaction date, product, Exchange code, expiration month, quantity, order type, order qualifier, price, buy/sell indicator, stop/trigger price, order number, unique transaction number, account number, session ID, operator ID, manual order indicator, self-match prevention ID where applicable, host order number, trader order number, clearing member, type of action, action status code, customer

type indicator, origin, and timestamps. For executed orders the audit trail must record the execution time of the trade along with all fill information.

In the case where the guaranteeing Clearing Firm has a direct connect client that is another Clearing Firm or an Equity Member Firm, the Clearing Firm may notify the client Clearing Firm or Equity Member Firm that it is their obligation to maintain the electronic audit trail. Upon execution of this written notice, it shall be the duty of the client Clearing Firm or Equity Member Firm to maintain an electronic audit trail pursuant to this rule. Nothing herein relieves any of the above-referenced firms from compliance with the applicable recordkeeping provisions of CFTC Regulations, including Regulation 1.31 or 1.35.

**536.C. Bunched Orders and Orders Eligible for Post Execution Allocation**

Bunched orders must be allocated and recorded in accordance with CFTC Regulation 1.35(b) and the NFA's Interpretive Notice related to Compliance Rule 2-10.

With respect to bunched Globex orders, such orders may be entered using a series designation or suspense account number provided that 1) the order is being placed by an eligible account manager for multiple accounts eligible for post execution allocation or 2) a written, pre-determined allocation scheme that defines the series has been provided to the futures commission merchant accepting or clearing the order prior to the time that such order is entered. In the latter case, if such information has not been provided to the futures commission merchant prior to the time of order entry, each specific account number must be entered into Globex. Additionally, for all such bunched orders executed on Globex, the final account specific allocations must be submitted to the clearing system no later than the end of each trading day.

## **Frequently Asked Questions (FAQ)**

### **Documentation of Customer Orders and Submission of Suspense Accounts on CME Globex**

#### **1. What is a suspense account?**

A suspense account is a generic account used at the time of order entry into Globex to temporarily hold a trade execution that is subsequently allocated to a customer specific account. Only the following five types of suspense accounts are permitted by Market Regulation:

- EAM-Specific Suspense Accounts
- Bunched DRT Suspense Accounts
- Pre-Determined Allocation Scheme Suspense Accounts
- Bunched RFC Order Suspense Accounts
- Execution Operation Suspense Accounts

In all other circumstances, a customer-specific account number must be used at the time of order entry into Globex.

#### **2. What is a short code?**

A short code is a customer-specific identifier used at order entry in lieu of the actual customer account number. A customer-specific short code is not considered a suspense account. If a unique customer-specific short code is used at order entry and the order is entered into Globex immediately upon receipt from the customer, the executing entity has met its order documentation requirements. If the order is not immediately entered upon receipt, a timestamped order ticket must be generated and maintained pursuant to Rule 536.B.1.

#### **3. Who qualifies as an Eligible Account Manager (“EAM”) for purposes of using an EAM-Specific Suspense Account?**

Those individuals and entities qualifying as an Eligible Account Manager (“EAM”) pursuant to CFTC Regulation 1.35.

#### **4. What type of information must be maintained with respect to the use of suspense accounts?**

Exchange Clearing Member Firms should be able to produce records for any order entry into Globex using a suspense account for up to five years, with records for the most recent four months of activity readily available. Firms must have the ability to produce the following records in a standard format upon request from Market Regulation:

- Type of suspense account
- Suspense account number
- Name/description of executing party authorized to use the suspense account:
  - Associated National Futures Association (“NFA”) ID and/or US Securities and Exchange Commission (“SEC”) #, if any
  - EAM Type, if any
- Name/description of party represented by the suspense account
  - Associated NFA ID and/or SEC #, if any; and
  - EAM Type, if any
- Where applicable, any pre-determined allocation scheme associated with the suspense account.

Market Regulation will conduct examinations of Exchange Clearing Member Firms and their guaranteed introducing brokers for their compliance with this rule.

**5. What are the recordkeeping requirements for Execution Operation Suspense Account usage?**

For orders entered into Globex using an Execution Operation Suspense Account, a written or electronic record must be created or captured prior to order entry. Documentation of such orders may include any of the following records: written order tickets, instant messages, recorded phone calls, or emails.

It is important to note that such records must contain the time the order was received as well as an account identifier which represents the customer that originated the order. Upon examination, it should be clear to Market Regulation when the order was received and who originated the order.

**6. How should a DRT order be documented by a party using a Bunched DRT Suspense Account?**

Each underlying order of a bunched DRT order must have a designation of "DRT." Parties may write "DRT" on an order ticket, communicate the order is "DRT" on electronic communications including an email or instant message, or verbally confirm "DRT" on a recorded phone line.

**7. What is a Letter of Direction ("LOD"), and may a firm use a suspense account for the entry of multiple orders executed pursuant to LODs?**

A LOD is typically an authorization from a customer granting limited power of attorney and discretion to a broker or futures commission merchant ("FCM") to enter orders in accordance with signals and/or recommendations generated by a trading system developed by the customer or licensed or purchased from a third party by the customer. To the extent the person or entity entering the orders generated by such system(s) is an EAM, an EAM-Specific Suspense Account may be used at order entry, including instances where the EAM bunches orders on behalf of multiple customers. If the person or entity entering the orders generated by such system(s) is not an EAM and intends to bunch orders from multiple customers, all requirements for Bunched DRT Orders must be satisfied.

**8. What is a Pre-Determined Allocation Scheme?**

A Pre-Determined Allocation Scheme is a detailed description of how order executions should be allocated to underlying customer accounts. The scheme should contain the identity or account number of each underlying customer, the quantity to be allocated, and the method of allocation in the event of a partial fill. Executing Clearing Member Firms must be provided with such details prior to entering orders into a Pre-Determined Allocation Scheme Suspense Account, and the allocations should not deviate from the scheme without the executing Clearing Member Firm being notified of the changes to the scheme prior to the time the orders are entered into Globex.

**9. May an execution operation use an Execution Operation Suspense Account when entering orders into Globex where the customer is an EAM?**

Generally, the firm must use a customer-specific account number or an account number that represents the EAM utilizing the services of the execution operation. Recognizing that on occasion a customer-specific or EAM-specific account number may not be available at the time an order is entered into Globex, an Execution Operation Suspense Account may be used on a de minimis basis for entry of such orders into Globex.

**10. At what entity level is the usage of Execution Operation Suspense Accounts measured in order to ensure it remains de minimis?**

The usage of Execution Operation Suspense Accounts will be measured at the executing level. The executing level may be the NFA registered entity utilizing the suspense account or individual members utilizing the suspense account while acting as an execution operation. Affiliates of Exchange Clearing Member Firms registered under separate NFA IDs will be measured separately.

**11. May orders for the personal trading accounts of an employee of an execution operation be entered using an Execution Operation Suspense Account?**

No. The employees or agents of an execution operation may not enter orders for their own trading accounts or the trading accounts of any other execution operation employee or agent into Globex using an Execution Operation Suspense Account.

**12. What types of violations regarding the use of suspense accounts will Market Regulation seek to identify?**

Market Regulation's review of suspense accounts usage will be focused on, but not limited to, identifying the following types of violations:

- **All Suspense Accounts**
  - Failure to maintain or adhere to firm procedures
  - Failure to maintain records of suspense accounts used by the firm
  - Failure to identify a suspense account
  - Violation of personal trading restrictions
- **Bunched DRT Suspense Accounts**
  - Improper Use:
    - Bunching customer orders without customer consent
    - Executing non-bunched orders
  - Missing required documentation
  - Inaccurate Documentation:
    - Missing time of receipt indication
    - Time of receipt indication after order entry
    - Missing or invalid customer-specific account designation
    - Missing "DRT" designation
  - Failure to provide the executing Clearing Member Firm, prior to the entry of a bunched order into Globex, the methodology to be used to allocate the trade executions to the customers participating in the bunched order.
  - Failure to average price the order(s) prior to the allocation to underlying customer accounts.
- **Pre-Determined Allocation Scheme Suspense Accounts**
  - Improper Use:
    - Used for multiple schemes or orders that are not a part of the scheme
    - Subjecting customer orders to a pre-determined allocation scheme without consent.
  - Failure to provide the executing firm, prior to order entry, with the pre-determined allocation scheme.
  - Failure to maintain records of schemes for a minimum of 5 years.

- **Bunched RFC Order Suspense Accounts**
  - Improper Use:
    - Used to represent the customer side of an RFC order.
    - Used for non-RFC orders
  - Missing required documentation
  - Inaccurate Documentation:
    - Missing time of receipt indication
    - Time of receipt indication after order entry
    - Missing or invalid customer-specific account designation
    - Missing or invalid market maker identifiers
  
- **Execution Operation Suspense Accounts**
  - Improper Use:
    - Exceeding de minimis usage
    - Violating personal trading restrictions
  - Missing required supporting documentation
  - Inaccurate documentation
    - Missing time of receipt indication
    - Time of receipt indication after order entry
    - Missing or invalid customer-specific account designation

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

Terrence Quinn, Manager, Data Investigations, 312.435.3753

Laetizia Moreau, ~~Executive~~Senior Director, Data Investigations, 312.435.3619

Andrew Carr, ~~Manager~~Investigations Specialist, Data Investigations, 312.435.3610

Erin Middleton, Director, Rules & Regulatory Outreach, 312.341.3286

Paige Gawrys, Senior Specialist, Rules & Regulatory Outreach, 312.872.5078

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).

## MARKET REGULATION ADVISORY NOTICE

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Exchange	CME
Subject	Computerized Trade Reconstruction (“CTR”) Clearing Member Back Office Audit Enforcement Program
Rule References	Rule 536
Advisory Date	August 29, 2022
Advisory Number	CME RA2203-2
Effective Date	September 13, 2022

Effective on trade date Tuesday, September 13, 2022, and pending all relevant CFTC regulatory review periods, this Market Regulation Advisory Notice will supersede CME & CBOT Market Regulation Advisory Notice RA0806-3 from March 26, 2008. It is being reissued as a CME-only Advisory Notice in connection with the termination of open outcry trading in all CBOT products.

### 536.F. Audit Trail Violations

#### CTR Clearing Member Back Office Audit Enforcement Program

The Market Regulation Department will conduct audits of clearing members to verify that required audit trail information has been accurately recorded and submitted. The CTR audit threshold level for firms failing to pick up and timestamp sequenced cards, verbal order cards and floor orders is 20%. The threshold for all other firm audit trail or recordkeeping deficiencies is 10%.

Percentage calculations will be made based on an examination of a combination of sequenced cards, verbal orders and floor orders totaling 150 documents. The number of documents containing a deficiency(ies) will be divided by the total number of documents examined in determining the deficiency percentage.

Violations of each threshold within 24 months shall be subject to automatic fines in accordance with the following schedule:

First occurrence	\$2,500
Second occurrence	\$5,000
Subsequent occurrence(s)	\$10,000

A firm will have 15 days after receipt of a fine to present evidence to the Market Regulation Department in support of having the fine dismissed. If the firm does not submit such evidence, or if the Market Regulation Department determines that the evidence submitted is insufficient to reduce the percentage below the threshold level, the fine shall be final and may not be appealed.

Notwithstanding the provisions of this Section, the Market Regulation Department may, at any time, refer matters that it deems egregious to the Chief Regulatory Officer.

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

Jeff Nierman, Lead Data Investigator	312.341.3195
Jackie Cerven, <del>Lead</del> Senior Data Investigator	312.872.5341



**FAQ Related to CME 536.F.  
CTR Clearing Member Back Office Audit Enforcement  
Program**

**Q1: How often will clearing firms be audited?**

A1: Each firm will be audited at least once every 12 months.

**Q2: How will the back-office audit be conducted?**

A2: Staff of the Market Regulation Department will conduct the audit. If a clearing firm has multiple divisions, all divisions will be audited at the same time. A minimum of 150 documents covering at least a two-day period will be reviewed. Upon completion of the audit the clearing firm will receive reports detailing the results.

**Q3: How will the error percentage be calculated for the “Data Entry Errors” portion of the audit?**

A3: The percentage will be based on the total number of identified keypunch errors divided by the total number of documents examined. A document which contains multiple keypunch errors will be counted as one error for purposes of calculating the data entry error percentage.

**Q4: How will the error percentage be calculated for the “Collection Deadline” portion of the audit?**

A4: The percentage will be based on the total number of documents which are determined to have been collected late divided by the total number of documents examined.

**Q5: Who issues the fines pursuant to the CTR back-office audit fine schedule?**

A5: The fines are issued by the Market Regulation Department.

**Q6: May a CTR fine be appealed?**

A6: A firm will have 15 days after receiving notice of an automatic fine to present evidence to the Market Regulation Department to have the fine rescinded and the violation dismissed. The Market Regulation Department will determine if such evidence is sufficient to reduce the error percentage below the threshold level. The decisions of the Market Regulation Department are final.

## MARKET REGULATION ADVISORY NOTICE

Exchange	CME, CBOT, NYMEX, COMEX
Subject	Order Routing/Front-End Audit Trail Requirements
Rule References	Rule 536.B.
Advisory Date	September 2, 2020
Advisory Number	CME Group RA2009-5
Effective Date	September 17, 2020

Effective on trade date September 17, 2020, and pending all relevant CFTC regulatory review periods, this Market Regulation Advisory Notice will supersede CME Group Market Regulation Advisory Notice RA1913-5 from December 17, 2019. It is being issued based on amendments to Rule 536.B. ("Globex Order Entry") in connection with the migration from iLink 2 to iLink 3.

No substantive information in this Advisory Notice has been amended.

CME, CBOT, NYMEX and COMEX Rule 536.B.2. ("Globex Order Entry – Electronic Audit Trail Requirements for Electronic Order Routing/Front-End Systems") requires that the electronic audit trail associated with any system that accesses the CME Globex platform through the CME iLink® gateway contain a complete and accurate record of all activity through that connection, and account for every electronic communication by the order routing or front-end system from the time such order routing or front-end system receives or generates an electronic communication until it is communicated to CME Globex. Further, the Rule requires that CMFs guaranteeing a connection to CME Globex are responsible for maintaining, or causing to be maintained, the electronic audit trail for a minimum of 5 years.

Firms responsible for the order routing/front-end audit trail of a trading system that accesses CME Globex through the CME iLink® gateway must have the ability to display data in the required format. Exchange Drop Copy messages or files do not meet the requirements of Rule 536.B.2., as Drop Copy only reflects an Exchange-level audit trail and will not include information internal to the firm's system. Further, the connected entity must ensure that **all trading functionality supported by the system** is appropriately reflected in the audit trail. For the convenience of those responsible for such order routing or front-end systems, the Exchanges have updated the [CME Group Client Systems Wiki](#) with the new data definitions, required format, and validation rules applied through the certification process of the minimum acceptable audit trail elements that such systems must capture.

CME Group Market Regulation performs annual reviews of order routing/front-end audit trails to validate that certified systems capture data in accordance with the minimum acceptable audit trail elements.

### Responsibility for Preserving Audit Trails

CMFs guaranteeing a connection to Globex are responsible for maintaining or causing to be maintained the order routing/front-end system audit trail for all electronic orders (except in the circumstance below where the CMF's client is another CMF or an Equity Member Firm), including order entry, modification, cancellation, and responses to such messages (referred to as the "electronic audit trail"), entered into the Globex platform through the CME iLink® gateway. While CMFs are responsible for this audit trail, many firms outsource the preservation of the audit trail to a vendor, or require that their directly connected clients bear the cost of maintaining this data.

In the case where the Guaranteeing CMF has a direct connect client that is another CMF or an Equity Member Firm, the Guaranteeing CMF may notify the client CMF or Equity Member Firm that it is their obligation to maintain the audit trail. Upon execution of a written notice, it shall be the duty of the client CMF or Equity Member Firm to maintain an electronic audit trail pursuant to this rule. When a new connection is made to CME Globex, connecting entities must provide a sample audit trail report from the test/certification environment before the system accesses the live environment. Shortly

after the new system is deployed in the live environment, the connecting entity or the clearing firm is required to provide the Market Regulation Department with a full production audit trail report. The purpose of this review is to verify that the connecting entity's audit trail meets the minimum data requirements, and that it can be produced in a standard human readable format. Questions regarding the submission of sample or production audit trail reports should be sent to [AuditTrail@CMEGroup.com](mailto:AuditTrail@CMEGroup.com).

The text of CME, CBOT, NYMEX and COMEX Rule 536.B. appears below.

#### **536.B. Globex Order Entry**

##### **1. General Requirement**

Each Globex Terminal Operator entering orders into Globex shall accurately input for each [Application Message](#) all fields required to be populated by the CME iLink® Message Specifications set forth in the [CME Group Client Systems Wiki](#) in effect at the time, including, but not limited to the: operator ID; price; quantity; product; expiration month; CTI code; manual order indicator; and account number (except as provided in Section C), and, for options, put or call and strike price. The Globex Terminal Operator's operator ID must be present on each Application Message, including order messages, submitted to Globex. For a Globex Terminal Operator with access pursuant to Rule 574, the clearing member that guarantees such access to Globex will be responsible for the Globex Terminal Operator's compliance with this rule with respect to the following fields: operator ID, CTI code, manual order indicator and account number. Notwithstanding, and in accordance with Rule 574, a clearing member must take appropriate action if it has actual or constructive knowledge that a Globex Terminal Operator has failed to accurately input for each Application Message fields required to be populated by this rule.

With respect to orders received by a Globex Terminal Operator which are capable of being immediately entered into Globex, no record other than that set forth above need be made. However, if a Globex Terminal Operator receives an order which cannot be immediately entered into Globex, the Globex Terminal Operator must prepare a written order and include the account designation, date, time of receipt and other information required pursuant to section A.1. above. The order must be entered into Globex when it becomes executable.

##### **2. Electronic Audit Trail Requirements for Electronic Order Routing/Front-End Systems**

Entities certified by the Exchange to connect an order routing/front-end system to the Globex platform through the CME iLink® gateway are responsible for causing an audit trail of each message entered into Globex to be created. Clearing members guaranteeing a connection to Globex are responsible for maintaining or causing to be maintained the electronic audit trail for such systems. This electronic audit trail must be maintained for a minimum of 5 years, and clearing members must have the ability to produce this data in a standard format upon request of Market Regulation.

Each such electronic audit trail must be complete and accurate and account for every electronic communication such system sends to or receives from Globex.

This electronic audit trail must contain all order entry, order modification, and Globex response receipt times to the highest level of precision achievable by the operating system, but at least to the millisecond. The times captured must not be able to be modified by the person entering the order. The data must also contain all required information and fields which include, but not limited to, the following:

a record of all fields relating to order entry, including transaction date, product, Exchange code, expiration month, quantity, order type, order qualifier, price, buy/sell indicator, stop/trigger price, order number, unique transaction number, account number, session ID, operator ID, manual order indicator, self-match prevention ID where applicable, host order number, trader order number, clearing member, type of action, action status code, customer type indicator, origin, and timestamps. For executed orders the audit trail must record the execution time of the trade along with all fill information.

In the case where the guaranteeing Clearing Firm has a direct connect client that is another Clearing Firm or an Equity Member Firm, the Clearing Firm may notify the client Clearing Firm or Equity Member Firm that it is their obligation to maintain the electronic audit trail. Upon execution of this written notice, it shall be the duty of the client Clearing Firm or Equity Member Firm to maintain an electronic audit trail pursuant to this rule. Nothing herein relieves any of the above-referenced firms from compliance with the applicable recordkeeping provisions of CFTC Regulations, including Regulation 1.31 or 1.35.

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

Terry Quinn, Manager, 312.435.3753

Laetizia Moreau, [ExecutiveSenior](#) Director, 312.435.3619

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

## MARKET REGULATION ADVISORY NOTICE

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<b>Exchange</b>	<b>CME, CBOT, NYMEX &amp; COMEX</b>
<b>Subject</b>	<b>Manual/Automated Trading Indicator</b>
<b>Rule References</b>	<b>Rule 536.B.</b>
<b>Advisory Date</b>	<b>September 2, 2020</b>
<b>Advisory Number</b>	<b>CME Group RA2010-5</b>
<b>Effective Date</b>	<b>September 17, 2020</b>

Effective on trade date September 17, 2020, and pending all relevant CFTC regulatory review periods, this Market Regulation Advisory Notice will supersede CME Group Market Regulation Advisory Notice RA1914-5 from December 17, 2019. It is being issued based on amendments to Rule 536.B. ("Globex Order Entry") in connection with the migration from iLink 2 to iLink 3. Additionally, the FAQ section is being amended to eliminate references to legacy tags and their associated numbers and replace them with their titles.

No substantive information in this Advisory Notice has been amended.

### 536.B. Globex Order Entry

#### 1. General Requirement

Each Globex terminal operator entering orders into Globex shall accurately input for each [Application Message](#) all fields required to be populated by the CME iLink® Message Specifications set forth in the [CME Group Client Systems Wiki](#) in effect at the time, including, but not limited to the: operator ID; price; quantity; product; expiration month; CTI code; manual indicator; and account number (except as provided in Section C), and, for options, put or call and strike price. The Globex Terminal Operator's operator ID must be present on each Application Message, including order messages, submitted to Globex. For a Globex Terminal Operator with access pursuant to Rule 574, the clearing member that guarantees such access to Globex will be responsible for the Globex Terminal Operator's compliance with this rule with respect to the following fields: operator ID, CTI code, manual indicator and account number. Notwithstanding, and in accordance with Rule 574, a clearing member must take appropriate action if it has actual or constructive knowledge that a Globex Terminal Operator has failed to accurately input for each Application Message fields required to be populated by this rule.

With respect to orders received by a Globex Terminal Operator which are capable of being immediately entered into Globex, no record other than that set forth above need be made. However, if a Globex Terminal Operator receives an order which cannot be immediately entered into Globex, the Globex Terminal Operator must prepare a written order and include the account designation, date, time of receipt and other information required pursuant to section A.1. above. The order must be entered into Globex when it becomes executable.

#### 2. Electronic Audit Trail Requirements for Electronic Order Routing/Front-End Systems

Entities certified by the Exchange to connect an order routing/front-end system to the Globex platform through the CME iLink® gateway are responsible for causing an audit trail of each message entered into Globex to be created. Clearing members guaranteeing a connection to Globex are responsible for maintaining or causing to be maintained the electronic audit trail for such systems. This electronic audit trail must be maintained for a minimum of 5 years, and clearing members must have the ability to produce this data in a standard format upon request of Market Regulation.

Each such electronic audit trail must be complete and accurate and account for every electronic communication such system sends to or receives from Globex.

This electronic audit trail must contain all order entry, order modification, and Globex response receipt times to the highest level of precision achievable by the operating system, but at least to the millisecond. The times captured must not be able to be modified by the person entering the order. The data must also contain all required information and fields which include, but not limited to, the following:

a record of all fields relating to order entry, including transaction date, product, Exchange code, expiration month, quantity, order type, order qualifier, price, buy/sell indicator, stop/trigger price, order number, unique transaction number, account number, session ID, operator ID, manual indicator, self-match prevention ID where applicable, host

order number, trader order number, clearing member, type of action, action status code, customer type indicator, origin, and timestamps. For executed orders the audit trail must record the execution time of the trade along with all fill information.

In the case where the guaranteeing Clearing Firm has a direct connect client that is another Clearing Firm or an Equity Member Firm, the Clearing Firm may notify the client Clearing Firm or Equity Member Firm that it is their obligation to maintain the electronic audit trail. Upon execution of this written notice, it shall be the duty of the client Clearing Firm or Equity Member Firm to maintain an electronic audit trail pursuant to this rule. Nothing herein relieves any of the above-referenced firms from compliance with the applicable recordkeeping provisions of CFTC Regulations, including Regulation 1.31 or 1.35.

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### **FAQ Related to the Manual Order Indicator**

#### **1. What is the manual order indicator?**

The manual order indicator is a data field that is required on all order submissions to CME Globex to indicate whether a particular order is being submitted by manual or automated means. This has been a required data element on CME iLink interface order submissions since June 2011 and is now being added as a regulatory requirement.

#### **2. What specific values must be submitted in the manual order indicator?**

The message specifications can be found in the Client System Wiki:

[iLink 2 Message Specifications](#)

[iLink 3 Message Specifications](#)

#### **3. What is the definition of automated order entry?**

Automated order entry refers to orders that are generated and/or routed without human intervention. This includes any order generated by a computer system as well as orders that are routed using functionality that manages order submission through automated means (i.e. execution algorithm).

#### **4. What is the definition of manual order entry?**

Manual order entry refers to orders that are submitted to CME Globex by an individual directly entering the order into a front-end system, typically via keyboard, mouse or touch screen, and which is routed in its entirety to the match engine at the time of submission.

#### **5. May an Automated Trading System (“ATS”) team operator ID send in both manual and automated orders?**

No, ATS teams may send in only automated orders. All manually-entered orders must identify the operator ID of the specific person who entered the order.

#### **6. If an individual who is trading manually also uses automated spreading functionality that automates the entry of some orders, should the orders be designated as manual or automated?**

The manually entered orders must be properly identified as manual and the orders generated by automated means, including via automated spreading functionality, must be properly identified as automated as described in the Client Systems Wiki.

7. **If a person manually enters an order into ~~their~~his front-end system which employs functionality that manages the submission of the order(s) to the CME Globex match engine, should the order(s) be designated as manual or automated?**

The orders should be designated as automated because the execution algorithm is generating the entry of the orders to the CME Globex match engine.

8. **Does the front-end audit trail of the system used to enter orders into CME Globex need to record the manual order indicator values submitted for each order?**

Yes. The information in manual order indicator required to be captured and accurately recorded in the front-end audit trail.

9. **What is a clearing firm's responsibility with regard to manual order indicator?**

Clearing firms are expected to ensure that they communicate this requirement to their customer authorized users, and to verify with the client that the manual order indicator is being correctly populated.

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

Betsy Schneider, Manager, Data Investigations, at 312.341.3343

Andrew Carr, ~~Manager, Data Investigations~~~~Investigations Specialist~~, at 312.435.3610

## MARKET REGULATION ADVISORY NOTICE

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<b>Exchange</b>	<b>CME, CBOT, NYMEX &amp; COMEX</b>
<b>Subject</b>	<b>Accurate Submission of Customer Type Indicator (CTI) Codes</b>
<b>Rule References</b>	<b>Rule 536.D.</b>
<b>Advisory Date</b>	<b>August 30, 2021</b>
<b>Advisory Number</b>	<b>CME Group RA2111-5</b>
<b>Effective Date</b>	<b>October 1, 2021</b>

Effective on trade date Friday, October 1, 2021, and pending all relevant CFTC regulatory review periods, this Advisory Notice will supersede CME Group Market Regulation Advisory Notice RA1616-5 from December 12, 2016. It is being issued based on amendments to CBOT Rule 536.D. ("Customer Type Indicator (CTI) Codes") that become effective on October 1, 2021, in connection with the September 30, 2021, closure of the trading floor for all products other than options on CME Eurodollar futures and options on CME SOFR futures.<sup>1</sup>

Carrying firms must ensure that all give-up trades accepted by the firm contain the correct CTI code by the end of the trading day. In circumstances where an executing firm knows or is apprised of account ownership at order receipt time, the executing firm is also expected to submit the correct CTI code on the original execution record. In a give-up scenario wherein the executing firm does not know the account ownership of a trade intended to be given up to another firm, the executing firm should submit a CTI code 4 on the execution record. In this circumstance, the carrying firm must ensure that the correct CTI code appears on the trade by the end of the trading day.

For give-up trades where the execution information is submitted to the Exchange by a party other than the executing firm, such party is expected to submit the correct CTI code on the original execution record where such party knows or is apprised of account ownership at the time the trade is being submitted. If the party does not know the account ownership of a trade intended to be given up, then the party should submit a CTI code 4 on the execution record. In this circumstance, the carrying firm must ensure that the correct CTI code appears on the trade by the end of the trading day.

### Firm Regulatory Portal

Clearing member firms are able to access CTI Code Reports within the Firm Regulatory Portal. Clearing member firms have the ability to generate daily and monthly summary reports, and account level detailed reports, regarding the submission of inaccurate CTI codes for pit, electronic, -ex-pit and "give-in received" transactions submitted by that clearing firm.

The Firm Regulatory Portal can be accessed using a CME Group Login. To register for a Login, please visit <https://login.cmegroup.com/sso/register/>. For further instruction please contact CME Group Login Support at [EASE.AtYourService@cmegroup.com](mailto:EASE.AtYourService@cmegroup.com) or 312.456.1560.

To request Firm Regulatory Portal access, please send an email with your CME Group Login ID to [MarketRegFRP@cmegroup.com](mailto:MarketRegFRP@cmegroup.com).

Detailed instructions concerning navigating and generating CTI Code reports are included in a manual that can be accessed under the 'Help' menu once logged in to the Firm Regulatory Portal.

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<sup>1</sup> Please see Special Executive Report S-8833 from August 27, 2021, for additional information on the rule amendments.

The text of each Exchange's Rule 536.D. is set forth below.

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

Terrence Quinn, Manager, Data Investigations, 312.435.3753

Jeffrey Nierman, Lead Data Investigator, 312.341.3195

Andrew Carr, ~~Manager, Data Investigations~~ ~~Investigations Specialist~~, 312.435.3610

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

#### **536.D. Customer Type Indicator (CTI) Codes**

Each clearing member must identify each transaction 1) executed on the trading floor, 2) executed on the Globex platform or 3) privately negotiated as a block trade pursuant to Rule 526 or an EFRP pursuant to Rule 538 on the record of the transaction submitted to the Exchange with the correct customer type indicator (CTI) code. The CTI codes are as follows:

CTI 1: Electronic Trading, Open Outcry and Privately Negotiated – Applies to transactions initiated and executed by an individual member for ~~their~~his own account, for an account ~~they~~he controls, or for an account in which ~~they~~he has an ownership or financial interest. However, transactions initiated and executed by a member for the proprietary account of a member firm must be designated as CTI 2 transactions.

CTI 2: Electronic Trading, Open Outcry and Privately Negotiated – Applies to orders entered or trades executed for the proprietary accounts of a member firm, including Rule 106.H., I., N., R. and S. firms.

CTI 3: Electronic Trading – Applies to orders entered by a member or a nonmember terminal operator for the account of another individual member or an account controlled by such other individual member.

CTI 3: Open Outcry and Privately Negotiated – Applies to orders that a member executes on behalf of another individual member, or for an account such other member controls or in which such other member has an ownership or financial interest.

CTI 4: Electronic Trading, Open Outcry and Privately Negotiated – Applies to all orders and transactions not included in CTI categories 1, 2 or 3. These typically are orders entered by or on behalf of nonmember entities.

### CBOT

#### **536.D. Customer Type Indicator (CTI) Codes**

Each clearing member must identify each transaction 1) executed on the Globex platform or 2) privately negotiated as a block trade pursuant to Rule 526 or an EFRP pursuant to Rule 538 on the record of the transaction submitted to the Exchange with the correct customer type indicator (CTI) code. The CTI codes are as follows:

CTI 1: Electronic Trading and Privately Negotiated – Applies to transactions initiated and executed by an individual member for ~~their~~his own account, for an account ~~they~~he controls, or for an account in which ~~they~~he has an ownership or financial interest. However, transactions initiated and executed by a member for the proprietary account of a member firm must be designated as CTI 2 transactions.

CTI 2: Electronic Trading and Privately Negotiated – Applies to orders entered or trades executed for the proprietary accounts of a member firm, including Rule 106.H., I., J., R. and S. firms.

CTI 3: Electronic Trading – Applies to orders entered by a member or a nonmember terminal operator for the account of another individual member or an account controlled by such other individual member.

CTI 3: Privately Negotiated – Applies to orders that a member executes on behalf of another individual member, or for an account such other member controls or in which such other member has an ownership or financial interest.

CTI 4: Electronic Trading and Privately Negotiated – Applies to all orders and transactions not included in CTI categories 1, 2 or 3. These typically are orders entered by or on behalf of nonmember entities.



**NYMEX/COMEX**

**536.D. Customer Type Indicator (CTI) Codes**

Each clearing member must identify each transaction 1) executed on the Globex platform or 2) privately negotiated as a block trade pursuant to Rule 526 or an EFRP pursuant to Rule 538 on the record of the transaction submitted to the Exchange with the correct customer type indicator (CTI) code. The CTI codes are as follows:

CTI 1: Electronic Trading and Privately Negotiated – Applies to transactions initiated and executed by an individual member for **their** own account, for an account **they** controls, or for an account in which **they** has an ownership or financial interest. However, transactions initiated and executed by a member for the proprietary account of a member firm must be designated as CTI 2 transactions.

CTI 2: Electronic Trading and Privately Negotiated – Applies to orders entered or trades executed for the proprietary accounts of a member firm.

CTI 3: Electronic Trading – Applies to orders entered by a member or a nonmember terminal operator for the account of another individual member or an account controlled by such other individual member.

CTI 3: Privately Negotiated – Applies to orders that a member executes on behalf of another individual member, or for an account such other member controls or in which such other member has an ownership or financial interest.

CTI 4: Electronic Trading and Privately Negotiated – Applies to all orders and transactions not included in CTI categories 1, 2 or 3. These typically are orders entered by or on behalf of nonmember entities.

## MARKET REGULATION ADVISORY NOTICE

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Exchange	CME, CBOT, NYMEX & COMEX
Subject	Position Limits and Accountability Levels
Rule References	Rules 559, 560, and 562
Advisory Date	September 23, 2022
Advisory Number	CME Group RA2205-5
Effective Date	October 7, 2022

Effective on trade date Friday, October 7, 2022, and pending all relevant CFTC regulatory review periods, this Market Regulation Advisory will supersede CME Group Market Regulation Advisory Notice RA2117-5 from September 29, 2021. It is being issued in connection with CFTC Letter No. 22-09 No-Action, dated August 10, 2022, extending no-action relief from certain aggregation requirements except in a situation where such person holds or controls the trading of such positions in order to willfully circumvent applicable position limits.

The amendments to this Advisory Notice are reflected in the answer to FAQ 8.

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

For NYMEX and COMEX Products

Tom Dixon, Sr. Director, 212.299.2901  
Chris Reinhardt, Exec. Director, 312.435.3665

For CME and CBOT Products

Nicole Pecyna, Director, 312.342.7713  
Brian Babinski, ~~Director~~Manager, 312.341.5822  
William Lange, Director, 312.341.7757  
Chris Reinhardt, Exec. Director, 312.435.3665

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).

### **FAQ Related to Position Limits, Position Accountability and Reportable Levels**

**Q1: What is the difference between Position Limits, Accountability and Reportable Levels?**

**A1: Position Limits** are levels which a market participant may **not** exceed unless they have an approved exemption. Any positions in excess of these limits would be considered a rule violation pursuant to Rule 562.

Position Limits are calculated on a net futures-equivalent basis by contract and include contracts that aggregate into one or more base contracts as set forth in the Table.

**Position Accountability Levels** are levels which a market participant may exceed and not be in violation of an Exchange Rule. A market participant who exceeds an accountability (or reportable) level may be asked by the Market Regulation Department (the "Department") to provide information relating to the position, including, but not limited to, the nature and size of the position, the trading strategy employed with respect to the position, and hedging information, if applicable. Failure to supply the requested information may result in an order to reduce such positions, in addition to disciplinary action as a result of the failure.

Additionally, any market participant who has a position in excess of an accountability level is deemed to have consented, when so ordered by the Department to:

- not further increase the positions;
- comply with any limit on the size of the position; and/or
- reduce any open position which exceeds a position accountability level.

Generally, these actions would be taken only after having been contacted by the Department regarding the open positions.

The Department calculates positions using three separate methods for purposes of its position accountability reviews. Any position that exceeds an accountability level based on any of the three methods is considered by the Department to be in excess of the accountability level. The three methods are as follows:

1. Spot Month/Single Month/All Month Accountability Levels are calculated on a net futures-equivalent basis by contract and include contracts that aggregate into one or more base contracts as set forth in the Table.
2. Spot Month/Single Month/All Month Accountability Levels are calculated on a net futures-only basis.
3. Spot Month/Single Month/All Month Accountability Levels for options are calculated per option quadrant (long call, long put, short call, short put) on a gross basis.

**Reportable Levels** are levels at which clearing members, omnibus accounts and foreign brokers are required to submit to the Exchange a daily report of all positions as set forth in the Table. Positions at or above the reportable level in a particular expiration month of a futures contract, or in all puts or in all calls of a particular option contract expiration month, trigger the reportable status. A person who is reportable in a particular product must report **all open positions** in all futures and in all open puts or calls on such futures in the product and in any product that aggregates into the product, **regardless of size**.

Market participants should be aware that not all products have position limits or position accountability levels. Position limits, position accountability levels and reportable levels are listed in each Exchange's Table and may be accessed via the following link:  
<http://www.cmegroup.com/market-regulation/position-limits.html>

**Q2: What is the difference between Spot Month, Second Spot Month, Single Month and All Month for purposes of position limits and position accountability levels, and when do they go into effect?**

**A2: Spot Month** generally goes into effect as a particular contract month becomes the closest contract month to expiration or as a contract nears expiration. The dates vary by contract and market participants should reference the Table to identify when the spot month limits go into effect. For example, NYMEX RBOB Gasoline futures has a spot month limit of 2,000 net futures-equivalent contracts that becomes effective at the close of trading three business days prior to the last trading day of the contract month.

**Subsequent Spot Month** limits are lower than spot month limits and go into effect after the initial spot month limit, as the contract month nears expiration. For example, in CME Live Cattle futures the spot month limit is reduced from 600 net futures-equivalent contracts effective at the close of trading on the first business day following the first Friday of the contract month to 300 net futures-

equivalent contracts effective at the close of trading on the business day immediately preceding the last 5 trading days of the contract month. Additionally, the limit changes from 300 to 200 at the close of trading on the business day prior to the last 2 trading days of the contract month.

**Single Month** is defined as the position held in any given contract month outside of the spot period effective date. For example, a CBOT December 2023 Corn futures contract has a single month limit of 57,800 net futures-equivalent contracts prior to the spot month effective date.

**All Month** is defined as the net open position held across all contract months of a particular product and is effective at all times. For example, the CME S&P 500 Stock Price Index futures all month limit is 60,000 net futures-equivalent contracts. If a market participant is long 32,000 September 2021 contracts, long 30,000 December 2021 contracts and short 1,000 March 2021 contracts, the all month position is long 61,000 net futures-equivalent contracts. They would be over the all month limit by 1,000 contracts.

The Department publishes a monthly notice of spot month effective dates for core products. The notice is posted on the CME Group website and is also available via an email subscription.

Website: Select Category – Market Regulation & Market Surveillance

[Notices](#)

In order to receive the notice via email, you will need to create a CME Group login and go to the [Subscription Center](#) page. Once there, select Market Regulation Advisories – Market Surveillance Notices.

**Q3: Are there limits for holding delivery instruments?**

**A3:** Yes, for the CBOT products specified below. No person shall own or control more than the below amount of registered and outstanding shipping certificates/warehouse receipts issued by facilities designated by the Exchange as regular to issue shipping certificates unless they have received a hedge exemption from the Exchange. This includes any mini-sized certificates (in futures equivalent contracts). If a person is stopped for delivery in a quantity that would cause such person to exceed the certificate limit, the person must cancel, tender, or sell the quantity of certificates in excess of the limit no later than the close of business on the following business day. Failure to do so constitutes a position limit violation. Please see FAQ 4 for information concerning deliveries in physically-delivered metals contracts.

Corn	1,200	Wheat	1,200
Soybean	1,200	Oat	600
Soybean Oil	1,100	Rough Rice	800
Soybean Meal	1,500	KC Wheat	1,200

**Q4: Do deliveries in physically-delivered metals contracts impact the futures position in the spot month for purposes of compliance with spot month position limits?**

**A4:** Effective for the April 2021 contracts and beyond, in physically-delivered metals contracts, the spot month position limit will be applied and enforced separately for futures and for deliveries during the spot month. For example, the Gold futures contract has a spot month position limit of 6,000 contracts and no person may hold more than 6,000 Gold futures contracts (on a net futures-equivalent basis) during the spot month unless they have received a hedge exemption from the Exchange. Separately, a participant may not make (issue) or take (stop) delivery of

more than 6,000 net futures-equivalent contracts during the spot month unless they have received a hedge exemption from the Exchange. If a person stops certificates for delivery in a quantity that would cause such person to exceed the certificate limit, the person must retender the quantity of certificates in excess of the limit no later than the close of business on the following business day. Failure to do so constitutes a position limit violation. Given that the spot month limit is applied separately for futures and for deliveries, no netting between futures and deliveries is permitted.

**Q5: How does aggregation of contracts work?**

**A5:** The aggregation of contracts for single month, all month and spot month are noted in each Table.

Using the spot month as an example, for a contract that aggregates into only one base contract during the spot month, the base contract will be identified in the "Spot Month Aggregate Into Futures Equivalent Leg (1)" column of the Table and will denote a positive correlation with the base contract. The aggregation ratio for the Leg (1) base contract will be identified in the "Aggregate Into Ratio Leg (1)" column of the Table.

For contracts that aggregate into two separate base contracts during the spot month, the base contract noted in the "Spot Month Aggregate Into Futures Equivalent Leg (1)" column of the Table will denote a positive correlation, and the aggregation ratio for the Leg (1) base contract will be identified in the "Aggregate Into Ratio Leg (1)" column of the Table. The base contract noted in the "Spot Month Aggregate Into Futures Equivalent Leg (2)" column of the Table will denote a negative correlation with respect to the base contract, and the aggregation ratio for the Leg (2) base contract will be identified in the "Aggregate Into Ratio Leg (2)" column of the Table.

**Q6: How are options on futures counted for purposes of position limits?**

**A6:** Options on futures positions are aggregated into the underlying-underlying futures contracts in accordance with the Table on a delta equivalent value.

If a position exceeds position limits as a result of an option assignment, the person who owns or controls such position shall be allowed one business day to liquidate the excess position without being considered in violation of the limits. Additionally, if, at the close of trading, a position that includes options exceeds position limits when evaluated using the delta factors as of that day's close of trading, but does not exceed the limits when evaluated using the previous day's delta factors, then the position shall not constitute a position limit violation.

**Q7: What does a diminishing balance contract mean and how do you calculate its futures equivalence?**

**A7:** Diminishing balance contracts are specific futures contracts whose front month position in any given contract month diminishes as the contract month progresses towards expiration/month end for purposes of position limits. Typically, a contract diminishes each Exchange business day a portion of the final settlement price is established. The number of Exchange business days varies depending on the calendar month, and in calculating a diminishing balance, market participants should exclude the calendar date of any U.S. holiday as set forth in the CME Globex Holiday Calendar available on the CME Group website.

Diminishing balance contracts are typically those where the final settlement price is equal to the arithmetic average of a determined referenced price for each business day that it is determined during the contract month; or the balance of the month average of a determined referenced price for each business day that it is determined during the contract month, starting from the selected start date through the end of the contract month, inclusive.

Diminishing balance contracts are identified as such in the Table.

An example of a diminishing balance contract and its futures-equivalent value is set forth below.

Example 1: Chicago CBOB Gasoline (Platts) Futures (commodity code "2C")

Customer holds 6,600 October 2015 "2C" contracts going into October 2015 and does not add or liquidate any positions during the month.

Start of Day Position	Futures Position	Futures Equivalent Position
	2C October 2015 Contract	2C October 2015 Contract
10/1/2015	6,600	6,600
10/2/2015	6,600	6,300
10/5/2015	6,600	6,000
10/6/2015	6,600	5,700
10/7/2015	6,600	5,400
10/8/2015	6,600	5,100
10/9/2015	6,600	4,800
10/12/2015	6,600	4,500
10/13/2015	6,600	4,200
10/14/2015	6,600	3,900
10/15/2015	6,600	3,600
10/16/2015	6,600	3,300
10/19/2015	6,600	3,000
10/20/2015	6,600	2,700
10/21/2015	6,600	2,400
10/22/2015	6,600	2,100
10/23/2015	6,600	1,800
10/26/2015	6,600	1,500
10/27/2015	6,600	1,200

10/28/2015	6,600	900
10/29/2015	6,600	600
10/30/2015	6,600	300

**Q8: How does aggregation of accounts work with respect to position limits and position accountability levels?**

**A8:** Aggregation of positions is based on ownership or control. All positions in accounts for which any person, by power of attorney or otherwise, directly or indirectly controls trading or holds a 10 percent or greater ownership or equity interest must be aggregated with the position held and trading done by such person. For the purpose of determining the positions in accounts for which any person controls trading or holds a 10 percent or greater ownership or equity interest, positions or ownership or equity interests held by, and trading done or controlled by, two or more persons acting pursuant to an expressed or implied agreement or understanding shall be treated the same as if the positions were held by, or the trading were done or controlled by, a single person.

While CFTC Regulation 150.4(a)(2) requires any person that, by power of attorney or otherwise, holds or controls the trading of positions in more than one account or pool with substantially identical trading strategies, to aggregate all such positions, the no-action relief issued by the CFTC Division of Market Oversight on July 31, 2019, and extended on August 10, 2022, provides relief from this provision except in a situation where such person holds or controls the trading of such positions in order to willfully circumvent applicable position limits (see [CFTC Letter No. 22-09](#)).

**Q9: Are there exemptions from the account aggregation requirements?**

**A9:** Yes. Exemptions from aggregation in all contracts subject to Exchange position limits must comply with the provisions of CFTC Regulation 150.4(b). Parties must file with the Market Regulation Department via email at [Market\\_Reg\\_Surveillance\\_Chgo@cmegroup.com](mailto:Market_Reg_Surveillance_Chgo@cmegroup.com), and the filing must include:

1. A description of the relevant circumstances that warrant disaggregation; and
2. A statement of a senior officer of the entity certifying that the conditions set forth in the applicable aggregation exemption provision have been met.

Filing for contracts not subject to federal positions limits may occur at any time prior to exceeding a position limit. After exceeding a position limit, filing should occur within a reasonable period of time, which is generally considered 5 business days.

For contracts subject to federal limits, the CFTC has specific timing requirements set forth in Regulation 150.4(c) (Notice filing for exemption) for which the CFTC Division of Market Oversight has provided no-action relief on July 31, 2019 (see [CFTC Letter No. 19-19](#)).

A market participant that files an exemption from account aggregation with the CFTC must also provide a copy of the CFTC filing to [Market\\_Reg\\_Surveillance\\_Chgo@cmegroup.com](mailto:Market_Reg_Surveillance_Chgo@cmegroup.com).

**Q10: How can a market participant obtain an exemption from position limits?**

**A10:** A market participant seeking an exemption from position limits must apply by completing a form provided by the Department. Market participants may be eligible to receive an exemption from position limits in accordance with Rule 559 based on having bona fide hedging positions (as defined in CFTC Regulation §150.1 (Bona fide hedging transaction or positions), non-enumerated bona fide hedging positions and/or spread positions.

A market participant intending to exceed position limits, including limits established pursuant to a previously approved exemption, must file the required application and receive approval from the Department prior to exceeding such limits. However, a person who establishes a position in excess of position limits and files the required application for bona fide hedging transactions or positions or non-enumerated bona fide hedging transactions or positions with the Department will not be in violation of Rule 559 provided that the filing occurs within five (5) business days after assuming the position, except in circumstances where the Department requires a person to file prior to the fifth business day. An application filed after exceeding a limit must include an explanation of the sudden or unforeseen bona fide hedging need.

In the event the positions in excess of the limits are not deemed to be exemption-eligible, the applicant and clearing firm will be in violation of speculative position limits for the period of time in which the excess positions remained open.

The Department may approve, deny, condition or limit any exemption request based on factors deemed by the Department to be relevant, including, but not limited to, the applicant's business needs and financial status, as well as whether the positions can be established and liquidated in an orderly manner given characteristics of the market for which the exemption is sought. A person who has received written authorization from the Department to exceed position limits must annually file an updated application no later than one year following the approval date of the most recent application. Further, for referenced contracts, a party applying for an extension of a non-enumerated bona fide hedging exemption must receive a notice of extension from the Exchange prior to exceeding the position limit after the expiration date of the current exemption.

Failure to file an updated application will result in expiration of the exemption.

To obtain an exemption application or for further information on the exemption application process, please contact the Department via email.

For CME and CBOT products: [Hedgeprogram@cmegroup.com](mailto:Hedgeprogram@cmegroup.com)

For NYMEX and COMEX products: [NYhedgeprogram@cmegroup.com](mailto:NYhedgeprogram@cmegroup.com)

**Q11: If a market participant currently holds a position limit exemption, do they need to refile under the new rules, and if so, when?**

**A11:** Market Participants currently holding a position limit exemption may continue to rely on that exemption until the expiration date noted in their approval letter. Market Participants looking to hedge using strategies not previously allowed or approved by the Exchange must file a new position limit exemption application. For example, a Corn participant looking to hedge singled-sided unpriced deals under anticipatory merchandising would need to file a new application since this strategy was not previously permitted.

Market Participants may obtain an updated exemption application by reaching out via email at the address set forth the answer to FAQ 10 above.



**Q12: Are position limits effective intraday?**

**A12:** Yes, any positions, including positions established intraday, in excess of those permitted under the rules are deemed to be position limit violations.

**Q13: Do positions established as a result of Trading at Settlement (“TAS”), Trading at Marker (“TAM”) or Basis Trade at Index Close (“BTIC”) rules subject to position limits?**

**A13:** Yes, in both intraday and at the end of the day. TAS, TAM and BTIC are pricing conventions for executions occurring in an underlying existing Exchange product, and as such, are included in determining compliance with position limits. For intraday purposes, the position is included immediately upon execution of the trade, and **not** when the settlement, marker or Index price is published.

**Q14: Does an order that has been placed but not executed count for purposes of determining compliance with a position limit?**

**A14:** No, unfilled orders do not constitute an open position for position limit purposes. Notwithstanding the foregoing, market participants should be aware of Rule 575 (“Disruptive Practice Prohibited”) and the associated Market Regulation Advisory Notice with respect to order entries.

**Q15: Are Clearing Members in violation of position limits if their clients exceed a limit?**

**A15:** Except as set forth in the answer to FAQ 10, a clearing member shall not be in violation of position limits if it carries positions for its customers in excess of the applicable position limits for such reasonable period of time as the firm may require to discover and liquidate the excess positions. A reasonable period of time shall generally not exceed one business day.

**Q16: What happens if a market participant exceeds a position limit and does not qualify for an exemption?**

**A16:** Violation of a position limit is a strict liability offense. The Department will consider a number of factors in determining the appropriate regulatory action, including, but not limited to, the size of the position in excess of the limit, previous violations, length of the violation and profitability.

**Rule Texts**

**CME and CBOT**

**Rule 559. POSITION LIMITS AND EXEMPTIONS**

The position limit levels applicable to those contracts with position limits are set forth in the Position Limit, Position Accountability and Reportable Level Table (“Table”) in the Interpretations Section at the end of Chapter 5.

A person seeking an exemption from position limits must apply to the Market Regulation Department on forms provided by the Exchange. In order to obtain an exemption from position limits, a person must:

1. Provide a description of the exemption sought, including whether the exemption is for bona fide hedging transactions or positions as defined in CFTC Regulation §150.1 (Bona fide hedging transaction or position), non-enumerated bona fide hedging transactions or positions, or spread positions;
2. Provide a complete and accurate explanation of the underlying exposure related to the exemption request;

3. Agree to promptly provide, upon request by the Market Regulation Department, information or documentation regarding the person's financial condition;
4. Agree to comply with all terms, conditions or limitations imposed by the Market Regulation Department with respect to the exemption;
5. Agree that the Market Regulation Department may, for cause, modify or revoke the exemption at any time;
6. Agree to initiate and liquidate positions in an orderly manner;
7. Agree to comply with all Exchange rules; and
8. Agree to promptly submit a supplemental statement to the Market Regulation Department whenever there is a material change to the information provided in the most recent application.

A person intending to exceed position limits, including limits established pursuant to a previously approved exemption, must file the required application and receive approval from the Market Regulation Department prior to exceeding such limits. However, a person who establishes a position in excess of position limits and files the required application for bona fide hedging transactions or positions or non-enumerated bona fide hedging transactions or positions with the Market Regulation Department shall not be in violation of this rule provided the filing occurs within five (5) business days after assuming the position except in circumstances where the Market Regulation Department requires a person to file prior to the fifth business day. An application filed after exceeding a limit must include an explanation of the sudden or unforeseen bona fide hedging need. In the event the positions in excess of the limits are not deemed to be exemption-eligible, the applicant and clearing firm will be in violation of speculative limits for the period of time in which the excess positions remained open.

The Market Regulation Department shall, on the basis of the application and any requested supplemental information, determine whether an exemption from position limits shall be granted. The Market Regulation Department may approve, deny, condition or limit any exemption request based on factors deemed by the Department to be relevant, including, but not limited to, the applicant's business needs and financial status, as well as whether the positions can be established and liquidated in an orderly manner given characteristics of the market for which the exemption is sought.

Nothing in this rule shall in any way limit (i) the authority of the Exchange to take emergency action; or (ii) the authority of the Market Regulation Department to review at any time the positions owned or controlled by any person and to direct that such position be reduced to the position limit provided for in the Table.

A person who has received written authorization from the Market Regulation Department to exceed position limits must annually file an updated application not later than one year following the approval date of the most recent application. Failure to file an updated application will result in expiration of the exemption.

#### **559.A. Bona Fide Hedging Transactions or Positions**

The Market Regulation Department may grant exemptions from position limits for bona fide hedging transactions or positions as defined in CFTC Regulation §150.1.

Approved bona fide hedgers may be exempted from Exchange emergency orders that reduce position limits or restrict trading.

#### **559.B. Non-Enumerated Bona Fide Hedging Transactions or Positions**

1. Referenced Contracts (as defined in CFTC Regulation §150.1)

The Market Regulation Department may grant exemptions from the position limits for non-enumerated bona fide hedging transactions or positions. For the purposes of this rule, non-enumerated bona fide hedging transactions or positions must meet the definition of a bona fide hedging transaction or position in CFTC Regulation §150.1. Any position involving a commodity index contract and one or more referenced contracts will not be recognized as a bona fide hedging transaction or position pursuant to this Section.

2. Contracts Not Subject to Federal Position Limits

The Market Regulation Department may grant exemptions from the position limits for non-enumerated bona fide hedging transactions or positions which are held by or on behalf of an entity or an affiliate of an entity which typically buys, sells or holds positions in the underlying cash market, a related cash market, or a related over-the-counter market and for which the underlying market has a high degree of demonstrated liquidity relative to the size of the positions and where there exist opportunities for arbitrage which provide a close linkage between the futures or options market and the underlying market in question.

Any position involving swaps (excluding pass-through swaps) or commodity index contracts may be recognized as a bona fide hedging transaction or position pursuant to this Section.

#### **559.C. Spread Positions**

The Market Regulation Department may grant exemptions from the position limits for an intra-market spread, inter-market spread, intra-commodity spread, and inter-commodity spread, including calendar spread, quality spread, processing spread, product or by-product spread, or futures-options spread positions.

#### 559.D. Aggregation of Positions

For the purpose of applying the position limits in the Table, all positions in accounts for which any person, by power of attorney or otherwise, directly or indirectly controls trading or holds a 10 percent or greater ownership or equity interest must be aggregated with the positions held and trading done by such person. For the purpose of determining the positions in accounts for which any person controls trading or holds a 10 percent or greater ownership or equity interest, positions or ownership or equity interests held by, and trading done or controlled by, two or more persons acting pursuant to an expressed or implied agreement or understanding shall be treated the same as if the positions were held by, or the trading were done or controlled by, a single person. Any person that, by power of attorney or otherwise, holds or controls the trading of positions in more than one account or pool with substantially identical trading strategies, must aggregate all such positions in accordance with the provisions of CFTC Regulation 150.4(a)(2).

#### 559.E. Exemptions from Aggregation

Exemptions from aggregation in all products subject to Exchange position limits must comply with the provisions of CFTC Regulation 150.4(b).

Any person claiming an exemption from Exchange position limits under the provisions of CFTC Regulation 150.4(b)(1)(ii), (b)(2), (b)(3), (b)(4), or (b)(7) must provide a notice to the Market Regulation Department which sets forth 1) a description of the relevant circumstances that warrant disaggregation and 2) a statement by a senior officer or executive of the entity certifying that the conditions set forth in the applicable CFTC aggregation exemption provision have been met.

Upon request by the Market Regulation Department, any person claiming an exemption from aggregation under this Section E. must provide any requested information that demonstrates the person meets the applicable requirements for the exemption. Market Regulation, in its sole discretion, may amend, suspend, terminate, or otherwise modify a person's exemption from aggregation for failure to comply with the provisions of this Section E.

In the event of a material change to the information provided in any notice filed under this Section E., an updated or amended notice must be promptly filed with the Market Regulation Department detailing the material change.

#### 559.F. Violations

Violations of position limits and approved exemption limits are subject to the provisions of Rule 562.

### NYMEX/COMEX

#### Rule 559. POSITION LIMITS AND EXEMPTIONS

The position limit levels applicable to those contracts with position limits are set forth in the Position Limit, Position Accountability and Reportable Level Table ("Table") in the Interpretations Section at the end of Chapter 5.

A person seeking an exemption from position limits must apply to the Market Regulation Department on forms provided by the Exchange. In order to obtain an exemption from position limits, a person must:

1. Provide a description of the exemption sought, including whether the exemption is for bona fide hedging transactions or positions as defined in CFTC Regulation §150.1 (Bona fide hedging transaction or position), non-enumerated bona fide hedging transactions or positions, or spread positions;
2. Provide a complete and accurate explanation of the underlying exposure related to the exemption request;
3. Agree to promptly provide, upon request by the Market Regulation Department, information or documentation regarding the person's financial condition;
4. Agree to comply with all terms, conditions or limitations imposed by the Market Regulation Department with respect to the exemption;
5. Agree that the Market Regulation Department may, for cause, modify or revoke the exemption at any time;
6. Agree to initiate and liquidate positions in an orderly manner;
7. Agree to comply with all Exchange rules; and
8. Agree to promptly submit a supplemental statement to the Market Regulation Department whenever there is a material change to the information provided in the most recent application.

A person intending to exceed position limits, including limits established pursuant to a previously approved exemption, must file the required application and receive approval from the Market Regulation Department prior to exceeding such limits. However, a person who establishes a position in excess of position limits and files the required application for bona fide hedging transactions or positions or non-enumerated bona fide hedging transactions or positions with the Market Regulation Department shall not be in violation of this rule provided the filing occurs within five (5) business days after assuming the position except in circumstances where the Market Regulation Department requires a person to file prior to the fifth business day. An application filed after exceeding a limit must include an explanation of the

sudden or unforeseen bona fide hedging need. In the event the positions in excess of the limits are not deemed to be exemption-eligible, the applicant and clearing firm will be in violation of speculative limits for the period of time in which the excess positions remained open.

The Market Regulation Department shall, on the basis of the application and any requested supplemental information, determine whether an exemption from position limits shall be granted. The Market Regulation Department may approve, deny, condition or limit any exemption request based on factors deemed by the Department to be relevant, including, but not limited to, the applicant's business needs and financial status, as well as whether the positions can be established and liquidated in an orderly manner given characteristics of the market for which the exemption is sought.

Nothing in this rule shall in any way limit (i) the authority of the Exchange to take emergency action; or (ii) the authority of the Market Regulation Department to review at any time the positions owned or controlled by any person and to direct that such position be reduced to the position limit provided for in the Table.

A person who has received written authorization from the Market Regulation Department to exceed position limits must annually file an updated application not later than one year following the approval date of the most recent application. Failure to file an updated application will result in expiration of the exemption.

#### **559.A. Bona Fide Hedging Transactions or Positions**

The Market Regulation Department may grant exemptions from position limits for bona fide hedging transactions or positions as defined in CFTC Regulation §150.1.

Approved bona fide hedgers may be exempted from Exchange emergency orders that reduce position limits or restrict trading.

#### **559.B. Non-Enumerated Bona Fide Hedging Transactions or Positions**

##### **1. Referenced Contracts (as defined in CFTC Regulation §150.1)**

The Market Regulation Department may grant exemptions from the position limits for non-enumerated bona fide hedging transactions or positions. For the purposes of this rule, non-enumerated bona fide hedging transactions or positions must meet the definition of a bona fide hedging transaction or position in CFTC Regulation §150.1. Any position involving a commodity index contract and one or more referenced contracts will not be recognized as a bona fide hedging transaction or position pursuant to this Section.

##### **2. Contracts Not Subject to Federal Position Limits**

The Market Regulation Department may grant exemptions from the position limits for non-enumerated bona fide hedging transactions or positions which are held by or on behalf of an entity or an affiliate of an entity which typically buys, sells or holds positions in the underlying cash market, a related cash market, or a related over-the-counter market and for which the underlying market has a high degree of demonstrated liquidity relative to the size of the positions and where there exist opportunities for arbitrage which provide a close linkage between the futures or options market and the underlying market in question.

Any position involving swaps (excluding pass-through swaps) or commodity index contracts may be recognized as a bona fide hedging transaction or position pursuant to this Section.

#### **559.C. Spread Positions**

The Market Regulation Department may grant exemptions from the position limits for an intra-market spread, inter-market spread, intra-commodity spread, and inter-commodity spread, including calendar spread, quality spread, processing spread, product or by-product spread, or futures-options spread positions.

#### **559.D. Aggregation of Positions**

For the purpose of applying the position limits in the Table, all positions in accounts for which any person, by power of attorney or otherwise, directly or indirectly controls trading or holds a 10 percent or greater ownership or equity interest must be aggregated with the positions held and trading done by such person. For the purpose of determining the positions in accounts for which any person controls trading or holds a 10 percent or greater ownership or equity interest, positions or ownership or equity interests held by, and trading done or controlled by, two or more persons acting pursuant to an expressed or implied agreement or understanding shall be treated the same as if the positions were held by, or the trading were done or controlled by, a single person. Any person that, by power of attorney or otherwise, holds or controls the trading of positions in more than one account or pool with substantially identical trading strategies, must aggregate all such positions in accordance with the provisions of CFTC Regulation 150.4(a)(2).

#### **559.E. Exemptions from Aggregation**

Exemptions from aggregation in all products subject to Exchange position limits must comply with the provisions of CFTC Regulation 150.4 (b). Any person claiming an exemption from Exchange position limits under the provisions of CFTC Regulation 150.4(b)(1)(ii), (b)(2), (b)(3), (b)(4), or (b)(7) must provide a notice to the Market Regulation Department which sets forth 1) a description of the relevant circumstances that warrant disaggregation and 2) a statement by a senior officer or executive of the entity certifying that the conditions set forth in the applicable CFTC aggregation exemption provision have been met. Upon request by the Market Regulation Department, any person

claiming an exemption from aggregation under this Section E. must provide any requested information that demonstrates the person meets the applicable requirements for the exemption. Market Regulation, in its sole discretion, may amend, suspend, terminate, or otherwise modify a person's exemption from aggregation for failure to comply with the provisions of this Section E. In the event of a material change to the information provided in any notice filed under this Section E., an updated or amended notice must be promptly filed with the Market Regulation Department detailing the material change.

**559.F. Conditional Limit in NYMEX Last Day Financial Natural Gas Contracts**

The Market Regulation Department may grant a Conditional limit in Last Day Financial Natural Gas contracts of up to the equivalent of ten thousand (10,000) NYMEX Physical Natural Gas Contracts (NG) during the period that position limits are applicable. Any participant seeking such exemption must agree: (1) not to hold a position in the NG contract during the last three days of trading; (2) provide the Exchange information on the complete book of all positions related to the Henry Hub; and (3) any other information /documentation required by the Exchange

**559.G. Violations**

Violations of position limits and approved exemption limits are subject to the provisions of Rule 562.

**CME, CBOT, and NYMEX/COMEX**

**Rule 560. Position Accountability**

A person who owns or controls positions in excess of reportable levels or where such Person otherwise holds substantial positions in contracts traded on the Exchange or cleared by the Clearing House ( *CBOT only* : in excess of reportable levels or subject to accountability levels) shall keep records, including records of their activity in the underlying commodity and related derivative markets, and make such records available, upon request, to the Exchange.

Upon request by the Market Regulation Department, such person shall also provide information relating to the positions owned or controlled by that person including, but not limited to, the nature and size of the position, the trading strategy employed with respect to the position, and hedging information, if applicable.

For purposes of this rule, all positions in accounts for which a person, by power of attorney or otherwise, directly or indirectly holds positions or controls trading shall be included with the positions held by such person. Additionally, positions held by two or more persons acting pursuant to an expressed or implied agreement or understanding shall be treated the same as if the positions were held by a single person.

If the person from whom such records or information is requested fails to comply as directed, the Market Regulation Department may order the reduction of such position, in addition to taking disciplinary action as a result of such failure.

A person who exceeds position accountability or position limit levels as a result of maintaining positions at more than one clearing firm shall be deemed to have waived confidentiality regarding ~~their~~ position and the identity of the clearing members at which the positions are maintained.

A person who holds or controls aggregate positions in excess of specified position accountability levels or in excess of position limits pursuant to an approved exemption shall be deemed to have consented, when so ordered by the Market Regulation Department, not to further increase the positions, to comply with any prospective limit which exceeds the size of the position owned or controlled, or to reduce any open position which exceeds position accountability or position limit levels. Any order to reduce an open position shall be issued by the Chief Regulatory Officer or ~~their~~ designee, if ~~he~~ determines in ~~their~~ sole discretion, that such action is necessary to maintain an orderly market.

A clearing member that carries positions for another person shall be responsible for taking reasonable and diligent actions to effect the timely compliance with any order issued pursuant to this rule upon notification of such order by the Market Regulation Department.

All positions must be initiated and liquidated in an orderly manner.

**Rule 562. POSITION LIMIT VIOLATIONS**

Any positions, including positions established intraday, in excess of those permitted under the rules of the Exchange shall be deemed position limit violations.

If a position exceeds position limits as a result of an option assignment, the person who owns or controls such position shall be allowed one business day to liquidate the excess position without being considered in violation of the limits. Additionally, if, at the close of trading, a position that includes options exceeds position limits when evaluated using the delta factors as of that day's close of trading, but does not exceed the limits when evaluated using the previous day's delta factors, then the position shall not constitute a position limit violation.

A clearing member shall not be in violation of this rule if it carries positions for its customers in excess of the applicable position limits for such reasonable period of time as the firm may require to discover and liquidate the excess positions. For the purposes of this rule, a reasonable period of time shall generally not exceed one business day.

A customer who exceeds the position limits as a result of maintaining positions at more than one clearing member shall be deemed to have waived confidentiality regarding **their** positions and the identity of the clearing members at which they are maintained. A clearing member carrying such positions shall not be in violation of this rule if, upon notification by the Market Regulation Department, it liquidates its pro-rata share of the position in excess of the limits or otherwise ensures the customer is in compliance with the limits within a reasonable period of time. For purposes of this rule, a reasonable period of time shall generally not exceed one business day.

# MARKET REGULATION ADVISORY NOTICE

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<b>Exchange</b>	<b>CME, CBOT, NYMEX &amp; COMEX</b>
<b>Subject</b>	<b>Daily Submission of Large Trader, Ownership/Control Reports, and Open Interest Data</b>
<b>Rule References</b>	<b>Rule 561</b>
<b>Advisory Date</b>	<b>September 28, 2020</b>
<b>Advisory Number</b>	<b>CME Group RA2014-5</b>

This Advisory Notice supersedes Market Regulation Advisory Notice RA1713-5 from September 26, 2017, and is being issued as a result of the extension of the CFTC's Division of Market Oversight's No-Action relief set forth in CFTC Letter [20-30](#) issued on September 25, 2020.

Under the extension, the volume threshold for reporting volume threshold accounts on CFTC Form 102B will remain at 250 contracts until the earlier of: (a) the applicable effective date or compliance date of a CFTC action addressing the reporting volume threshold or (b) September 29, 2023.

This Advisory Notice continues to reflect changes to Rule 561 in connection with the CFTC Ownership and Control Reports ("OCR") rule. As noted in [Market Surveillance Notice # MSN11-04-14](#) ("MSN11-04-14") from November 4, 2014, CME, CBOT, NYMEX and COMEX ("the Exchanges") require submission of new CFTC Forms 102A and 102B in line with the CFTC OCR rule and require that the new forms be submitted to the Exchanges in the same form and manner as required by the CFTC's OCR rule. The Exchanges accept submissions of new CFTC Forms 102A and 102B in XML formatted files (as specified in the CFTC OCR rule), or manual submissions of the new CFTC Forms 102A and 102B through the enhanced Firm Regulatory Portal ("[FRP](#)"). The XML formatted files can be submitted with the following filename:

PFTP\_OCR\_XCME\_[FIRMID]\_[YYMMDD]\_[HHMMSS].xml or  
PFTP\_OCR\_XCME\_[FIRMID]\_[YYMMDD]\_[HHMMSS]\_[UNIQUEIFIER].xml

The text of CME/CBOT/NYMEX/COMEX Rule 561 appears at the end of this Advisory Notice.

## **CFTC Form 102A Submission**

Reporting parties are required to provide the Market Regulation Department ("Market Regulation") with an electronic submission of CFTC Form 102A ("Identification of Special Accounts") which accurately identifies the owners, controllers, controlled accounts and any additional information required on the form for each account that becomes reportable for the first time.

Complete CFTC Form 102A information must be provided within three (3) business days of the first date the account becomes reportable. However, Market Regulation requires preliminary account information including *Special Account Origination, Reporting Number and Name and House or Customer Indicator* within one (1) business day of the first date the account becomes reportable.

Market Regulation requires an updated report for accounts with material changes that cause the information previously submitted to be inaccurate. The updated reports are required to be submitted within three (3) business days of such changes becoming effective. A material change includes change of account name, address, owners, controllers, or controlled accounts. Notwithstanding the above, Market Regulation may also request an update on an as-needed basis for any account as it deems necessary.

Where notification has been provided to the CFTC that an account has been deemed expired/closed, Market Regulation must be provided a similar notification.

### **CFTC Form 102B Submission**

Clearing members are required to provide a new CFTC Form 102B for any trade account that meets the volume threshold of 250 contracts or more in a single trading day.

Complete CFTC Form 102B information must be provided within three (3) business days of the first date the account becomes reportable under the revised rule. However, Market Regulation requires preliminary account information such as, *Trading Account Data for the Volume Threshold Account, Associated Special Account Number and Volume Threshold Account Owner(s)* within one (1) business day of the first date the account becomes reportable.

Market Regulation requires an updated report for accounts with material change that causes the information previously submitted to be inaccurate. The updated reports are required to be submitted within three business days of such changes becoming effective. A material change includes change of account name, address, owners, controllers, or controlled accounts. Notwithstanding the above, Market Regulation may also request an update on an as-needed basis for any account as it deems necessary.

Where notification has been provided to the CFTC that an account has been deemed expired/closed, Market Regulation must be provided similar notification.

### **CME Group Firm Regulatory Portal**

The CME Group Firm Regulatory Portal ("[FRP](#)") provides various reports and screens to assist in accurate and timely account and position reporting.

The FRP has been enhanced to allow reporting clearing firms the capability to generate a large trader and open interest comparison report ("Misreporting Report") by product, contract month and, for options, by strike price. The Misreporting Report also allows clearing member firms to query reported positions and to utilize static queries to assist in identifying additional potential reporting discrepancies such as potential offsets and over- or under-reporting of positions. Market Regulation strongly encourages firms to utilize this functionality to assist in the identification of potential reporting discrepancies in order to ensure that any necessary adjustments are submitted by the established adjustment deadlines.

The FRP has been recently enhanced to assist clearing firms and omnibus accounts in OCR reporting. An Unidentified Special Accounts Reports allows reporting firms to identify CFTC Forms 102A and 102B accounts for which Market Regulation does not have any account information. The FRP portal also contains screens that will allow reporting firms to manually enter account information for CFTC Forms 102A and 102B accounts.

The FRP can be accessed at <https://filtr.cmegroup.com/firmregulatoryportal/logon.jsp> using a registered CME Group Login and requesting access to [MarketRegLTRAalerts@cmegroup.com](mailto:MarketRegLTRAalerts@cmegroup.com). Registration instructions for obtaining a CME Group Login may be found at [FRP homepage](#). For technical issues please email [MarketRegLTRAalerts@cmegroup.com](mailto:MarketRegLTRAalerts@cmegroup.com).

A manual is available on the [FRP](#).

### **Omnibus Account Reporting**

Omnibus accounts that carry reportable positions pursuant to Rule 561 must submit reportable large trader positions directly to the Market Regulation Department via Secure FTP ("SFTP") to the CME Group File Server. Omnibus reporting entities may submit large trader positions using the CFTC-assigned alpha firm ID. If an omnibus entity does not currently submit large trader positions and is not set up to submit via SFTP, the entity should contact the Market Regulation Department [Large Trader Group](#) to obtain



further reporting instructions. The omnibus entity may use the following large trader file layout:  
<http://www.cftc.gov/IndustryOversight/MarketSurveillance/LargeTraderReportingProgram/Itrformat.html>

In order to ensure accurate open interest and large trader positions, clearing members are required to obtain timely offset instructions for all accounts they carry, including omnibus accounts. Clearing members are responsible for the accurate position reporting of accounts carried on their books on an omnibus basis. Accordingly, clearing members must have appropriate procedures in place to ensure that any position offsets for omnibus accounts are reported in a timely manner, no later than the established adjustment deadlines set forth below.

### **CFTC Form 40 Submission**

Market Regulation may require submission of CFTC Form 40 in any instances it deems necessary.

### **Accurate and Timely Reporting Requirements**

All clearing firms and omnibus accounts are reminded that it is their responsibility to accurately report open interest, large trader positions and, where applicable, long positions eligible for delivery consistent with required submission deadlines. This requirement includes ensuring that open interest and large trader positions resulting from option assignments are accurate.

**Open Interest (PCS) Submission:** 6:00 p.m. CT / 7:00 p.m. ET for NYMEX and COMEX products  
7:30 p.m. CT / 8:30 p.m. ET for CME and CBOT products

**Open Interest (PCS) Adjustments:** The deadline for PCS adjustments for all CME Group Exchanges is 8:15 a.m. CT / 9:15 a.m. ET

**Large Trader Submission:** 7:00 a.m. CT / 8:00 a.m. ET for all CME Group products

**Large Trader Adjustments:** 9:00 a.m. CT/10:00 a.m. ET for all CME Group products. Error corrections or any other adjustments to the large trader position file may be completed using the web-based Firm Regulatory Portal ("FRP") portal application.

Positions at or above the reportable level in a particular expiration month of a futures contract, or in all puts or in all calls of a particular option contract expiration month, are required to be reported. For an account with reportable positions in a particular contract, all positions, regardless of size, in any contract month and in any contract that aggregates with that contract must be reported. The Position Limit, Position Accountability and Reportable Level Table at the end of Chapter 5 of each Exchange's Rulebook establishes the aggregation relationship. If an account is reportable in any contract, all "Aggregate Into" contracts noted in the spot-month, single month and all month aggregate into futures equivalent leg (1) and leg (2) columns of the Position Limit, Position Accountability and Reportable Level Table at the end of Chapter 5 of each Exchange's Rulebook should be reported.

Failure to comply with any of the above reporting requirements may result in sanctions pursuant to CME, CBOT, NYMEX and COMEX Rule 512.

Questions regarding this Advisory should be directed to the following Market Surveillance Staff:

Sandra Valtierra, Manager, 312.347.4137, or [Sandra.Valtierra@cmegroup.com](mailto:Sandra.Valtierra@cmegroup.com)

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[Paige.Gawrys@cmegroup.com](mailto:Paige.Gawrys@cmegroup.com)

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/CBOT/NYMEX/COMEX**

### **Rule 561. SUBMISSION OF LARGE TRADER POSITIONS AND VOLUME THRESHOLD ACCOUNTS**

#### **561.A. Large Trader Reporting**

Clearing members, omnibus accounts and foreign brokers shall electronically submit to the Exchange a daily large trader position report of all positions required to be reported as set forth in the Position Limit, Position Accountability and Reportable Level Table, in the Interpretations Section at the end of Chapter 5.

Positions at or above the reportable level in a particular expiration month of a futures contract, or in all puts or in all calls of a particular option contract expiration month, are required to be reported. For an account with reportable positions in a particular contract, all positions, regardless of size, in any contract month and in any contract that aggregates with that contract must be reported.

The daily large trader position report submitted to the Exchange must also include, for each reportable account, 1) the EFRP volume bought and sold in the reportable instrument, by contract month, and for EOOs by put and call strike and 2) the number of delivery notices issued and the number of deliveries stopped in the reportable instrument.

In addition to the large trader position report, clearing members, omnibus accounts and foreign brokers must electronically provide the Exchange with the required CFTC Form 102A ("Identification of Special Accounts") accurately identifying the owners, controllers, controlled accounts and any additional information required for each reportable account within three business days of the first day that the account in question becomes a reportable account. Notwithstanding the three business day submission requirement, on the first day that an account becomes reportable, clearing members, omnibus accounts and foreign brokers must, at the direction of the Exchange, provide the following information: account type, reportable account number and names and addresses of the owners and controllers of the account.

The Exchange may require that more than one large trader position report be electronically submitted daily. The Business Conduct Committee or the Market Regulation Department may require reports or additional account identification from any clearing member, omnibus account or foreign broker on a lesser number of positions than reflected in the Position Limit, Position Accountability and Reportable Level Table.

If any material change causes the information previously submitted to the Exchange to become inaccurate, then such clearing member, omnibus account or foreign broker must electronically submit to the Exchange an updated form reflecting the accurate information within three business days of such changes becoming effective. Additionally, in the absence of any material changes, the Exchange may require the electronic submission of a new form on an annual basis for the maintenance of accurate records. A material change includes, but is not limited to, change of account name, address, controllers or controlled accounts.

#### **561.B. Volume Threshold Reporting**

A volume threshold account is any account that meets the volume threshold of contracts traded in a single trading day as defined in CFTC Regulation 15.04. Clearing members, shall electronically submit to the Exchange the required CFTC Form 102B ("Identification of Volume Threshold Accounts") accurately identifying account information for volume threshold accounts, including the owners, controllers, controlled accounts and any additional information required by the report within three business days of the first day that the account in question becomes a volume threshold account. Notwithstanding the three business day submission requirement, on the first day that an account becomes reportable, clearing members, omnibus accounts and foreign brokers must, at the direction of the Exchange, provide the following information: account type, reportable account number and names and addresses of the owners and controllers of the account.

If any material change causes the information previously submitted to the Exchange to be inaccurate, then such clearing member, omnibus account or foreign broker must electronically submit to the Exchange an updated form reflecting the accurate information within three business days of such changes becoming effective. Additionally, in the absence of any material changes, the Exchange may require the submission of a new form on an annual basis for the maintenance of accurate records. A material change includes, but is not limited to, change of account name, address, controllers or controlled accounts.

#### **561.C. Obligations of Omnibus Accounts and Foreign Brokers**

Failure by an omnibus account or foreign broker to submit required information may result in a hearing by the Business Conduct Committee and result in limitations, conditions or denial of access of such omnibus account or foreign broker

to any Exchange market. Notwithstanding the above, clearing members carrying such accounts remain responsible for obtaining and providing to the Exchange information regarding the ownership and control of positions in circumstances where an omnibus account or foreign broker has failed to provide the information to the Exchange. Clearing firms must require their clients to provide accurate and timely owner and control information, including any material changes.

Upon request from the Exchange, clearing members, omnibus accounts and foreign brokers must provide CFTC Form 40.

#### **561.D. Reportable Levels**

The large trader reportable levels for all contracts are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations Section at the end of Chapter 5.

Any trading account with a trading volume of 50 or more contracts during a single trading day, in a particular expiration month of a futures contract or in all puts or in all calls of a particular options contract expiration month is a reportable volume threshold account. *[Pursuant to current CFTC No-Action relief, the current threshold is 250 or more contracts for purposes of being deemed a reportable volume threshold account.]*

## MARKET REGULATION ADVISORY NOTICE

Exchange	CME, CBOT, NYMEX & COMEX
Subject	Disruptive Practices Prohibited
Rule References	Rule 575
Advisory Date	July 19, 2021
Advisory Number	CME Group RA2107-5
Effective Date	August 2, 2021

Effective on trade date Monday, August 2, 2021, and pending all relevant CFTC regulatory review periods, this Market Regulation Advisory Notice will supersede CME Group Market Regulation Advisory Notice RA2006-5 from July 27, 2020. It is being issued based on the following amendments:

- Codify expectations in Q&A 5 with respect to reasonable controls to prevent, detect, and mitigate the occurrence of errors.
- Codify pre-existing guidance in Q&A 11 with respect to the requirement that participants be prepared to, and capable of, handling the financial obligations and risk attendant to the full execution of their orders without disrupting the market.
- Additional explanation in Q&A 13 of factors that may be considered when determining whether the activity in question is disorderly.
- Clarifying amendment to Q&A 23 regarding the prohibition of purposeful submissions of intentionally corrupted or malformed data packets.
- Additional example of prohibited activity that violates Q&A 23 and Rule 575.C.2.

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

Rule 575 and the accompanying Questions & Answers and examples in this Advisory Notice codify particular types of disruptive order entry and trading practices that the CME Group Exchanges find to be abusive to the orderly conduct of trading or the fair execution of transactions. Such practices have historically been prohibited by and prosecuted under other Exchange rules, including, but not limited to, Rules 432.T. ("to engage in dishonorable or uncommercial conduct"), 432.B.2. ("to engage in conduct or proceedings inconsistent with just and equitable principles of trade"), and 432.Q. ("to commit an act which is detrimental to the interest or welfare of the Exchange or to engage in any conduct which tends to impair the dignity or good name of the Exchange"). Other disruptive practices not covered by this Rule 575 may continue to be prosecuted under other Exchange rules including, but not limited to, 432.B.2, 432.Q and 432.T.

Among other disruptive practices, Rule 575 prohibits certain of the disruptive practices added to Section 4c(a) of the Commodity Exchange Act as subparagraph (5) by Section 747 of the Dodd-Frank Act. Subparagraph (5) provides:

- (5) DISRUPTIVE PRACTICES – It shall be unlawful for any person to engage in any trading, practice, or conduct on or subject to the rules of a registered entity that –
- (A) violates bids or offers;
  - (B) demonstrates intentional or reckless disregard for the orderly execution of transactions during the closing period; or
  - (C) is, of the character of, or is commonly known to the trade as, "spoofing" (bidding or offering with the intent to cancel the bid or offer before execution).

On May 28, 2013, the Commodity Futures Trading Commission (“CFTC”) made effective its “interpretive guidance and policy statement” respecting subparagraph (5). Rule 575 prohibits the type of activity identified by the Commission as “spoofing,” including submitting or cancelling multiple bids or offers to create a misleading appearance of market depth and submitting or cancelling bids or offers with intent to create artificial price movements upwards or downwards. The Rule also prohibits “quote stuffing practices,” which includes submitting or cancelling bids or offers to overload the quotation system of a registered entity, and submitting or cancelling bids or offers to delay another person’s execution of trades. Rule 575 further encompasses subparagraph (5)’s prohibition against the disorderly execution of transactions during the closing period.

The text of Rule 575 appears below:

**Text of Rule 575 – (“Disruptive Practices Prohibited”)**

All orders must be entered for the purpose of executing bona fide transactions. Additionally, all nonactionable messages must be entered in good faith for legitimate purposes.

- A. No person shall enter or cause to be entered an order with the intent, at the time of order entry, to cancel the order before execution or to modify the order to avoid execution;
- B. No person shall enter or cause to be entered an actionable or non -actionable message(s) with intent to mislead other market participants;
- C.1. No person shall enter or cause to be entered an actionable or non -actionable message(s) with intent to overload or delay the systems of the Exchange or other market participants;
- C.2. No person shall intentionally or recklessly submit or cause to be submitted an actionable or non -actionable message(s) that has the potential to disrupt the systems of the Exchange; and
- D. No person shall enter or cause to be entered an actionable or non -actionable message(s) with intent to disrupt, or with reckless disregard for the adverse impact on, the orderly conduct of trading or the fair execution of transactions.

To the extent applicable, the provisions of this Rule apply to open outcry trading as well as electronic trading activity. Further, the provisions of this Rule apply to all market states, including the pre -opening period, the closing period and all trading sessions.

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

Erin Middleton, Director, Rules & Regulatory Outreach, 312.341.3286

Paige Gawrys, Senior Specialist, Rules & Regulatory Outreach, 312.872.5078

Aaron Smith, Executive Director, Investigations, 312.435.3754

Michael Banyas, Senior Director, Investigations, 312.435.7197

Steve Schweitzer, ExecutiveSenior Director, Enforcement, 312.435.3648

**FAQ Related to Rule 575**  
**Disruptive Practices Prohibited**

**Q1: What factors may Market Regulation consider in assessing a potential violation of Rule 575?**

A1: Market Regulation may consider a variety of factors in assessing whether conduct violates Rule 575, including, but not limited to:

- whether the market participant's intent was to induce others to trade when they otherwise would not;
- whether the market participant's intent was to affect a price rather than to change ~~their~~his position;
- whether the market participant's intent was to create misleading market conditions;
- market conditions in the impacted market(s) and related markets;
- the effect on other market participants;
- the market participant's historical pattern of activity;
- the market participant's order entry and cancellation activity;
- the size of the order(s) relative to market conditions at the time the order(s) was placed;
- the size of the order(s) relative to the market participant's position and/or capitalization;
- the number of orders;
- the ability of the market participant to manage the risk associated with the order(s) if fully executed;
- the duration for which the order(s) is exposed to the market;
- the duration between, and frequency of, non-actionable messages;
- the queue position or priority of the order in the order book;
- the prices of preceding and succeeding bids, offers, and trades;
- the change in the best offer price, best bid price, last sale price, or Indicative Opening Price ("IOP") that results from the entry of the order;
- the market participant's activity in related markets; and
- industry best practices regarding the design, testing, implementation, operation, change management, monitoring, and documentation of automated trading systems.

**Q2: What does "misleading" mean in the context of Rule 575.B.?**

A2: The language is intended to be a more specific statement of the general requirement that market participants are not permitted to act in violation of just and equitable principles of trade. This section of the Rule prohibits a market participant from entering orders or messages with the intent of creating the false impression of market depth or market interest. Market Regulation generally will find the requisite intent where the purpose of the participant's conduct was, for example, to induce another market participant to engage in market activity.

**Q3: Is there a specific amount of time an order should be exposed to the market to demonstrate that it does not constitute a disruptive practice?**

A3: Although the amount of time an order is exposed to the market may be a factor that is considered when determining whether the order constituted a disruptive trading practice, there is no prescribed safe harbor. Market Regulation will consider a variety of factors, including exposure time, to determine whether an order or orders constitute a disruptive practice.

**Q4: Is it a violation of Rule 575 to modify or cancel an order once it has been entered?**

A4: An order, entered with the intent to execute a bona fide transaction, that is subsequently modified or cancelled due to a perceived change in circumstances does not constitute a violation of Rule 575.

**Q5: Will orders that are entered by mistake or error constitute a violation of Rule 575?**

A5: An unintentional, accidental, or "fat-finger" order will not constitute a violation of Rule 575, but such activity may be violative of other Exchange rules, including, but not limited to, Rule 432.Q. ("Acts Detrimental to the Welfare of the Exchange"). Market participants are expected to take reasonable steps or otherwise have controls to prevent, detect, and mitigate the occurrence of errors or system anomalies, and their impact on the market. Failure to take reasonable steps to prevent, detect, and mitigate such errors, anomalies, or impacts may violate Rules 575.C.2., 575.D., 432.W. ("Failure to Supervise"), or other Exchange rules.

**Q6: Does a partial fill of an order demonstrate that the order did not violate Rule 575?**

A6: While execution of an order, in part or in full, may be one indication that an order was entered in good faith, an execution does not automatically cause the order to be considered compliant with Rule 575. Orders must be entered in an attempt to consummate a trade. A variety of factors may lead to a violative order ultimately achieving an execution. Market Regulation will consider a multitude of factors in assessing whether Rule 575 has been violated.

**Q7: Under this rule, is a market participant prohibited from making a two-sided market with unequal quantities (e.g., 100 bid at 10 offered)?**

A7: No. Market participants are not precluded from making unequal markets as long as the orders are entered for the purpose of executing bona fide transactions. If either (or both) order(s) are entered with prohibited intent, including recklessness, such activity will constitute a violation of Rule 575.

**Q8: Are stop orders entered for purposes of protecting a position prohibited by Rule 575?**

A8: Market participants may enter stop orders as a means of minimizing potential losses with the hope that the order will not be triggered. However, it must be the intent of the market participant that the order will be executed if the specified condition is met. Such an order entry is not prohibited by this Rule.

**Q9: Is the use of iceberg orders considered misleading under Rule 575.B.?**

A9: No. The use of iceberg orders, in and of itself, is not considered a violation of Rule 575. However, a violation may exist if an iceberg order is used as part of a scheme to mislead other participants, for example, if a market participant pre-positions an iceberg on the bid and then layers larger quantities on the offer to create artificial downward pressure that results in the iceberg being filled.

**Q10: Is a market participant allowed to enter order(s) at various price levels throughout the order book in order to gain queue position, but subsequently cancel those orders as the market changes?**

A10: It is understood that market participants may want to achieve queue position at certain price levels and given changing market conditions may wish to modify or cancel those orders. In the absence of other indicia that the orders were entered for disruptive or misleading purposes, or

with reckless disregard for the adverse impact on the orderly conduct of trading or the fair execution of transactions, they would not constitute a violation of Rule 575.

**Q11: Is it prohibited to enter an order for a quantity larger than a market participant expects to trade in electronic markets subject to a pro-rata matching algorithm?**

A11: Orders entered for the purpose of achieving an execution are permitted. Accordingly, orders entered into markets subject to a pro-rata matching algorithm that are intended to maximize execution of those orders are permitted. However, it is considered an act detrimental to the welfare of the Exchange and may be a violation of other Exchange rules for a market participant to enter an order without the ability to satisfy, by any means, the financial obligations attendant to the transaction that would result from full execution of the order. Participants should be prepared to, and capable of, handling the financial obligations and risk attendant to the full execution of their orders without disrupting the market. In no circumstance may a participant intentionally or recklessly disregard the orderliness of the market in offsetting the risk associated with a large fill event.

**Q12: What are “actionable” and “non-actionable” messages in relation to Rule 575.B., C. and D.?**

A12: Actionable messages are messages that can be accepted by another party or otherwise lead to the execution of a trade. An example of an actionable message is an order message. Non-actionable messages are those messages submitted to the Exchange that relate to a non-actionable event. Examples of non-actionable messages include Requests for Quotes, creation of User Defined Spreads (UDS) or User Defined Instruments (UDI), entry of orders in test products, administrative messages, and network packets that are incomplete, partial, corrupt, or otherwise unable to be processed by the Exchange.

**Q13: How does Market Regulation define “orderly conduct of trading or the fair execution of transactions?”**

A13: Whether a market participant intends to disrupt the orderly conduct of trading or the fair execution of transactions or demonstrates a reckless disregard for the orderly conduct of trading or the fair execution of transactions may be evaluated only in the context of the specific instrument, market conditions, and other circumstances present at the time in question. Some of the factors that may be considered in determining whether there was orderly conduct or the fair execution of transactions were described by the CFTC as follows: “[A]n orderly market may be characterized by, among other things, parameters such as a rational relationship between consecutive prices, a strong correlation between price changes and the volume of trades, levels of volatility that do not dramatically reduce liquidity, accurate relationships between the price of a derivative and the underlying such as a physical commodity or financial instrument, and reasonable spreads between contracts for near months and for remote months.” Antidisruptive Practices Authority, 78 Fed. Reg. at 31,895-96. Additional factors that may be considered include, but are not limited to, the impact to other market participants’ ability to trade, engage in price discovery, or manage risk. Volatility alone, however, will not be presumptively interpreted as disorderly or disruptive as market volatility can be consistent with markets performing their price discovery function.

**Q14: Is a market participant precluded from entering orders that may be considered large for a particular market, and thus may have a potential impact on the market?**

A14: The size of an order or cumulative orders may be deemed to violate Rule 575 if the entry results in disorderliness in the markets, including, but not limited to, price or volume aberrations. Market participants should further be aware that the size of an order may be deemed to violate Rule 575 if that order distorts the integrity of the settlement prices. Accordingly, market participants should be cognizant of the market characteristics of the products they trade and ensure that their order entry activity does not result in market disruptions. Exigent circumstances may be considered in



determining whether a violation of Rule 575 has occurred and, if so, what the appropriate sanction should be for such violation.

**Q15: What is meant by “the closing period” in Rule 575?**

A15: “Closing period” typically refers to the period during which transactions, bids, and offers are reviewed for purposes of informing settlement price determinations. The “closing period” may also refer to the period when various cash instruments close, commonly referred to as the “Cash Close.”

**Q16: What factors will Market Regulation consider in determining if an act was done with the prohibited intent or reckless disregard of the consequences?**

A16: Proof of intent is not limited to instances in which a market participant admits its state of mind. Where the conduct was such that it more likely than not was intended to produce a prohibited disruptive consequence, intent may be found. Claims of ignorance, or lack of knowledge, are not acceptable defenses to intentional or reckless conduct. Recklessness has been commonly defined as conduct that “departs so far from the standards of ordinary care that it is very difficult to believe the actor was not aware of what ~~he or she was~~ they were doing.” See Drexel Burnham Lambert, Inc. v. CFTC, 850 F.2d 742, 748 (D.C. Cir. 1988).

**Q17: Are orders entered for the purpose of igniting momentum in the market prohibited by Rule 575?**

A17: A “momentum ignition” strategy occurs when a market participant initiates a series of orders or trades in an attempt to ignite a price movement in that market or a related market.

This conduct may be deemed to violate Rule 575 if it is determined the intent was to disrupt the orderly conduct of trading or the fair execution of transactions, if the conduct was reckless, or if the conduct distorted the integrity of the determination of settlement prices. Further, this activity may violate Rule 575.A. if the momentum igniting orders were intended to be canceled before execution, or if the orders were intended to mislead others. If the conduct was intended to create artificially high or low prices, this may also constitute a violation of Rule 432.H.

**Q18: Are “flipping” orders prohibited by Rule 575?**

A18: Flipping is defined as the entry of orders or trades for the purpose of causing turns of the market and the creation of volatility and/or instability.

A “flip” order typically has two main characteristics. First, it is an aggressor order. Second, shortly before the entry of the order, the market participant cancels an order(s) on the opposite side of the market, typically at the same price as the aggressor order. The market participant, for example, has flipped from offering to bidding at the same price. Market Regulation recognizes there are many variables that can cause a market participant to change ~~their~~ their perspective of the market. This Rule, therefore, does not prohibit a market participant from changing ~~their~~ their bias from short (long) to long (short).

Flipping activity may, however, be disruptive to the marketplace. For example, repeated instances of a market participant entering flipping orders that are each large enough to turn the market (i.e., being of a sufficient quantity to sweep the entire quantity on the book at the particular price level and create a new best bid or best offer price with any remaining quantity from the aggressor flipping order) can be disruptive to the orderly conduct of trading or the fair execution of transactions. In considering whether this conduct violates Rule 575, Market Regulation would consider, among other factors:

- the impact on other market participants;

- price fluctuations;
- market conditions in the impacted market(s) and related markets;
- the participant's activity in related markets;
- whether the flip involved the cancellation of a large sized order(s) relative to the existing bid or offer depth; and
- whether repeated flipping turns the market back and forth (e.g., the first flip turns the market in favor of the offer (bid) and the second flip turns the market in favor of the bid (offer)).

**Q19: Does Market Regulation consider cancelling an order via CME Group's Self-Match Prevention functionality or other self-match prevention technology indicative of an order being in violation of Rule 575?**

A19: The means by which an order is cancelled, in and of itself, is not an indicator of whether an order violates Rule 575. The use of self-match prevention functionality in a manner that causes a disruption to the market may constitute a violation of Rule 575. Further, if the resting order that was cancelled was non-bona fide *ab initio*, it would be considered to have been entered in violation of Rule 575.

**Q20: What type of pre-open activity is prohibited by Rule 575?**

A20: Please see the [CME Group Market Regulation Advisory Notice on order entry during the CME Globex pre-open period](#).

**Q21: May orders be entered into CME Globex for the purpose of testing, such as to verify a connection to Globex or a data feed from Globex?**

A21: CME Group offers test products in the production environment to facilitate connectivity and messaging testing on CME Globex. For more information please visit <http://www.cmegroup.com/confluence/display/EPICSANDBOX/CME+Globex+Test+Products>.

The entering of an order(s) in a non-test product without the intent to execute a bona fide transaction, including for the purpose of verifying connectivity or checking a data feed, is not permissible. The aforementioned prohibition does not preclude a market participant from entering a bona fide order into CME Globex that is intended to be executed and where such execution may also serve some other risk management purpose, such as verifying the flow of the executed trades through the firm's back-office systems.

**Q22: Is the creation or execution of User Defined Spreads ("UDS") for the purposes of deceiving or disadvantaging other market participants a violation of Rule 575?**

A22: Yes. Although the CME Globex system provides certain protections such as reasonability checks with respect to option deltas and the futures price on covered instruments, the UDS functionality requires users to exercise diligence and care in the creation of option spread instruments, including the creation of covered option strategies.

Market participants are reminded that knowingly creating and/or trading UDS instruments in a manner intended to deceive or unfairly disadvantage other market participants is considered a violation of Rule 575. Additionally, the Global Command Center may price adjust or cancel trades that are deemed to negatively impact the integrity of the market pursuant to the provisions of Rule 588 ("Trade Cancellations and Price Adjustments").

**Q23: Is it a violation of Rule 575 to engage in a strategy that involves the purposeful submission of intentionally corrupted or malformed data packets to CME Globex?**

A23: Yes. Purposefully submitting intentionally corrupted or malformed data packets has the potential to disrupt the systems of the Exchange. Market Regulation considers that any participant purposefully engaging in this practice as part of a trading strategy to have recklessly disregarded the potential to disrupt the systems of the Exchange in violation of Rule 575.C.2.

**Q24: Are brokers and execution clerks expected to consider market conditions when executing an order on behalf of a customer or employer pursuant to their instructions?**

A24: Yes. Brokers and execution clerks are considered market participants. The instructions of a customer or employer do not negate the obligation for brokers and execution clerks to comply with Rule 575.

**Examples of Prohibited Activity**

The following is a non-exhaustive list of various examples of conduct that may be found to violate Rule 575.

- A market participant enters one or more orders to generate selling or buying interest in a specific contract. By entering the orders, often in substantial size relative to the contracts' overall pending order volume, the market participant creates a misleading and artificial appearance of buy- or sell-side pressure. The market participant places these large orders at or near the best bid and offer prevailing in the market at the time. The market participant benefits from the market's reaction by either receiving an execution on an already resting order on the opposite side of the book from the larger order(s) or by obtaining an execution by entering an opposing side order subsequent to the market's reaction. Once the smaller orders are filled, the market participant cancels the large orders that had been designed to create the false appearance of market activity. Placing a bona fide order on one side of the market while entering order(s) on the other side of the market without intention to trade those orders violates Rule 575.
- A market participant places buy (or sell) orders that **they**he intends to have executed, and then immediately enters numerous sell (or buy) orders for the purpose of attracting interest to the resting orders. The market participant placed these subsequent orders to induce, or trick, other market participants to execute against the initial, order. Immediately after the execution against the resting order, the market participant cancels the open orders.
- A market participant enters one or more orders in a particular market (Market A) to identify algorithmic activity in a related market (Market B). Knowing how the algorithm will react to order activity in Market A, the participant first enters an order or orders in Market B that **they**he anticipates would be filled opposite the algorithm when ignited. The participant then enters an order or orders in Market A for the purpose of igniting the algorithm and creating momentum in Market B. This results in the participant's order(s) in Market B being filled opposite the algorithm. This conduct violates Rule 575.A., as the orders in Market A were not intended to be executed, and Rule 575.B., as the orders in Market A were intended to mislead participants in related markets. If the conduct resulted in a disruption to the orderly execution of transactions, it may also violate Rule 575.D.
- A market participant enters a large number of orders and/or cancellations/updates for the purpose of overloading the quotation systems of other market participants with excessive market data messages to create "information arbitrage."

- A market participant enters order(s) or other messages for the purpose of creating latencies in the market or in information dissemination by the Exchanges for the purpose of disrupting the orderly functioning of the market.
- A market participant enters a large aggressor buy (sell) order at the best offer (bid) price, trading opposite the resting sell (buy) orders in the book, which results in the remainder of the original aggressor order resting first in the queue at the new best bid (offer). As the market participant anticipated and intended, other participants join **theirhis** best bid (offer) behind **themhim** in the queue. The market participant then enters a large aggressor sell (buy) order into **theirhis** now resting buy (sell) order at the top of the book. The market participant's use of CME Group's Self-Match Prevention functionality or other wash blocking functionality cancels the market participant's resting buy (sell) order, such that market participant's aggressor sell (buy) order then trades opposite the orders that joined and were behind the market participant's best bid (offer) in the book.
- A market participant engages in a trading strategy where **theirhis** trading system is designed to purposefully corrupt data sent across one or more physical connections to the Exchange. For example, prior to the occurrence of an event or signal, the participant's trading system begins transmitting to the Exchange data necessary for an order message (e.g. Ethernet frame; Internet Protocol (IP) packet; Transmission Control Protocol (TCP) packet; etc.). The trading system is designed so that if the event or signal does not occur as expected, the trading system will corrupt the partially transmitted data, for instance by invalidating the Frame Check Sequence (FCS) checksum causing the packet or Ethernet frame to be dropped by a network switch or receiving device at the logical or physical entry point to CME Globex. If the event does occur as expected, the trading system will complete the partially transmitted data so that an order message from the trading system is able to reach the Exchange trading platform. The practice of purposefully corrupting data packets submitted to the Exchange has the potential to disrupt the systems of the exchange and may violate Rule 575.C.2.
- A market participant engages in a trading strategy where **theirhis** trading system is designed to purposefully send to the Exchange untradeable orders or orders that have no reasonable probability of trading. For example, prior to the occurrence of an event or signal, the participant's trading system begins transmitting to the Exchange data necessary for an order message (e.g. Ethernet frame; TCP packet; etc.). The trading system is designed so that if the event or signal does not occur as expected, the trading system will complete the partially transmitted data and successfully submit an order message to the Exchange. However, because the event or signal did not occur as expected, the trading system is designed to render the completed order message untradeable or improbable of trading. This may be accomplished, for example, by submitting the order message as a Fill and Kill or Fill or Kill order type with a price or quantity that causes the order to immediately be cancelled by the trading platform. This may also be accomplished, for example, by submitting the order message at an off-market price, deep in the order book, and intending to cancel that order prior to execution. The practice of purposefully sending untradeable orders or orders that have no reasonable probability of trading may violate Rule 575.C.2. Further, it is a violation of Rule 575.A. if the participant intends, at the time of order entry, to cancel the order prior to execution.
- A market participant engages in a trading strategy where **theirhis** trading system is designed to purposefully submit malformed data across one or more physical connections to the Exchange. For example, based on information received, the participant's trading system begins constructing an order message (e.g., an Ethernet Frame, TCP or IP packet, etc.). The trading system is designed so that if further information is received during construction that negates the desire or need to trade the order being constructed, the trading system will stop construction and submit the incomplete data to the Exchange. Because the incomplete data (e.g., a TCP/IP packet missing required TCP or IP fields such as Sequence Number or Destination Port) cannot be

properly processed by a network switch or receiving device at the logical or physical entry point to CME Globex, the receiving device will discard the data. If no further information is received by the trading system during construction that would negate the desire or need to trade the order, the trading system will complete construction of, and submit, the data so that an order message from the trading system is able to reach the Exchange trading platform. The practice of submitting to the Exchange purposefully incomplete or malformed data packets has the potential to disrupt the systems of the Exchange and may violate Rule 575.C.2.

## MARKET REGULATION ADVISORY NOTICE

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<b>Exchanges</b>	<b>CME, CBOT, NYMEX &amp; COMEX</b>
<b>Subject</b>	<b>CME Globex Operator ID Requirements</b>
<b>Rule References</b>	<b>Rule 576</b>
<b>Advisory Date</b>	<b>September 2, 2020</b>
<b>Advisory Number</b>	<b>CME Group RA2012-5</b>
<b>Effective Date</b>	<b>September 17, 2020</b>

Effective on trade date September 17, 2020, and pending all relevant CFTC regulatory review periods, this Advisory Notice will supersede CME Group Market Regulation Advisory Notice RA1902-5 from March 7, 2019. It is being issued to harmonize references to Globex Terminal Operators and the way that such parties are to be identified to the Exchange by replacing references to Tag 50 IDs with “operator ID.”

No other material changes have been made to the Advisory Notice.

Rule 576 (“Identification of Globex Terminal Operators”) requires that each Globex Terminal Operator be identified to the Exchanges by the submission of a unique operator ID. For CME iLink, operator IDs are issued by an Exchange Clearing Member firm (“Clearing Member”) or their contracted vendors or assignees, or in some circumstances, by the CME Group Global Command Center (“GCC”).

Clearing Members are responsible for ensuring that all operator IDs are unique at the Clearing Member level and that all non-administrative messages (“messages”), inclusive of orders, sent to Globex are properly submitted with the correct operator ID. Operator IDs are not case sensitive and Clearing Members must ensure that uniqueness is achieved by means other than solely modifying the letter case between different operator IDs (For example, “ABC” and “abc” would be viewed as the same operator ID). Further, all operator IDs must be between 2 and 18 bytes (characters) in length, and the Market Regulation Department (“Market Regulation”) strongly encourages the use of alphanumeric characters only. If the operator ID contains non-alphanumeric characters, the only characters permitted are as follows:

- underscore
- dash
- : colon
- @ (commercial) at
- . period

With respect to accounts that are carried by Clearing Members on a disclosed basis, Clearing Members must provide the identity of the “Individual” or “Team” assigned to each operator ID associated with the Clearing Member immediately upon request by Market Regulation. Clearing Members must maintain or cause to be maintained historical records related to the identity of the “Individual” or “Team” assigned to each operator ID for a minimum of five years.

With respect to omnibus accounts that are carried by a Clearing Member on an undisclosed basis, Clearing Members must be able to either obtain and provide the identity or require the omnibus account to obtain and provide the identity of the “Individual” or “Team” assigned to each operator ID within the undisclosed omnibus account immediately upon request by Market Regulation. Clearing Members must maintain or cause to be maintained historical records related to the “Individual” or “Team” assigned to each operator ID for a minimum of five years. Such historical records need not include the identity of the “Individual” or “Team.”

For operator IDs which require registration, it is the responsibility of the Clearing Member to ensure that

each operator ID is properly registered in the Exchange Fee System (“EFS”). Registered operator IDs must be identified as either “Individual” or “Team” in EFS, and all registrations must be current and accurate at all times.

The text of Rule 576 is set forth below and is followed by a Frequently Asked Questions (“FAQ”) section which begins on page 4.

**576. IDENTIFICATION OF GLOBEX TERMINAL OPERATORS**

Each Globex Terminal Operator shall be identified to the Exchange, in the manner prescribed by the Exchange, and shall be subject to Exchange rules. If operator IDs are required to be registered with the Exchange, it is the duty of the clearing member to ensure that registration is current and accurate at all times. Each individual must use a unique operator ID to access Globex. In no event may a person enter an order or permit the entry of an order by an individual using an operator ID other than the individual’s own unique operator ID.

**Required Registration of operator IDs**

Registration of operator IDs is required for individual members, employees of individual members, employees or contractors of a Clearing Member, CME and CBOT Rule 106.J. (“Equity Member Firm”) and NYMEX and COMEX Rule 106.J. (“Member Firm”) firms. Additionally, operator ID registration is required for any other party receiving preferential fees in accordance with other programs offered by any of the Exchanges, unless the terms of a specific program specifically exempt such registration. Additionally, irrespective of whether a party is eligible for preferential fees, Market Regulation or the GCC reserve the right to require the registration of the operator ID of any market participant.

EFS supports the registration of operator IDs that are not otherwise required to be registered if the Clearing Member elects to register the “Individual” or “Team” operator IDs. Trading entities must provide accurate and up-to-date registration information about their “Individual” and “Team” operator IDs to their respective Clearing Members. The operator ID that is registered in EFS must exactly match the operator ID that is submitted on all messages sent to Globex.

For “Team” registrations, EFS allows for the input of the relevant individual registration information for each person on the team, and also requires the designation of each team member’s role. Available roles include: Head Trader, Risk Monitor, Technical/Program Manager, Trader and Trading Monitor. Each “Team” must have a Head Trader, typically the most senior person or the person primarily responsible for the “Team’s” activities. If there are changes to the composition of the group of persons represented by the “Team” operator ID, it is the responsibility of the trading entity and the Clearing Member to ensure that those changes are promptly and accurately reflected in EFS.

**Identification of operator IDs for “Individual”**

An operator ID should be identified as an “Individual” if the operator ID meets one of the descriptions below:

- A single person who is a manual trader, which refers to a person who physically submits messages directly into Globex using a front-end system, typically via keyboard, mouse, or touchscreen, and the messages are then routed in their entirety to the match engine at the time of submission.
- A single person who is solely responsible for, and actively monitors at all times, the administration and operation of an Automated Trading System (“ATS”). An ATS refers to a computer system which generates and/or routes messages without human intervention. This includes any messages generated by a computer system or routed using functionality that manages the submission of an order through automated means (i.e. execution algorithm). The person in this role typically initiates or disables particular algorithms or strategies, adjusts the parameters of any

automated program(s), and monitors the live trading of the ATS. All messages must be submitted with the “Individual” operator ID assigned to the person present at the time of operation.

- A single person who engages in a combination of the trading methods described above. The person must ensure that all messages are submitted with the correct manual order indicator to differentiate between manual and automated activities.

Each “Individual” operator ID must represent a single person. Each person is required to submit messages using their own operator ID and may not, under any circumstances, permit another person to enter messages using their operator ID.

### **Identification of operator IDs for “Team”**

An operator ID should be identified as a “Team” if the operator ID represents a group of persons who are simultaneously administering, operating, and monitoring an ATS while it is operational.

Many ATSS are administered, operated, and monitored over the course of multiple shifts throughout a trading cycle. If the makeup of the group of persons is altered at the shift change time, or if a new group of persons takes over the duties of the prior group at the shift change time, a separate unique “Team” operator ID is required for messages submitted to Globex during the new shift. Where registration is required, the group of persons on the new shift must be registered with a unique “Team” operator ID in EFS so that, at any given time, the operator registration accurately identifies the Team actively monitoring the operation of the ATS.

A single operator ID may be used to represent multiple operators only in true ATS Team situations. Entities may not bundle all their ATS operators under one operator ID if certain operators are primarily responsible for different ATSS or for the same ATS on different shifts.

“Team” operator IDs may submit only automated messages to Globex. Should a situation occur where a “Team” needs to submit a manual message (i.e. during maintenance downtime, system malfunction, etc.), the message must be submitted with an “Individual” operator ID assigned to the specific single person submitting the message, rather than the “Team” operator ID associated with the group. In this scenario, a person would be acting in the capacity of an “Individual” manual trader as described above.

**Clearing Members must ensure that all operator IDs which require registration are currently and accurately registered in EFS and must make any necessary updates to operator ID registrations promptly. Failure to transmit operator IDs to Globex in accordance with this Advisory Notice may result in disciplinary action and may also result in a reassessment of fees.**

## **Frequently Asked Questions (FAQ)**

### **Identification and Registration of Globex Operator IDs (operator IDs)**

#### **1. What is an administrative message?**

Administrative messages, which are not subject to the requirements set forth in this Advisory Notice, include the following: Logon, Heartbeat, Test Request, Resend Request, Session Level Reject, Business Level Reject, Sequence Reset, and Logout.

#### **2. Do messages submitted to Globex require the submission of an accurate operator ID?**

Yes. All messages other than administrative messages referenced in the answer to Question 1 above must include the unique operator ID of the “Individual” or “Team” submitting such messages to Globex.



**3. What is an operator ID?**

An operator or Operator ID is a user ID that uniquely identifies a party that accesses and/or submits messages to Globex. operator IDs are issued by exchange Clearing Members, or their contracted vendors or assignees, or in some circumstances, by the GCC.

**4. Is the operator ID submitted on a message visible to other market participants?**

No. Trading on Globex is anonymous.

**5. Rule 576 states that each individual must use a unique user ID to access Globex. Is it permissible for an individual to have multiple operator IDs?**

Yes, an individual may have multiple operator IDs. However, each Clearing Member must be able to uniquely identify the individual assigned to a particular operator ID or identify the individuals assigned in the case of a Team operator ID. To the extent an operator ID is issued to a participant trading through an undisclosed omnibus account, the Clearing Member must be able to either obtain and provide the identity or require the omnibus account to obtain and provide the identity of the "Individual" or "Team" assigned to each operator ID within the undisclosed omnibus account upon request by Market Regulation.

**6. Are Clearing Members responsible for ensuring that operator IDs are unique at the Clearing Member level?**

Yes, all operator IDs must be unique at the Clearing Member level, irrespective of whether the account is carried by the Clearing Member on a disclosed or undisclosed basis.

**7. Is there any circumstance in which a person may use the operator ID of another person?**

No. Each message submitted to Globex must reflect the operator ID of the person or team of persons who submitted the message or caused the message to be submitted.

**8. If a person deploys an ATS and someone else monitors the operation of the ATS during certain hours, does the operator ID of the person monitoring the ATS have to be entered on new messages?**

Yes. The operator ID on all messages must be the operator ID of the person responsible for monitoring the operation of the ATS at that time.

**9. If a person deploys an ATS that operates for extended time periods, for example during Regular Trading Hours in addition to European and/or Asian trading hours, may that person's operator ID be sent on all messages?**

The operator ID on the messages must reflect the person responsible for operating and monitoring the ATS at the time the messages are sent to Globex. To the extent a single individual is responsible for operating and monitoring the ATS over any given timeframe (e.g. more than one trading session or more than a typical work shift), the individual's operator ID is required to be submitted on all messages. However, upon request, the individual must be able to demonstrate an effective means to monitor the ATS during all times it is operating. During the times that a person is not actively either operating or monitoring the trading operation of the ATS, their name should not be reflected on the active operator.

**10. If a trader enters manual messages but also uses automated spreading functionality, may all of those messages be submitted under a single operator ID?**

Yes, in this situation, a single operator ID may be used for both manual and automated messages. The manual order indicator value submitted with each message must appropriately identify whether the message was submitted via automated or manual means.

**11. What is a “Team operator ID”?**

If multiple individuals simultaneously work together to operate or monitor the operation of an ATS, they may be assigned a single operator ID, called a Team operator ID, which represents all of the individuals on the team. The registration process in EFS for a Team operator ID allows a firm to identify the role of each particular individual on the team, for example, Head Trader, Trader, Risk Monitor, Trading Monitor, Technical/Programmer, or Other. Each Team operator must have a Head Trader.

**12. May a single Team operator be used for an ATS that operates for extended time periods, for example during Regular Trading Hours as well as European and Asian trading hours?**

No, because individuals on a Team operator must be simultaneously working together, and it is expected that the Team operator ID submitted on messages will change as team members' shifts change. For example, if a new team or a team with a different composition takes over the operation of an ATS during European or Asian trading hours, or any other time period or shift, then that new team's Team operator ID must be used for all messages submitted during that period.

**13. If a person is financially responsible for, and makes or oversees decisions related to an ATS, may that person be listed as the Head Trader on the Team operator ID for every shift during which the ATS operates?**

No. The Team operator ID must represent the team simultaneously working together to operate or monitor the operation of an ATS at any given point in time.

**14. If a person is working in a risk management function for a trading entity and as part of the risk function reviews and monitors the multiple ATSS that the entity is operating, does that risk person need to be identified via a Team operator ID?**

No, risk managers that are reviewing overall firm exposures and that are separate from the trading function are not required to be identified on a Team operator ID. However, if the risk manager were to manually intervene with the ATS they would need to do so using their own unique operator ID.

**15. If a member of a Team that monitors the operation of an ATS needs to submit manual messages, should the Team operator ID be submitted on those messages?**

No. The Team operator ID may be used only for messages that are generated from the ATS. To the extent the team needs to submit manual messages, the individual operator ID of the person who manually submits the message must be used.

**16. Is there a limit on the number of ATSS an entity or individual may operate?**

There is no limit to the number of ATSS an entity or individual can operate, subject to their ability to effectively monitor the operation of the ATSS.

If you have questions on the Exchange fees applicable to an ATS operator, please contact the Fee System Hotline at 312.648.5470 or via email at [efsadmin@cmegroup.com](mailto:efsadmin@cmegroup.com).

**17. What information is required when registering an operator ID?**

Information related to operator ID registration is available in the Exchange Fee System (EFS) User Manual available at [www.cmegroup.com](http://www.cmegroup.com).

**18. What types of violations related to operator IDs will Market Regulation seek to identify?**

Market Regulation's review of operator IDs will be focused on, but not be limited, identifying the following types of violations:

- Missing or Inaccurate Registration
- Non-Identifiable Operators
- Invalid Use of Operator ID
- Invalid Operator ID Format
- Inaccurate Manual Order Indicator Submission

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

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For fee-related questions or for general assistance with the fee system, please contact the Fee System Hotline at 312.648.5470 or send an email to [efsadmin@cmegroup.com](mailto:efsadmin@cmegroup.com).

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).