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OFC. OF THE SECRETARIAT

December 3, 2007

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

**RE: CME & CBOT Regulatory Advisories RA0701-3, RA0702-3,  
RA0703-3, RA0704-3 and RA0705-3 and  
CBOT Regulatory Advisories RA0701-1 and RA0702-01  
Submission No. 07-101**

Dear Mr. Stawick:

Chicago Mercantile Exchange Inc. ("CME") and the Board of Trade of the City of Chicago, Inc. ("CBOT"), and collectively the ("Exchanges"), hereby notify the Commission that the Exchanges have issued the following regulatory advisories to CME and CBOT members: CME & CBOT RA0701-3 ("Chapter 4 – Enforcement of Rules"), CME & CBOT RA0702-3 ("Rule 514"), CME & CBOT RA0703-3 ("Rule 533 and Rule 531"), CME & CBOT RA0704-3 ("Rule 532") and CME & CBOT RA0705-3 ("Rule 534"). In addition, CBOT RA0701-1 ("CBOT Rule 542 and CBOT Option Product Chapters") and CBOT RA0702-01 ("Rule 559") regulatory advisories were issued to CBOT members only. Copies of all seven regulatory advisories 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

<b>Exchange</b>	<b>CME &amp; CBOT</b>
<b>Subject</b>	<b>Disciplinary Committee Structure</b>
<b>Rule References</b>	<b>Chapter 4 – Enforcement of Rules</b>
<b>Advisory Date</b>	<b>December 3, 2007</b>
<b>Advisory Number</b>	<b>CME &amp; CBOT – RA0701-3</b>

Effective November 29, 2007, CME and CBOT adopted common rule language with respect to each exchange's **disciplinary committee structure and disciplinary processes**. This advisory presents an overview of the committee structure; the detailed rules may be found in Chapter 4 of each exchange's rulebook.

### **Probable Cause Committee (PCC)**

- Each exchange shall have a PCC that will act through a panel comprised of a chairman, three Exchange members or employees of member firms, and three non-members. The panel chairman may be a member or a non-member, and both exchanges will share a common pool of non-member panelists.
- The PCC reviews investigative reports prepared by the Market Regulation Department and is responsible for determining whether or not a reasonable basis exists for finding that a violation of exchange rules may have occurred which warrants disciplinary action. If so, the PCC shall issue appropriate charges. The PCC will not establish preliminary penalties, consider settlement offers or conduct hearings.

### **Business Conduct Committee (BCC)**

- Each exchange shall have a BCC that will act through a panel comprised of a chairman, three exchange members or employees of member firms, and three non-members. The panel chairman may be a member or a non-member, and both exchanges will share a common pool of non-member panelists.
- The BCC is responsible for the consideration of settlement offers and for conducting hearings in connection with charges issued by the PCC. The BCC is also responsible for conducting hearings on charges issued by the Clearing House Risk Committee.
- The BCC has broad sanctioning authority, including the ability to impose fines of up to \$1 million per violation, plus the amount of any benefit received as a result of the violation, and to impose suspensions of any length. The BCC may also expel a member.
- The BCC hears appeals of Floor Conduct Committee fines in excess of \$1,000.

### **Clearing House Risk Committee (CHRC)**

- There will be a single CHRC for both exchanges comprised of at least two co-chairmen, who shall be members of the Board, and at least seven additional individuals, five who shall be Clearing Member representatives and a least one who shall be a non-member.
- The CHRC is responsible for enforcing rules pertaining to the financial integrity of Clearing Members and also those pertaining to the business conduct of Clearing Members and their compliance with exchange rules that are not otherwise within the purview of the BCC.

- The CHRC may conduct investigations, issue charges and consider settlement offers on its own initiative or by referral from exchange staff, the PCC or the BCC.
- A panel of the CHRC is responsible for hearing appeals of administrative fines in excess of \$25,000 that are imposed pursuant to Rule 852 (“Fines for Errors, Delays and Omissions”).

#### **Floor Conduct Committee (FCC)**

- Each exchange shall have a FCC that will act through a panel comprised of a chairman and three additional members of the FCC. Following consolidation of the trading floors, the two exchanges’ committees will be replaced by a single committee.
- The FCC is responsible for conducting summary proceedings for alleged violations of Rule 514 (“Trading Infractions”), which addresses trading and decorum infractions, and may assess penalties of up to \$20,000.
- The FCC is responsible for resolving pit space disputes that are not resolved by the relevant Pit Committee.

#### **Appeals to a Hearing Panel of the Board of Directors**

- Appeals from decisions of the BCC are heard by a hearing panel of the Board of Directors. The Chairman of the Board shall appoint a Director to serve as the Appellate Panel Chairman and two additional Directors, including one non-member, to serve on the panel.
- A request for appeal must be made within 10 business days of the notice of the decision, and only decisions that impose a monetary sanction greater than \$10,000 and/or an access denial or suspension of any membership privileges for greater than five business days may be appealed.
- The Market Regulation Department may appeal any refusal by the PCC to issue charges that it requested or any decision of, or sanction imposed by, the BCC.
- The Appellate Panel may not set aside, modify or amend the appealed decision or the refusal to issue charges unless it determines that the decision or the refusal to issue charges 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.

#### **Additional Matters Pertaining to Chapter 4 Rules**

- CME and CBOT rules will not delineate rule violations as major or minor violations. The specific rules cited in the public disciplinary notice and the corresponding sanction will speak to the gravity of the disciplinary action.
- Investigative reports prepared by the Market Regulation Department will be privileged documents and therefore will not be discoverable by respondents or made available to the BCC.

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

Robert Sniegowski, Associate Director, 312.648.5493

Joseph Adamczyk, Director & Enforcement Counsel, 312.930.2379

Dean Payton, Managing Director & Chief Regulatory Officer, 312.435.3658

## MARKET REGULATION ADVISORY NOTICE

<b>Exchange</b>	<b>CME &amp; CBOT</b>
<b>Subject</b>	<b>Trading and Conduct Infractions</b>
<b>Rule References</b>	<b>Rule 514</b>
<b>Advisory Date</b>	<b>December 3, 2007</b>
<b>Advisory Number</b>	<b>CME &amp; CBOT – RA0702-3</b>

Effective November 29, 2007, CME and CBOT adopted common rule language related to trading and conduct infractions under each exchange's **Rule 514 ("Trading Infractions")**, and also adopted common procedures for the enforcement of violations of Rule 514.

Complaints regarding the following infractions may be initiated by members, by trading floor employees of members or member firms, or by exchange staff:

1. a bid or offer out of line with the market;
2. a bid or offer which tends to confuse other traders;
3. a trade through the existing bid or offer;
4. failure to confirm a transaction;
5. failure of a buyer and seller to properly notify the pit reporter of transaction prices in accordance with Rule 528 and/or failure to ascertain that such prices are properly recorded;
6. use of profane, obscene or unbusinesslike language on the trading floor;
7. use of undue force while on, entering or leaving the trading floor;
8. conduct which tends to confuse, distract, abuse or intimidate any Exchange employee;
9. conduct of an unbusinesslike nature;
10. failure to defer to a member who has clearly turned the market;
11. failure to indicate a quantity on a bid or offer; and
12. disseminating false, misleading or inaccurate quotes.

Charges for violations of Rule 514 may be issued by a member of the Pit Committee, by a member of the Floor Conduct Committee or by designated Market Regulation staff.

Upon the issuance of charges, a summary hearing on the charges will be conducted by a panel of the Floor Conduct Committee as soon as is practicable. The Floor Conduct Committee may issue a letter of warning or impose a fine of up to \$10,000 per offense, except that egregious violations of the conduct violations in 6 through 9 above may result in a fine of up to \$20,000. The maximum fine for any single issuance of charges is \$20,000. However, the Market Regulation Department may, at any time, refer matters that it deems egregious to the Probable Cause Committee.

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

Mark Silhavy, Senior Trading Floor Investigator, 312.930.4533

Robert Sniegowski, Associate Director, 312.648.5493

## MARKET REGULATION ADVISORY NOTICE

<b>Exchange</b>	<b>CME &amp; CBOT</b>
<b>Subject</b>	<b>Simultaneous Buy and Sell Orders for Different Beneficial Owners; Trading Against Customers' Orders Prohibited</b>
<b>Rule References</b>	<b>Rule 533 and Rule 531</b>
<b>Advisory Date</b>	<b>December 3, 2007</b>
<b>Advisory Number</b>	<b>CME &amp; CBOT – RA0703-3</b>

Effective November 29, 2007, CME and CBOT adopted common rule language related to the handling of simultaneous buy and sell orders for different beneficial owners in open outcry and electronic markets. Neither this advisory nor the rules referenced herein pertain to transactions on the electronic platform that involve pre-execution communications. CME and CBOT have unique rules in regard to such transactions which are separately addressed in each exchange's **Rule 539 ("Prearranged, Pre-Negotiated and Noncompetitive Trades Prohibited")**.

### **Open Outcry Markets**

Rule 533 ("**Simultaneous Buy and Sell Orders for Different Beneficial Owners**") allows for the direct crossing of 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 in the manner described in the preceding paragraph with a trade 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 has consented in writing within the previous 12 months to waive the application of Rule 531 ("**Trading Against Customers' Orders Prohibited**").

A floor broker who executes cross transactions or directly takes the other side of a customer order pursuant to these rules must complete a cross trade form which shows the date, product, floor broker, price, quantity and time of execution. The form may be obtained from the Floor Operations staff and the completed form must be presented to the Floor Operations staff member who approved the trade. Failure to accurately complete the cross trade form shall constitute a violation of the rule.

### **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 in the case of futures orders (including futures spreads) or for a minimum of 15 seconds in the case of options orders (including any spread with an option component).

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 in the case of futures orders (including futures spreads) or for a minimum of 15 seconds in the case of options orders (including any spread with an option component).

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 each of the orders is entered immediately upon receipt.

In accordance with Rule 531.B.4. ("Exceptions") a person may knowingly trade against his customer order for his own account, an account in which he has a direct or indirect financial interest, an account over which he has discretionary trading authority, or a proprietary account of his employer, only if the customer order has been entered immediately upon receipt and has first been exposed for a minimum of 5 seconds in the case of futures orders (including futures spreads) or for a minimum of 15 seconds in the case of options orders (including any spread with an option component).

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

Jennifer Baum, Associate Director, 312.341.3124

Robert Sniegowski, Associate Director, 312.648.5493

Kathleen Zaino, Associate Director, 312.930.2341

## MARKET REGULATION ADVISORY NOTICE

<b>Exchange</b>	<b>CME &amp; CBOT</b>
<b>Subject</b>	<b>Disclosing Orders Prohibited</b>
<b>Rule References</b>	<b>Rule 532</b>
<b>Advisory Date</b>	<b>December 3, 2007</b>
<b>Advisory Number</b>	<b>CME &amp; CBOT – RA0704-3</b>

Effective November 29, 2007, CME and CBOT adopted the following common rule language regarding the prohibition on the disclosure of orders.

### **Rule 532 (“Disclosing Orders Prohibited”)**

No person shall disclose another person's **order to buy or sell except to a designated Exchange official or the CFTC**, and no person shall solicit or induce another person to disclose order information. An order for pit execution is not considered public until it has been bid or offered by open outcry. No person shall take action or direct another person to take action based on non-public order information, however acquired. The mere statement of opinions or indications of the price at which a market may open or resume trading does not constitute a violation of this rule.

The entry of an order or the execution of a trade, either in the pit or on the electronic platform, based on the knowledge of an order that has not been bid or offered in the market is a violation of Rule 532.

CME and CBOT each have unique rules governing pre-execution communications in the context of trading on the electronic platform which are detailed in each exchange's **Rule 539 (“Prearranged, Pre-Negotiated and Noncompetitive Trades Prohibited”)**. **CME Rule 539, which permits pre-execution communications, subject to certain conditions, includes related prohibitions on disclosure.**

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

Jennifer Baum, Associate Director, 312.341.3124

Robert Sniegowski, Associate Director, 312.648.5493

Kathleen Zaino, Associate Director, 312.930.2341

## MARKET REGULATION ADVISORY NOTICE

<b>Exchange</b>	<b>CME &amp; CBOT</b>
<b>Subject</b>	<b>Wash Sales Prohibited</b>
<b>Rule References</b>	<b>Rule 534</b>
<b>Advisory Date</b>	<b>December 3, 2007</b>
<b>Advisory Number</b>	<b>CME &amp; CBOT – RA0705-3</b>

Effective November 29, 2007, CME and CBOT adopted common rule language with respect to Rule 534 (“**Wash Sales Prohibited**”). The rule is presented in its entirety below and applies to both open outcry and electronic trading.

### **Rule 534 (“Wash Sales Prohibited”)**

No person shall place for the same beneficial owner buy and sell orders for the same product and expiration month, and, for a put or call option, the same strike price, at or about the same time with the intent to avoid a bona fide market position exposed to market risk (transactions commonly known or referred to as wash sales). Buy and sell orders placed for the same beneficial owner in the same product and expiration month, and, for a put or call option, the same strike price, must be entered in good faith for the purpose of executing bona fide transactions that result in a change of ownership. Additionally, no person shall accept, execute or accommodate the execution of orders which are prohibited by this rule with knowledge of their character.

An FAQ document addressing common questions related to Rule 534 is attached to this document.

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

Jennifer Baum, Associate Director, 312.341.3124

Greg Benbrook, Associate Director, 312.930.4529

Robert Sniegowski, Associate Director, 312.648.5493



### **FAQ Related to Rule 534 ("Wash Sales Prohibited")**

**Q1- May a firm employee or floor broker accept buy and sell orders for simultaneous execution that are for the same account and for the same product and expiration month, or in the case of options, the same put or call option and strike price?**

A1- Rule 534 prohibits a person from placing, accepting or executing such orders if the person knows that the orders are for the same beneficial owner.

Rule 534 requires that all orders be entered in good faith for the purpose of executing bona fide transactions that result in a change of ownership. Opposing orders for the same account that are entered for simultaneous execution may be indicative of the person's intent to avoid the execution of bona fide transactions that result in bona fide positions exposed to market risk.

The CFTC has held that firms, firm employees and floor brokers may be found to have knowingly engaged in wash sales if they facilitate a wash result without having made sufficient inquiry as to the propriety of such orders prior to their execution. The failure of a firm employee or floor broker to undertake such inquiry may support an inference of knowing participation in wash sales.

**Q2- What steps must a person take to fulfill his duty to inquire about the propriety of such orders?**

A2- The firm employee and floor broker, working together or independently of each other, should determine if the orders are for the same beneficial owner. If the orders are for an omnibus account, they should determine whether the orders are for different customer accounts within the omnibus account. The firm employee or floor broker may also choose to obtain a written statement from the entity carrying the omnibus account that such orders are placed only for different customers within the omnibus account. While such steps generally will be sufficient to satisfy Exchange requirements, there may be circumstances in which the Exchange or the CFTC find these steps insufficient and in which the firm employee or floor broker would be expected to make further inquiries to determine whether the orders are acceptable.

If the buy and sell orders for simultaneous execution are determined to be for the same beneficial owner, Rule 534 prohibits the acceptance of these orders.

**Q3- Why does a floor broker have to make any inquiry into the placement of buy and sell orders for simultaneous execution as opposed to relying on the clearing firm to make that inquiry?**

A3- The CFTC has held that because a floor broker is prohibited from knowingly participating in wash sales, he has an independent duty to inquire as to the propriety of such orders. (See, for example, *In the Matter of Three Eight Corporation*.)

It is not clear that the CFTC would find that the floor broker met his obligations in this regard if he asks the clearing member representing the orders whether the orders are legally permissible and simply accepts the response of the clearing member representative. There may be circumstances which would require a floor broker to go beyond mere acceptance of the clearing member's assertion and take additional steps to ensure that the orders in question do not violate the prohibition on wash sales.

**Q4- If a firm employee or floor broker cannot assure himself that buy and sell orders for the same account are for different beneficial owners, what should he do?**

A4- The firm employee or floor broker may refuse to accept the orders. If the orders are accepted, and assuming the parties have no knowledge of improper customer intent, regulatory risk may be mitigated by ensuring that there is a reasonable interval between the entry and execution of each order. In either case, the clearing member or floor broker should report the situation to the Market Regulation Department.

**Q5- May a firm employee or floor broker accept a person's instruction directing that his position be liquidated and then re-established (i.e. freshening of position dates)?**

A5- Provided that the customer does not require that the liquidation and re-establishment of the position be executed simultaneously, such orders may be accepted.

Note that CME Rule 807, Open Long Positions During Delivery Month, states that beginning on the day following the first day on which longs may be assigned delivery, all purchases and sales made in one day in the expiring contract by a person holding a long position in that contract must first be netted out as day trades with only the excess buys considered new longs or the excess sales being offsets of the long position. CBOT Rule 807 does not have a similar restriction regarding the freshening of dates during the delivery period. However, all such trades must be bona fide transactions executed competitively in the market and without prearrangement.

**Q6- In the event buy and sell orders for the same account are entered for a legitimate purpose, how should a firm employee or floor broker execute such orders in a manner consistent with the rules?**

A6- In the open outcry market, the buy and sell orders should be time-stamped immediately upon receipt. One of the orders should then be entered into the pit, executed and time-stamped out prior to submitting the second order to the pit. The second order should be time-stamped again when it is submitted to the pit. This methodology will ensure that the orders are not executed opposite each other, and the accurate time-stamping will provide evidence that the orders were not entered for simultaneous execution.

In the electronic market, one of the orders should be entered on the electronic trading platform and executed in full prior to the entry of the second order. A written and time stamped record of the second order will be required because it was not entered on the electronic platform immediately upon receipt. This again 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 either the open outcry or electronic 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 match with each other, the result would be a transaction without a change of ownership and may be deemed an illegal wash sale irrespective of the fact that the orders were entered at different times.

A floor broker who executes such orders by buying and selling opposite the same party at the same price, or nearly the same price, may also be found to have violated the prohibition on wash sales. Similarly, a person who knowingly accommodates the execution of such trades may be found to have violated the prohibition on wash sales.

**Q7- Is it acceptable for a firm employee to give both the buy order and the sell order to the same floor broker on a “DRT” basis?**

A7- If the floor broker executes the orders simultaneously or nearly simultaneously, it is possible that the firm, its employee and the floor broker will be the subject of an enforcement action brought by either the CFTC or the Exchange.

The entry of buy and sell orders for the same account, coupled with discretion over the timing, may be viewed as an implicit request to the floor broker to negate the customer’s market risk by directly or indirectly crossing the orders. The fact that the trade is not pre-arranged and is executed competitively may not protect the parties from liability if the execution of the orders produces a wash result.

**Q8- May a person or firm employee enter buy and sell orders for the same account if the buy and sell orders are given to different firms or to different floor brokers for execution?**

A8- The potential for liability 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 there was intent to execute a prohibited wash sale.

**Q9- Under what circumstances does trading with oneself on the electronic platform violate exchange rules regarding wash sales?**

A9- Rule 534 provides that buy and sell orders for the same beneficial owner must be entered in good faith for the purpose of making bona fide transactions that result in a change of ownership. Thus, it is a violation of 534 for a market participant to enter an order on the electronic system that he knew or should have known would match with a resting order on the other side of the market for the same beneficial ownership. Generally, an unintentional and incidental matching of buy and sell orders for the same beneficial owner will not be considered a violation of Rule 534. However, active traders who frequently enter orders on opposing sides of the market which may have a tendency to cross are strongly encouraged to employ functionality designed to minimize or eliminate their buy and sell orders from matching with each other.

**Q10- Is it considered a violation of Rule 534 if orders that are independently initiated by different proprietary traders within the same firm match against each other?**

A10- It is recognized that certain firms have proprietary trading operations in which various traders making fully independent trading decisions enter orders for the same beneficial owner (the firm’s proprietary account) that coincidentally match with each other in the market. If the orders are entered without prearrangement and were not otherwise intended to match with each other, such trades are not considered to be in violation of Rule 534. Firms should have and enforce policies to preclude affiliated traders trading for the same beneficial account who have knowledge of one another’s orders from knowingly trading opposite one another’s orders.

**Q11- Is it considered a violation of Rule 534 if orders initiated for the same beneficial account by one or more automated trading systems match against each other?**

A11- If different automated trading algorithms for the same trading entity are operating in the same instrument and potentially may trade with one another, each such algorithm should be identified with a unique operator id (also called a Tag 50 id) tied to the individual or team of individuals that operate the system/algorithms. While it is not prohibited to run potentially conflicting algorithms simultaneously, if such trades cause price or volume aberrations, or occur frequently, the trading may be subject to particular scrutiny and may be deemed to violate Rule 534. Market participants are responsible for monitoring their automated trading systems and for employing trading

algorithms that minimize the potential for the execution of transactions that do not involve a change in ownership.

## MARKET REGULATION ADVISORY NOTICE

<b>Exchange</b>	<b>CBOT</b>
<b>Subject</b>	<b>Cabinet Transactions in Option Products</b>
<b>Rule References</b>	<b>CBOT Rule 542 and CBOT Option Product Chapters</b>
<b>Advisory Date</b>	<b>December 3, 2007</b>
<b>Advisory Number</b>	<b>CBOT RA0701-1</b>

Effective November 29, 2007, CBOT amended its rules related to cabinet transactions. A cabinet trade is an option trade executed in a deep out-of-the-money option at a premium value less than the standard minimum tick. Each option product chapter defines the standard minimum tick increment and the allowable cabinet increments applicable to that product. For example, the standard minimum tick in Five-Year Treasury Note options is 1/64 of one point (\$15.625), and a cabinet trade in Five-Year Treasury Note options may be executed at a premium ranging from Cab1 (\$1.00) to Cab15 (\$15.00) in \$1.00 increments per option contract. On the electronic trading system, cabinet transactions may occur only at Cab1 (\$1.00).

The amended product chapter rules permit the execution of cabinet transactions to initiate or to liquidate a position. Previously, CBOT rules allowed cabinet transactions for liquidating purposes only.

Additionally, amended CBOT Rule 542 ("**Simultaneous** Spread and Combination Transactions") **permits** spread or combination transactions involving cabinet options only if the traded price of the spread or combination is an acceptable cabinet increment, as defined for the particular option, or one standard tick.

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

Jennifer Baum, Associate Director, 312.341.3124

Robert Sniegowski, Associate Director, 312.648.5493

Dean Payton, Managing Director & Chief Regulatory Officer, 312.435.3658

## MARKET REGULATION ADVISORY NOTICE

<b>Exchange</b>	<b>CBOT</b>
<b>Subject</b>	<b>Position Limits in Treasury Futures During Last Ten Trading Days</b>
<b>Rule References</b>	<b>Rule 559</b>
<b>Advisory Date</b>	<b>December 3, 2007</b>
<b>Advisory Number</b>	<b>CBOT RA0702-1</b>

The relevant CBOT Treasury futures product chapters establish position limits in CBOT Treasury futures contracts that are applicable during the last ten trading days of an expiring contract. The position limits for each contract and the relevant dates for the expiring December 2007 contracts are detailed in the table below:

<b>December 2007 Contract</b>	<b>Position Limit During Last Ten Trading Days</b>	<b>Effective Date (by close of business on)</b>
Treasury Bonds	25,000 contracts	December 5, 2007
Ten-Year Treasury Notes	60,000 contracts	December 5, 2007
Five-Year Treasury Notes	45,000 contracts	December 14, 2007
Two-Year Treasury Notes	25,000 contracts	December 14, 2007

No hedge exemptions are permitted.

### **Aggregation Standards for Treasury Futures Position Limits**

Pursuant to CBOT Rule 559 ("Position Limits and Exemptions"), in determining compliance with these limits, all positions in accounts for which a person by power of attorney or otherwise directly or indirectly holds positions or controls trading, except as set forth below, shall be included with the positions held by the person. The limits upon positions also apply to positions held by two or more persons acting pursuant to an expressed or implied agreement or understanding, the same as if the positions were held by, or the trading of the positions were done by, a single person.

An eligible entity, as defined in CFTC Regulation §150.1(d), will not be considered to have violated the position limits based on positions established on its behalf by one or more independent account controllers, as defined in CFTC Regulation §150.1(e), if each such account controller does not exceed the Treasury futures position limits. If an independent account controller is affiliated with the eligible entity or another independent account controller, each of the affiliated entities must:

- 1) Have and enforce written procedures to preclude the affiliated entities from having knowledge of, gaining access to, or receiving data about, trades of the other. Such procedures must include document routing, and other procedures or security arrangements, including separate physical locations, which would maintain the independence of their activities. However, such procedures may provide for the disclosure of information which is reasonably necessary for an eligible entity to maintain the level of control consistent with its fiduciary responsibilities and necessary to fulfill its duty to supervise diligently the trading done on its behalf;
- 2) Trade such accounts pursuant to separately developed and independent trading systems;
- 3) Market such trading systems separately; and
- 4) Solicit funds for such trading by separate Disclosure Documents that meet the standards of CFTC Regulations §4.24 or §4.34, as applicable, where such documents are required.

Additionally, Treasury futures positions carried in independently controlled accounts owned by different legal entities, irrespective of whether the entities qualify as eligible entities, may exceed the position limits provided that affiliated legal entities meet the independence standards specified above and provided that the overall positions held or controlled by each such independent account controller do not exceed the limits.

CBOT Rule 560 ("Position Accountability") which establishes position accountability for Treasury futures contracts also applies to these contracts.

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

William Lange, Manager, 312.648.3727

Anthony Zangrilli, Analyst, 312.648.3706

Jerry O'Connor, Associate Director, 312.930.3256