



**NYSE Liffe**  
U.S.

RECEIVED  
CFTC

2011 MAR -9 PM 1:31

OFFICE OF THE  
SECRETARIAT

Karl D. Cooper  
Chief Regulatory Officer  
NYSE Liffe U.S.  
20 Broad Street, 10th Floor  
New York, NY 10005  
T +1 212 656 4300

**By Electronic Mail**

March 9, 2011

Mr. David A. Stawick  
Office of the Secretariat  
Commodity Futures Trading Commission  
1155 21<sup>st</sup> Street, N.W.  
Washington, D.C. 20581

---

**Re: NYSE Liffe U.S. – Guidance Regarding the Application of Exchange Rule 616(a) to the Activities of Designated Market Makers**

Dear Mr. Stawick:

I am the Chief Regulatory Officer of NYSE Liffe US LLC (“NYSE Liffe US” or the “Exchange”). Pursuant to Section 5c(c)(1) of the Commodity Exchange Act, as amended (the “Act”), and U.S. Commodity Futures Trading Commission Regulations (the “Regulations”) Section 40.6, I enclose a Cover Sheet for NYSE Liffe US Submission 2015-106 and NYSE Liffe US Notice 04\2011 which provides guidance regarding the application of Exchange Rule 616(a) to the activities of designated market makers.

NYSE Liffe US hereby certifies that this notice complies with the Commodity Exchange Act and regulations thereunder.

If you have any questions, please call me at (212) 656-4568.

Yours Truly,

Karl D. Cooper

Enclosures



## NYSE LIFFE U.S. NOTICE No.04/2011

ISSUE DATE: March 9, 2011  
EFFECTIVE DATE: March 10, 2011

### NYSE Liffe U.S. – Guidance Regarding the Application of Exchange Rule 616(a) to the Activities of Designated Market Makers

#### Summary

This Notice provides guidance regarding the application of Exchange Rule 616(a) to trading by designated market makers under the Exchange's market maker programs.

#### 1. Introduction

- 1.1 NYSE Liffe U.S. (the "Exchange") Rule 616(a) prohibits the acceptance of simultaneous buy and sell orders from the same customer for the same delivery month in a particular Contract. Some market makers have expressed concern that this Rule could be applied in such a way as to prevent them from maintaining a two-sided market as they are obligated to do under the Exchange's market maker programs.
- 1.2 As discussed below, Rule 616(a) is superseded by Rule 426 so as to permit designated market makers to submit simultaneous buy and sell orders under the terms of the Exchange's market maker programs.

#### 2. Interpretive Guidance

- 2.1 Under Rule 426, the Exchange will implement market making programs from time to time so as to ensure that its markets have sufficient liquidity. In accordance with such programs, the Exchange designates a person as a market maker and enters into a written agreement with the market maker that obligates the market maker to maintain a two-sided market in the relevant Contract(s).
- 2.2 The Exchange designates both Members and qualified non-members as market makers under these programs. Non-members must execute transactions on the Exchange's Trading Platform through customer accounts carried by Member brokers. Under Rule 616(a), a Member is prohibited from accepting simultaneous buy and sell orders from the same customer for the same delivery month in a particular Contract. Additionally, as part of the agreement entered into between the Exchange and the non-member under the market maker program, the non-member market maker must expressly agree to comply with all of the Rules of the Exchange, as well as the Commodity Exchange Act (the "Act") and the rules and regulations thereunder.
- 2.3 Rule 426 provides that where there is a conflict between the terms of an Exchange implemented market maker program and the Rules of the Exchange, the terms of the market maker program prevail. Accordingly, pursuant to Rule 426, a non-member market maker's obligations to maintain a two-sided market under an effective market maker agreement supersedes the prohibition on a Member accepting

simultaneous buy and sell orders under Rule 616(a). The simultaneous submission of a buy and sell order by a non-member market maker, acting in good faith as such, to meet its obligation to maintain a two-sided market, and the acceptance of the orders by a Member carrying the account of such market maker, would not be a violation of Rule 616(a), by the market maker or the Member.

- 2.4 It should be noted that Rule 426 does not alter or waive a Member or non-member market maker's responsibility to comply with the Act or the rules and regulations of the Commodity Futures Trading Commission. The agreements entered into between the Exchange and market makers reminds the market makers that they are obligated to comply with all applicable laws, regulations and Exchange Rules.
- 2.5 Market makers are reminded that although permitted to enter simultaneous buy and sell orders for purposes of maintaining a two-sided market they may not enter fictitious or other manipulative orders. Rather market makers must enter orders with the intent to enter into a bona fide transaction that is subject to market risk.
- 2.6 The Exchange continuously monitors orders entered into its Trading Platform and where appropriate will take disciplinary action against any market maker that it believes to be placing bids and offers other than in good faith for the purpose of executing bona fide transactions, entering into fictitious transactions or otherwise manipulating or attempting to manipulate the market of any Contract, in violation of Exchange Rules, as well as any Member assisting or enabling such transactions.

---

\* \* \* \*

For further information in relation to this Notice, Members should contact the following:

New York Office	1 212 656 4300	<a href="mailto:nyseliffe@nyx.com">nyseliffe@nyx.com</a>
Chicago Office	1 312 442 7730	<a href="mailto:nyseliffe@nyx.com">nyseliffe@nyx.com</a>