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OFFICE OF THE SECRETARIAT

February 6, 2008

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

**RE: CBOT Regulatory Advisory RA0802-1 and
 CME Regulatory Advisory RA0801-2
 CME & CBOT Submission No. 08-24**

Dear Mr. Stawick:

Chicago Mercantile Exchange Inc. ("CME") and the Board of Trade of the City of Chicago, Inc. ("CBOT"), (collectively, the "Exchanges"), hereby notify the Commission that the Exchanges have issued the following regulatory advisories to CME and CBOT members: CME RA0801-2 ("Pre-Execution Communications in CME Products") and CBOT RA0802-1 ("Pre-Execution Communications Prohibited in CBOT Products"). Copies of each regulatory advisory are attached.

CME and CBOT certify that these regulatory advisories neither violate nor are inconsistent with any provision of the Commodity Exchange Act or of the rules and regulations thereunder.

If you have any questions regarding this matter, please contact Robert Sniegowski, Associate Director, Market Regulation at (312) 648-5493 or me at (312) 648-5422.

Sincerely,

/s/ Stephen M. Szarmack
Director and Associate General Counsel

MARKET REGULATION ADVISORY NOTICE

Exchange	CME
Subject	Pre-Execution Communications in CME Products
Rule References	CME Rule 539
Advisory Date	February 7, 2008
Advisory Number	CME RA0801-2

This Advisory summarizes the rules and procedures related to pre-execution communications in **CME products** executed on CME Globex.

This Advisory does **not** apply to the electronic trading of CBOT products. Please refer to CBOT Advisory RA0802-1 for information regarding CBOT Rules 539 & 5B.13, which prohibit pre-execution communications.

Pre-execution communications are permitted in CME products traded on CME Globex pursuant to the requirements of CME Rule 539.C. ("Pre-Execution Communications Regarding Globex Trades"). These requirements are detailed below and the full text of the rule appears on page 4 of this Advisory.

Pre-execution Communications in CME Products other than Eurodollar Options and Euroyen Options

1. For transactions that involve pre-execution communications, the order of the party who initiated the pre-execution communication must be the first order entered into CME Globex.
2. For futures transactions, at least 5 seconds must elapse after the entry of the first order before the opposing order can be entered.
3. For options transactions (including spreads or combinations with an option component), at least 15 seconds must elapse after the entry of the first order before the opposing order can be entered.

Pre-execution Communications Involving Eurodollar Options or Euroyen Options

1. **Prior** to engaging in pre-execution communications involving Eurodollar options, Euroyen options or any spread or combination involving such options, the market participant must issue a Request for Quote ("RFQ").
2. Subsequent to issuing the RFQ and engaging in pre-execution communications, a trade to be executed pursuant to such communications **must** be initiated by the entry of a Request for Cross ("RFC"), a submission that includes both the buy and sell orders. The RFC matching algorithm is summarized on page 3 of this Advisory.
3. The RFC must be entered within 15 minutes of, and within the same trading session as, the submission of the RFQ. If more than 15 minutes elapse, any subsequent pre-execution communications or entry of RFC orders must be preceded by the entry of a new RFQ.

In all cases, pre-execution communications may occur only when the party for whose benefit the trade is being made has previously consented to such communications. Additionally, parties who have been involved in a pre-execution communication may not disclose the details of that communication to other parties, nor may a party place any order to take advantage of the information conveyed in such communications except to facilitate the trade in accordance with the rule.

CME Rule 539 expressly prohibits pre-execution communications in connection with pit transactions executed on the trading floor.

**Q&A Regarding Pre-Execution Communication Requirements
 in CME Products Executed on CME Globex**

	Question	Transactions Involving ED options or EY options	Transactions Involving All Other CME Products
1.	Is a client's consent to pre-execution communications necessary?	YES	YES
2.	May the subject matter of pre-execution communications be disclosed to other parties?	NO	NO
3.	Is an RFQ required to be entered <u>prior</u> to engaging in pre-execution communications?	YES	NO
4.	Is the RFQ referenced in #3 above required if the system is showing current bids and/or offers in the contract(s) that will be the subject of a pre-execution communication?	YES	n/a
5.	After the RFQ is entered and a pre-execution communication has taken place, is a Request for Cross ("RFC") required to be entered to proceed with the transaction?	YES	n/a
6.	Because the single RFC entry contains the buy and sell orders, are the quantity and price of the orders required to be included in the RFC?	YES	n/a
7.	Are the quantity and price of the orders referenced in #6 above displayed to the marketplace upon submission of the RFC?	NO	n/a
8.	Must the order of the initiator of the pre-execution communication be entered first?	n/a	YES
9.	Must the RFC be entered within fifteen minutes of, and within the same trading session as, the entry of the RFQ?	YES	n/a
10.	If the RFC is not entered within fifteen minutes of, and within the same trading session as, the entry of the RFQ, will the pre-execution communication be considered to be abandoned?	YES	n/a
11.	If a pre-execution communication is abandoned pursuant to #10 above, must a new RFQ be entered prior to engaging in another pre-execution communication?	YES	n/a
12.	If a call is made to solicit the improvement of a market posted on CME Globex, must an RFQ be entered prior to making the call?	YES	n/a
13.	Must a RFC be entered if the call described in #12 results in the parties agreeing to trade opposite one another?	YES	n/a

RFC MATCHING RULES

RFC matching rules are dependent upon whether or not the price of the RFC improves the existing best bid and offer in the instrument as illustrated in the following examples:

Example 1: The RFC price improves the best bid and offer in the order book.

- 50% of the RFC quantity will match at the RFC price 15 seconds after submission of the RFC;
- The price will immediately print and all market participants will have 10 seconds thereafter to trade opposite either side of the remaining 50% of the RFC quantity; and
- After those 10 seconds, any match-eligible quantity remaining on both sides of the RFC will be matched. Depending on the order instructions entered via the RFC, any remaining unmatched balance on one side of the RFC will either be cancelled or remain in the order book.

Example 2: The RFC price matches the best bid or offer in the order book.

- At the time of submission, the market is alerted that an RFC has been entered and all market participants have 15 seconds to submit orders;
- At the end of those 15 seconds, any orders in the market at a price that satisfies the RFC price will immediately match against the applicable side of the RFC;
- Immediately thereafter, 60% of the remaining match-eligible quantity on the RFC will be matched and the trade price will be disseminated to the marketplace;
- If there is any remaining quantity on either side of the RFC ticket, market participants will have 10 seconds to participate in the trade; and
- At the end of the 10 second period, any remaining quantity on the RFC will be matched opposite any corresponding orders from market participants. Depending on the order instructions entered via the RFC, any remaining unmatched balance on one side of the RFC will either be cancelled or will remain in the order book.

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

Kathleen Zaino, Associate Director, 312.930.2341
Jennifer Baum, Associate Director, 312.341.3124
Robert Sniegowski, Associate Director, 312.648.5493

CME RULE 539.

PREARRANGED, PRE-NEGOTIATED AND NONCOMPETITIVE TRADES PROHIBITED

539.A. General Prohibition

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

539.B. Exceptions

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

539.C. Pre-Execution Communications Regarding Globex Trades

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

1. A party may not engage in pre-execution communications with other market participants on behalf of another party unless the party for whose benefit the trade is being made has previously consented to permit such communications.
2. Parties to pre-execution communications shall not (i) disclose to a non-party the details of such communications or (ii) enter an order through the Globex platform to take advantage of information conveyed during such communications except in accordance with this rule.
3. With the exception of orders entered pursuant to the terms of Section C.5. below, a period of 5 seconds shall elapse between entry of the two orders in the case of futures orders or a period of 15 seconds shall elapse between entry of the two orders in the case of option orders.
4. With the exception of orders entered pursuant to the terms of Section C.5. below, in any transaction involving pre-execution communications, the first party's order must be entered into the Globex platform first and the second party's order may not be entered into the Globex platform until the time period prescribed in Section 539.C.3. above has elapsed.
5. In electronic options operated pursuant to Rule 585 ("Globex Call Market Trading Algorithm"), including Eurodollar and Euroyen Options, solicitation of bid(s) and/or offer(s) between market participants through private communication for the purpose of establishing a market or improving the market for an eligible contract or an eligible combination of contracts for futures and options shall be preceded by issuing a Request For Quote ("RFQ") through an eligible terminal. Subsequent to such RFQ, a trade intended for execution pursuant to Rule 585 for which there has been a pre-execution communication must be initiated by the entry of a Request for Cross ("RFC") Order which will contain both the buy and the sell orders. The RFC Order must be entered within fifteen (15) minutes in the same trading session of the entry of the RFQ. Failure to enter the RFC order within fifteen (15) minutes of the entry of the RFQ shall be considered an abandonment of that pre-execution communication. Any subsequent pre-execution communication or attempt to enter RFC orders must be preceded by the entry of a new RFQ.

MARKET REGULATION ADVISORY NOTICE

Exchange	CBOT
Subject	Pre-Execution Communications Prohibited in CBOT Products
Rule References	CBOT Rules 539 & 5B.13
Advisory Date	February 7, 2008
Advisory Number	CBOT RA0802-1

CBOT Rules 539 (“Prearranged, Pre-Negotiated and Noncompetitive Trades Prohibited”) and 5B.13 (“Trading Against Customer Orders and Crossing Orders”) prohibit pre-execution communications in all CBOT products at all times, except as specifically permitted in connection with EFP, EFR or Block transactions. While both rules contain the same prohibition on pre-execution communications, CBOT Rule 539 is applicable to CBOT products traded on CME Globex and CBOT Rule 5B.13 is applicable to CBOT Metals contracts which continue to trade on e-cbot.

This Advisory does **not** apply to CME products traded on CME Globex. Please refer to CME Advisory RA0801-2 for information on the rules governing pre-execution communications in CME products executed on CME Globex.

The text of CBOT Rule 539 appears below:

CBOT Rule 539

539.A. General Prohibition

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

539.B. Pre-Execution Communications Regarding Globex Trades Prohibited

Pre-execution communications are communications between two market participants for the purpose of discerning interest in the execution of a transaction prior to the entry of an order on the Globex platform. Pre-execution communications and transactions arising from such communications are prohibited in all products during all hours.

539.C. Exceptions

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

Member firms are encouraged to ensure that their traders, account executives, order entry personnel and direct access clients are fully informed regarding CBOT Rules 539 & 5B.13 as violation of the rules may result in disciplinary action by the Exchange.

Please see the Q&A below for answers to frequently asked questions concerning the prohibition on pre-execution communications in CBOT products.

CBOT Q&A REGARDING PRE-EXECUTION COMMUNICATIONS

1. What is a pre-execution communication?

Pre-execution communications are communications between market participants for the purpose of discerning interest in the execution of a transaction prior to the exposure of the order to the market. Pre-execution communications involving CBOT products are prohibited at all times with respect to transactions executed in either the electronic or open outcry venue. This prohibition does not apply to privately negotiated transactions executed outside of the central market (i.e. EFP, EFR and Block trades).

2. If a customer has an interest in a particular transaction and requests a market, how can the salesperson obtain a market for the customer?

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

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

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

4. If an order has been submitted on the electronic platform, are there any restrictions on communicating with potential counterparties?

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

5. Is it permissible to contact other market participants to obtain general market color?

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

6. How should an order for a spread or combination not supported by the electronic platform be handled?

The electronic platform supports a wide array of strategies covering most of the spreads and combinations participants commonly trade. There are, however, some types of spreads or combinations that are not supported by the platform. Orders for an unsupported spread or combination must be legged on the electronic platform or entered in the open outcry venue. RFQs can be submitted for the legs of the strategy to ascertain the levels at which the spread could possibly be legged.

7. Under what circumstances can orders be crossed on the electronic platform?

In accordance with CBOT Rules 533 ("Simultaneous Buy and Sell Orders for Different Beneficial Owners") and 5B.13, *independently initiated* orders on opposite sides of the market for different beneficial account owners that are immediately executable against each other may be entered without delay provided that the orders did not involve pre-execution communications and that each of the orders is entered immediately upon receipt.

Opposite orders for different beneficial accounts that are simultaneously placed by a party with discretion over both accounts may be entered provided that one order is exposed on the electronic platform for a minimum of 5 seconds in the case of futures orders and a minimum of 15 seconds in the case of orders involving options.

An order allowing for price and/or time discretion, if not entered immediately upon receipt, may be knowingly entered opposite a second order entered by the same firm only if the second order has been entered immediately upon receipt and has been exposed on the electronic platform for a minimum of 5 seconds for futures orders and a minimum of 15 seconds for orders involving options.

8. Assuming there have been no pre-execution communications, is it permissible for a firm to knowingly trade for its proprietary account against a customer order entered by the firm?

Yes, provided that, in accordance with CBOT Rules 531 ("Trading Against Customers' Orders Prohibited") and 5B.13, the customer order has been entered immediately upon receipt and has first been exposed on the electronic platform for a minimum of 5 seconds for futures orders and a minimum of 15 seconds for orders involving options.

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

Kathleen Zaino, Associate Director, 312.930.2341

Jennifer Baum, Associate Director, 312.341.3124

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