

# OneChicago ✕

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C.F.T.C.  
OFFICE OF THE SECRETARIAT  
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March 26, 2010

Mr. David Stawick  
Secretary  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, D.C. 20581

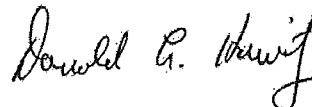
Re: Security Futures Products Rule Submission and Rule Certification  
Revisions to OneChicago Policy for Error Trades and Mistrades and Adoption of Fee  
Schedule

Dear Mr. Stawick:

Pursuant to section 5c(c)(1) of the Commodity Exchange Act, as amended (the "Act"), and section 41.24 of the regulations promulgated by the Commission under the Act, submitted herewith is a revised version of the OneChicago, LLC ("OneChicago") Policy for Error Trades and Mistrades pursuant to OneChicago Rule 418 and a Schedule of Administrative Fees for Trade Busts or Price Adjustments ("Policy"). The Policy was last updated on June 4, 2007. Additionally, the Policy will be referenced in the Exchange's Surveillance Compliance System (Csystem™) Manual.

The proposed new rules are included as Attachment A. Deleted text is shown by a strikethrough (---) and new text is underlined ( \_\_\_\_ ). These amendments become effective on March 29, 2010.

On behalf of OneChicago, I hereby certify that the amendment complies with the Act and the regulations promulgated thereunder.



Donald L. Horwitz  
Managing Director and  
General Counsel  
OneChicago, LLC

## ATTACHMENT A

# OneChicago ~~Nullification~~ Policy for Error Trades and Mistrades

## A. General Policy

### 1. Introduction

This Error Trade Cancellation and Price Adjustment Policy is established pursuant to OCX Rule 418. The OCX Help Desk (Help Desk), as designated by the Chief Regulatory Officer (CRO), may adjust trade prices or cancel (bust) trades when such action is necessary to mitigate market-disrupting events. The Help Desk may adjust trade prices or cancel any trade if it determines that allowing the trade to stand as executed may have a material, adverse effect on the integrity of the market.

### 12. Errors and Mistrades Must Be Reported Promptly

To seek review or a bust of any trade under this nullification policy in respect of any trade, a Registered Trading Privilege Holder\* ~~Policy an Access Person~~ is required to report the trade (Questioned Trade) directly to the OneChicago Operations Management ("OOM") Help Desk as soon as possible, but in any case within **eight minutes** of the time of the trade. Alternatively, employees of the Chicago Mercantile Exchange ("CME"), the Chicago Board Options Exchange ("CBOE") or OneChicago may also question a trade by bringing it to the attention of OOM ~~the Help Desk~~. In any case, if a trade is not brought to OOM's ~~the Help Desk's~~ attention within **eight minutes** after it was executed, such trade will stand, except as provided in Part B below. Parties to a Questioned Trade should not assume a trade will be busted or not busted until OOM makes a final decision ~~it will or will not be busted until the Help Desk announces its final decision. The Help Desk must make a final decision within sixty (60) minutes from the time the trade was executed, absent extraordinary circumstances.~~

Please note that the following errors do not qualify for consideration as a Questioned Trade under this Policy and will not be accepted by the Help Desk:

- a. An error in entering a buy/sell when the intent was to enter a sell/buy.
- b. An error caused by entering the wrong month, the wrong quantity or the wrong product.

### 2. OOM Help Desk Procedures 3. Help Desk Procedures

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\*For purposes of this policy and other OOM Help Desk functions, a "Registered Trading Privilege Holder" is defined as a person registered with either the OOM Help Desk or the CME's GCC Help Desk for the purpose of resolving issues to trade operations.

As soon as a trade is brought to the attention of the OOM Help Desk pursuant to this policy, the OOM Help Desk will send an alert indicating that the trade has been questioned and also attempt to contact all parties to such trade. The OOM Help Desk will then determine whether the trade price is in the "no bust" range for the relevant Contract. To ascertain whether the trade price is within the "no bust" range, the OOM Help Desk will determine the reasonable ~~market price~~ fair value for the relevant Contract considering relevant ~~all~~ factors. Those factors may include ~~but are not limited to news dissemination~~, market volatility, the last trade price for such Contract, a better bid or offer price, a more recent price in a different contract month and the prices of related Contracts trading in other markets, including the securities lending markets.

If OOM ~~the~~ Help Desk determines that the reasonable ~~market price~~ fair value is less than \$25, the "no bust" range will include any price that is not greater than \$0.50 away from such ~~reasonable market price~~. ~~If OOM the fair value.~~ If OOM ~~the~~ Help Desk determines that the reasonable ~~market price~~ fair value is equal to or higher than \$25 but less than \$100, the "no bust" range will include any price that is no greater than \$1.00 from such ~~reasonable market price~~. ~~For reasonable prices the fair value.~~ For values at or above \$100, the "no bust" range will be any price that is within one percent of fair value ~~the reasonable market price.~~

NO BUST RANGE

<u>FAIR VALUE</u>	<u>RANGE FROM FAIR VALUE</u>
<u>&gt; \$25</u>	<u>= to or &lt; \$0.50</u>
<u>= to or &gt; \$25, But &lt; \$100</u>	<u>= to or &lt; \$1.00</u>
<u>= to or &gt; \$100</u>	<u>Any price within 1%</u>

Additionally, the Help Desk may determine that the Questioned Trade was executed at a clearly erroneous price that is substantially inconsistent with the current trading pattern of the product or the underlying security. OneChicago will review the price thresholds and spreads of the "no bust" range periodically to maintain levels appropriate for its market and products.

*In the setting or allowing of a price adjustment the OOM Help Desk may consider adjustments at or near the ~~reasonable price~~ fair value plus (in the case of a buy-side error) or minus (in the case of a sell-side error) an amount up to and including the relevant "no bust" range for the e Contract.*

34. Trade Price Inside the "No Bust" Range

If ~~OMM~~ the Help Desk determines that the trade price of a ~~Questioned Trade~~ was inside the "no bust" range for the ~~relevant~~ Contract, the trade will stand and no further action will be taken unless a system failure is declared pursuant to paragraph D or violation of OneChicago rules under paragraph E. Parties are prohibited from agreeing to bust the trade.

45. Trade Price Outside the "No Bust" Range

If, based on relevant factors surrounding the ~~Questioned Trade~~, the ~~OOM Help Desk~~ determines that the trade price of a ~~Questioned Trade~~ was outside the "no bust" range, ~~OOM the Help Desk~~ will decide to either bust the trade or direct a price adjustment.

Absent extraordinary circumstances, the Questioned Trade will be adjusted rather than busted. If a trade is not adjusted or busted, the parties thereto cannot reverse ~~such the~~ trade, except as provided in Part B below. ~~The~~ Additionally, the parties to ~~any such the~~ trade may also not "trade out" of such trade by entering into a pre-arranged, offsetting transaction; *provided, however*, that the parties may engage in pre-execution discussions with each other in accordance with procedures established by the Exchange.\*

If the ~~Exchange's designated representative~~ Help Desk directs a price adjustment, such adjustment will either be (i) made by the ~~OOM~~ Help Desk canceling (busting) the original trade(s) and reentering the trade(s) at the adjusted price(s) or (ii) with a cash payment directly between the ~~members parties~~ on either side of the trade. In any case, the member(s) are responsible to and for their respective customers, if any, involved in the trade. In no event should participants take action to adjust the price or make cash payment without the knowledge and approval of ~~OOM the Help Desk~~.

#### *5.6. Contingency Orders Triggered by Busted Trade*

If contingency orders have already been triggered by a trade that is questioned pursuant to this policy, then the traders or customers on either side of the contingent trades must call the ~~OOM Help Desk~~ to request busting such trades no later than five minutes after ~~OOM the Help Desk~~ initially notified the market that the triggering trade was in question. The ~~OOM Help Desk~~ will apply the same "no bust" criteria to such contingency orders to decide whether to bust or adjust the resulting trades.

#### *6.7. Notice of Final Action*

As soon as a decision regarding a Questioned Trade has been made, ~~the~~ OOM Help Desk will disseminate a notice, indicating whether such trade has been busted, will stand or have its price adjusted.

#### *7. Reporting of Final Action*

~~In the event that any transaction described in Part A or Part B occurs outside the OneChicago system, the party responsible for the mistrade must report details of such transaction to OOM Help Desk in a manner acceptable to the Exchange.~~

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\* See Rule 614 and the OneChicago Policies on Block Trades, Pre-Execution Discussions and Cross Trades at <http://www.onechicago.com/wp-content/uploads/content2009/onechicago-policies-block-trades-pre-execution-discussions.pdf>

## **B. Reporting the Error Trades or Mistrades Later than Eight Minutes after the Trade**

This Part B applies only to any ~~error trade~~ Questioned Trade that cannot be busted or adjusted under Part A above because it was not brought to OOM's the Help Desk's attention within the eight-minute time limit in Part A.1 or the five-minute time limit in Part A.5. The procedures described in this Part B cannot be used if the trade price of the ~~error trade in question~~ Questioned Trade was within the "no bust" range for the relevant Contract at the relevant time.

### *1. Both Parties Agree to Adjust Price, Transfer Position and/or Restitution*

~~Both~~ If the parties to a Questioned Trade agree to a price adjustment, the Help Desk may make that adjustment on the trade date (top day). The Help Desk has no ability to adjust the price beyond the trade date.

The parties to a Questioned Trade may agree to transfer the entire position resulting from such trade between each other and/or make reasonable cash payment to compensate for any losses or costs directly incurred as result of the error. Any such transfer must be made for the same quantity as the original trade in the manner prescribed by the clearinghouse and must be reported to the OOM Help Desk in the manner acceptable for its records. In addition, both parties to an error trade a Questioned Trade may agree to make reasonable cash payment to compensate for any losses or costs caused by the error, but to retain the resulting futures positions. In no event should participants take action to adjust the price or Participants may make cash payment without the knowledge of OOM or transfer positions provided they notify the Help Desk within 24 hours of the payment or transfer.

### *2. Arbitration of Disputes*

If the parties to a Questioned Trade cannot agree to transfer the position and/or make cash restitution, then either party to the trade may file an arbitration claim against the ~~Registered Trading Privilege Holder representing other side~~. Written notice of such claim must be given to the National Futures Association ("NFA") and the OOM Help Desk not later than by the close of business on the Business Day immediately following the day on which such trade occurred. See OCX Rulebook Chapter 8.

## **C. Schedule of Administrative Fees**

The party responsible for the Questioned Trade may be required to pay an administration fee in accordance with the fee schedule published by ~~the Exchange~~ OCX.

## **D. System Failure**

If a OneChicago system failure or partial failure occurs, ~~OneChicago~~ the Help Desk may bust or adjust any trades that were affected by the failure or partial failure regardless of whether the price was ~~within~~ inside or outside of the "no bust" range. The OOM Help Desk will determine whether to bust or adjust any affected trades after reviewing all of the relevant facts and circumstances.

***E. Violations of OneChicago Rules***

OneChicago reserves the right, at its sole discretion, to bust or adjust any trades that are in violation of OneChicago Rules.

**[GO TO NEXT PAGE]**

Attachment B



Schedule of Administrative Fees for Trade Busts or Price Adjustments

For each bust or price adjustment made by the Help Desk, the party responsible for such bust or price adjustment shall pay OCX an administrative fee in the amount of \$500. The determination of the responsible party shall be made by the Help Desk and will be final. The fee may be waived, under extraordinary circumstances as determined in the sole discretion of the CEO or his delegee.

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